

1. Company details

Name of entity:	LawFinance Limited
ABN:	72 088 749 008
Reporting period:	For the half-year ended 30 June 2021
Previous period:	For the half-year ended 30 June 2020

2. Results for announcement to the market

				US\$'000
Revenues from ordinary activities - continuing operations	down	78.2%	to	(1,165)
Total comprehensive profit for the Group	up	>100%	to	7,265
(Loss) from ordinary activities after tax attributable to the owners of LawFinance Limited	down	11.5%	to	(13,421)
(Loss) for the half-year attributable to the owners of LawFinance Limited	down	11.5%	to	(13,421)

Dividends

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

Comments

The total comprehensive profit for the Group amounted to US\$7,265,000 (30 June 2020: loss of US\$12,786,000).

For further commentary, refer to 'Review of operations' within the Directors' report of the Interim Financial Report.

3. Net tangible assets

	30 June 2021 Cents	31 Dec 2020 Cents
Net tangible assets per ordinary security	(9.43)	(415.67)

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

4. Control gained over entities

Entity	Date control gained
NHF SPV IV, LLC	14 April 2021
Accelerated Account Management, LLC	8 February 2021

5. Loss of control over entities

Entity	Date control lost
JustKapital Financing Pty Ltd	30 April 2021
JustKapital Litigation Pty Ltd	24 June 2021
JustKapital Portfolio Pty Ltd	24 June 2021
JustKapital CoFunding No 1 Pty Ltd	24 June 2021

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

The Group had a joint operation with Longford Capital Management LP ('Longford Capital') where the Group co-invested with Longford Capital in litigation funding. The joint operation was funding one case in the United States on a 50:50 basis. The joint operation and co-funded case form part of the Litigation Funding Business that was disposed of, as announced to the market on 24 June 2021.

9. Foreign entities

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

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

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

11. Attachments

Details of attachments (if any):

The Interim Financial Report of LawFinance Limited for the half-year ended 30 June 2021 is attached.

12. Signed

As authorised by the Board of Directors

Signed



Date: 30 August 2021

Tim Storey
Chairman
Sydney

A white silhouette of a city skyline with various skyscrapers of different heights and architectural styles, set against a solid blue background.

2021

Half Year Report

for the six months ended 30 June 2021

ABN 72 088 749 008

LawFinance Limited
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30 June 2021

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Directors	Tim Storey - Non-Executive Chairman Daniel Kleijn - Executive Director, Managing Director Anthony Murphy - Non-Executive Director David Wattel - Non-Executive Director
Company secretary	Andrew Palfreyman
Registered office	Suite 2, Level 16 56 Pitt Street Sydney NSW 2000 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Principal place of business	Suite 335 49-51 Queens Road Five Dock NSW 2046 Tel: +61 2 9696 0220 Fax: +61 2 9252 3430
Share register	Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000 Tel: 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) Fax: +61 2 9287 0303
Auditor	Stantons Level 36, Gateway 1 Macquarie Place Sydney NSW 2000
Solicitors	Arnold Bloch Leibler Level 24, Chifley Tower 2 Chifley Square Sydney NSW 2000 Automic Pty Ltd Level 5 126 Phillip Street Sydney NSW 2000
Stock exchange listing	LawFinance Limited shares are listed on the Australian Securities Exchange (ASX code: LAW)
Website	www.lawfinance.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of LawFinance Limited (referred to hereafter as the 'Company', 'LAW' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

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

Tim Storey
Anthony Murphy
Daniel Kleijn
David Wattel

Implementation of strategic turnaround plans

The first half of 2021, saw the successful execution of strategic turnaround plans including recapitalising the Group and rationalising LAW's business portfolio. The strategic decision to focus solely on growing and developing the US Medical Lien funding business, was implemented with LAW ceasing to operate its non-core Australian Litigation Funding and Disbursement Funding businesses.

Significant change was required in response to financial and operational challenges faced during 2020 and the first half of 2021 as the impacts of the COVID-19 pandemic persisted. The Board is confident that its recapitalised balance sheet, new PFG funding facility and strategic focus, puts the Group in a strong position to grow NHF as the business environment continues to improve in the United States.

A new Executive Leadership Team ('ELT') was constituted by new CEO, Daniel Kleijn at the beginning of 2021, incorporating NHF business leaders, to develop and implement the strategic turnaround plans. Strategic priorities implemented in the first half of 2021 have strengthened the Group's balance sheet, provided the NHF business with funding and a platform to capitalise on a post COVID-19 operating environment, and the financing opportunities it brings:

- Refinanced the Front Book secured finance facility with Partners for Growth;
- Restructured secured and unsecured debt facilities across the Group; and
- Raised c.US\$15 million in new capital (US\$13 million equity and US\$2 million of debt) to fund working capital needs and fund new originations in the NHF business.

The Board of Directors would like to take this opportunity to thank its financiers and shareholders for their support to LAW through a very difficult chapter in its history. The Board are excited about what the second half of the year will hold for LAW.

Nature of operations and principal activities

During the financial half-year the principal activities of the Group consisted of:

- Medical lien funding;
- Disbursement funding up until LAW ceased to control the business on 30 April 2021; and
- Litigation funding, up until the completion of its sale on 24 June 2021.

Medical lien funding

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

Established in 1999, the NHF business is an Arizona-based medical lien funding business with the ability to provide funding in 22 states in the United States. 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 (except in Michigan, which is a not-at-fault state). 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 healthcare providers and hospitals. The return to NHF is realised upon payment by the at-fault party or their insurance carrier upon conclusion of the personal injury litigation, either by settlement or judgment.

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

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

- an appropriate discount 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 (JustKapital Finance) was operated in Australia by LAW's wholly owned subsidiary JustKapital Financing Pty Ltd ('JKF'). As announced on 30 April 2021 'Update on Conditions and JustKapital Financing' LAW transferred control and collection responsibilities for the JKF book to an external collection agent appointed by its secured lenders Assetsecure Pty Ltd ('Assetsecure'). JKF's directors also appointed Martin Walsh as the Voluntary Administrator of JKF. Martin was subsequently appointed as Liquidator of JKF on 4 June 2021.

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

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

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

Litigation funding

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

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

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

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

The litigation funding operations and the balance sheets attributable to JKL and its subsidiaries were deconsolidated from the Group's accounts as at 24 June 2021 when the sale to LEP completed.

Review of operations

The restructuring and recapitalisation processes conducted in the period substantially improved the strength of the Group's balance sheet. The Group's net asset deficiency as at 30 June 2021 was US\$3.4 million which had improved by US\$44.2 million from the position as at 30 December 2020 (US\$47.6 million). Despite a net asset deficiency at 30 June 2021, the liquidity of the Group substantially improved over the period as indicated by a current ratio of 2.7 (Current Assets / Current Liabilities) as at 30 June 2021, which increased from 0.29 as at 31 December 2020.

The Group recorded a loss before income tax benefit from continuing operations of \$13.8 million for the 6 months ended 30 June 2021. This loss was largely attributable to the underperformance of the JustKapital Financing business (up to the end of April 2021) as well as the US NHF's business being subscale as compared to its operating cost base and high interest costs. Interest costs were particularly high until completion of the debt restructuring and refinancing of the Atalaya Front Book finance facility in May 2021.

Collections in the NHF business continued to feel the impacts from COVID-19 disruption as settlements were either delayed or agreed at lower payment amounts as victims were under pressure to obtain cash and insurance companies held a position of leverage ("COVID discount"). The impacts of COVID-19 on the US Court system eased through 1H21, however the pace of this improvement varied from state to state. As at the end of June 2021, while Court's were operating more normally, there was still a back log of cases to work through in key states such as Michigan.

Following the completion of the restructuring and capital raise processes at the end of May 2021, NHF immediately commenced its "re-entry campaign" focusing on rebuilding existing relationships and general market awareness following the recapitalisation of the group. These efforts produced an encouraging commencement to originations in June (US\$0.6 million), with expectations that will increase to target levels before the end of 2021.

Significant changes in the state of affairs

As detailed above LAW ceased to control the JustKapital Finance business and sold the Litigation Funding businesses which were deconsolidated from the Group's financial accounts on 30 April 2021 and 24 June 2021 respectively. In addition a number of material recapitalisation and funding initiatives were successfully implemented as part of the Group's strategic turnaround plans.

Refinanced Front Book secured finance facility

In late May 2021, the Group refinanced its existing Front Book facility with Atalaya Capital Management ('Atalaya') with a new facility with Partners for Growth V1, LP ('PFG'). Management consider the PFG facility to be far more strategically aligned with its growth plans and business than the Atalaya facility.

The loan facility of US\$30 million was established on 14 April 2021 and is available to fund the US medical lien funding business. The facility has the capacity to be increased to US\$70 million based on certain criteria set by PFG. The interest and fees payable under the drawn down facility total 11.25% per annum and the line fee is 0.5%. The term of the facility is three years with an amortisation period in the fourth year.

The new funding relationship with PFG is proceeding well and they had funded 2 (bi-monthly) requests for new funding as at 30 June 2021.

Raised new capital

As announced in May and June 2021 the Company raised a total of A\$18 million via an A\$17.2 million share placement ('Placement') as announced on 28 May 2021 ('Completion of Restructure and Capital Raising') and a subsequently A\$0.8 million raised via a Share Purchase Plan ('SPP'). Under both the Placement and the SPP fully paid ordinary shares in the Company were issued to investors ('Shares') at the issue prices of A\$1.30 and A\$0.92 per share (on a post share consolidation basis), respectively.

In addition to this new equity funding, A\$3 million new debt facility was raised in May 2021, prior to completion of the Placement, by one of the Group's existing Lenders, Aquasia (Bridging Loan). This Bridging Loan was subsequently restructured along with the Group's Syndicated Acquisition Facility ('SAF') as detailed below.

In total A\$21 million of new capital was raised for reinvestment into LAW and the NHF business.

Restructured corporate secured and unsecured debt facilities

At the end of May 2021, following shareholder approval at the Annual General Meeting on 25 May 2021, the Company completed the five-month consensual process, with more than 40 secured and unsecured lenders, to convert some US\$42 million (A\$55 million) from debt-to-equity in LAW at an average price of A\$0.037 per ordinary share (on a pre share consolidation basis).

Of the debt converted to equity, US\$27 million (c.A\$36 million) related to the Lenders in the Syndicated Acquisition Facility ('SAF'), who converted the majority of their outstanding debt to equity. The balance of the SAF debt in the amount of US\$15.6 million (A\$20.8 million) was restructured via an amendment and restatement of the facility terms as follows:

- Interest rate reduced from 13.6% p.a. to 9.5% p.a.;
- Ability to capitalise interest payments until the May 2023; and
- Defer the repayment date to May 2025 for A\$0.8 million (Tranche 2) and to May 2026 for A\$20 million (Tranche 1).

In addition to the restructured SAF debt, the \$2.253 million (A\$3 million) Bridging Loan (detailed above under the heading Raised New Capital), was also restructured on the same terms as the Tranche 2 SAF debt. Accordingly, the total Tranche 2 of the SAF debt is now \$2.854 million (A\$3.8 million).

While the debt holders converted A\$55 million of debt-to-equity at an average price of A\$0.037 per ordinary share (on a pre share consolidation basis), management have assessed the fair value of the shares at the time of the restructure at A\$0.021 per ordinary share. This was the market price of the shares at the date of announcement to the market, and immediately prior to commencing the trading halt.

Share consolidation

The Company undertook a 100-for-1 share consolidation on 9 June 2021 following shareholder approval at the AGM on 25 May 2021.

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

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 30 June 2021 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.

Rounding of amounts

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

Auditor's independence declaration

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Tim Storey
Chairman

30 August 2021
Sydney

30 August 2021

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

Dear Sirs

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 review of the financial statements of LawFinance Limited for the half year ended 30 June 2021, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
((Authorised Audit Company))



Samir Tirodkar
Director

LawFinance Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

		Consolidated	
	Note	1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
Revenue from continuing operations			
Net loss from medical lien funding	4	(1,850)	(6,887)
Other revenue	5	685	1,548
Total revenue		(1,165)	(5,339)
Non-supplier related cost of sales		(28)	(13)
Gross (loss)		(1,193)	(5,352)
Interest income		1	1
Expenses			
Impairment gain on financial liabilities	6	-	19,602
Employee benefits expense	6	(1,961)	(2,387)
Depreciation and amortisation expense	6	(163)	(236)
Impairment of assets	6	(196)	(7,258)
Administration and other expenses	6	(2,723)	(1,217)
Finance costs	6	(7,515)	(7,707)
(Loss) before income tax benefit/(expense) from continuing operations		(13,750)	(4,554)
Income tax benefit/(expense)		1,528	(8,818)
(Loss) after income tax benefit/(expense) from continuing operations		(12,222)	(13,372)
(Loss) after income tax benefit/(expense) from discontinued operations	7	(788)	(892)
(Loss) after income tax benefit/(expense) for the half-year		(13,010)	(14,264)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,375	1,478
Restructuring gain on debt to equity conversion	18	18,900	-
Other comprehensive income for the half-year, net of tax		20,275	1,478
Total comprehensive income/(loss) for the half-year		7,265	(12,786)
(Loss) for the half-year is attributable to:			
Non-controlling interest		411	907
Owners of LawFinance Limited		(13,421)	(15,171)
		(13,010)	(14,264)

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 half-year ended 30 June 2021

		Consolidated	
	Note	1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
Total comprehensive income/(loss) for the half-year is attributable to:			
Continuing operations		411	907
Discontinued operations		-	-
Non-controlling interest		411	907
Continuing operations		7,642	(12,801)
Discontinued operations		(788)	(892)
Owners of LawFinance Limited		6,854	(13,693)
		7,265	(12,786)
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited			
Basic loss per share	8	(74.20)	(173.94)
Diluted loss per share	8	(74.20)	(173.94)
Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited			
Basic loss per share	8	(4.63)	(10.87)
Diluted loss per share	8	(4.63)	(10.87)
Earnings per share for loss attributable to the owners of LawFinance Limited			
Basic loss per share	8	(78.83)	(184.80)
Diluted loss per share	8	(78.83)	(184.80)

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 30 June 2021

		Consolidated	
	Note	30 Jun 2021	31 Dec 2020
		US\$'000	US\$'000
Assets			
Current assets			
Cash and cash equivalents	9	10,980	4,746
Financial assets at fair value through profit or loss - Australia		-	7,194
Financial assets at amortised cost - USA	10	15,330	15,239
Other receivables	11	751	831
Prepayments		115	118
		<u>27,176</u>	<u>28,128</u>
Assets held for sale	7	-	10,248
Total current assets		<u>27,176</u>	<u>38,376</u>
Non-current assets			
Financial assets at fair value through profit or loss - Australia		-	8,929
Financial assets at amortised cost - USA	10	31,233	38,014
Other receivables	11	760	5
Property, plant and equipment	12	125	91
Right-of-use assets		422	1,074
Intangibles	13	9	10
Total non-current assets		<u>32,549</u>	<u>48,123</u>
Total assets		<u>59,725</u>	<u>86,499</u>
Liabilities			
Current liabilities			
Trade and other payables	14	2,374	6,789
Borrowings	15	7,210	113,514
Lease liabilities		205	461
Employee benefits		181	287
		<u>9,970</u>	<u>121,051</u>
Liabilities directly associated with assets classified as held for sale	7	-	10,248
Total current liabilities		<u>9,970</u>	<u>131,299</u>
Non-current liabilities			
Borrowings	15	52,943	416
Lease liabilities		215	784
Employee benefits		11	-
Provision for withholding tax		-	1,559
Total non-current liabilities		<u>53,169</u>	<u>2,759</u>
Total liabilities		<u>63,139</u>	<u>134,058</u>
Net liabilities		<u>(3,414)</u>	<u>(47,559)</u>
Equity			
Issued capital	16	97,626	61,310
Capitalising converting notes	17	14,383	13,933
Reserves	18	25,670	5,220
Accumulated losses		<u>(140,981)</u>	<u>(127,560)</u>
(Deficiency) attributable to the owners of LawFinance Limited		<u>(3,302)</u>	<u>(47,097)</u>
Non-controlling interest		<u>(112)</u>	<u>(462)</u>
Total (deficiency)		<u>(3,414)</u>	<u>(47,559)</u>

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 half-year ended 30 June 2021

Consolidated	Issued capital US\$'000	Capitalising converting notes US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Non-controlling interest US\$'000	Total equity US\$'000
Balance at 1 January 2020	40,924	-	6,778	(49,086)	(1,128)	(2,512)
Profit/(loss) after income tax expense for the half-year	-	-	-	(15,171)	907	(14,264)
Other comprehensive income for the half-year, net of tax	-	-	1,478	-	-	1,478
Total comprehensive income/(loss) for the half-year	-	-	1,478	(15,171)	907	(12,786)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	16,717	-	-	-	-	16,717
Share-based payments	-	-	122	-	-	122
Distribution to non-controlling interest	-	-	-	-	(424)	(424)
Capitalising converting notes (note 17)	-	13,503	-	-	-	13,503
Balance at 30 June 2020	<u>57,641</u>	<u>13,503</u>	<u>8,378</u>	<u>(64,257)</u>	<u>(645)</u>	<u>14,620</u>

Consolidated	Issued capital US\$'000	Capitalising converting notes US\$'000	Reserves US\$'000	Accumulated losses US\$'000	Non-controlling interest US\$'000	Total (deficiency) US\$'000
Balance at 1 January 2021	61,310	13,933	5,220	(127,560)	(462)	(47,559)
Profit/(loss) after income tax benefit for the half-year	-	-	-	(13,421)	411	(13,010)
Other comprehensive income for the half-year, net of tax	-	-	20,275	-	-	20,275
Total comprehensive income/(loss) for the half-year	-	-	20,275	(13,421)	411	7,265
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 16)	36,316	-	-	-	-	36,316
Share-based payments	-	-	175	-	-	175
Distribution to non-controlling interest	-	-	-	-	(61)	(61)
Capitalising converting notes (note 17)	-	450	-	-	-	450
Balance at 30 June 2021	<u>97,626</u>	<u>14,383</u>	<u>25,670</u>	<u>(140,981)</u>	<u>(112)</u>	<u>(3,414)</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 half-year ended 30 June 2021

	Consolidated	
	1 Jan 2021 to 30 Jun 2021	1 Jan 2020 to 30 Jun 2020
	US\$'000	US\$'000
Cash flows from operating activities		
Cash collections from customers (inclusive of GST)	8,922	14,660
Payments to suppliers and employees	(7,025)	(4,050)
Payments for disbursement reports and medical liens	(1,766)	(8,525)
Drawdowns from working capital facilities - disbursement funding division	629	1,279
Drawdowns from working capital facilities - medical lien funding division	111	5,141
Drawdowns from term facility – medical lien funding division	260	-
Repayment of working capital facilities - disbursement funding division	(2,176)	(3,908)
Repayment of working capital facilities - medical lien funding division	(4,112)	(9,526)
Interest and fees related to working capital facilities	(1,987)	(3,613)
Interest received	1	1
Interest paid	(5)	(10)
Net cash (outflow) from operating activities	(7,148)	(8,551)
Cash flows from investing activities		
Payments for property, plant and equipment	(79)	(3)
Net proceeds from realisation of investments (case settlements)	-	494
Receipts for litigation case funding (net of co-funders contributions)	-	430
Payments for litigation case funding (net of co-funders contributions)	(200)	-
Cash balance transfer associated with the sale of Disbursement funding and Litigation Case Funding business	(194)	-
Net cash (outflow)/inflow from investing activities	(473)	921
Cash flows from financing activities		
Proceeds from issue of shares	13,322	5,345
Share issue transaction costs	(585)	(357)
Proceeds from borrowings - corporate	2,910	2,070
Repayment of borrowings - corporate	(910)	(1,505)
Repayment of lease liabilities	(142)	(124)
Interest and fees related to loans and borrowings	(767)	(728)
Net cash inflow from financing activities	13,828	4,701
Net increase/(decrease) in cash and cash equivalents	6,207	(2,929)
Cash and cash equivalents at the beginning of the financial half-year	5,197	5,777
Effects of exchange rate changes on cash and cash equivalents	(424)	(134)
Cash and cash equivalents at the end of the financial half-year	<u>10,980</u>	<u>2,714</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 are:

Registered office

Suite 2, Level 16
56 Pitt Street
Sydney NSW 2000

Principal place of business

Suite 335
49-51 Queens Road
Five Dock NSW 2046

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

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

The Group made an after tax loss of \$13,010,000 for the six months ending 30 June 2021. This included a loss of (\$788,000) for the performance of the JustKapital Financing and Litigation Funding businesses, which were separated from the Group prior to 30 June 2021. The Group reached consensual agreements with the Secured Lenders to both businesses which de-risked the Group, refer note 15 (iv) Asssetsecure Pty Ltd.

The after tax loss for the six months ended 30 June 2021 also included the impacts of the financial assets being recorded at amortised cost (NHF's Front and Back Books of receivables) and recognised through the profit and loss. The amortisation of these assets was calculated based on the prior six months collection history, which was adversely impacted by COVID-19. Management expect that the valuation of the book will show a reduction in impairment as COVID-19 impacts continue to subside in the US.

Note 2. Significant accounting policies (continued)

As at 30 June 2021 the Group had a net asset deficiency of US\$3,414,000 (31 December 2020: net asset deficiency: of US\$47,559,000). All asset backed and corporate debt facilities of the Group were performing and were not in breach as at 30 June 2021 and as at the date of this report.

The Group's one remaining and only corporate debt facility as at 30 June 2021 is the Syndicate Acquisition Facility (SAF) which had an outstanding principal debt US\$17.903 million (A\$23.825 million). The SAF has two tranches (Tranche 1: A\$20 million, and Tranche 2 A\$3.825 million). Tranche 1 and 2 are not due for repayment until May 2026 and May 2025 respectively. Interest which is charged at 9.5% p.a is paid quarterly but can be capitalised during the period to May 2024 at the discretion of the Group, in order to manage cash flows and investment needs.

As at 30 June 2021, the Group held \$10,980,000 (31 December 2020: \$4,746,000) in cash. Of this amount \$8,716,000 (31 December 2020: \$3,161,000) was unrestricted and available to fund operations and investment in the business. These cash reserves will be required to fund Group operating expenses until the NHF business reaches the required scale and performance to be operationally cash positive.

As the restructure has now been successfully completed, the Directors have reviewed LAW's 12 month cash flow projections and underlying assumptions. The cash flow forecast shows the group will have sufficient cash and funding to operate as a going concern during the forecast period. As a result, the financial statements have been prepared on a going concern basis.

NHF have been focused, since executing the PFG funding facility in May 2021, on re-establishing and developing key funding relationships and commenced a market re-entry campaign designed to ramp up originations of medical receivables and funding opportunities through the second half of 2021. Management expects these initiatives drive growth in the Front Book during the second half of 2021, through a combination of organic originations (acquiring receivables from medical providers on an ongoing basis) and funding/acquiring bulk portfolios of medical liens/receivables.

The new PFG funding facility which is strategically aligned with the business's plans is more cost effective, as compared to the previous Atalaya facility, provides the required funding for the US business to grow the Front Book and capture revenue. Under the PFG funding facility, PFG provide debt funding equal to 85% of the cost value of new/eligible originations. The remaining 15% is funded by the Group. The Group currently holds cash reserves available to invest in new originations.

The Group is focused on executing its strategic priorities over the remainder of 2021 and into 2022. These priorities include growing the Front Book to a scale that drives positive cash flow from operations and future building of data capability to enhance the predictability (and quality) of returns and cost management and productivity initiatives. The Directors believe that successful execution of these strategic priorities, amongst others, will enable profitable deployment of capital and create value for shareholders.

At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2021. 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.

Note 3. Operating segments

Identification of reportable operating segments

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

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

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 1 Jan 2021 to 30 Jun 2021	JustKapital Finance and Litigation funding* US\$'000	STL US\$'000	National Health Finance US\$'000	Other US\$'000	Total US\$'000
Revenue					
Net (loss)/income from disbursement funding/medical lien funding	2,033	-	(1,850)	-	183
Other revenue	7	10	653	22	692
Total revenue	2,040	10	(1,197)	22	875
Segment result	1,435	(65)	(3,926)	(2,081)	(4,637)
Depreciation and amortisation	(52)	-	(107)	(56)	(215)
Finance costs	(2,171)	(6)	(4,418)	(3,091)	(9,686)
(Loss) before income tax benefit	(788)	(71)	(8,451)	(5,228)	(14,538)
Income tax benefit					1,528
(Loss) after income tax benefit					(13,010)
Assets					
Segment assets	-	60	50,990	8,675	59,725
Total assets					59,725
Liabilities					
Segment liabilities	-	-	43,123	20,016	63,139
Total liabilities					63,139

Note 3. Operating segments (continued)

Consolidated - 1 Jan 2020 to 30 Jun 2020	JustCapital Finance and Litigation funding* US\$'000	STL US\$'000	National Health Finance US\$'000	Other US\$'000	Total US\$'000
Revenue					
Net income/(loss) from disbursement funding/medical lien funding	507	-	(6,887)	-	(6,380)
Other revenue	16	10	78	1,460	1,564
	523	10	(6,809)	1,460	(4,816)
Other income	473	-	-	-	473
Total revenue	996	10	(6,809)	1,460	(4,343)
Segment result					
Depreciation and amortisation	783	10	(7,696)	10,874	3,971
Finance costs	(776)	-	(235)	(1)	(1,012)
	(899)	-	(4,667)	(3,040)	(8,606)
Profit/(loss) before income tax expense	(892)	10	(12,598)	7,833	(5,647)
Income tax expense					(8,617)
(Loss) after income tax expense					(14,264)
Consolidated - 31 Dec 2020					
Assets					
Segment assets	26,601	127	56,473	3,298	86,499
Total assets					86,499
Liabilities					
Segment liabilities	28,057	-	56,575	49,426	134,058
Total liabilities					134,058

* Information about discontinued operation is provided in note 7.

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	
	1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000	30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
Australia	2,072	1,993	121	232
United States	(1,197)	(6,809)	436	943
	875	(4,816)	557	1,175

Note 3. Operating segments (continued)

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

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

	Consolidated	
	1 Jan 2021 to 30 Jun 2021	1 Jan 2020 to 30 Jun 2020
	US\$'000	US\$'000
<i>From continuing operations</i>		
<i>Medical lien funding - USA:</i>		
Interest income at amortised cost	3,598	4,550
Net impairment losses on financial assets at amortised cost	(6,405)	(11,737)
Net settlement gains on financial assets at amortised cost	957	300
	<u>(1,850)</u>	<u>(6,887)</u>

Note 5. Other revenue

	Consolidated	
	1 Jan 2021 to 30 Jun 2021	1 Jan 2020 to 30 Jun 2020
	US\$'000	US\$'000
<i>From continuing operations</i>		
Interest received – short-term lending	10	10
Rebates received - medical lien funding	15	14
Rental income	32	32
Government grants and subsidies	628	60
Non-case related settlements - NHF	-	32
Interest adjustment - vendor loan	-	1,400
Other revenue	<u>685</u>	<u>1,548</u>

Government grants and subsidies

During the period ended 30 June 2021 the Group received payments from the Australian Government amounting to \$30,000 (30 June 2020: \$60,000) as part of its 'Boosting Cash Flow for Employers' scheme 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 also received a \$10,000 (30 June 2020: \$nil) grant from the City of Chandler.

The Group also received debt forgiveness of \$588,000 (30 June 2020: \$nil) from the US Small Business Administration for its first Paycheck Protection Program Loan ('PPP Loan') – see note 15 for further information.

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 ended 30 June 2020.

Note 6. Expenses

	Consolidated	
	1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 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	41	27
Employee benefits expense excluding superannuation	1,920	2,360
	1,961	2,387
<i>Depreciation and amortisation expense</i>		
Depreciation - property, plant and equipment	44	41
Depreciation - right-of-use assets	118	100
Amortisation - other intangibles	1	95
	163	236
<i>Impairment of assets</i>		
Goodwill	-	7,258
Impairment of short-term loans	75	-
Impairment of receivables	121	-
	196	7,258
<i>Administration and other expenses</i>		
ASIC, ASX and share registry fees	26	21
Insurance	136	101
Legal and professional fees	2,418	782
Rent and office costs	(99)	(2)
Travel and accommodation	80	74
Short-term lease payments	-	14
Low-value assets lease payments	27	27
Other	135	200
	2,723	1,217
<i>Finance costs</i>		
Interest expense and line fees	7,492	7,667
Interest - right-of-use assets	23	40
	7,515	7,707

* 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 7. Discontinued operations

Description

Disbursement funding

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

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

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

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

Litigation funding

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

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

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

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

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

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
Net gain from disbursement funding	2,033	507
Other income:		
Litigation contracts in progress – settlements and judgements	-	473
Other revenue	7	16
Total revenue	<u>2,040</u>	<u>996</u>
Non-supplier related cost of sales	-	(6)
Employee benefits expense	(529)	(211)
Depreciation and amortisation	(52)	(776)
Administration and other expenses	(76)	(197)
Finance costs	(2,171)	(899)
Total expenses	<u>(2,828)</u>	<u>(2,083)</u>
(Loss) before income tax benefit	(788)	(1,093)
Income tax benefit	-	201
(Loss) after income tax benefit from discontinued operations	<u>(788)</u>	<u>(892)</u>

Cash flow information

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
Net cash inflow from operating activities	50	174
Net cash (outflow)/inflow from investing activities	<u>(199)</u>	<u>923</u>
Net increase/(decrease) in cash and cash equivalents from discontinued operations	<u>(149)</u>	<u>1,097</u>

Note 7. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000
Cash and cash equivalents	193
Financial assets at fair value through profit or loss*	19,075
Allowance for credit losses	(3,155)
Property, plant and equipment	1
Litigation contracts in progress - capitalised internal costs	8,038
Investment held in joint operation	1,650
Total assets	<u>25,802</u>
Trade and other payables	2,584
Borrowings**	23,218
Total liabilities	<u>25,802</u>
Net assets	<u>-</u>

* The financial assets at fair value through profit or loss include adjustments to reflect fair value of assets as a result of the Voluntary Administrator being appointed.

** The borrowings include amounts owing under consensual agreement with lender (refer note 15(iv)).

Note 8. Earnings per share

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
<i>Earnings per share for loss from continuing operations</i>		
(Loss) after income tax	(12,222)	(13,372)
Non-controlling interest	(411)	(907)
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(12,633)</u>	<u>(14,279)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	17,025,592	8,209,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>17,025,592</u>	<u>8,209,255</u>
	Cents	Cents
Basic loss per share	(74.20)	(173.94)
Diluted loss per share	(74.20)	(173.94)

Note 8. Earnings per share (continued)

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
<i>Earnings per share for loss from discontinued operations</i>		
(Loss) after income tax	(788)	(892)
Non-controlling interest	-	-
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(788)</u>	<u>(892)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	17,025,592	8,209,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>17,025,592</u>	<u>8,209,255</u>
	Cents	Cents
Basic loss per share	(4.63)	(10.87)
Diluted loss per share	(4.63)	(10.87)

	Consolidated 1 Jan 2021 to 30 Jun 2021 US\$'000	1 Jan 2020 to 30 Jun 2020 US\$'000
<i>Earnings per share for loss</i>		
(Loss) after income tax	(13,010)	(14,264)
Non-controlling interest	(411)	(907)
(Loss) after income tax attributable to the owners of LawFinance Limited	<u>(13,421)</u>	<u>(15,171)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	17,025,592	8,209,255
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>17,025,592</u>	<u>8,209,255</u>
	Cents	Cents
Basic loss per share	(78.83)	(184.80)
Diluted loss per share	(78.83)	(184.80)

The weighted average number of ordinary shares are calculated based on the number of ordinary shares that would have been in existence had the capital restructure occurred as at 1 January 2020, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	820,925,536
Adjustment required by AASB 133 'Earnings per share'	<u>(812,716,281)</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>8,209,255</u>

Note 8. Earnings per share (continued)

As at 30 June 2021 and 2020, there were no options on issue, convertible bonds and warrants on ordinary shares excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive in nature.

Note 9. Cash and cash equivalents

	Consolidated	
	30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
<i>Current assets</i>		
Cash at bank*	10,980	4,746
<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	10,980	4,295
Cash and cash equivalents - classified as held for sale	-	451
Balance as per statement of cash flows	10,980	4,746

* Of the total cash at bank, \$2,264,000 (31 December 2020: \$1,585,000) was considered unavailable for operations as it was held pending distribution to asset-backed lenders. Refer note 15 (i) Partners for Growth ('PFG') and (ii) Efficient Frontier Investing.

Note 10. Financial assets at amortised cost - USA

	Consolidated	
	30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
<i>Current assets</i>		
Loan receivables - medical lien funding - USA (gross)	51,725	48,161
Allowance for expected credit losses	(36,395)	(32,922)
	15,330	15,239
<i>Non-current assets</i>		
Loan receivables - medical lien funding - USA (gross)	105,381	120,132
Allowance for expected credit losses	(74,148)	(82,118)
	31,233	38,014
	46,563	53,253

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 upon historical loss rates.

Note 11. Other receivables

	Consolidated 30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
<i>Current assets</i>		
Other trade receivables	48	48
Short-term loans	60	128
	<u>108</u>	<u>176</u>
Other receivables*	593	655
Goods and services tax receivable	50	-
	<u>751</u>	<u>831</u>
<i>Non-current assets</i>		
Other receivables**	760	5
	<u>1,511</u>	<u>836</u>

* Other receivables (current) as at 30 June 2021 includes:

- (i) term deposits of \$151,000 (31 December 2020: \$154,000) which were previously disclosed as 'Cash and cash equivalents' in note 9.
- (ii) Mesh receivables of \$345,000 (31 December 2020: \$501,000). The associated Mesh liabilities of \$nil as at 30 June 2021 (31 December 2020: \$717,000) are included in note 14 'Trade and other payables'.

** Other receivables (non-current) as at 30 June 2021 includes:

- (i) term deposits of \$751,000 (31 December 2020: \$nil).

Note 12. Property, plant and equipment

	Consolidated 30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	387	459
Less: Accumulated depreciation	<u>(262)</u>	<u>(368)</u>
	<u>125</u>	<u>91</u>

Reconciliations

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

Consolidated	Plant and equipment US\$'000
Balance at 1 January 2021	91
Additions	78
Depreciation expense	<u>(44)</u>
Balance at 30 June 2021	<u>125</u>

Note 13. Intangibles

	Consolidated	
	30 Jun 2021	31 Dec 2020
	US\$'000	US\$'000
<i>Non-current assets</i>		
Website - at cost	11	25
Less: Accumulated amortisation	(2)	(15)
	<u>9</u>	<u>10</u>
Customer relationships – US medical lien funding business	-	1,913
Less: Accumulated amortisation	-	(1,913)
	<u>-</u>	<u>-</u>
	<u>9</u>	<u>10</u>

Reconciliations

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

Consolidated	Website
	US\$'000
Balance at 1 January 2021	10
Amortisation expense	<u>(1)</u>
Balance at 30 June 2021	<u>9</u>

Note 14. Trade and other payables

	Consolidated	
	30 Jun 2021	31 Dec 2020
	US\$'000	US\$'000
<i>Current liabilities</i>		
Trade and other payables	812	5,031
Accruals	1,562	1,673
Goods and services tax payable	-	85
	<u>2,374</u>	<u>6,789</u>

Trade and other payables are paid within agreed credit terms.

The above Trade and other payables as at 30 June 2021 includes Mesh liabilities of \$nil (31 December 2020: \$717,000) – see note 11 'Other receivables'.

Note 15. Borrowings

	Consolidated	
	30 Jun 2021	31 Dec 2020
	US\$'000	US\$'000
<i>Current liabilities</i>		
Efficient Frontier Investing (ii)	6,142	25,266
Syndicated acquisition facility ('SAF') (iii)	-	36,716
Assetsecure Pty Limited (iv)	688	17,017
Atalaya Capital Management (v)	-	17,012
Other NHF subordinated debt (vi)	-	4,750
Lucerne Group combined loan (vii)	-	3,684
SAF Side Loan 2 (viii)	-	2,496
SAF Side Loan 1 (ix)	-	2,130
Other NHF subordinated debt (x)	-	1,410
Convertible bonds payable (xi)	-	1,233
Other NHF subordinated debt (xii)	-	1,000
Principis Master Fund facility- US medical lien funding business (xiii)	-	415
Paycheck Protection Program loan (xiv)	295	335
Convertible Promissory Note (xv)	27	-
Economic Injury Disaster Relief loan (xvi)	9	4
Insurance financing - Australia	-	27
Insurance financing - USA	37	-
Credit cards	12	19
	<u>7,210</u>	<u>113,514</u>
<i>Non-current liabilities</i>		
Partners for Growth ('PFG') (i)	16,181	-
Efficient Frontier Investing (ii)	17,744	-
Syndicated acquisition facility ('SAF') (iii)	17,903	-
Assetsecure Pty Limited (iv)	751	-
Paycheck Protection Program loan (xiv)	223	270
Economic Injury Disaster Relief loan (xvi)	141	146
	<u>52,943</u>	<u>416</u>
	<u>60,153</u>	<u>113,930</u>

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

The loan facility of \$30,000,000 (31 December 2020: \$nil) was established on 14 April 2021 and is available to fund the US medical lien funding business. The facility has the capacity to be increased to \$70,000,000 based on certain criteria set by PFG. The interest and fees payable under the drawn down facility total 11.25% per annum (31 December 2020: nil) and the line fee is 0.5% (31 December 2020: \$nil). The term of the facility is three years with an amortisation period in the fourth year.

The drawn loan amount of \$16,181,000 at 30 June 2021 (31 December 2020: \$nil) comprises of the principal amount of \$15,962,000 (31 December 2020: \$nil) and accrued interest and legal fees of \$219,000 (31 December 2020: \$nil).

The loan is secured by a first ranking priority over the assets of NHF SPV IV, LLC and National Health Finance DM, LLC.

The facility is subject to a number of covenants. A breach of a covenant may require the Group to repay the loan earlier. The Group is currently in compliance with all covenants associated with the facility.

Note 15. 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 \$24,918,000 at 30 June 2021 (31 December 2020: \$25,446,000). The carrying value of the loan in accordance with AASB 9 Financial Instruments was \$23,886,000 at 30 June 2021 (31 December 2020: \$25,266,000). 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 (31 December 2020: 12.50%).

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.

The facility is subject to 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. The Group is currently in compliance with this covenant. Maintaining compliance with this covenant will be dependent on future collections including the outcome of legal recovery (litigation action) actions which are difficult to estimate (time and quantum).

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 as at 30 June 2021 was \$25,594,000 (31 December 2020: \$29,502,000). LawFinance Limited has also provided a guarantee over the facility, however, this guarantee can only be called against LawFinance on 4 December 2023 to pay any amount under the guarantee is limited to the lower of:

- (a) US\$28,687,500; and
- (b) an amount equal to the principal amount outstanding in respect of the loan (including any capitalised interest) at the relevant date plus one month's interest.

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

As the EFI facility is an amortising loan, under AASB 9 Financial Instruments, it is required to be split between current and non-current based on forecast cash repayments of the facility.

(iii) Syndicated acquisition facility ('SAF')

The Syndicated acquisition facility of \$32,344,000 (A\$42,000,000) (31 December 2020: \$32,252,000 (A\$42,000,000)) was provided by leading Australian institutions and family offices. Interest payable under this facility is 13% per annum (31 December 2020: 13%). Interest was accrued under this facility for the period until the restructuring was completed and therefore the balance prior to restructure was \$38,693,000 (A\$50,244,000) (31 December 2020 was \$36,716,000 (A\$47,813,000)).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, a portion of this facility was converted to equity – 835,770,317 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

In addition to the remaining SAF facility of \$15,020,000 (A\$20,000,000), now referred to as Tranche 1, a new loan amount of \$2,873,000 (A\$3,000,000) was received during the period, now referred to as Tranche 2.

Tranche 1 has an interest rate of 9.50% per annum and is due for repayment on 28 May 2026. Tranche 2 has an interest rate of 9.50% per annum and is due for repayment on 28 May 2025. The Group has the ability to capitalise interest payments on both tranches until May 2024. The loan is secured over all of the assets of the Group, with second ranking security provided behind the assets secured to EFI (see (ii) above) and PFG (see (i) above).

Note 15. Borrowings (continued)

(iv) Assetsecure Pty Limited ('Assetsecure')

This loan facility of \$30,716,000 (A\$40,000,000) was available to fund the Australian disbursement funding business operated by JustKapital Financing Pty Limited (JKF). Assetsecure appointed Receivers and Managers on 30 April 2021 to manage and realise the portfolio of receivables owned by JKF. Martin Walsh was appointed as Liquidator of JustKapital Financing Pty Ltd on 4 June 2021 and is currently winding up the affairs of the company in collaboration with the Receivers.

LAW and Assetsecure reached a consensual agreement whereby LAW will pay c.US\$63,000 (A\$83,333) per month for 12 months to conclude on 30 May 2022 and US\$751,000 (A\$1,000,000) by 1 July 2022 in full satisfaction of its potential corporate guarantee exposure relating to the Assetsecure receivables purchase agreement with JKF. As at 30 June 2021 \$1,439,000 remained outstanding to be paid to Assetsecure under this agreement.

(v) Atalaya Capital Management ('Atalaya')

The loan facility of \$80,000,000 (31 December 2020: \$80,000,000) was available to fund the US medical lien funding business. The interest and fees payable under the drawn down facility totalled 13.5% per annum (31 December 2020: 13.5%) and the undrawn line fees were 1% (31 December 2020: 1%).

This facility was refinanced by PFG in May 2021 - see footnote (i) above.

(vi) Other NHF subordinated debt

Three third parties had provided facilities totalling \$4,750,000 (31 December 2020: \$4,750,000) to the medical lien funding business to fund working capital. \$3,000,000 (31 December 2020: \$3,000,000) of this facility had an interest rate of 13.5% per annum, \$250,000 (31 December 2020: \$250,000) of this facility had an interest rate of 13% per annum and \$1,500,000 (31 December 2020: \$1,500,000) of this facility had an interest rate of 13.5% per annum (31 December 2020: 13.5%).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 182,369,022 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(vii) 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 (31 December 2020: 13.5% (including establishment fees)) on \$8,843,000 (31 December 2020: \$8,843,000). Ongoing interest payable was 15% per annum (31 December 2020: 15%) on \$2,799,000 (31 December 2020: \$2,799,000).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 117,022,578 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(viii) SAF Side Loan 2

Third parties had provided a \$2,441,000 (A\$3,250,000) (31 December 2020: \$2,496,000 (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 from WHSP on 4 December 2020. Interest payable under this arrangement was 18% per annum (31 December 2020: 18%).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 89,860,479 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(ix) SAF Side Loan 1

Third parties had provided a \$2,330,000 (A\$3,096,000) (31 December 2020: \$2,130,000 (A\$2,773,000)) loan to the Group. This loan was acquired from Washington H Soul Pattinson & Company Limited ('WHSP') on 4 December 2020. Interest payable under this loan was 18% per annum (31 December 2020: 18%).

Note 15. Borrowings (continued)

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 85,602,474 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(x) Other NHF subordinated debt

A third party had provided a \$1,475,000 facility (31 December 2020: \$1,410,000) to fund working capital of the business. Interest payable under this facility was 24% per annum (31 December 2020: 24%).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 48,495,341 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(xi) 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 were cumulative and payable at 11.5% per annum (31 December 2020: 11.5%), quarterly in arrears.

The convertible bonds were 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 were considered to include a derivative liability. As such the convertible bonds were 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.

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these convertible bonds were converted to equity – 38,091,751 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(xii) Other NHF subordinated debt

A third party had provided a \$1,000,000 facility to NHF (31 December 2020: \$1,000,000). Interest was payable at 12% per annum (31 December 2020: 12%).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, these loans were converted to equity – 38,337,036 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(xiii) Principis Master Fund facility - US medical lien funding business

Principis Master Fund previously provided facilities of \$434,000 (31 December 2020: \$415,000) with an interest rate of 13.5% per annum (31 December 2020: 13.5%).

As part of the Company's debt restructure approved by shareholders at the Company's Annual General Meeting on 25 May 2021, 50% of this facility was forgiven, and the balance of this facility was converted to equity – 21,546,154 ordinary shares (pre-share consolidation) were issued to settle this outstanding debt.

(xiv) Paycheck Protection Program loan ('PPP Loan')

The 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. The Company applied for, and successfully received, forgiveness of the loan in March 2021, except for the EIDL Advance of \$10,000. Repayment of this EIDL Advance is yet to commence. The write-off of this loan was accounted for in the statement of profit or loss as other revenue – refer to note 5.

The Company received a second PPP Loan of \$507,935 in March 2021, under the same terms and conditions as the first PPP Loan.

Note 15. Borrowings (continued)

Loan forgiveness can be applied for in relation to this second loan under Section 1106 of the Coronavirus Aid, Relief and Economic Security Act. This forgiveness can potentially be the entire amount of the loan. The Company's preliminary calculations show that it should be able to apply for the forgiveness of this loan. If the loan forgiveness is not granted, the Company must repay the whole loan over an 18 month period at approximately \$28,500 each month until the loan and its associated interest is repaid in full. Loan forgiveness is yet to be sought for this second PPP loan.

(xv) Convertible Promissory Note

The issue of these shares is subject to shareholder approval at the next meeting of shareholders. In the event that the Company does not obtain shareholder approval, the Company must pay the outstanding amount in the form of a cash consideration. The cash settlement amount will be the number of shares issued multiplied by the Company's 7 day volume weighted average share price immediately prior to the date that the Company intends to pay the cash settlement amount.

This Convertible Promissory Note must be converted by 10 September 2022.

(xvi) 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 (31 December 2020: 3.75%) is payable under this EIDL Loan. Repayments, including principal and interest, of \$731 per month, commenced on 26 July 2021. The loan term is 30 years.

Financing arrangements

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

	Consolidated 30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
Total facilities		
Partners for Growth (a)	30,000	-
Efficient Frontier Investing (b)	25,550	25,550
Syndicated acquisition facility (c)	17,893	32,252
Assetsecure Pty Limited loan (d)	-	30,716
Atalaya Capital Management (e)	-	80,000
	<u>73,443</u>	<u>168,518</u>
Used at the reporting date		
Partners for Growth (a)	15,963	-
Efficient Frontier Investing (b)	24,918	25,266
Syndicated acquisition facility (c)	17,893	32,252
Assetsecure Pty Limited loan (d)	-	17,017
Atalaya Capital Management (e)	-	17,012
	<u>58,774</u>	<u>91,547</u>
Unused at the reporting date		
Partners for Growth (a)	14,037	-
Efficient Frontier Investing (b)	-	-
Syndicated acquisition facility (c)	-	-
Assetsecure Pty Limited loan (d)	-	13,699
Atalaya Capital Management (e)	-	62,988
	<u>14,037</u>	<u>76,687</u>

Note 15. Borrowings (continued)

- (a) This facility can be drawn-down based upon various calculations relating to the underlying medical lien funding receivables. As at 30 June 2021, \$33,000 could be drawn down as a result of these calculations (31 December 2020: n/a).
- (b) This facility does not have a redraw option.
- (c) This facility excludes capitalised interest of \$10,000 (31 December 2020: \$4,464,000).
- (d) This facility has been repaid in the current period.
- (e) This facility has been repaid in the current period.

Note 16. Issued capital

	30 Jun 2021 Shares	31 Dec 2020 Shares	30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
Ordinary shares - fully paid	40,770,740	1,170,230,045	97,626	61,310

Movements in ordinary share capital

Details	Date	Shares	US\$'000
Balance	1 January 2021	1,170,230,045	61,310
Issue of shares - placement (i)	28 May 2021	1,273,258,048	12,835
Issue of shares - debt to equity restructure (ii)	28 May 2021	1,505,405,083	24,128
Issue of shares - share issue costs (iii)	28 May 2021	32,037,860	(322)
Issue of shares - remuneration shares (iv)	2 June 2021	2,500,000	-
Issue of shares - placement (v)	2 June 2021	2,700,000	51
Share consolidation (100:1) (vi)	9 June 2021	(3,946,269,507)	-
Issue of shares - share purchase plan (vii)	24 June 2021	909,211	629
Share issue costs		-	(1,005)
Balance	30 June 2021	40,770,740	97,626

- (i) Issue price A\$0.013 (US\$0.0098) per share
- (ii) Debt to equity conversion at A\$0.021 (US\$0.0158) per share (refer to note 18)
- (iii) Capital raising fee paid in shares, issue price of A\$0.013 (US\$0.0098) per share
- (iv) Issue of shares to key management personnel for \$nil consideration - Resolution 5 at Company's 2021 AGM
- (v) Issue price of A\$0.025 (US\$0.0188) per share - Resolution 19 at Company's 2021 AGM
- (vi) Consolidation of shares - 1 share for every 100 shares held at 9 June 2021 - Resolution 2 at Company's 2021 AGM
- (vii) Issue price of A\$0.920 (US\$0.6909) per share

Note 17. Capitalising converting notes

	30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
Capitalising converting notes	14,383	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 (pre share consolidation) to convert A\$18.9 million of existing subordinated debt owed by the Company. The noteholders may elect to convert the notes into ordinary shares before 31 December 2022. The CCN accrues the noteholder interest at 6% per annum and this interest is also convertible into ordinary shares, and not payable in cash. The CCN do not entitle the noteholder to participate in dividends or to vote at a meeting of the Company.

Note 17. Capitalising converting notes (continued)

Financial instruments issued by the Company are classified as equity when they do not meet the definition of a financial liability. The CCN's do not create a contractual obligation to deliver cash to the noteholder and the number of ordinary shares to be issued upon conversion is fixed at 223,414,026 (pre share consolidation), 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 period \$450,000 (A\$594,000) of interest was transferred into equity (31 December 2020: \$652,000 (A\$935,000)).

Note 18. Reserves

	Consolidated 30 Jun 2021 US\$'000	31 Dec 2020 US\$'000
Foreign currency reserve	477	(898)
Share-based payments reserve	6,293	6,118
Restructuring reserve*	18,900	-
	<u>25,670</u>	<u>5,220</u>

Movements in reserves

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

Consolidated	Foreign currency US\$'000	Share-based payments US\$'000	Restruct- -uring US\$'000	Total US\$'000
Balance at 1 January 2021	(898)	6,118	-	5,220
Foreign currency translation	1,375	-	-	1,375
Restructuring gain on debt to equity conversion*	-	-	18,900	18,900
Share-based payments	-	175	-	175
Balance at 30 June 2021	<u>477</u>	<u>6,293</u>	<u>18,900</u>	<u>25,670</u>

- * As detailed in the Directors Report, while the Group's debt holders converted A\$55 million of debt-to-equity at an average price of A\$0.037 per ordinary share (on a pre share consolidation basis), management have assessed the fair value of the shares at the time of the restructure at A\$0.021 per ordinary share. This was the market price of the shares at the date of announcement to the market, in line with 'AASB 13 – Fair Value Measurement' and it is a Level 1 input. The subsequent gain on this conversion was accounted for in other comprehensive income in line with 'AASB 7 – Financial Instruments – Disclosures'.

Note 19. Contingent liabilities

Bank guarantees

The Group has given bank guarantees as at 30 June 2021 of \$114,000 (31 December 2020: \$116,000) to various landlords. The guarantees are secured by an offset arrangement with the term 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% (2020: 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.

Note 19. Contingent liabilities (continued)

No contingent liability arose during the period 1 January 2021 to the date of completion of the sale of the litigation portfolio on 24 June 2021 (refer to note 7). From the date the sale was completed, the funding entities are no longer part of the Group and as such the costs ceased to be a contingent liability of the Group as they are still 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 30 June 2021.

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 30 June 2021.

Note 20. Events after the reporting period

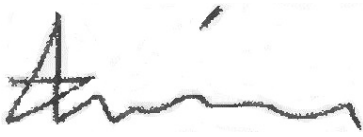
No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- as referred in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

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

Tim Storey
Chairman

30 August 2021
Sydney

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LAWFINANCE LIMITED**Tel: +61 8 9481 3188
Fax: +61 8 9321 1204ABN: 84 144 581 519
www.stantons.com.au**Report on the Half-Year Financial Report****Conclusion**

We have reviewed the accompanying half-year financial report of LawFinance Limited, which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of statement of significant accounting policies and other explanatory information, and the directors' declaration for LawFinance Limited (the Consolidated entity). The consolidated entity comprises both LawFinance Limited (the Company) and the entities it controlled during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of LawFinance Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 which has been given to the directors of the Consolidated entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty regarding Going Concern

As described in note 2 to the financial report, the financial statements have been prepared on a going concern basis. At 30 June 2021 the consolidated entity had working capital of \$17,206,000 (31 December 2020 deficiency of \$92,923,000), cash and cash equivalents of \$10,980,000 (31 December 2020 \$4,746,000) and had incurred a loss before tax for the half year amounting to \$13,750,000 (30 June 2020 \$4,554,000). The ability of the consolidated entity to continue as a going concern is subject to collecting its outstanding medical lien receivables books in accordance with its budgeted cashflows. In the event that the consolidated entity does not successfully collect its outstanding medical lien books, the consolidated entity may not be able to meet its liabilities as and when they fall due.

Directors' Responsibility for the Half-Year Financial Report

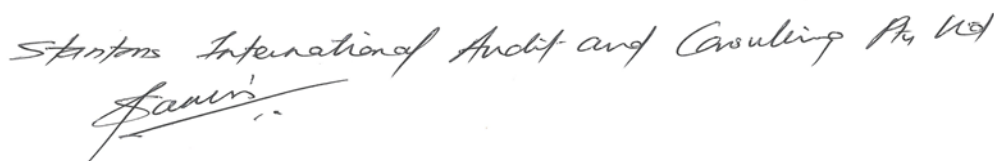
The directors of LawFinance Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the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

Auditor's Responsibility for the review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Consolidated entity's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director

West Perth, Western Australia
30 August 2021

