



Annual  
Report  
2020



ABN 72 088 749 008

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

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Directors	<p>Tim Storey - Non-Executive Chairman Daniel Kleijn - Executive Director, Managing Director Anthony Murphy - Non-Executive Director David Wattel - Non-Executive Director</p>
Company secretary	Andrew Palfreyman
Registered office	<p>Suite 2, Level 16 56 Pitt Street Sydney NSW 2000 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430</p>
Share register	<p>Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000 Tel: 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) Fax: +61 2 9287 0303</p>
Auditor	<p>Stantons International Level 36, Gateway 1 Macquarie Place Sydney NSW 2000</p>
Solicitors	<p>Corrs Chambers Westgarth Level 17 8-12 Chifley Square Sydney NSW 2000</p> <p>Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000</p>
Stock exchange listing	LawFinance Limited shares are listed on the Australian Securities Exchange (ASX code: LAW)
Website	<a href="http://www.lawfinance.com.au">www.lawfinance.com.au</a>
Corporate Governance Statement	<p>The directors and management are committed to conducting the business of LawFinance Limited in an ethical manner and in accordance with the highest standards of corporate governance. LawFinance Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, was approved by the Board of Directors at the same time as the Annual Report and can be found at <a href="http://www.lawfinance.com.au/investorcentre/governance/">http://www.lawfinance.com.au/investorcentre/governance/</a></p>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of LawFinance Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2020.

### Directors

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

Tim Storey  
Anthony Murphy  
David Wattel  
Daniel Kleijn (appointed on 8 December 2020)  
Diane Jones (resigned on 8 December 2020)

### Nature of operations and principal activities

The Group has developed into a diversified provider of financing solutions for law firms. During the financial year the principal activities of the Group consisted of:

- Medical lien funding;
- Disbursement funding; and
- Litigation funding, now classified as discontinued operations, and is being sold (subject to shareholder approval).

#### Medical lien funding

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

Established in 1999, the NHF business is an Arizona-based medical lien funding business providing funding in 22 states in the United States. The medical liens purchased generally relate to the provision of medical services to individuals involved in motor vehicle accidents where the services are required due to an injury sustained in the accident and where those individuals were the not-at-fault party. This business was purchased by the Group on 28 September 2018.

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

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

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

- an appropriate discount is negotiated with the medical provider when purchasing each medical lien or letter of protection. On average NHF pays around 30% of the face value of the relevant invoice;
- the law firm progresses the case within normal parameters. On average NHF's cases are completed within 37 months; and
- an appropriate amount for the medical lien is paid from each case settlement. On average NHF collects around 48% of the face value of a medical lien when the applicable case concludes.

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

#### Disbursement funding

The disbursement funding division operates in Australia and is referred to as 'JustKapital Finance'.

JustKapital Finance provides finance to law firms to fund the legal disbursements required to progress the claims of their clients and which the client generally cannot fund themselves. The deferred payment structure offered by JustKapital Finance addresses the immediate and growing demand where the client or firm cannot, or may not be willing to, fund disbursements directly. JustKapital Finance does not fund the legal fees related to the case. JustKapital Finance pays the disbursements directly, charges a standardised mark-up and immediately invoices the law firm once the disbursements are paid. The JustKapital Finance invoice becomes payable upon completion of the underlying case, which on average is in about 28 months' time. Discounts may be provided to the invoiced cost if the case concludes quickly or in other exceptional circumstances. The key business driver of the disbursement funding business is to ensure that the client law firm progresses the case within normal parameters. In any given financial period, the profitability of the disbursement funding business is dependent upon revenue and discount levels. Legislative, regulatory, judicial, policy changes, and additional competition may have an impact on future profitability.

#### Litigation funding

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

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 to Legal Equity Partners Pty Limited ('LEP'), 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 financial reporting, management has assumed the value of the conditional component of the sales proceeds to have nil value. Management is in the process of satisfying conditions precedent under the sale agreement including holding an Extraordinary General Meeting ('EGM') for shareholders to approve the transaction. Grant Thornton had prepared an Independent Expert's Report which has concluded the transaction to be fair and reasonable.

As announced to the market on 24 March 2021, the EGM which had been convened for 29 March 2021, for Shareholders to consider their approval of the transaction, was postponed. The decision to postpone the EGM was made following the Group being informed that one of the litigation cases where JustKapital Litigation Pty Ltd is a co-funder has had a material positive development, after a US federal jury decided that the plaintiff should be paid a sum higher than initially anticipated. The defendant has made statements to the media that it is disappointed with the ruling and that it would appeal.

The Directors and Grant Thornton are assessing whether the development affects their recommendation that the sale transaction is fair and reasonable. The Group and LEP have extended the deadline for completing the sale (following satisfaction of conditions precedent) until 30 April 2021. The Group is currently in discussions with LEP regarding potential variations to the commercial terms of the sale agreement, in light of the developments. Once this process is concluded the Directors will circulate updated materials to shareholders (if required) and advise the new date for the EGM.

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.

Management has made provisions to the carrying value of litigation funding assets to reflect the terms of the sale agreement with LEP.

#### Dividends

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

## Review of operations

At the commencement of this financial year, the Group was well positioned to execute its strategic plan. The foundation of the plan was the completion of its financial restructuring through various capital raising initiatives and through the conversion of debt to equity. The restructuring had been announced on 24 December 2019. The financial restructuring initiatives were approved by shareholders at an extraordinary general meeting held on 10 March 2020. The initiatives resulted in the issuance of a total of 404,869,578 new shares and the reduction of \$50,481,000 in debt in the period. These initiatives were undertaken to reduce the overall debt levels and to enable the Group to take advantage of growth opportunities, particularly for the NHF business.

On 11 March 2020, Coronavirus was declared a pandemic by the World Health Organisation ('COVID-19 pandemic'). At the onset of the pandemic the Directors took immediate and decisive action. The Directors agreed to a full salary deferral for a minimum of three months, key management personnel agreed to salary deferrals of between 25% and 50%, a third of the workforce was dismissed, deferred payment arrangements were structured with creditors and standstill arrangements were negotiated with the Group's financiers. This decisive action has ensured that the Group could continue to operate during the pandemic, albeit on a smaller scale.

### *National Health Finance ('NHF')*

In the United States ('U.S.') court activity has slowed dramatically since the COVID-19 outbreak, and cases have not been able to move through the system in the normal manner, thereby extending case settlement timeframes. Motor vehicle insurers have taken advantage of the situation to delay settlement discussions and make payments unless the victim is willing to accept discounts. This has had a material impact on cash collections. As a result, our cash flow from collections in the U.S. are down from our expectations for 2020.

### *JustKapital Finance ('JKF')*

JKF, the Australian disbursement funding business, collected on receivables throughout the year consistently with expectations. However, JKF issued significantly fewer loans during 2020 as a result of the COVID-19 pandemic and debt funding challenges.

## Significant changes in the state of affairs

### *Strategic review, management changes and turnaround plans*

Despite the actions taken by the Directors in response to the impacts of the COVID-19 pandemic they were insufficient to ensure that the cashflows generated by the business could fund operations of the business and meet the financing obligations of the Group, particularly in respect of its Corporate Debt facilities.

The Directors' commenced a strategic review of the Group in September 2020, and engaged Deloitte Financial Advisory Pty Ltd ('Deloitte') to support management in this review and to work closely with its Lenders under the defaulted secured Syndicated Acquisition Facility ('SAF').

On 9 December 2020, the Directors announced to the market the appointment of new executives Daniel Kleijn (CEO) and Phil Smith (CFO), who would be responsible for developing and delivering the Group's turnaround. The Group's turnaround plans are comprised of its Restructuring and Recapitalisation plan ('RP'), and strategic Value Creation Plans ('VCP').

Simultaneously with the changes to the executive management team, the Group undertook and completed a A\$5 million Share Placement which was announced to the market on 11 December 2020. This placement was strongly supported by existing shareholders and new investors which included the largest lenders under the Syndicated Acquisition Facility. This A\$5m capital injection provided the required liquidity funding to develop Turnaround Plans and implement the RP.

The Group is in the process of implementing its RP, which has three key components. The RP is designed to reset the Group's capital and funding structures to provide the Group the required platform to pursue its VCP. The following three components of the RP are inter-related, and as such are being negotiated and pursued simultaneously on an inter-conditional basis

- (1) Obtain a new NHF Front Book finance facility in order to refinance Atalaya and support strategic growth plans for the NHF business;
- (2) Restructure Corporate Debt Facilities including the conversion of a substantial portion of corporate debt to the equity (shares) of the Group; and
- (3) Raising sufficient new equity capital to fund operations and support the implementation of the VCP.

There were no other significant changes in the state of affairs of the Group during the financial year.

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

(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 financial reporting, management has assumed the value of the conditional component of the sales proceeds to have nil value. Management is 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 Expert's Report ('IER') which had concluded the transaction to be fair and reasonable and in the best interest of shareholders. This IER is currently being updated based on recent positive developments, as announced to the market on 24 March 2021. The terms of the agreement are being reconsidered in parallel with Grant Thornton's work. The Extraordinary General Meeting to obtain shareholder approval for the transaction has been postponed until further notice.

(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 of A\$2-3 million subject to their own internal periodic reviews. 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. There are continuing defaults under the Receivables Purchase Agreement which the borrower is seeking to resolve.

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.

### Environmental regulation

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

### Information on directors

Name:	Tim Storey
Title:	Non-Executive Chairman, Non-Executive Director
Experience and expertise:	Tim holds a number of directorships in various private and public companies. He is a barrister and solicitor and was a partner at one of New Zealand's premier law firms through to 2006 and has practised in both Australia and New Zealand, focusing on corporate, commercial and property transactions. He is a member of the Institute of Directors (NZ) and the Financial Services Institute of Australasia.
Other current directorships:	Chairman of Stride Property Group (NZX: SPG) and Director of Investore Property Limited (NZX: IPL).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration and Nominations Committee and Chairman of the Audit and Risk Committee
Interests in shares:	7,263,315 ordinary shares
Interests in options:	Nil options/warrants over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

Name:	Anthony Murphy
Title:	Non-Executive Director
Experience and expertise:	Anthony is the Chief Executive Officer of Lucerne Investment Partners and is responsible for overseeing and leading both Group strategy and ongoing management at Lucerne Investment Partners. Anthony founded and led the Australian Wealth Management business at Canaccord Genuity – a global investment bank. Anthony holds a Bachelor of Economics and Bachelor of Commerce degrees from Australian National University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nominations Committee and member of the Audit and Risk Committee
Interests in shares:	5,636,250 ordinary shares
Interests in options:	Nil options/warrants over ordinary shares
Interests in rights:	Nil performance rights over ordinary shares

Name: David Wattel  
 Title: Non-Executive Director (resigned as Executive Director 1 December 2020)  
 Experience and expertise: David graduated from the University of Illinois in 1984 with a degree in economics before obtaining his Juris Doctor (JD) in 1988 from Arizona State University College of Law. He has practiced personal injury law ever since graduating. He founded Wattel & York; a multi-state personal injury and medical malpractice law firm. He speaks at numerous conferences in the area of personal injury and litigation. David has been actively managing and overseeing the growth of NHF.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: None  
 Interests in shares: 107,548,701 ordinary shares  
 Interests in options: 61,431,818 warrants over ordinary shares; 35,750,000 options over ordinary shares  
 Interests in rights: Nil performance rights over ordinary shares

Name: Daniel Kleijn (appointed on 8 December 2020)  
 Title: Chief Executive Officer, Managing Director  
 Experience and expertise: Prior to joining LawFinance Limited, Daniel was a Managing Director at Lazard and UBS. Daniel has a Master of Economics from the University of Groningen in the Netherlands and is a mentor to CEOs of charities.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: None  
 Interests in shares: Nil ordinary shares  
 Interests in options: Nil options/warrants over ordinary shares  
 Interests in rights: Nil performance rights over ordinary shares

Name: Diane Jones (resigned on 8 December 2020)  
 Title: Former Chief Executive Officer and Executive Director  
 Experience and expertise: Prior to joining LawFinance Limited in 2016, Diane was the Chief Operating Officer, Chief Financial Officer and Company Secretary of Australia's largest litigation funder IMF Bentham Limited (ASX: IMF).

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: None

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

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

### **Company secretary**

Andrew Palfreyman was appointed Company Secretary on 18 February 2021. Andrew is a corporate lawyer and company secretary within the Automic Group, a professional services company providing company secretarial, legal, registry and accounting services to Australian entities. He provides legal counsel, company secretarial and corporate compliance advice to listed and private companies. He was admitted to the Supreme Court of NSW as a practising solicitor in 2018.

The previous Company Secretary was Dean Jagger who resigned from the position on 18 February 2021.

## Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 31 December 2020, and the number of meetings attended by each director were:

	Full Board Attended	Full Board Held
Tim Storey	4	4
Anthony Murphy	4	4
David Wattel	4	4
Daniel Kleijn	-	-
Diane Jones	4	4

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

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

## Remuneration report (audited)

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

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

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

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

## Details of the KMPs

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

Name	Title
<i>Non-Executive Directors</i>	
Tim Storey	Non-Executive Chairman, Non-Executive Director
Anthony Murphy	Non-Executive Director
David Wattel	Non-Executive Director (Former Chief Executive Officer – NHF and Executive Director – resigned 1 December 2020)
<i>Executive Directors</i>	
Daniel Kleijn	Chief Executive Officer, Managing Director (appointed 8 December 2020)
Diane Jones	Former Chief Executive Officer and Executive Director (resigned 8 December 2020)
<i>Senior Executives</i>	
Anthony Hersch	Chief Operating Officer
Phil Smith	Chief Financial Officer (appointed 8 December 2020)
Craig Beaton	Head of Reporting and Compliance, Former Chief Financial Officer
Sarika Merchant	Former Chief Financial Officer – NHF (resigned 31 July 2020)
Richard Cruz	Chief Operating Officer - NHF

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

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

Due to the size and composition of the Board, the responsibilities of the R&NC continued to be performed by the full Board during the financial year ended 31 December 2020. Therefore, during the financial year ended 31 December 2020 the Board was responsible for the following in relation to the remuneration policy and practices of the Group:

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

### Remuneration policy

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

During the financial year ended 31 December 2020, the Board's policy for determining the nature and amount of remuneration for KMP of the Group was approved by the Board prior to the financial year ended 31 December 2020. This is detailed below:

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

### Non-executive directors remuneration

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

### Non-executive directors fees

Role	US\$
Chairman	80,630
Non-executive director	57,593

ASX listing rules require the aggregate non-executive director remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 30 November 2011, where the shareholders approved a maximum annual aggregate remuneration of US\$230,370 (A\$300,000).

### Executive remuneration

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

### Fixed remuneration

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

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

#### *Variable remuneration*

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

The variable component is delivered in two parts:

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

The STIP is a discretionary annual bonus payment available to participants who are senior executives of the Company and is based on a percentage (up to 30% for the financial year ended 31 December 2020, with a further 15% stretch at the discretion of the Board) of the senior executive participant's total fixed remuneration ('TFR'), payable in cash or ordinary shares of the Company at the discretion of the Board.

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

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

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

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

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

#### *Use of remuneration consultants*

During the financial year ended 31 December 2020, the Board engaged HRascent to review and advise on KMP remuneration, for both directors and senior executives. The advice is continuing and no fees were paid to HRascent during the financial year.

#### *Voting and comments made at the Company's 2020 Annual General Meeting ('AGM')*

At the 2020 AGM held on 29 July 2020, 96.44% of the votes received supported the adoption of the remuneration report for the financial period ended 31 December 2019.

*Details of remuneration*

*Amounts of remuneration*

Remuneration for the year 1 January 2020 to 31 December 2020.

		Short-term benefits		Post- employe- ment benefits	Long-term benefits	Share- based payments	
	Salary and fees US\$	EIP and bonuses US\$	Non- monetary US\$	Super- annuation US\$	Long ser- vice leave US\$	Equity- settled US\$	Total US\$
<b>31 Dec 2020</b>							
<i>Executive Directors:</i>							
David Wattel (i)	201,266	-	-	-	-	-	201,266
Daniel Kleijn (ii)	22,447	-	-	1,021	-	-	23,468
Diane Jones (iii)	365,070	-	-	14,494	-	-	379,564
<i>Non-Executive Directors:</i>							
Tim Storey (iv)	72,462	-	-	-	-	-	72,462
Anthony Murphy (v)	47,268	-	-	4,491	-	-	51,759
<i>Other KMP:</i>							
Anthony Hersch	251,201	-	-	14,494	-	-	265,695
Phil Smith (vi)	11,182	-	-	1,062	-	-	12,244
Craig Beatton	156,210	-	-	14,594	-	-	170,804
Sarika Merchant (vii)	284,454	-	-	-	-	-	284,454
Richard Cruz	263,215	-	-	-	-	-	263,215
	<u>1,674,775</u>	<u>-</u>	<u>-</u>	<u>50,156</u>	<u>-</u>	<u>-</u>	<u>1,724,931</u>

- (i) Represents remuneration from 1 January 2020 to 1 December 2020. David resigned as an Executive Director on 1 December 2020 but continues as a Non-Executive Director. He was not paid any Directors Fees as a Non-Executive Director during the current year.
- (ii) Represents remuneration from 8 December 2020 to 31 December 2020.
- (iii) Represents remuneration from 1 January 2020 to 31 December 2020. Diane resigned as Chief Executive Officer and Executive Director on 8 December 2020 and is currently serving out her Notice Period to 30 June 2021.
- (iv) Prolex Limited, an entity associated with Tim Storey, was paid US\$72,462 (A\$105,000) for directors' fees. A\$50,000 of these directors' fees have been accrued and are yet to be paid.
- (v) Of the total of US\$51,759 (A\$75,000), A\$56,250 has been accrued and is yet to be paid.
- (vi) Represents remuneration from 8 December 2020 to 31 December 2020.
- (vii) Represents remuneration as Chief Financial Officer – NHF from 1 January 2020 to 31 July 2020 of US\$217,977 and remuneration as a consultant (charged on an hourly basis) from 1 August 2020 to 31 December 2020 of US\$66,477.

Remuneration for the year 1 January 2019 to 31 December 2019.

		Short-term benefits		Post- employe- nt benefits	Long-term benefits	Share- based payments	
	Salary and fees US\$	EIP and bonuses US\$	Non- monetary US\$	Super- annuation US\$	Long ser- vice leave US\$	Equity- settled US\$	Total US\$
<b>31 Dec 2019</b>							
<i>Executive Directors:</i>							
David Wattel	400,000	1,882	-	-	-	-	401,882
Diane Jones	368,421	122,869	-	14,457	-	-	505,747
<i>Non-Executive Directors:</i>							
Tim Storey (i)	73,095	-	-	-	-	-	73,095
Anthony Murphy	47,681	-	-	4,530	-	-	52,211
<i>Other KMP:</i>							
Anthony Hersch	229,193	51,166	-	14,457	-	-	294,816
Craig Beaton	143,043	20,884	-	13,589	-	-	177,516
Sarika Merchant	274,748	36,882	5,149	-	-	-	316,779
Richard Cruz	230,000	51,882	5,842	-	-	-	287,724
	<u>1,766,181</u>	<u>285,565</u>	<u>10,991</u>	<u>47,033</u>	<u>-</u>	<u>-</u>	<u>2,109,770</u>

(i) Prolex Limited, an entity associated with Tim Storey, was paid US\$73,095 for directors fees.

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

	Fixed remuneration		Performance related - STIP		Performance related - LTIP	
Name	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
<i>Executive Directors:</i>						
David Wattel	100%	99%	-	1%	-	-
Daniel Kleijn	100%	-	-	-	-	-
Diane Jones	100%	76%	-	24%	-	-
<i>Non-executive Directors:</i>						
Tim Storey	100%	100%	-	-	-	-
Anthony Murphy	100%	100%	-	-	-	-
<i>Other KMP:</i>						
Anthony Hersch	100%	83%	-	17%	-	-
Phil Smith	100%	-	-	-	-	-
Craig Beaton	100%	88%	-	12%	-	-
Sarika Merchant	100%	88%	-	12%	-	-
Richard Cruz	100%	82%	-	18%	-	-

### Service agreements

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

Name:	Tim Storey
Title:	Non-Executive Chairman, Non-Executive Director
Agreement commenced:	1 April 2015
Term of agreement:	Ongoing
Details:	Tim is paid a gross salary of US\$80,600 (A\$105,000) per annum.

Name: Anthony Murphy  
Title: Non-Executive Director  
Agreement commenced: 31 October 2017  
Term of agreement: Ongoing  
Details: Anthony is paid a gross salary of US\$57,593 (A\$75,000) per annum inclusive of superannuation.

Name: David Wattel  
Title: Non-Executive Director (resigned as Executive Director 1 December 2020)  
Agreement commenced: 28 September 2018  
Term of agreement: Ongoing  
Details: David was paid a gross salary of US\$400,000 per annum until 1 May 2020, reduced to \$240,000 per annum until 1 December 2020. During the current year, David was not paid a salary from 10 March 2020 to 30 June 2020. Notice period is 1 month by NHF, or 3 months by the employee. David's remuneration structure from 1 January 2021 is yet to be finalised, but will be linked exclusively to performance metrics, as outlined in the Company's market announcement on 9 December 2020.

Name: Daniel Kleijn  
Title: Chief Executive Officer, Managing Director  
Agreement commenced: 8 December 2020  
Term of agreement: Ongoing  
Details: Daniel is paid a gross salary of US\$441,543 (A\$575,000) per annum inclusive of superannuation. Notice period is 6 months by either party.  
Daniel will be eligible to participate in STI arrangements offered by LAW from time to time commencing in the 2021 Financial (calendar) year. Daniel will be entitled to up to 75% of his fixed remuneration in the 2021 financial year.  
Daniel will be eligible to participate in LTI arrangements offered by LAW from time to time. Upon joining LAW, Daniel will be offered a grant of options to acquire 45,833,333 LAW shares with a strike price of A\$0.049. The options will vest 3 years from the date of grant and be exercisable for a 1 year period after they vest. These options have an approximate value of A\$412,500. In the 2021 financial year, Daniel will be offered a grant of options to acquire LAW shares, with a minimum value of A\$412,500. Further details regarding these awards will be determined in the future by LAW, but the terms relating to vesting and exercise of these options will be consistent with those granted to other LAW executives.

Name: Diane Jones  
Title: Former Chief Executive Officer and Executive Director (resigned 8 December 2020)  
Agreement commenced: 15 March 2016  
Term of agreement: Not applicable  
Details: Diane is paid a gross salary of US\$422,345 (A\$550,000) per annum inclusive of superannuation. She is currently serving her Notice Period, which expires 30 June 2021.

Name: Anthony Hersch  
Title: Chief Operating Officer  
Agreement commenced: 18 April 2016  
Term of agreement: Ongoing  
Details: Anthony is paid a gross salary of US\$230,370 (A\$300,000) (US\$295,642 (A\$385,000) to 31 December 2020) per annum inclusive of superannuation. Notice period is 3 months.

Name:	Phil Smith
Title:	Chief Financial Officer
Agreement commenced:	8 December 2020
Term of agreement:	Ongoing
Details:	Phil is paid a gross salary of US\$230,370 (A\$300,000) per annum inclusive of superannuation. Notice period is 3 months by the Company or 6 months by the employee. Phil will be eligible to participate in STI arrangements offered by LAW from time to time commencing in the 2021 Financial (calendar) year. Phil will be entitled to up to 75% of his fixed remuneration in the 2021 financial year. Phil will be eligible to participate in LTI arrangements offered by LAW from time to time. Upon joining LAW, Phil will be offered a grant of options to acquire 25,000,000 LAW shares with a strike price of A\$0.049. The options will vest 3 years from the date of grant and be exercisable for a 1 year period after they vest. These options have an approximate value of A\$225,000. In the 2021 financial year, Phil will be offered a grant of options to acquire LAW shares, with a minimum value of A\$225,000. Further details regarding these awards will be determined in the future by LAW, but the terms relating to vesting and exercise of these options will be consistent with those granted to other LAW executives.
Name:	Craig Beatton
Title:	Head of Reporting & Compliance (Chief Financial Officer until 8 December 2020)
Agreement commenced:	9 September 2016
Term of agreement:	Ongoing
Details:	Craig is paid a gross salary of US\$153,580 (A\$200,000) (US\$190,055 (A\$247,500) to 31 December 2020) per annum inclusive of superannuation. Notice period is 1 month.
Name:	Sarika Merchant
Title:	Former Chief Financial Officer – NHF (resigned 31 July 2020)
Agreement commenced:	11 April 2018
Term of agreement:	Not applicable
Details:	Sarika was paid an annual base salary of US\$300,000 per annum. No notice period. From 1 August 2020 to 31 December 2020 Sarika was retained as a consultant on an hourly basis to assist with the transitioning of her role.
Name:	Richard Cruz
Title:	Chief Operating Officer - NHF
Agreement commenced:	No signed agreement in place, commenced employment 25 April 2016.
Term of agreement:	No agreement in place and employment relationship is governed by general Arizonan law.
Details:	Richard is paid an annual salary of US\$230,000 per annum. No notice period.

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

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 31 December 2020.

#### Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 31 December 2020.

#### Performance rights

There were no performance rights over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 31 December 2020.

**General performance and link to remuneration policy**

The earnings of the Group for the five years to 31 December 2020 are summarised below:

	31 Dec 2020	31 Dec 2019 (restated)	31 Dec 2018	30 Jun 2018	30 Jun 2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Total revenue and other income	(7,519)	(656)	4,554	5,918	3,570
EBITDA (excluding the litigation funding business)	(57,154)	(28,324)	120	2,857	1,929
Loss after income tax	(78,136)	(23,256)	(11,548)	(5,142)	(4,279)

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

	31 Dec 2020	31 Dec 2019	31 Dec 2018	30 Jun 2018	30 Jun 2017
Share price at financial year end (A\$)	0.03	0.06	0.07	0.07	0.20
Basic loss per share (cents per share)	(8.68)	(4.70)	(4.60)	(3.68)	(3.53)
Diluted loss per share (cents per share)	(8.68)	(4.70)	(4.60)	(3.68)	(3.53)

The basic loss per share and diluted loss per share for the year ended 31 December 2019 is restated (refer to note 4).

**Short-Term Incentive Plan**

*Financial year ended 31 December 2020 - STIP*

There were no bonuses paid to KMPs during the current financial period.

*Financial year ended 31 December 2019 - STIP*

KMPs were paid an incentive for the successful integration of the NHF business into the Group, to create a platform to achieve future growth and improved financial performance.

Name	Maximum STI \$	Actual STI \$	Awarded STI %
Diane Jones	122,869	122,869	100%
David Wattel	120,000	1,882	2%
Anthony Hersch	68,758	51,666	75%
Craig Beaton	42,913	20,884	49%
Richard Cruz	69,000	51,882	75%
Sarika Merchant	82,424	36,882	45%
	<u>505,964</u>	<u>286,065</u>	

**Long-Term Incentive Plan**

There were no grants of equity under the LTIP during the financial period ended 31 December 2020 and 31 December 2019.

### Additional disclosures relating to KMPs

#### Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Tim Storey	6,603,014	-	660,301	-	7,263,315
Anthony Murphy	3,865,000	-	1,771,250	-	5,636,250
David Wattel	107,548,701	-	-	-	107,548,701
Diane Jones*	3,911,831	-	1,210,273	-	5,122,104
Anthony Hersch	957,227	-	-	-	957,227
Craig Beaton	50,000	-	50,000	-	100,000
	122,935,773	-	3,691,824	-	126,627,597

\* shares held at the date of resignation

During the financial year ended 31 December 2020, there were no shares in the Company held by directors and other KMPs other than those disclosed in the table above.

#### Options granted

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
David Wattel	-	35,750,000	-	-	35,750,000
	-	35,750,000	-	-	35,750,000

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

Grant date	Expiry date	Exercise price*	Number
13/03/2020	28/09/2021	US\$0.192	12,000,000
13/03/2020	28/09/2022	US\$0.307	11,250,000
13/03/2020	28/09/2023	US\$0.461	12,500,000
			35,750,000

\* Exercise price - A\$0.25, A\$0.40 and A\$0.60 respectively.

The options were granted as full payment for David's 50% portion of a promissory note (US\$4,500,000) and vendor loans (A\$8,600,000).

During the financial year ended 31 December 2020, there were no options over ordinary shares in the Company held by directors and KMP's other than those disclosed in the table above.

#### Performance rights

During the financial year ended 31 December 2020, there were no performance rights over ordinary shares in the Company held by directors and other KMPs.

#### Convertible bonds

The number of convertible bonds in the Company held during the financial year by each director and other KMPs of the Group, including their personally-related parties, is set below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
Diane Jones	500	-	-	(500)	-

During the financial year ended 31 December 2020, there were no convertible bonds in the Company held by directors and other KMPs other than those disclosed in the table above.

#### Warrants

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

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
David Wattel	61,431,818	-	-	-	61,431,818
	61,431,818	-	-	-	61,431,818

The grant date and expiry date of the warrants is 28 September 2018 and 28 September 2022 respectively.

The exercise price of the warrants is A\$0.135 (31 December 2019: A\$0.135). As a result of the capital raising undertaken, the exercise price of the warrants was adjusted in accordance with ASX Listing Rule 6.22.2.

During the financial year ended 31 December 2020, there were no warrants over ordinary shares in the Company held by directors and other KMPs other than those disclosed in the table above.

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

Lucerne Group manages funds on behalf of third parties. Anthony Murphy is the Chief Executive Officer of Lucerne Investment Partners, part of the Lucerne Group. Refer to note 34 for further details.

David Wattel is a director of Multus Medical LLC, a company that specialises in creating 3-Dimensional anatomical schematics from standardised MRI data. This company provides services to patients to assist in their personal injury insurance claims, and NHF funds the cost of these services. David is also a founding member of Wattel & York – Attorneys at Law, a personal injury and property damage law firm. Wattel & York have the carriage and conduct over a small number of personal injury matters where NHF holds a medical lien. Refer to note 34 for further details.

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

#### Shares under option

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

Grant date	Expiry date	Exercise price*	Number under option
13/03/2020	28/09/2021	US\$0.192	24,000,000
13/03/2020	28/09/2022	US\$0.307	22,500,000
13/03/2020	28/09/2023	US\$0.461	25,000,000
			<u>71,500,000</u>

\* Exercise price - A\$0.25, A\$0.40 and A\$0.60 respectively.

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

### Shares under warrants

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

Grant date	Expiry date	Number under rights
28/09/2018*	28/09/2022	329,880,000
28/09/2018**	28/09/2022	122,863,636
		<u>452,743,636</u>

The exercise price of the warrants is A\$0.135 (31 December 2019: A\$0.135). As a result of the capital raising undertaken, the exercise price of the warrants was adjusted in accordance with ASX Listing Rule 6.22.2.

\* Warrants issued to other Syndicated Acquisition Facility participants

\*\* Warrants issued to NHF Founders

### Shares issued on the exercise of options

There were no ordinary shares of LawFinance Limited issued on the exercise of options during the year ended 31 December 2020 and up to the date of this report.

### Shares issued on the exercise of warrants

There were no ordinary shares of LawFinance Limited issued on the exercise of warrants during the year ended 31 December 2020 and up to the date of this report.

### Indemnity and insurance of officers

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

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

### Indemnity and insurance of auditor

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

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

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

#### Rounding of amounts

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

#### Auditor's independence declaration

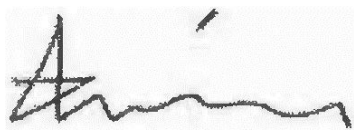
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

#### Auditor

Stantons International continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors



Tim Storey  
Chairman

31 March 2021  
Sydney

31 March 2021

Board of Directors  
LawFinance Limited  
Suite 2, Level 16  
56 Pitt Street,  
Sydney NSW 2000

Dear Directors

**RE: LAWFINANCE LIMITED**

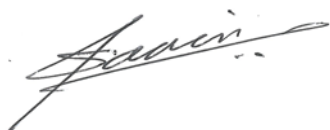
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of LawFinance Limited.

As Audit Director for the audit of the financial statements of LawFinance Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



**Samir Tirokdar**  
**Director**

**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>Restated*</b>
<b>Revenue</b>			
Net loss from disbursement funding/medical lien funding	6	(9,444)	(925)
Other revenue	7	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	8	2	3
Foreign exchange gain		7	5
<b>Expenses</b>			
Impairment gain on financial liabilities	9	19,602	-
Employee benefits expense	9	(4,951)	(5,760)
Depreciation and amortisation expense	9	(666)	(591)
Impairment of assets	9	(42,866)	-
Administration and other expenses	9	(3,872)	(3,109)
Finance costs	9	<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	10	<u>(13,542)</u>	<u>5,245</u>
(Loss) after income tax (expense)/benefit from continuing operations		<b>(70,696)</b>	<b>(23,079)</b>
(Loss) after income tax expense from discontinued operations	11	<u>(7,440)</u>	<u>(177)</u>
<b>(Loss) after income tax (expense)/benefit for the year</b>		<b>(78,136)</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>(79,816)</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>(78,474)</u>	<u>(22,762)</u>
		<b><u>(78,136)</u></b>	<b><u>(23,256)</u></b>
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		(72,714)	(21,805)
Discontinued operations	11	<u>(7,440)</u>	<u>(177)</u>
Owners of LawFinance Limited		<u>(80,154)</u>	<u>(21,982)</u>
		<b><u>(79,816)</u></b>	<b><u>(22,476)</u></b>

*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 Restated*</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	12	(7.82)	(4.77)
Diluted loss per share	12	(7.82)	(4.77)
<b>Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited</b>			
Basic loss per share	12	(0.82)	(0.04)
Diluted loss per share	12	(0.82)	(0.04)
<b>Earnings per share for loss attributable to the owners of LawFinance Limited</b>			
Basic loss per share	12	(8.68)	(4.70)
Diluted loss per share	12	(8.68)	(4.70)

\*Refer to note 4 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>Restated*</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	4,900	5,777
Financial assets at fair value through profit or loss - Australia	14	7,194	12,260
Financial assets at amortised cost - USA	15	15,239	17,236
Other loans and receivables	16	677	1,654
Prepayments		118	165
		<u>28,128</u>	<u>37,092</u>
Assets held for sale	11	10,248	-
Total current assets		<u>38,376</u>	<u>37,092</u>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss - Australia	14	8,929	9,923
Financial assets at amortised cost - USA	15	38,014	55,895
Other loans and receivables	16	5	5
Investment held in joint operations	17	-	1,157
Property, plant and equipment	18	91	168
Right-of-use assets	19	1,074	1,443
Goodwill	20	-	40,504
Other intangibles	21	10	8,040
Deferred tax	10	-	12,579
Total non-current assets		<u>48,123</u>	<u>129,714</u>
<b>Total assets</b>		<u>86,499</u>	<u>166,806</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	22	6,789	9,322
Borrowings	23	113,514	117,375
Lease liabilities		461	369
Employee benefits		287	213
		<u>121,051</u>	<u>127,279</u>
Liabilities directly associated with assets classified as held for sale	11	10,248	-
Total current liabilities		<u>131,299</u>	<u>127,279</u>
<b>Non-current liabilities</b>			
Borrowings	23	416	40,073
Lease liabilities		784	1,162
Provision for withholding tax		1,559	804
Total non-current liabilities		<u>2,759</u>	<u>42,039</u>
<b>Total liabilities</b>		<u>134,058</u>	<u>169,318</u>
<b>Net liabilities</b>		<u>(47,559)</u>	<u>(2,512)</u>

*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

		Consolidated	
	Note	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000 Restated*
<b>Equity</b>			
Issued capital	24	61,310	40,924
Capitalising converting notes	25	13,933	-
Reserves	26	5,220	6,778
Accumulated losses		(127,560)	(49,086)
(Deficiency) attributable to the owners of LawFinance Limited		(47,097)	(1,384)
Non-controlling interest		(462)	(1,128)
<b>Total (deficiency)</b>		<b>(47,559)</b>	<b>(2,512)</b>

\*Refer to note 4 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 Restated*</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 24)	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 4 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	-	-	-	(78,474)	338	(78,136)
Other comprehensive loss for the year, net of tax	-	-	(1,680)	-	-	(1,680)
Total comprehensive (loss)/income for the year	-	-	(1,680)	(78,474)	338	(79,816)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 24)	20,386	-	-	-	-	20,386
Distribution to non-controlling interest	-	-	-	-	328	328
Share-based payments	-	-	122	-	-	122
Capitalising converting notes (note 25)	-	13,933	-	-	-	13,933
Balance at 31 December 2020	<u>61,310</u>	<u>13,933</u>	<u>5,220</u>	<u>(127,560)</u>	<u>(462)</u>	<u>(47,559)</u>

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

**LawFinance Limited**  
**Consolidated statement of cash flows**  
**For the year ended 31 December 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	37	(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	24	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	13	<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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 March 2021.

## Note 2. Significant accounting policies

### New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Group:

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The Group has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

### Basis of preparation

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

#### *Historical cost convention*

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

#### *Critical accounting estimates*

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

### Going concern - material uncertainty

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group made an after-tax loss of \$78,136,000 for the year ended 31 December 2020 after realising net impairments of \$27,438,000, additional provisioning against Financial assets at fair value through profit or loss of \$3,044,000 and derecognising Group deferred tax assets of \$12,579,000.

## Note 2. Significant accounting policies (continued)

As at 31 December 2020 the Group had net a net asset deficiency of US\$47,559,000 (31 December 2019: net asset deficiency: US\$2,512,000). It had net current liabilities of US\$92,923,000 (31 December 2019: US\$90,187,000). Corporate Debt facilities of the Group were broadly in default of their payment obligations. The Group was working constructively with all its corporate lenders to restructure these facilities. The Lenders of the largest corporate debt facility being the Syndicate Acquisition Facility, which had outstanding principal and interest, including side loans, of US\$41,342,000 (31 December 2019: US\$32,923,000) had agreed a formal standstill agreement until the end of April 2021, while they continued to work towards a consensual restructuring agreement.

As at 31 December 2020, NHF's receivables-backed lending facilities were in technical breach of their facility terms (refer to note 23). Lenders, including Atalaya, Assetsecure and EFI, were working cooperatively with the Group to rectify this position. The Group is in the process of refinancing NHF's Atalaya facility, which is secured over NHF's Front Book of receivables, with a new funder.

The ability of the Group to continue as a going concern is dependent upon the successful restructuring of the Group's liabilities and recapitalisation plans ('RP') and the continued support of the Group's receivables-backed lenders.

The Group's RP focuses on five key components which, its Directors believe, if achieved, would ensure that the Group remains a going concern.

The following five key components of the RP are inter-related and as such are being pursued simultaneously;

- (1) Complete the sale of the litigation portfolio (refer note 11);
- (2) Restructure and/or obtain waivers of breaches under the Group's EFI and Assetsecure receivables-backed facilities (referred to above and in note 23);
- (3) Obtaining a new NHF Front Book finance facility in order to refinance Atalaya \$17,012,000 (note 23), and support strategic growth plans for the NHF business;
- (4) Restructuring the Corporate Debt Facilities including the conversion of a substantial portion of corporate debt recorded on the balance sheet as at 31 December 2020, into the equity (shares) of LawFinance Limited; and
- (5) Raising sufficient new equity capital to fund operations and support the implementation of strategic growth plans.

Each of these 5 key components of the RP are in advanced stages of planning, negotiation, and implementation with the support of the Group's financial and legal advisors. These events or conditions, along with uncertainty related to the successful completion of the restructuring of liabilities and recapitalisation plans indicate that a material uncertainty exists which may cast significant doubt over the company's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. In particular we draw your attention to notes 14 (Financial assets at fair value through profit or loss – Australia) and 15 (Financial assets at amortised cost – USA) of the financial report which discloses the carrying value of financial assets at fair value through profit or loss of \$16,123,000 (2019: US\$22,183,000) and the carrying value of the financial assets at amortised cost of \$53,253,000 (2019: US\$73,131,000). These financial assets may be significantly impaired if the restructure of the Group is not successfully completed.

At the date of this report, the Directors of the Company are of the opinion that there are reasonable grounds to expect that the Group will be successful in implementing its RP and therefore able to continue as a going concern. In arriving at this conclusion, the Directors have assessed the likelihood of successfully implementing each of the three key components of the RP as well as their likely impacts on the financial position of the Group. In undertaking this assessment, the Directors' have considered the status of each key process, the level of support/position of relevant stakeholders, and advice from the Group's legal and financial advisors. The Directors also engaged Wexted Advisors ('Wexted') to provide independent advice on, upon amongst other things the likelihood of the RP being achieved. Wexted advised the Directors, in March 2021, that in Wexted's opinion there was a reasonable likelihood that the RP would be successfully implemented.

At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2020. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

## Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 35.

## Note 2. Significant accounting policies (continued)

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of LawFinance Limited as at 31 December 2020 and the results of all subsidiaries for the period then ended.

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

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

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

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

### Operating segments

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

### Foreign currency translation

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

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

## Note 2. Significant accounting policies (continued)

### Revenue recognition

The Group recognises revenue as follows:

#### ***Australian disbursement funding business***

In the Australian disbursement funding business, the Group enters into contracts with law firms to pay, on the law firms' behalf, legal disbursements to progress their clients' claims. These disbursements include independent expert reports and medico-legal reports relating to the client's injuries.

The Group enters into a contract with the law firm to provide financing for legal disbursements in relation to their clients' legal matters ('Australian disbursement receivables'). As the contract with the law firm does not involve the provision of any good or service to the law firm, the Group concluded that the arrangement is not a contract with a customer under AASB 15 'Revenue from Contracts with Customers'.

Rather, as the contract is the provision of loan financing to the law firm it creates a financial asset that is within the scope of AASB 9 'Financial Instruments'.

#### ***Classification***

The Group holds Australian disbursement receivables to collect their contractual cash flows. The contractual cash flows that arise from the arrangement with the legal firm do not solely relate to the repayment of principal and interest, primarily as they do not vary with time. Accordingly, Australian disbursement receivables are classified as at fair value through profit or loss.

#### ***Initial recognition and measurement***

Australian disbursement receivables are recognised initially at fair value.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). The transaction price of Australian disbursement receivables is the amount of cash paid to fund the legal disbursement costs.

The calculated fair value of the financial asset represents the invoice amount (where the final amount to be received by the Australian disbursement funding is subject to change and conditional upon the outcome of decisions made by the relevant Court or the Insurer), adjusted for such factors as time value of money, discounts and write-offs, and credit risk. In the case of a legal disbursement funding arrangement or medical lien funding arrangement, the calculated fair value of the loan receivable at initial recognition may differ from the transaction price.

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

#### ***Subsequent measurement***

Any subsequent changes in fair value on Australian disbursement receivables is recognised in the profit or loss statement and presented as net gains or losses on loan receivables at fair value. The net gains or losses are calculated using assumptions based on historical performance, for 31 December 2020 the directors have used the data for the last 12 months to include any impact for the COVID-19 pandemic (the 31 December 2019 assumptions were based on actuarial assumptions). These assumptions include information on changes to actual and expected write-offs, discounts and collections of loan receivables, as well as interest margin, taking into account the time value of money, credit risk, and the amortisation of any day 1 margins.

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

## Note 2. Significant accounting policies (continued)

### *Derecognition*

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

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

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

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

### *Classification*

The Group holds medical lien receivables to collect their contractual cash flows. The contractual cash flows that arise from the lien arise from payments of the original invoice's face value and are therefore the repayment of its principal. Payments under the lien are required to be classified in line with the nature of the underlying payment. Accordingly, medical lien receivables are classified as at amortised cost. In addition, because it is expected that less than the full amount of the invoice will be received in settlement the medical lien receivables are considered to be 'purchased or originated credit impaired' ('POCI').

### *Initial recognition and measurement*

Medical lien receivables are recognised initially at fair value.

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

### *Subsequent measurement*

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

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

### *Derecognition*

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

### *Rent*

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

## Note 2. Significant accounting policies (continued)

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Government grants**

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

### **Income tax**

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

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

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

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

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

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

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

### **Discontinued operations**

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

### **Current and non-current classification**

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

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

## Note 2. Significant accounting policies (continued)

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

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

### Cash and cash equivalents

Cash and cash equivalents 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.

### Financial instruments

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

#### *Loan receivables at fair value through profit or loss – Australian disbursement funding business*

##### *Initial recognition and measurement*

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

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

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

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

##### *Subsequent measurement*

Loan receivables for the Australian disbursement funding are carried in the statement of financial position at fair value, with changes in fair value presented in the statement of profit or loss as net gains or losses on loan receivables at fair value. The net gains or losses are calculated using assumptions based on historical performance, for 31 December 2020 the directors have used the data for the last 12 months to include any impact for the COVID-19 pandemic (the 31 December 2019 assumptions were based on actuarial assumptions). These assumptions include information on changes to actual and expected write-offs, discounts and collections of loan receivables, as well as interest margin, taking into account the time value of money, credit risk, and the amortisation of any day 1 margins.

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

##### *Derecognition*

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

## Note 2. Significant accounting policies (continued)

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

#### *Initial recognition and measurement*

Medical lien receivables are recognised initially at fair value.

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

#### *Subsequent measurement*

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

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

#### *Derecognition*

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

### **Non-current assets or disposal groups classified as held for sale**

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

### **Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control in relation to the following:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

## Note 2. Significant accounting policies (continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the relevant Accounting Standard applicable to the particular assets, liabilities, revenues and expenses.

### Investments and other financial assets

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

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

### Trade and other receivables

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

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

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

### Property, plant and equipment

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

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

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

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

### Right-of-use assets

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

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

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

### Intangible assets

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

## Note 2. Significant accounting policies (continued)

### *Goodwill*

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

### *Customer relationships*

As part of the acquisition of NHF a portion of the business consideration was applied to the value of existing long-standing customer relationships. This value will be amortised over a 10-year period.

### *Website*

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

### *Litigation contracts in progress*

Litigation contracts in progress represent future economic benefits controlled by the Group. As litigation contracts in progress may be exchanged or sold, the Group is able to control the expected future economic benefit flowing from the litigation contracts in progress. Accordingly, litigation contracts in progress meet the definition of intangible assets. The carrying value of litigation contracts in progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages and other out of pocket expenses. Litigation contracts in progress are not amortised as the assets are not available-for-use until the determination of a successful judgment or settlement, at which point the assets are realised, and revenue is recognised.

The following specific asset recognition rules have been applied to litigation contracts in progress:

Actions still outstanding: When funded litigation is outstanding and pending a determination, litigation contracts in progress are carried at cost. Subsequent expenditure is capitalised when it meets all of the following criteria:

- demonstration of ability of the Group to complete the litigation so that the asset will be available-for-use and the benefits embodied in the asset will be realised;
- demonstration that the asset will generate future economic benefits;
- demonstration that the Group intends to complete the litigation;
- demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and
- ability to measure reliably the expenditure attributable to the asset during the litigation contract in progress.

Successful judgments: Where the litigation has been determined in favour of the Group or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in profit or loss statement. Any future costs relating to the defence of an appeal by the defendant are expensed as incurred.

Unsuccessful judgments: Where the litigation is unsuccessful at trial, this is a trigger for impairment of the intangible asset and the asset is written down to its recoverable amount. If the claimant, having been unsuccessful at trial appeals against the judgment, then future costs incurred by the Group on appeal are expensed as incurred.

### **Impairment of financial assets**

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

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

## Note 2. Significant accounting policies (continued)

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

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

### Trade and other payables

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

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

The liability arising from the facility agreement entered into with Efficient Frontier Investing (see note 23) accrues interest at 12% per annum. Additionally, following the full repayment of the loan the agreement requires that a share of any further proceeds from the medical lien receivables are transferred to the lenders. An estimate of the amount of future proceeds to be transferred to the lenders has been included in the determining the expected cash flows when measuring this liability at amortised cost as they are an integral part of the effective interest rate.

Convertible bonds are redeemable at the discretion of the Group and are classified as a liability in the statement of financial position due to the operability of the convertible bond's anti-dilution clauses. As the convertible bonds include a conversion feature the convertible bonds are considered to represent a liability with an equity conversion option derivative. The conversion feature has been fair valued separately and on initial recognition and deducted from the value of the convertible bonds. The derivative is subsequently measured at fair value at each reporting date and any movement in fair value is accounted for in profit or loss. The convertible bonds liability is recorded at amortised cost and interest is accreted to the face value of the convertible bonds over the term of the convertible bond.

### Lease liabilities

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

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

### Finance costs

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

## Note 2. Significant accounting policies (continued)

### Employee benefits

#### *Short-term employee benefits*

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

#### *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.

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

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

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

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

### Fair value measurement

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

## Note 2. Significant accounting policies (continued)

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 is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### 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.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

## Note 2. Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

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

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

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

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

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

### Rounding of amounts

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2020. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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

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

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

#### *Key judgments and estimates - Australian disbursement receivables*

The key judgments applied in determining the accounting treatment for Australian disbursement receivables are:

- That the contract is a financing arrangement, not the provision of goods or services; and
- That cashflows arising from the contract are not solely principal and interest. This is on the ground that the quantum of payment does not vary with the passage of time.

#### *Fair value measurement and carrying value measurement of loan receivables for Australian Disbursement Funding business*

The key estimates applied are those used to determine the fair value of the Australian disbursement receivables. The fair values cannot be measured based on quoted prices in active markets. Instead, their fair value is measured using assumptions that are based on historical performance, for 31 December 2020 the directors have used the data for the last 12 months to include any impact for the COVID-19 pandemic (the 31 December 2019 assumptions were based on actuarial assumptions). These assumptions take into account discount rates, credit risk and analysis of discounts and write offs (a Level 3 fair value measurement). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values and the deferred day 1 margin. Changes in assumptions relating to these factors could affect the reported fair value and carrying value of loan receivables and its fair value movement through profit or loss.

The key assumptions used to determine the fair value of the loan receivables are provided in note 29.

#### *Key judgments and estimates - medical lien receivables*

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

The key estimates involved in determining the amortised cost of the medical lien receivables are:

- The fair value estimate applied in determining the allocation of the purchase price to acquired medical lien receivables for the NHF acquisition;
- The estimation of the expected amount and timing of cash flows arising from the medical lien receivables at their inception; and
- The re-estimation of the expected amount and timing of cash flows arising from the medical lien receivables at 31 December 2020 and 31 December 2019.

#### *Key judgements and estimates - EFI Facility Agreement liability*

The key estimates applied in determining the amortised cost of the liability arising from the new facility agreement (see note 23) are primarily based on the assumptions underlying the expected recovery of the medical lien receivables, specifically:

- The estimation of the expected amount and timing of future cash flows arising from the medical lien receivables that will be used to repay the principal and accrued interest under the facility; and
- Where the estimate indicates that loan and accrued interest will be repaid in full, the estimation of the lender's share of any further cash flows under the facility agreement.

Changes in the timing and magnitude of the estimated cash flows from those assessed at inception of the loan will impact the income statement. A reduction in the amount of proceeds or those proceeds arising later than expected will have a negative impact. Increases in the amount of proceeds or those proceeds arising earlier than anticipated will have a positive impact.

The assumptions used in determining the amortised cost of the liability are the same as those that have been used to assess the amortised cost of the related assets.

#### *Carrying value measurement of loan receivables for Medical Lien Receivables*

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

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

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

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

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

The Group uses the information and data obtained on acquisition of the medical lien to determine expected cash flow forecasts and calculate the CAEIRs. The Group in later periods adjusts the carrying amount of the portfolios to reflect revised estimated cash flows. Events or changes in assumptions and management's judgment will affect the recognition of revenue in the period. Changes that could have a material impact on the estimate of future cash flows include the Group's experience of recoveries from medical liens in the relevant jurisdiction, the Group's success in negotiating levels of settlements and changes in the timing of payments due to State legislation and/or changing market practice.

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

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

#### *Share-based payment transactions*

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

#### *Allowance for expected credit losses*

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

#### *Goodwill*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

#### *Provision for adverse costs*

In the event that litigation funded by the Group is unsuccessful, the Group raises a provision which is based upon the Group's best estimate of the amount of the adverse costs it will have to remit following consultation with external advisors and taking into account any adverse costs order insurance in respect of the liability.

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

*Income tax*

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

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer to note 10 for further details.

*Valuation of contingent proceeds*

For the purposes of financial reporting, the Directors have made an internal management assessment that the value of the conditional component of the sales proceeds of the Litigation Funding business has a nil value – refer to note 11.

**Note 4. 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>	<b>(5,911)</b>	<b>(22,413)</b>	<b>(28,324)</b>
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>	<b>(3,100)</b>	<b>(20,156)</b>	<b>(23,256)</b>
<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>	<b>(2,225)</b>	<b>(20,251)</b>	<b>(22,476)</b>
(Loss) for the year is attributable to:			
Non-controlling interest	(494)	-	(494)
Owners of LawFinance Limited	(2,606)	(20,156)	(22,762)
	<b>(3,100)</b>	<b>(20,156)</b>	<b>(23,256)</b>
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	(1,731)	(20,251)	(21,982)
	<b>(2,225)</b>	<b>(20,251)</b>	<b>(22,476)</b>

**Note 4. Restatement of comparatives (continued)**

	Cents Reported	Cents Adjustment (ii) & (iii)	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. Refer to the table above for the impact on total comprehensive loss.

(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 financial reporting, management has assumed the value of the conditional component of the sales proceeds to have \$nil value. Management is 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 Expert's Report ('IER') which had concluded the transaction to be fair and reasonable. This IER is currently being updated based on recent positive developments, as announced to the market on 24 March 2021. The terms of the agreement are being reconsidered in parallel with Grant Thornton's work. The Extraordinary General Meeting to obtain shareholder approval for the transaction has been postponed until further notice.

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 or loss amounts to be restated as discontinued operations.

**Note 4. 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 5. 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 5. Operating segments (continued)**

*Operating segment information*

	JustCapital 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				(13,600)
<b>(Loss) after income tax expense</b>				(78,136)
<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	56,575	59,634	134,058
<b>Total liabilities</b>				134,058
<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 5. Operating segments (continued)

Segment information for the comparative period has been restated. Refer to note 4.

### 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 6. 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 7. 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 8. 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 9. 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 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.

	Consolidated	
	31 Dec 2020	31 Dec 2019
	US\$'000	US\$'000
<i>Non-current assets</i>		
Deferred tax asset	-	12,579
	<u>-</u>	<u>12,579</u>
<i>Attributable to:</i>		
- USA	-	7,044
- Australia	-	5,535
	<u>-</u>	<u>5,535</u>
	-	12,579

Currently the Group has \$23,876,000 (A\$31,093,000) of income tax losses to utilise in Australia and \$54,976,000 of income tax losses to utilise in the USA.

## Note 11. Discontinued operations

### Description

- 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 financial reporting, management has assumed the value of the conditional component of the sales proceeds to have nil value. Management is 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 Expert's Report ('IER') which had concluded the transaction to be fair and reasonable. This IER is currently being updated based on recent positive developments, as announced to the market on 24 March 2021. The terms of the agreement are being reconsidered in parallel with Grant Thornton's work. The Extraordinary General Meeting to obtain shareholder approval for the transaction has been postponed until further notice.

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.

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

**Note 11. Discontinued operations (continued)**

*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 21)	(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>

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

	Consolidated 31 Dec 2020 US\$'000
Cash and cash equivalents (note 13)	451
Prepayments	38
Litigation contracts in progress - capitalised external costs* (note 21)	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>

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

Note 12. Earnings per share

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Earnings per share for loss from continuing operations</i>		
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(70,696)</u>	<u>(23,079)</u>
	Number	Number
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>
	Cents	Cents
Basic loss per share	(7.82)	(4.77)
Diluted loss per share	(7.82)	(4.77)
	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<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>
	Number	Number
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>
	Cents	Cents
Basic loss per share	(0.82)	(0.04)
Diluted loss per share	(0.82)	(0.04)
	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Earnings per share for loss</i>		
(Loss) after income tax	(78,136)	(23,256)
Non-controlling interest	<u>(338)</u>	<u>494</u>
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(78,474)</u>	<u>(22,762)</u>
	Number	Number
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>
	Cents	Cents
Basic loss per share	(8.68)	(4.70)
Diluted loss per share	(8.68)	(4.70)

## Note 12. Earnings per share (continued)

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 25) (2019: nil) from the diluted earnings calculations as they are anti-dilutive for the financial period.

## Note 13. Cash and cash equivalents

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<i>Current assets</i>		
Cash at bank*	4,900	5,777
<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	451	-
Balance as per statement of cash flows	5,351	5,777

\* 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 32.

## Note 14. 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)
	7,194	12,260
<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)
	8,929	9,923
	16,123	22,183

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 15. 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>53,253</u>	<u>73,131</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 16. Other loans and receivables**

	Consolidated 31 Dec 2020 US\$'000	Consolidated 31 Dec 2019 US\$'000
<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 22 '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 11).

**Note 17. 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 operation now forms part of the discontinued operations as shown in note 11.

**Note 18. 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>

*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	<u>(117)</u>
Balance at 31 December 2019	168
Additions	13
Exchange differences	(13)
Depreciation expense	<u>(77)</u>
Balance at 31 December 2020	<u>91</u>

**Note 19. Right-of-use assets**

	<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>		
Land and buildings - right-of-use	1,780	1,755
Less: Accumulated depreciation	<u>(706)</u>	<u>(312)</u>
	<u>1,074</u>	<u>1,443</u>

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

## Note 19. Right-of-use assets (continued)

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

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

- Refer note 9 for details of interest on lease liabilities and other lease payments;
- Refer note 28 for undiscounted future lease commitments;
- Refer consolidated statement of financial position for lease liabilities at the end of the reporting period; and
- Refer consolidated statement of cash flows for repayment of lease liabilities.

## Note 20. Goodwill

	Consolidated 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
<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>

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	<u>-</u>	<u>-</u>	<u>-</u>

### 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 39, 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 21. Other intangibles**

	<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>		
Website - at cost	25	17
Less: Accumulated amortisation	(15)	(13)
	<u>10</u>	<u>4</u>
Customer relationships – US medical lien funding business	1,913	1,913
Less: Accumulated amortisation and impairment	(1,913)	(239)
	<u>-</u>	<u>1,674</u>
Litigation contracts in progress - capitalised external costs	-	5,594
Litigation contracts in progress - capitalised internal costs	-	768
	<u>-</u>	<u>6,362</u>
	<u>10</u>	<u>8,040</u>

*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 11)	-	-	(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	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>

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 11.

**Note 22. Trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<i>Current liabilities</i>		
Trade and other payables	5,031	6,603
Accruals	1,673	2,650
Goods and services tax payable	85	69
	<u>6,789</u>	<u>9,322</u>

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

Refer to note 28 for further information on financial instruments.

The above Trade and other payables as at 31 December 2020 includes Mesh liabilities of \$717,000 – see note 16 'Other loans and receivables'.

Note 23. 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)	25,266	-
Vendor loan - Australian disbursement funding business (iii)	-	315
Convertible bonds payable (iv)	1,233	3,500
Lucerne Group combined loan (v)	3,684	11,642
Lucerne Group facility - US medical lien funding business (vi)	415	8,858
Paradise Diversified Holdings Limited Partnership (vii)	-	4,163
Other NHF subordinated debt (viii)	1,410	1,180
Other NHF subordinated debt (ix)	1,000	1,000
Other NHF subordinated debt (x)	4,750	3,000
Insurance financing - Australia	27	33
Syndicated acquisition facility ('SAF') (xi)	36,716	29,396
SAF Side Loan 1 (xii)	2,130	1,252
SAF Side Loan 2 (xiii)	2,496	2,275
Paycheck Protection Program loan (xiv)	335	-
NHF Founder Promissory Notes (xv)	-	9,000
Atalaya Capital Management (xvi)	17,012	41,603
Economic Injury Disaster Relief loan (xvii)	4	-
Insurance financing - USA	-	55
Credit cards	19	103
	<u>113,514</u>	<u>117,375</u>
<i>Non-current liabilities</i>		
Assetsecure Pty Limited loan (i)	-	21,447
Lucerne Group facility - US medical lien funding business (vi)	-	3,264
Other NHF subordinated debt (x)	-	1,750
Economic Injury Disaster Relief loan (xvii)	146	-
Paycheck Protection Program loan (xiv)	270	-
Vendor loan - NHF Founders (xviii)	-	13,612
	<u>416</u>	<u>40,073</u>
	<u><u>113,930</u></u>	<u><u>157,448</u></u>

Refer to note 28 for further information on financial instruments.

(i) Assetsecure Pty Limited ('Assetsecure')

This loan facility of \$30,716,000 (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, as loan terms have been 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.

Management are working closely with AssetSecure in respect of ongoing defaults under the loan facility. In accordance with an agreement reached with them in February 2021 they are continuing to allow funding under the agreement – see note 39 for details.

**Note 23. Borrowings (continued)**

*(ii) Efficient Frontier Investing*

On 4 December 2020, the Company entered into a facility agreement for US\$25,550,000 with Efficient Frontier Investing ('EFI'), acting as agent for a syndicate of financiers – reduced to \$25,266,000 at 31 December 2020 (2019: \$nil). The facility was used to refinance amounts owing to Atalaya Capital Management and Paradise Diversified Holdings and is repayable on 4 December 2023, with interest accruing at 12.50% per annum (2019: n/a).

Under the terms of the agreement, the facility is to be repaid with proceeds received from the assets of NHF SPV III LLC (a company established during 2020 which acquired the rights to the US medical lien receivables). Following the repayment of the facility and any accrued interest, the syndicate is entitled to approximately 54% of the future cash flows from those receivables. Management has estimated the expected cash flows to arise under the agreement, including principal, interest and the share of the remaining proceeds, and determined that the effective interest rate for this borrowing is 14.9%.

The facility is subject to a number of financial and non-financial covenants, with the primary financial covenant being a calculation of the Loan to Value Ratio ('LVR') between the principal outstanding on the loan and the secured assets. A breach of a covenant may require the Group to repay the loan earlier. The loan is secured by a general security agreement over the assets of NHF SPV III LLC, which holds a selection of the NHF Receivables whose carrying value at 31 December 2020 was \$29,502,000. LawFinance Limited has also provided a guarantee over the facility.

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

NHF is currently in technical default of this finance facility and EFI is reserving its rights under the finance agreement. NHF failed to meet the post financial close requirement to open the Proceeds Account required under the agreement and ensure a DACA (Deposit Account Control Agreement – a US security) was in place by 18 December 2020. Challenges were encountered in opening the DACA as a consequence of EFI not being a US domiciled entity and US regulatory requirements. NHF is working closely with EFI to finalise the establishment of the account.

In addition, the EFI facility included a Key Person term, which triggered a review event under the terms of the facility, when Diane Jones resigned from the Group. We have requested a waiver of this provision. EFI have not yet waived this review event requirement, while the focus is on establishing the DACA.

As a consequence, we have recorded the entire EFI loan as a current liability, pending the resolution and waiver of ongoing breaches.

*(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.

**Note 23. Borrowings (continued)**

*(iv) Convertible bonds payable*

On 15 July 2016, the Company issued 50,000 convertible bonds, each with a face value of A\$100. The total consideration received from the convertible bonds was \$3,695,500 (A\$5,000,000). Interest payments are cumulative and payable at 11.5% per annum (2019: 11.5%), quarterly in arrears. The bonds are convertible into ordinary shares of the Company at the option of the holder prior to their maturity. The holder can elect to convert prior to maturity date by providing notice only after the Company's next general meeting. The conversion price, if such an election is made, is A\$0.30 per ordinary share, or 80% of the issue price of any future equity issued should the issue price be lower than A\$0.30 per ordinary share. The Company undertook a capital raising in November 2018 at A\$0.08 per share. As a result of that capital raising the conversion price of the convertible bonds is now A\$0.064 per ordinary share. During the year ended 31 December 2020, three bondholders have converted A\$3,600,000 (plus capitalised interest of A\$237,000) of bonds into ordinary shares. The remaining bonds maturity date has been extended to 31 December 2021.

The Company has a right to redeem the bonds earlier than their maturity date at a 10% premium to face value. With the agreement of the Company, the bond holders may partially or fully apply the redemption amount to subscribe for ordinary shares at a price that represents a 10% discount to a 5-day volume weighted average price ('VWAP') determined by the holder within the previous 90 days.

The convertible bonds are categorised as a liability in the statement of financial position due to the terms of the anti-dilution clauses. Due to the conversion feature the convertible bonds are considered to include a derivative liability. As such the convertible bonds are considered to represent a liability with an equity conversion option derivative with the entire instrument being accounted for at fair value through profit or loss.

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the bond earlier. No covenants have been breached as at 31 December 2020.

*(v) Lucerne Group combined loan*

The Lucerne Finance Pty Limited short-term loan facility and the Lucerne Composite Master Fund loan facility were amalgamated during the year ended 30 June 2018 to become the Lucerne Group combined loan. \$8,843,000 was repayable on 15 March 2020 and \$2,799,000 was repayable on 31 December 2020. Ongoing interest payable was 13.5% per annum (2019: 13.5% per annum (including establishment fees)) on \$8,843,000 (2019: \$8,843,000). Ongoing interest payable was 15% per annum (2019: 15%) on \$2,799,000 (2019: \$2,799,000). The loan is unsecured.

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. No covenants have been breached as at 31 December 2020.

During the year ended 31 December 2020, the Company either repaid the majority of this loan by issue of equity or the loan was converted into the Capitalising Converting Note (refer to note 25). The outstanding balance as at 31 December 2020 of US\$3,684,000 (A\$4,797,000) has been split into three loans, as follows:

- (a) A total of US\$314,000 (A\$408,000) which is repayable on 31 December 2021;
- (b) A total of US\$1,926,000 (A\$2,508,000) was repayable on 31 December 2019. The Group is currently in discussion to extend the repayment date of this facility; and
- (c) A total of US\$1,444,000 (A\$1,881,000) was repayable on 31 December 2019. The Group is currently in discussion to extend the repayment date of this facility.

**Note 23. Borrowings (continued)**

*(vi) Lucerne Group facility - US medical lien funding business*

Lucerne Finance Pty Limited and the Principis Master Fund had jointly provided facilities totalling \$12,122,000 (2019: \$12,122,000) to the medical lien funding business as at 30 June 2020. \$8,858,000 of this facility was repayable on 28 September 2020 with an interest rate of 19% per annum (2019: 19%), \$2,550,000 of this facility was repayable on 9 August 2021 with an interest rate of 9.95% per annum (2019: 9.95%) and \$714,000 of this facility was repayable on 13 September 2021 with an interest rate of 15.5% per annum (2019: 15.5%).

During the year ended 31 December 2020, the Company either repaid this loan by issue of equity or the loan was converted into the Capitalising Converting Note (refer to note 25).

Subsequently, the Principis Master Fund provided facilities of \$365,000 (2019: \$nil) and \$50,000 (2019: \$nil). \$365,000 of this facility was repayable on 27 October 2020 with an interest rate of 13.5% per annum (2019: n/a). The Group is currently in discussion to extend the repayment date of this facility. \$50,000 of this facility was repayable on 4 December 2020 with an interest rate of 13.5% per annum (2019: n/a). The Group is currently in discussion to extend the repayment date of this facility.

*(vii) Paradise Diversified Holdings Limited Partnership*

This facility of \$7,931,000 (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.

*(viii) Other NHF subordinated debt*

A third party has provided a \$1,410,000 facility (2019: \$1,180,000) to fund working capital of the business which remains payable as at 31 December 2020. This facility was repayable on 31 January 2021. The Group is currently in discussion to extend the repayment date of this total facility. Interest payable under this facility is 24% per annum (2019: 24%) and can be repaid early without penalty. The loan is guaranteed by NHF and LawFinance.

*(ix) Other NHF subordinated debt*

A third party has provided a \$1,000,000 facility to NHF which remains payable as at 31 December 2020 (2019: \$1,000,000). The facilities are repayable on demand. Interest is payable at 12% per annum (2019: 12% per annum). The loan is unsecured.

*(x) Other NHF subordinated debt*

Three third parties have provided facilities totalling \$4,750,000 (2019: \$4,750,000) to the medical lien funding business to fund working capital as at 31 December 2020. \$3,000,000 of this facility was repayable on 31 December 2020 with an interest rate of 13.5% per annum (2019: 13.5%), \$250,000 of this facility is repayable on 30 June 2021 with an interest rate of 13% per annum (2019: 13%) and \$1,500,000 of this facility is repayable on 31 July 2021 with an interest rate of 13.5% per annum (2019: 13.5%). These loans are guaranteed by NHF and LawFinance. The Group is currently in discussion to extend the repayment date of this total facility.

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

The Syndicated acquisition facility of \$32,252,000 (A\$42,000,000) (2019: \$29,396,000 (A\$42,000,000)) was provided by leading Australian institutions and family offices. The facility is repayable on 28 September 2022 but may be repaid at any time after 28 September 2021. Interest payable under this facility is 13% per annum (2019: 13% per annum). Interest has been accrued under this facility for the period and therefore the balance as at 31 December 2020 was \$36,716,000 (A\$47,813,000). The loan is secured over all of the assets of the Group, with second ranking security provided behind the assets secured to Assetsecure (see (i) above) and Atalaya (see (xvi) below).

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. Several covenants were breached during the year ended 31 December 2020, including the non-payment of interest. The Group has successfully negotiated a standstill agreement with the Majority Lender of the facility until 30 April 2021. Despite the fact that the facility is repayable on 28 September 2022, and no facility members have demanded the facility be repaid, the facility has been classified as a current liability (31 December 2019: current).

**Note 23. Borrowings (continued)**

*(xii) SAF Side Loan 1*

Washington H Soul Pattinson & Company Limited ('WHSP') had provided a \$2,130,000 (A\$2,773,000) (2019: \$1,252,000 (A\$1,789,000)) loan to the Group. This loan was acquired by third parties on 4 December 2020. Interest payable under this loan is 18% per annum (2019: 15%) on \$1,976,000 (A\$2,573,000) and 18% per annum (2019: 18%) on \$154,000 (A\$200,000). The loan is secured over all of the assets of the Group, with second ranking security provided behind the assets secured to Assetsecure (see (i) above) and Atalaya (see (xvi) below).

*(xiii) SAF Side Loan 2*

WHSP had also provided a \$2,496,000 (A\$3,250,000) (2019: \$2,275,000 (A\$3,250,000)) deferred financing arrangement, giving the Group the ability to defer interest payments payable under the Syndicated Acquisition Facility. This loan was acquired by third parties on 4 December 2020. Interest payable under this arrangement is 18% per annum (2019: 15%). The loan is secured over all of the assets of the Group, with second ranking security provided behind the assets secured to Assetsecure (see (i) above) and Atalaya (see (xvi) below).

*(xiv) 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 Group has 24 weeks to utilise all the funds from the date the loan proceeds were received. 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.

*(xv) NHF Founder Promissory Notes*

As a result of the restatement of the 31 December 2019 comparatives (refer to note 4), 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.

*(xvi) 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 4).

*(xvii) 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.

**Note 23. Borrowings (continued)**

*(xviii) Vendor loan - NHF Founders*

As a result of the restatement of the 31 December 2019 comparatives (refer to note 4), 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.

*Financing arrangements*

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

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
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 24. Issued capital**

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

**Note 24. Issued capital (continued)**

*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.

*Options*

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

*Performance rights*

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

*Convertible bonds*

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

*Warrants*

Warrants issued on acquisition of NHF do not entitle the holder to participate in dividends or to vote at a meeting of the Company.

*Share buy-back*

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

*Capital risk management*

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

#### Note 24. Issued capital (continued)

The Group is not subject to any externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Consistent with the market announcement to the ASX on 29 January 2021 the Group's plans include raising new equity funding, in the near term, as a component of its broader restructuring and recapitalisation plans. The Directors intend to make further announcements in this regard in due course.

#### Note 25. Capitalising converting notes

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

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.

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 26. Reserves

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

##### 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.

## Note 26. Reserves (continued)

### 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	(898)	6,118	5,220

## Note 27. Dividends

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

## Note 28. Financial instruments

### Financial risk management objectives

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

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting its future financial security.

The main risks arising from the Group's financial instruments are market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and currencies and assessments of market forecasts for interest rates and foreign currencies. Ageing analyses and monitoring of receivables using an expected credit loss matrix are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

### Market risk

#### Foreign currency risk

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

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

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

**Note 28. Financial instruments (continued)**

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

Consolidated	Assets		Liabilities	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Australian dollars	19,883	25,207	(77,165)	(96,554)
United States dollars	55,520	77,539	(56,575)	(72,767)
	<u>75,403</u>	<u>102,746</u>	<u>(133,740)</u>	<u>(169,321)</u>

The Group had net liabilities denominated in foreign currencies of US\$58,337,000 (US\$75,403,000 less liabilities of US\$133,740,000) as at 31 December 2020 (2019: net liabilities of US\$66,575,000 (US\$102,746,000 less liabilities of US\$169,321,000)).

Consolidated - 31 Dec 2020		USD strengthened		USD weakened	
		Effect on profit before tax US\$'000	Effect on equity US\$'000	Effect on profit before tax US\$'000	Effect on equity US\$'000
	% change				
Australian dollars	10%	<u>5,728</u>	<u>5,728</u>	<u>(5,728)</u>	<u>(5,728)</u>

Consolidated - 31 Dec 2019		USD strengthened		USD weakened	
		Effect on profit before tax US\$'000	Effect on equity US\$'000	Effect on profit before tax US\$'000	Effect on equity US\$'000
	% change				
Australian dollars	10%	<u>7,135</u>	<u>7,135</u>	<u>(7,135)</u>	<u>(7,135)</u>

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

**Price risk**

The Group is not exposed to any significant price risk.

**Note 28. Financial instruments (continued)**

*Interest rate risk*

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

	31 Dec 2020 Weighted average interest rate %	31 Dec 2020 Balance US\$'000	31 Dec 2019 Weighted average interest rate %	31 Dec 2019 Balance US\$'000
Assetsecure Pty Limited loan	8.41%	17,017	8.79%	21,447
Efficient Frontier Investing	12.50%	25,266	-	-
Vendor loan - Australian disbursement funding business	-	-	11.00%	315
Convertible bonds payable	11.50%	1,233	11.50%	3,500
Lucerne Group combined loan	18.99%	3,684	13.44%	11,642
Lucerne Group facility - US medical lien funding business	13.50%	415	16.89%	12,122
Paradise Diversified Holdings Limited Partnership	-	-	30.00%	4,163
Other NHF subordinated debt	24.00%	1,410	24.00%	1,180
Other NHF subordinated debt	12.00%	1,000	12.00%	1,000
Other NHF subordinated debt	13.47%	4,750	13.47%	4,750
Insurance financing - Australia	5.06%	27	6.21%	33
Syndicated acquisition facility ("SAF")	13.36%	36,716	13.00%	29,396
SAF Side Loan 1	18.00%	2,130	15.00%	1,252
SAF Side Loan 2	18.00%	2,496	13.00%	2,275
Paycheck Protection Program loan	1.00%	605	-	-
NHF Founder Promissory Notes	-	-	-	9,000
Atalaya Capital Management	14.38%	17,012	14.25%	41,603
Economic Injury Disaster Relief loan	3.75%	150	-	-
Insurance financing - USA	-	-	6.58%	55
Credit cards	15.04%	19	17.04%	103
Vendor loan - NHF Founders	-	-	12.17%	13,612
Cash and cash equivalents	0.02%	(5,351)	0.04%	(5,777)
Net exposure to cash flow interest rate risk		<u>108,579</u>		<u>151,671</u>

The weighted average interest rate for the period ended 31 December 2020 was 13.53% (2019: 14.29%).

The Group has net interest-bearing liabilities and therefore income and operating cash flows are subject to changes in the market rates. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to expected interest rate movements and the Group's future cash requirements, potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates. A movement in interest rates of +/-100 basis points will result in less than a +/-US\$1,107,000 (2019: US\$1,317,000) impact on the Group's results and operating cash flows.

**Credit risk**

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

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

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

**Note 28. Financial instruments (continued)**

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

Receivables for the disbursement funding division are with licensed solicitors as the counterparty. The Group transacts with in excess of 120 law firms and limits its credit risk by ensuring that there is a credit limit applied to any law firm and that settlement funds are deposited into the law firms' trust accounts (which are periodically audited by the Law Society).

Receivables for the short-term loans division are with licensed solicitors as the counterparty. The Group limits its credit risk by ensuring that there is a credit limit applied to any law firm. Personal guarantees are obtained from the principals of the firm and the loans are monitored on a monthly basis.

Receivables relating to the litigation funding division are as a result of a funded case successfully concluding. The Group assesses the defendants' capacity to pay 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. The Group's continual monitoring of the defendants' financial capacity mitigates this risk.

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

**Liquidity risk**

Refer to Note 2 – 'Going concern – material uncertainty' and the Group's restructuring and recapitalisation plans.

Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels.

The liquidity risk for the Group is the ability to raise equity or debt financing in the future. This risk is mitigated by the headroom, where available, from the following facilities:

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Assetsecure Pty Limited loan (subject to certain calculations, see note 23)	-	6,549
Atalaya Capital Management (subject to certain calculations, see note 23)	-	38,397
	-	44,946

**Note 28. Financial instruments (continued)**

*Remaining contractual maturities*

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

Consolidated - 31 Dec 2020	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
<i>Non-interest bearing:</i>						
Trade and other payables	-	5,116	-	-	-	5,116
<i>Interest bearing:</i>						
Assetsecure Pty Limited loan*	8.41%	1,498	18,137	-	-	19,635
Efficient Frontier Investing*	12.50%	3,158	3,158	28,182	-	34,498
Convertible bonds payable	11.50%	1,375	-	-	-	1,375
Lucerne Group combined loan	18.99%	4,383	-	-	-	4,383
Lucerne Group facility - US medical lien funding business	13.50%	471	-	-	-	471
Other NHF subordinated debt	24.00%	1,439	-	-	-	1,439
Other NHF subordinated debt	12.00%	120	120	1,240	-	1,480
Other NHF subordinated debt	13.47%	5,289	-	-	-	5,289
Insurance financing - Australia	5.06%	27	-	-	-	27
Syndicated acquisition facility ('SAF')*	13.36%	4,907	40,359	-	-	45,266
SAF Side Loan 1*	18.00%	2,328	-	-	-	2,328
SAF Side Loan 2*	18.00%	2,945	-	-	-	2,945
Paycheck Protection Program loan	1.00%	6	607	-	-	613
Atalaya Capital Management Economic Injury Disaster Relief loan	14.38%	2,467	17,789	-	-	20,256
Credit cards	3.75%	6	6	17	294	323
Lease liabilities	15.04%	22	-	-	-	22
	6.88%	452	194	189	868	1,703
		<u>36,009</u>	<u>80,370</u>	<u>29,628</u>	<u>1,162</u>	<u>147,169</u>

\* Refer to note 23 and the technical breaches of these facilities – the above remaining contractual maturities are as expected once the breaches have been rectified.

**Note 28. Financial instruments (continued)**

*Remaining contractual maturities*

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

Consolidated - 31 Dec 2019	Weighted average interest rate %	1 year or less US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Remaining contractual maturities US\$'000
<i>Non-interest bearing:</i>						
Trade and other payables	-	6,672	-	-	-	6,672
NHF founder promissory notes	-	9,000	-	-	-	9,000
<i>Interest bearing:</i>						
Assetsecure Pty Limited loan	8.79%	1,871	1,866	22,842	-	26,579
Vendor loan - Australian disbursement funding business	11.00%	315	-	-	-	315
Convertible bonds payable	11.50%	3,588	-	-	-	3,588
Lucerne Group combined loan	13.44%	12,064	-	-	-	12,064
Lucerne Group facility - US medical lien funding business	16.89%	10,279	3,495	-	-	13,774
Paradise Diversified Holdings Limited Partnership	30.00%	4,895	-	-	-	4,895
Other NHF subordinated debt	24.00%	1,298	-	-	-	1,298
Other NHF subordinated debt	12.00%	120	120	1,360	-	1,600
Other NHF subordinated debt	13.47%	3,642	1,884	-	-	5,526
Insurance financing - Australia	6.21%	33	-	-	-	33
Syndicated acquisition facility ('SAF')	13.00%	3,832	3,821	32,233	-	39,886
SAF side loan 1	15.00%	1,346	-	-	-	1,346
SAF side loan 2	13.00%	2,422	-	-	-	2,422
Atalaya Capital Management	14.25%	5,945	5,928	43,471	-	55,344
Insurance financing - USA	6.58%	56	-	-	-	56
Credit cards	17.04%	123	-	-	-	123
Vendor loan - NHF Founders	12.17%	13,122	-	-	-	13,122
Lease liabilities	6.76%	104	513	401	1,046	2,064
		80,727	17,627	100,307	1,046	199,707

**Note 29. 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

**Note 29. Fair value measurement (continued)**

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 or 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 29. 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.

There were no transfers into or out of Level 3 of the fair value hierarchy during the financial year.

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

**Note 30. Key management personnel disclosures**

*Compensation*

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

	Consolidated	
	31 Dec 2020 US\$	31 Dec 2019 US\$
Short-term employee benefits	1,674,775	2,062,737
Post-employment benefits	50,156	47,033
	<u>1,724,931</u>	<u>2,109,770</u>

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

### Note 31. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Stantons International ('Stantons'), the auditor of the Company, and Spielman Koenigsberg & Parker, LLP ('SKP'), the auditor of NHF:

	Consolidated 31 Dec 2020 US\$	31 Dec 2019 US\$
<i>Audit services - Stantons</i>		
Audit or review of the financial statements	121,541	133,350
<i>Other services - Stantons</i>		
Other corporate services	5,649	-
	<u>127,190</u>	<u>133,350</u>
<i>Audit services - SKP</i>		
Audit or review of the financial statements	<u>13,983</u>	<u>124,710</u>

### Note 32. 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 11), 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 is completed, 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.

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 33. Commitments

The Group had no capital commitments for property, plant and equipment as at 31 December 2020 and 31 December 2019.

## Note 34. Related party transactions

### Parent entity

LawFinance Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 36.

### Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 31 Dec 2020 US\$	31 Dec 2019 US\$
<i>Other related parties - expenses:</i>		
Lucerne Group - interest on borrowings	736,116	2,468,636
Lucerne Group - underwriting fees	-	110,234
Multus Medical LLC - cost of sales	2,200	78,838
Diane Jones - Convertible Bond Interest	940	3,996
<i>Other related parties - income:</i>		
Multus Medical LLC - office rental	64,341	83,313
Multus Medical LLC - staff and administration costs	18,994	28,477
Wattel & York - staff costs	5,205	41,090
David Wattel - interest adjustment on vendor loan	761,423	-
Mark Siegel - interest adjustment on vendor loan	761,423	-
David Wattel - fair value adjustment - Notes Payable	4,500,000	-
Mark Siegel - fair value adjustment - Notes Payable	4,500,000	-
David Wattel & Mark Siegel - fair value adjustment - Vendor Loan	10,602,241	-

Lucerne Group manages funds on behalf of third parties. Anthony Murphy is the Chief Executive Officer of Lucerne Investment Partners, part of the Lucerne Group.

David Wattel is a director of Multus Medical LLC, a company that specialises in creating 3-Dimensional anatomical schematics from standardised MRI data. This company also provides services to patients to assist in their personal injury insurance claims, and NHF fund the cost of these services. David is also a founding member of Wattel & York – Attorneys at Law, a personal injury and property damage law firm.

### Receivable from and payable to related parties

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

	Consolidated 31 Dec 2020 US\$	31 Dec 2019 US\$
<i>Current receivables from other related parties:</i>		
Multus Medical LLC	-	18,995
Wattel & York	-	3,413
<i>Current payables to other related parties:</i>		
Lucerne Group	126,703	275,404
Wattel & York	-	4,400
David and Desiree Wattel	92,542	-

#### Note 34. Related party transactions (continued)

##### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date, except for the facilities with the Lucerne Group and the NHF Vendors/Founders as detailed in note 23. Diane Jones was also a convertible note holder as detailed in the Directors' Report.

There were also borrowings factored into the sale of the Litigation funding business to Legal Equity Partners Pty Limited, as detailed in note 11 'Discontinued operations'.

##### Terms and conditions

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

#### Note 35. Parent entity information

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

##### Statement of profit or loss and other comprehensive income

	Parent 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
(Loss)/profit after income tax	(109,317)	10,155
Total comprehensive (loss)/income	(109,317)	10,155

##### Statement of financial position

	Parent 31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Total current assets	3,418	2,577
Total assets	3,401	85,461
Total current liabilities	47,880	49,913
Total liabilities	49,439	51,411
Net (liabilities)/assets	(46,038)	34,050
Equity		
Issued capital	59,353	40,924
Capitalising converting notes	13,933	-
Foreign currency reserve	8,524	(3,646)
Share-based payments reserve	6,044	5,996
Accumulated losses	(133,892)	(9,224)
Total (deficiency)/equity	(46,038)	34,050

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

Except as described in note 23 and note 32, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2020 and 31 December 2019.

##### Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2020 and 31 December 2019 other than those disclosed in note 32.

### Note 35. Parent entity information (continued)

#### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2020 and 31 December 2019.

#### Significant accounting policies

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

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

### Note 36. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2020 %	31 Dec 2019 %
JustKapital Financing Pty Limited	Australia	100.00%	100.00%
JustKapital Litigation Pty Limited	Australia	100.00%	100.00%
JustKapital Litigation Insurance Pty Limited	Australia	100.00%	100.00%
JustKapital Co-Funding No 1 Pty Limited	Australia	100.00%	100.00%
JustKapital Portfolio Pty Limited	Australia	100.00%	100.00%
JustKapital STL Pty Limited	Australia	100.00%	100.00%
JustKapital NHF USA Holdings, LLC	USA	100.00%	100.00%
JustKapital NHF Holdings Pty Limited	Australia	100.00%	100.00%
National Health Finance HoldCo, LLC	USA	100.00%	100.00%

#### Subsidiaries of National Health Finance HoldCo, LLC

Accident Medical Funding, LLC	USA	71.00%	71.00%
Apex Injury Network, LLC	USA	75.00%	75.00%
Arizona Injury Medical Specialists, LLC	USA	75.00%	75.00%
Ark-La-Tex Injury Network, LLC	USA	75.00%	75.00%
Atlanta Health Funding, LLC	USA	75.00%	75.00%
Auto Medical Funding, LLC	USA	75.00%	75.00%
Bakersfield Injury Network, LLC	USA	75.00%	75.00%
Balboa Medical Funding, LLC	USA	75.00%	75.00%
Bay Area Medical Finance, LLC	USA	75.00%	75.00%
Bayou Health Finance, LLC	USA	99.00%	99.00%
California Health Finance, LLC	USA	50.50%	50.50%
California Legal Medical Funding, LLC	USA	68.00%	68.00%
Central Coast Injury Network, LLC	USA	72.50%	72.50%
Classic City Injury Solutions, LLC	USA	72.50%	72.50%
Coast Medical Finance, LLC	USA	75.00%	75.00%
Complete Health Network, LLC	USA	48.50%	48.50%
Cordova Injury Network, LLC	USA	75.00%	75.00%
Desert Sky Medical Funding, LLC	USA	75.00%	75.00%
DFW Medical Finance, LLC	USA	90.50%	90.50%
East Bay Medical Finance, LLC	USA	72.50%	72.50%
Florida Healthcare Finance, LLC	USA	75.00%	75.00%
Fresno Injury Treatment Network, LLC	USA	75.00%	75.00%
Georgia Injury Treatment Network, LLC	USA	71.50%	71.50%
Great Salt Lake Medical Finance, LLC	USA	89.00%	89.00%
Greater Houston Medical Funding, LLC	USA	75.00%	75.00%
GTI Medical Funding, LLC	USA	75.00%	75.00%

Note 36. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2020 %	31 Dec 2019 %
HALO Medical Funding, LLC	USA	75.00%	75.00%
Healthcare Affiliates of Florida, LLC	USA	75.00%	75.00%
Hospital Capital Partners, LLC	USA	80.00%	80.00%
Illinois Injury Solutions, LLC	USA	87.00%	87.00%
Injury Health Alliance, LLC	USA	70.00%	70.00%
Injury Medical Network, LLC	USA	67.00%	67.00%
Inland Empire Medical Funding, LLC	USA	75.00%	75.00%
Kentucky Injury Network, LLC	USA	75.00%	75.00%
Lone Star Lien Solutions, LLC	USA	75.00%	55.00%
Louisiana HealthNet Solutions, LLC	USA	73.00%	73.00%
Medical Financial Group, LLC	USA	70.00%	70.00%
Metroplex Medical Finance, LLC	USA	70.00%	70.00%
Monument Medical Funding, LLC	USA	75.00%	75.00%
Mountain Medical Finance, LLC	USA	78.00%	78.00%
Mountain West Medical Funding, LLC	USA	75.00%	75.00%
MSP Payment Solutions, LLC	USA	70.00%	70.00%
Nashville Injury Network, LLC	USA	75.00%	75.00%
National Health Finance DM, LLC	USA	100.00%	100.00%
National Health Finance of Florida, LLC	USA	100.00%	100.00%
National Health Finance of Florida 2, LLC	USA	76.00%	60.80%
National Health Finance WA, LLC	USA	75.00%	75.00%
National Medical Finance & Assistance, LLC	USA	100.00%	100.00%
Nevada Health Finance, LLC	USA	60.00%	60.00%
Nevada Medical Concierge Services, LLC	USA	75.00%	75.00%
Nevada Orthopedic and Spinal Financing, LLC	USA	75.00%	75.00%
New Mexico Health Finance, LLC	USA	68.00%	68.00%
New Mexico Medical Financing, LLC	USA	49.00%	49.00%
North Carolina Health Finance, LLC	USA	73.00%	73.00%
North Texas Medical Finance, LLC	USA	70.00%	70.00%
Northern Florida Medical Finance, LLC	USA	89.00%	89.00%
NW Health Network, LLC	USA	66.00%	66.00%
Odessa Health Finance, LLC	USA	75.00%	75.00%
Oklahoma Health Finance, LLC	USA	83.00%	83.00%
Oklahoma Injury Network, LLC	USA	71.50%	71.50%
Oklahoma Injury Solutions, LLC	USA	75.00%	75.00%
Old Pueblo Medical Financing of Delaware, LLC	USA	100.00%	100.00%
Old Pueblo Medical Financing, LLC	USA	50.00%	50.00%
ONYX Medical Funding Group, LLC	USA	70.00%	70.00%
Pennsylvania Healthcare Finance, LLC	USA	70.00%	70.00%
Physicians Accident Injury Network, LLC	USA	75.00%	75.00%
Pikes Peak Medical Funding, LLC	USA	75.00%	75.00%
Premier Medical Review, LLC	USA	75.00%	75.00%
Red River Medical Funding, LLC	USA	75.00%	75.00%
Rocky Mountain Medical Finance, LLC	USA	73.00%	73.00%
San Fernando Injury Network, LLC	USA	75.00%	75.00%
Silver State Surgical Solutions, LLC	USA	100.00%	80.00%
Smash Medical Funding, LLC	USA	75.00%	75.00%
SMD Medical Finance, LLC	USA	68.00%	68.00%
Southern California Injury Treatment Network, LLC	USA	99.00%	99.00%
Southern Idaho Medical Funding, LLC	USA	75.00%	75.00%
Southwest Injury Solutions, LLC	USA	73.00%	73.00%
Southwest Medical Financing, LLC	USA	75.00%	75.00%
Surgical Capital Partners, LLC	USA	100.00%	100.00%
Top Tier Injury Solutions, LLC	USA	75.00%	75.00%

**Note 36. Interests in subsidiaries (continued)**

Name	Principal place of business / Country of incorporation	Ownership interest	
		31 Dec 2020 %	31 Dec 2019 %
Tri Cities Injury Solutions, LLC	USA	75.00%	75.00%
Tristate Medical Finance, LLC	USA	75.00%	75.00%
Waterleaf Medical Finance, LLC	USA	73.00%	73.00%
West Coast Injury Solutions, LLC	USA	75.00%	75.00%

**Note 37. Cash flow information**

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

	Consolidated	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
(Loss) after income tax (expense)/benefit for the year	(78,136)	(23,256)
Adjustments for:		
Depreciation and amortisation	666	591
Employee bonus provision	-	305
Employee leave provision	47	29
Interest income	(1,545)	370
Commissions payable	(31)	(217)
Interest expense	8,186	9,769
Impairment expense - short-term loans	479	458
Impairment expense - goodwill and customer relationships	42,387	-
Net foreign exchange differences	(5,434)	477
Fair value gain on financial liabilities	(19,602)	-
Change in operating assets and liabilities:		
Decrease in other loans and receivables	25,938	1,777
Decrease/(increase) in deferred tax assets	12,579	(5,790)
Decrease/(increase) in prepayments	47	(98)
Decrease in trade and other payables	(1,632)	(2,326)
Increase in tax provision	755	804
Increase/(decrease) in provisions or employee benefits	74	(2)
Increase in borrowings	3,755	3,120
Net cash (outflow) from operating activities	<u>(11,467)</u>	<u>(13,989)</u>

The comparatives above have been realigned in accordance with the restatements in note 4.

*Non-cash investing and financing activities*

	Consolidated	
	31 Dec 2020 US\$'000	31 Dec 2019 US\$'000
Additions to the right-of-use assets	-	1,663
Shares issued (consideration for underwriting)	200	-
	<u>200</u>	<u>1,663</u>

**Note 37. Cash flow information (continued)**

*Changes in liabilities arising from financing activities*

Consolidated	Vendor loan - Australian disbursement funding business US\$'000	Convertible bonds payable US\$'000	Lucerne Group combined loan US\$'000	Lucerne Group facility - US medical lien funding business US\$'000	Paradise Diversified Holdings Limited Partnership US\$'000	Other NHF subordinated debt US\$'000	Other NHF subordinated debt US\$'000	Total US\$'000
Balance at 1 January 2019	824	3,529	8,548	5,238	-	1,150	1,000	20,289
Loans received	-	-	2,785	5,660	4,124	-	-	12,569
Loans repaid	(525)	-	-	-	(11)	-	-	(536)
Capitalised interest	23	-	367	732	50	30	-	1,202
Exchange differences	(7)	(29)	(58)	-	-	-	-	(94)
Other adjustment	-	-	-	492	-	-	-	492
Balance at 31 December 2019	315	3,500	11,642	12,122	4,163	1,180	1,000	33,922
Conversion to shares	-	(2,946)	(4,070)	(12,122)	-	-	-	(19,138)
Loans received	-	-	-	550	2,942	-	-	3,492
Loans repaid	(346)	-	-	(151)	(8,100)	-	-	(8,597)
Conversion to Capitalising	-	-	-	-	-	-	-	-
Converting Note	-	-	(6,017)	-	-	-	-	(6,017)
Capitalised interest	-	339	998	16	995	230	-	2,578
Exchange differences	31	340	1,131	-	-	-	-	1,502
Balance at 31 December 2020	-	1,233	3,684	415	-	1,410	1,000	7,742

Note 37. Cash flow information (continued)

Consolidated	Other NHF subordin- ated debt US\$'000	Insurance financing - Australia US\$'000	Syndicated acquisition facility (‘SAF’) US\$'000	SAF Side Loan 1 US\$'000	SAF Side Loan 2 US\$'000	NHF Founder Prom- issory Notes US\$'000	Atalaya Capital Man- agement US\$'000	Total US\$'000
Balance at 1 January 2019	-	-	29,644	-	-	9,000	39,902	78,546
Loans received	4,750	88	-	864	2,275	-	17,625	25,602
Loans repaid	-	(55)	-	-	-	-	(15,924)	(15,979)
Capitalised interest	-	-	-	388	-	-	-	388
Exchange differences	-	-	(248)	-	-	-	-	(248)
Balance at 31 December 2019	4,750	33	29,396	1,252	2,275	9,000	41,603	88,309
Loans received	-	88	-	-	-	-	3,141	3,229
Loans repaid	-	(98)	-	-	-	-	(27,732)	(27,830)
Capitalised interest	-	-	4,414	602	-	-	-	5,016
Exchange differences	-	4	2,906	122	221	-	-	3,253
Other adjustment	-	-	-	154	-	(9,000)	-	(8,846)
Balance at 31 December 2020	4,750	27	36,716	2,130	2,496	-	17,012	63,131

**Note 37. Cash flow information (continued)**

Consolidated	Paycheck Protection Program loan US\$'000	Insurance financing - USA US\$'000	Credit cards US\$'000	Asset- secure Pty Limited loan US\$'000	Vendor loan - NHF Founders US\$'000	Economic Injury Disaster Relief loan US\$'000	Efficient Frontier Investing US\$'000	Total US\$'000
Balance at 1 January 2019	-	-	414	20,028	12,546	-	-	32,988
Loans received	-	90	209	9,903	-	-	-	10,202
Loans repaid	-	(35)	(505)	(8,326)	-	-	-	(8,866)
Capitalised interest	-	-	-	-	1,171	-	-	1,171
Exchange differences	-	-	(15)	(158)	(105)	-	-	(278)
Balance at 31 December 2019	-	55	103	21,447	13,612	-	-	35,217
Loans received	605	-	183	3,923	-	150	25,550	30,411
Loans repaid	-	(55)	(267)	(10,436)	-	-	(336)	(11,094)
Capitalised interest	-	-	-	-	-	-	52	52
Exchange differences	-	-	-	2,083	1,322	-	-	3,405
Other adjustments	-	-	-	-	(14,934)	-	-	(14,934)
Balance at 31 December 2020	<u>605</u>	<u>-</u>	<u>19</u>	<u>17,017</u>	<u>-</u>	<u>150</u>	<u>25,266</u>	<u>43,057</u>

Consolidated	Lease liabilities US\$'000
Balance at 1 January 2019	-
Leases recognised on the adoption of AASB 16	27
Additions	1,663
Repayment of leases	(159)
Balance at 31 December 2019	<u>1,531</u>
Repayment of leases	(245)
Exchange differences	(41)
Balance at 31 December 2020	<u>1,245</u>

**Note 38. Share-based payments**

*Share options*

At the 2016 Annual General Meeting held on 30 November 2016, shareholders approved for the Company to adopt the JKL Incentive Plan ('Incentive Plan') and associated Non-Recourse Loan Agreements for directors, officers, employees and consultants ('Participants'). The Incentive Plan, effective from 1 July 2016, replaced the previous Incentive Option Plan and Executive Incentive Plans ('EIP').

**Note 38. Share-based payments (continued)**

The objectives of the Incentive Plan are to:

- supplement Participant remuneration;
- ensure that the Group's remuneration policy is competitive in retaining and motivating the Participants;
- provide a mechanism for achieving the Group's overarching remuneration objective of aligning the interests of Participants and shareholders; and
- reward Participants based on the Group's overall performance including achieving successful judgements or settlements of individual cases, growth of the disbursements funding business (JustKapital Finance) and other businesses and high performance.

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

**31 Dec 2020**

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
13/03/2020	28/09/2021	US\$0.192	-	24,000,000	-	-	24,000,000
13/03/2020	28/09/2022	US\$0.307	-	22,500,000	-	-	22,500,000
13/03/2020	28/09/2023	US\$0.461	-	25,000,000	-	-	25,000,000
			-	71,500,000	-	-	71,500,000
Weighted average exercise price			US\$0.000	US\$0.322	US\$0.000	US\$0.000	US\$0.000

\* Exercise price - A\$0.25, A\$0.40 and A\$0.60 respectively.

**31 Dec 2019**

Grant date	Expiry date	Exercise price*	Balance at the start of the year	Granted	Exercised	Lapsed	Balance at the end of the year
22/01/2016	22/01/2019	US\$0.176	1,500,000	-	-	(1,500,000)	-
			1,500,000	-	-	(1,500,000)	-
Weighted average exercise price			US\$0.176	US\$0.000	US\$0.000	US\$0.000	US\$0.000

\* Exercise price - A\$0.25

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

Grant date	Expiry date	31 Dec 2020 Number	31 Dec 2019 Number
13/03/2020	28/09/2021	24,000,000	-
13/03/2020	28/09/2022	22,500,000	-
13/03/2020	28/09/2023	25,000,000	-
		<u>71,500,000</u>	<u>-</u>

The weighted average share price during the financial period was US\$0.037 (2019: US\$0.050).

The weighted average remaining contractual life of options outstanding at 31 December 2020 was 1.76 years (2019: nil years).

**Note 38. Share-based payments (continued)**

*Warrants*

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

**31 Dec 2020**

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
28/09/2018	28/09/2022	US\$0.104	452,743,636	-	-	-	452,743,636
			452,743,636	-	-	-	452,743,636

**31 Dec 2019**

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
28/09/2018	28/09/2022	US\$0.099	452,743,636	-	-	-	452,743,636
			452,743,636	-	-	-	452,743,636

\* Exercise price at 31 Dec 2020 A\$0.135 (31 Dec 2019 : A\$0.135)

The weighted average remaining contractual life of warrants outstanding at 31 December 2020 was 1.75 years (2019: 2.75 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/03/2020	28/09/2021	US\$0.041	US\$0.192	56%	-	0.50%	US\$0.0003
13/03/2020	28/09/2022	US\$0.041	US\$0.307	56%	-	0.50%	US\$0.0004
13/03/2020	28/09/2023	US\$0.041	US\$0.461	56%	-	0.50%	US\$0.0005

*Shares issued*

There were no shares issued as share-based payments during the year ended 31 December 2020.

**Note 39. 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 financial reporting, management has assumed the value of the conditional component of the sales proceeds to have nil value. Management is 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 Expert's Report ('IER') which had concluded the transaction to be fair and reasonable and in the best interest of shareholders. This IER is currently being updated based on recent positive developments, as announced to the market on 24 March 2021. The terms of the agreement are being reconsidered in parallel with Grant Thornton's work. The Extraordinary General Meeting to obtain shareholder approval for the transaction has been postponed until further notice.

- (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 of A\$2-3 million subject to their own internal periodic reviews. 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. There are continuing defaults under the Receivables Purchase Agreement which the borrower is seeking to resolve.

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.


In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable as stated in the Going Concern section of note 2 to the financial statements.

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

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

On behalf of the directors

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

Tim Storey  
Chairman

31 March 2021  
Sydney

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
LAWFINANCE LIMITED**

**Report on the Audit of the Financial Report**

***Opinion***

We have audited the financial report of Lawfinance Limited the Company and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**Material Uncertainty Relating to Going Concern**

Without modifying our audit opinion expressed above, attention is drawn to the following matter.

We draw your attention to note 2 (Going concern - material uncertainty) and note 23 (Borrowings) of the financial report which states that the financial report has been prepared on a going concern basis and describes the events which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

As at 31 December 2020 the Group had a working capital deficiency of US\$92,923,000 (31 Dec 2019: US\$90,187,000), cash and cash equivalents of US\$4,900,000 (31 Dec 2019: US\$5,777,000) and incurred a loss after tax for the year amounting to US\$78,136,000 (2019: US\$23,256,000). As at 31 December 2020 the Syndicated acquisition facility of US\$36,716,000, Assetsecure Pty Limited facility US\$17,017,000 and the Atalaya Capital

Management loan of US\$17,012,000 had breached covenants and been reclassified as current liabilities (refer note 23).

The ability of the Group to continue as a going concern is subject to the Group realising cashflows from collecting its outstanding disbursement receivables books in accordance with its budgeted cashflows and completing its recapitalisation plans as outlined in note 2 (Going concern - material uncertainty) of the financial report.

In the event that the Board does not successfully realise cashflows from collecting its outstanding disbursement receivables books in accordance with its budgeted cashflows, successfully complete its recapitalisation plans as outlined in note 2 (Going concern - material uncertainty), the Group may not be able to realise its assets and discharge its liabilities in the normal course of business and/or as and when they fall due.

In particular we draw your attention to notes 14 (Financial assets at fair value through profit or loss – Australia) and 15 (Financial assets at amortised cost – USA) of the financial report which discloses the carrying value of financial assets at fair value through profit or loss of US\$16,123,000 (2019: US\$22,183,000) and the carrying value of the financial assets at amortised cost of US\$53,253,000 (2019: US\$73,131,000). These financial assets may be significantly impaired if the recapitalisation plans of the group as outlined in note 2 are not completed.

### Key Audit Matters

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be Key Audit Matters to be communicated in our report.

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

Key Audit Matters	How the matter was addressed in the audit
<p><b>Classification and measurement of financial assets</b></p> <p>As at 31 December 2020, Financial Assets totalled US\$69,376,000 (refer to Note 14 (Financial assets at fair value through profit or loss – Australia and 15 (Financial assets at amortised cost – USA)).</p> <p>Included in the financial assets balance is US\$16,123,000 in relation to the Group's Australian disbursement/funding Business referred to as JustKapital Financing Pty Limited ("JKF"). These financial assets are held at fair value through profit or loss</p> <p>Included in the financial assets balance is US\$53,253,000 in relation to the Group's Medical Lien disbursement/funding Business referred to as Nation Health Finance ("NHF"). These financial assets are held at amortised cost after impairment gains/losses.</p> <p>This is considered to be a key audit matter due to significance of the balance and this required significant judgement in the valuation and classification of these financial assets.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>Tested the valuation models provided by the management, assessing the design of the model and its various inputs. We have also critically assessed the assumptions used in the valuation by comparing to historical data in the accounting records;</li> <li>We completed substantive testing on a sample basis of the transactions within the valuation model including additions during the period;</li> <li>Tested for impairments and requested adjustments to carrying value of assets as required;</li> <li>Obtained confirmations, tested on a sample basis, of individual financial assets; and</li> <li>Assessed whether the disclosures included in the financial report were in accordance with the requirements of AASB 9 Financial Instruments: Disclosures.</li> </ol>

Key Audit Matters	How the matter was addressed in the audit
<b>Carrying Value/Impairment of Goodwill</b>	
<p>The carrying value of Goodwill as at 31 December 2020 was US\$40,906,000 prior to impairment.</p> <p>The company recognised an impairment charge of US\$40,906,000 for Goodwill during the period ended 31 December 2020. Associated Customer relationships of US\$1,481,000 were also impaired in the same period.</p> <p>The carrying value/impairment of Goodwill is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>▪ The significance of the Goodwill representing 24% of total assets in the prior year;</li> <li>▪ The necessity to assess management's application of the requirements of the accounting standards, including the requirement to impairment test at each reporting period; and</li> <li>▪ The assessment of significant judgements made by management in relation to the impairment review.</li> </ul>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>I. Challenged management on their historical budgets and its application to the impairment models;</li> <li>II. Reviewed the company's breaches of lending covenants and its implications to the future cashflows;</li> <li>III. Agreed to management's assessment to fully impair Goodwill/Associated Customer relationships given the uncertainties outlined in points i and ii ; and</li> <li>IV. Reviewed the disclosures included in the annual report (refer note 20 Goodwill).</li> </ol>
<b>Discontinued Operations</b>	
<p>The loss from Discontinued Operations was US\$7,440,000 (31 December 2019 -US\$177,000).</p> <p>On 29 January 2021 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 (refer to Note 11 Discontinued operations).</p> <p>We determined this to be a key audit matter given the materiality of the amount involved together with the level of judgement required in assessing the final sale price which is subject to conditional proceeds.</p> <p>As at the date of this report the transaction is still to complete.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>I. Reviewed agreement to sell Juskapital Litigation Pty Limited;</li> <li>II. Tested determination of Assets held for Sale and Associated liabilities;</li> <li>III. Reviewed management's assessment of the value of the conditional component of the sales proceeds to have nil value; and</li> <li>IV. Reviewed the disclosures included in the annual report were in accordance with accounting standards (refer note 11 Discontinued operations).</li> </ol>
<b>Restatement/Impairment of Vendor Loans</b>	
<p>The write down of the Vendor loan - NHF Founders and NHF Founder Promissory Notes totalling US\$19,602,000 were subject to shareholder approval, which was obtained at the Extraordinary General Meeting held on 10 March 2020 (Note 4 Restatement of comparatives).</p> <p>As at 31 December 2019 the company had impaired the loans as they had agreed all terms with Vendor. However due to advice received in FY20 the Directors restated the FY19 comparatives to reflect the fact that transaction had not completed as at the prior year reporting date.</p> <p>We determined this to be a key audit matter given the materiality of the amount involved.</p>	<p>Inter alia, our audit procedures included the following:</p> <ol style="list-style-type: none"> <li>I. Reviewed original agreements to write off loans;</li> <li>II. Reviewed client's calculations for Restatement and impairment in FY20.</li> <li>III. Reviewed the disclosures included in the annual report were in accordance with accounting standards (refer note 4 Restatement of comparatives).</li> </ol>

### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Report***

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

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

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

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

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

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

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

such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

### ***Report on the Remuneration Report***

#### *Opinion on the Remuneration Report*

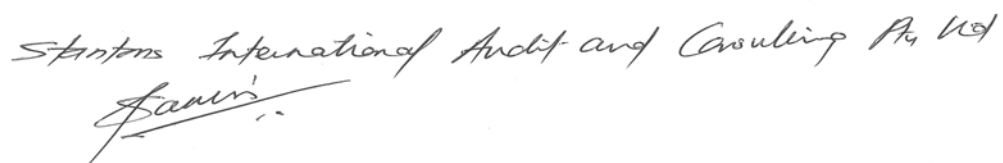
We have audited the Remuneration Report included in pages 8 to 17 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Lawfinance Limited for the year ended 31 December 2020 complies with section 300A of the Corporations Act 2001.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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

A handwritten signature in black ink, appearing to read 'Samir', is written over a faint, cursive-style line that reads 'Stantons International Audit and Consulting Pty Ltd'.

**Samir Tirodkar**  
Director  
West Perth, Western Australia  
31 March 2021

The shareholder information set out below was applicable as at 29 March 2021.

### Distribution of equity securities

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

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	39	-	-	-
1,001 to 5,000	15	-	-	-
5,001 to 10,000	54	0.04	-	-
10,001 to 100,000	289	1.01	-	-
100,001 and over	296	98.95	2	100.00
	<u>693</u>	<u>100.00</u>	<u>2</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>243</u>	<u>-</u>	<u>-</u>	<u>-</u>

### Equity security holders

#### Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Citicorp Nominees Pty Limited	144,233,412	12.33
National Nominees Limited	113,420,169	9.69
Mr Mark Siegel	107,548,702	9.19
Mr David Wattel	107,548,701	9.19
J P Morgan Nominees Australia Pty Limited	66,000,000	5.64
Washington H Soul Pattinson & Company Limited	43,750,000	3.74
Principis Master Fund SPC (Lucerne Composite Master A/c)	43,047,018	3.68
Principis Master Fund SPC (Lucerne Comp Mast Fund SP)	40,000,000	3.42
Factotum Group Pty Limited (Factotum Partners A/c)	25,300,000	2.16
Australian Philanthropic Services Foundation Pty Limited (APS Foundation A/c)	20,000,001	1.71
Aquasia Pty Limited (Aquasia Private Invest A/c)	20,000,000	1.71
Barbright Australia Pty Ltd (Interquartz Super Fund A/c)	19,000,000	1.62
Mr John Herbert Bannister	16,963,146	1.45
National Nominees Limited	16,079,831	1.37
Litigation Management Pty Limited	13,140,625	1.12
J F Byrnes Super Pty Ltd (Argoon Avenue S/F A/c)	8,618,182	0.74
Kesor Pty Limited (Sorensen Superfund A/c)	8,400,000	0.72
Ms Snezana Bowden	8,300,000	0.71
Efficient Frontier Investments SA	8,000,000	0.68
Mr Jason Maxwell Yu	7,700,000	0.66
	<u>837,049,787</u>	<u>71.53</u>

**LawFinance Limited**  
**Shareholder information**  
**31 December 2020**

*Unquoted equity securities (options)*

	<b>Number on issue</b>	<b>Number of holders</b>
Options – exercisable at A\$0.25 cent before 28 September 2021	24,000,000	2
Options – exercisable at A\$0.40 cent before 28 September 2022	22,500,000	2
Options – exercisable at A\$0.60 cent before 28 September 2023	25,000,000	2

**Substantial holders**

Substantial holders in the Company are set out below:

	<b>Ordinary shares % of total shares issued</b>
<b>Number held</b>	
Citicorp Nominees Pty Limited	144,233,412 12.33
National Nominees Limited	113,420,169 9.69
Mr Mark Siegel	107,548,702 9.19
Mr David Wattel	107,548,701 9.19
J P Morgan Nominees Australia Pty Limited	66,000,000 5.64

**Voting rights**

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

*Ordinary shares*

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

**Warrants**

<b>Details</b>	<b>Number of warrants</b>
Warrants issued to other Syndicated Acquisition Facility participants	329,880,000
Warrants issued to NHF Founders	122,863,636
	<u>452,743,636</u>

**Securities subject to voluntary escrow**

<b>Details</b>	<b>Number of shares</b>
Escrowed director and KMP shares related to the purchase of NHF	215,097,403

 LAWFINANCE