LawFinance Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	LawFinance Limited
ABN:	72 088 749 008
Reporting period:	For the year ended 31 December 2021
Previous period:	For the year ended 31 December 2020

2. Results for announcement to the market

				US$'000
Revenues from ordinary activities - continuing operations	down	> 100%	to	(1,687)
Total comprehensive income for the Group	down	> 100%	to	(342)
(Loss) from ordinary activities after tax attributable to the owners of LawFinance Limited	down	73%	to	(21,256)
(Loss) for the year attributable to the owners of LawFinance Limited	down	73%	to	(21,256)

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

Comments
The total comprehensive loss for the Group amounted to US$342,000 (31 December 2020: US$79,816,000).

3. Net tangible assets

	31 Dec 2021 Cents	31 Dec 2020 Cents
Net tangible assets per ordinary security	(26.28)	(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 are in the process of being audited. As at the date of this report there have not been any disputes that will be subject to audit qualification.

11. Attachments

Details of attachments (if any):

The Preliminary final report of LawFinance Limited for the year ended 31 December 2021 is attached.

12. Signed

Authorised by the Board of Directors.

Signed ___________________________ Date: 28 February 2022

Tim Storey
Chairman
Sydney

LawFinance Limited

ABN 72 088 749 008

Preliminary final report - 31 December 2021

Contents

LawFinance Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Revenue from continuing operations			
Net loss from medical lien funding	3	(3,079)	(9,311)
Other revenue	4	1,392	1,855
Total revenue		(1,687)	(7,456)
Non-supplier related cost of sales		(57)	(22)
Gross (loss)		(1,744)	(7,478)
Interest income		4	2
Foreign exchange gain		-	7
Expenses			
Impairment gain on financial liabilities	5	-	19,602
Employee benefits expense	5	(4,196)	(4,724)
Depreciation and amortisation expense	5	(349)	(470)
Impairment of assets	5	(75)	(38,307)
Administration and other expenses	5	(4,135)	(3,686)
Finance costs	5	(11,474)	(15,010)
(Loss) before income tax benefit/(expense) from continuing operations		(21,969)	(50,064)
Income tax benefit/(expense)		1,528	(12,810)
(Loss) after income tax benefit/(expense) from continuing operations		(20,441)	(62,874)
(Loss) after income tax expense from discontinued operations	6	(788)	(15,262)
(Loss) after income tax benefit/(expense) for the year		(21,229)	(78,136)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		1,977	(1,680)
Restructuring gain on debt to equity conversion	19	18,910	-
Other comprehensive income/(loss) for the year, net of tax		20,887	(1,680)
Total comprehensive (loss) for the year		(342)	(79,816)
(Loss) for the year is attributable to:			
Non-controlling interest		27	338
Owners of LawFinance Limited		(21,256)	(78,474)
		(21,229)	(78,136)

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 2021

	Note	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Total comprehensive (loss) for the year is attributable to:			
Continuing operations		27	338
Discontinued operations		-	-
Non-controlling interest		27	338
Continuing operations		419	(64,892)
Discontinued operations	6	(788)	(15,262)
Owners of LawFinance Limited		(369)	(80,154)
		(342)	(79,816)
		Cents	**Cents**
Earnings per share for loss from continuing operations attributable to the owners of LawFinance Limited			
Basic loss per share	7	(70.59)	(699.10)
Diluted loss per share	7	(70.59)	(699.10)
Earnings per share for loss from discontinued operations attributable to the owners of LawFinance Limited			
Basic loss per share	7	(2.72)	(168.79)
Diluted loss per share	7	(2.72)	(168.79)
Earnings per share for loss attributable to the owners of LawFinance Limited			
Basic loss per share	7	(73.31)	(867.89)
Diluted loss per share	7	(73.31)	(867.89)

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 2021

	Note	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Assets			
Current assets			
Cash and cash equivalents	8	5,101	4,746
Financial assets at fair value through profit or loss - Australia	9	-	7,194
Financial assets at amortised cost - USA	10	12,372	15,239
Other receivables	11	979	831
Prepayments		293	118
		18,745	28,128
Assets held for sale	6	-	10,248
Total current assets		18,745	38,376
Non-current assets			
Financial assets at fair value through profit or loss - Australia	9	-	8,929
Financial assets at amortised cost - USA	10	29,070	38,014
Other receivables	11	15	5
Property, plant and equipment	12	106	91
Right-of-use assets	13	235	1,074
Intangibles	14	-	10
Total non-current assets		29,426	48,123
Total assets		48,171	86,499
Liabilities			
Current liabilities			
Trade and other payables	15	2,068	6,789
Borrowings	16	38,323	113,514
Lease liabilities		100	461
Employee benefits		177	287
		40,668	121,051
Liabilities directly associated with assets classified as held for sale	6	-	10,248
Total current liabilities		40,668	131,299
Non-current liabilities			
Borrowings	16	17,818	416
Lease liabilities		164	784
Provision for withholding tax		-	1,559
Total non-current liabilities		17,982	2,759
Total liabilities		58,650	134,058
Net liabilities		(10,479)	(47,559)
Equity			
Issued capital	17	97,626	61,310
Capitalising converting notes	18	14,832	13,933
Reserves	19	26,344	5,220
Accumulated losses		(148,816)	(127,560)
(Deficiency) attributable to the owners of LawFinance Limited		(10,014)	(47,097)
Non-controlling interest		(465)	(462)
Total (deficiency)		(10,479)	(47,559)

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 2021

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 2020	40,924	-	6,778	(49,086)	(1,128)	(2,512)
Profit/(loss) 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 income/(loss) for the year	-	-	(1,680)	(78,474)	338	(79,816)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 17)	20,386	-	-	-	-	20,386
Distribution to non-controlling interest	-	-	-	-	328	328
Share-based payments	-	-	122	-	-	122
Capitalising converting notes (note 18)	-	13,933	-	-	-	13,933
Balance at 31 December 2020	61,310	13,933	5,220	(127,560)	(462)	(47,559)

Consolidated	Issued capital US$'000	Capitalising converting notes US$'000	Reserves US$'000	Accumulated losses US$'000	Non-controlling interest US$'000	Total (deficiency) US$'000
Balance at 1 January 2021	61,310	13,933	5,220	(127,560)	(462)	(47,559)
Profit/(loss) after income tax benefit for the year	-	-	-	(21,256)	27	(21,229)
Other comprehensive income for the year, net of tax	-	-	20,887	-	-	20,887
Total comprehensive income/(loss) for the year	-	-	20,887	(21,256)	27	(342)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 17)	36,316	-	-	-	-	36,316
Share-based payments	-	-	237	-	-	237
Distribution to non-controlling interest	-	-	-	-	(30)	(30)
Capitalising converting notes (note 18)	-	899	-	-	-	899
Balance at 31 December 2021	97,626	14,832	26,344	(148,816)	(465)	(10,479)

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 2021

	Note	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Cash flows from operating activities			
Cash collections from customers (inclusive of GST)		15,156	28,179
Payments to suppliers and employees		(10,662)	(8,398)
Payments for disbursement reports and medical liens		(3,577)	(11,506)
Drawdowns from working capital facilities - disbursement funding division		629	3,526
Drawdowns from working capital facilities - medical lien funding division		111	6,083
Transfer of redraw account balance to PFG controlled account - medical lien funding		(2,206)	-
Repayment of working capital facilities - disbursement funding division		(2,176)	(9,379)
Repayment of working capital facilities - medical lien funding division		(4,716)	(12,950)
Interest and fees related to working capital facilities		(4,623)	(7,006)
Interest received		3	2
Interest paid		(5)	(18)
Net cash (outflow) from operating activities		(12,066)	(11,467)
Cash flows from investing activities			
Payments for property, plant and equipment		(154)	(16)
Payments for litigation case funding (net of co-funders contributions)		(200)	(222)
Net proceeds from term deposits		145	-
Net proceeds from realisation of investments (case settlements)		-	1,855
Cash balance transfer associated with the sale of disbursement funding and litigation case funding business		(194)	-
Net cash (outflow)/inflow from investing activities		(403)	1,617
Cash flows from financing activities			
Proceeds from issue of shares	17	13,321	9,058
Share issue transaction costs		(584)	(409)
Proceeds from borrowings - corporate		2,914	28,689
Repayment of borrowings - corporate		(1,290)	(25,391)
Repayment of lease liabilities		(263)	(245)
Interest and fees related to loans and borrowings		(1,217)	(1,320)
Net cash inflow from financing activities		12,881	10,382
Net increase in cash and cash equivalents		412	532
Cash and cash equivalents at the beginning of the financial year		5,197	5,638
Effects of exchange rate changes on cash and cash equivalents		(508)	(973)
Cash and cash equivalents at the end of the financial year	8	5,101	5,197

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 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 28 February 2022.

Note 2. 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 2. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2021	JustKapital Finance and Litigation funding* US$'000	STL US$'000	National Health Finance US$'000	Other US$'000	Total US$'000
Revenue					
Net (loss)/income from disbursement funding/medical lien funding	2,033	-	(3,079)	-	(1,046)
Other revenue	7	10	1,360	22	1,399
	2,040	10	(1,719)	22	353
Other income	-	-	-	-	-
Total revenue	2,040	10	(1,719)	22	353
Segment result	1,435	(66)	(6,118)	(3,740)	(8,489)
Depreciation and amortisation	(52)	-	(242)	(107)	(401)
Finance costs	(2,171)	(6)	(7,293)	(4,397)	(13,867)
(Loss) before income tax benefit	(788)	(72)	(13,653)	(8,244)	(22,757)
Income tax benefit					1,528
(Loss) after income tax benefit					(21,229)
Assets					
Segment assets	-	-	44,228	3,943	48,171
Total assets					48,171
Liabilities					
Segment liabilities	-	-	39,623	19,026	58,649
Total liabilities					58,649

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2020	JustKapital Finance and Litigation funding* US$'000	STL US$'000	National Health Finance US$'000	Other US$'000	Total US$'000
Revenue					
Net loss from disbursement funding/medical lien funding	(133)	-	(9,311)	-	(9,444)
Other revenue	204	22	118	1,714	2,058
	71	22	(9,193)	1,714	(7,386)
Other income	-	-	-	2	2
Total revenue	71	22	(9,193)	1,716	(7,384)
Segment result	(9,182)	(55)	(50,507)	15,978	(43,766)
Depreciation and amortisation	(1,114)	-	(467)	(3)	(1,584)
Finance costs	(4,176)	(19)	(8,463)	(6,528)	(19,186)
Profit/(loss) before income tax expense	(14,472)	(74)	(59,437)	9,447	(64,536)
Income tax expense					(13,600)
(Loss) after income tax expense					(78,136)
Assets					
Segment assets	25,365	127	56,473	4,534	86,499
Total assets					86,499
Liabilities					
Segment liabilities	28,094	-	56,575	49,389	134,058
Total liabilities					134,058

* Information about discontinued operation is provided in note 6.

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 2021 US$'000	31 Dec 2020 US$'000	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Australia	2,033	1,807	-	232
United States	(3,079)	(9,193)	355	943
	(1,046)	(7,386)	355	1,175

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 3. Net loss from disbursement funding/medical lien funding

	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
From continuing operations		
Medical lien funding - USA:		
Interest income at amortised cost	6,806	8,550
Net impairment losses on financial assets at amortised cost	(11,313)	(18,275)
Net settlement gains on financial assets at amortised cost	1,428	414
	(3,079)	(9,311)

Note 4. Other revenue

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
From continuing operations		
Interest received – short-term lending	10	22
Rental income	66	64
Government grants and subsidies	1,246	202
Non-case related settlements - NHF	70	44
Interest adjustment - vendor loan	-	1,523
Other revenue	1,392	1,855

Government grants
In the prior year, the Australian Government introduced its 'Boosting Cash Flow for Employers' scheme in response to the COVID-19 pandemic and provided the Group with its final payment of $22,000 (31 December 2020: $192,000). The Groups eligibility ended in December 2020. 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 (31 December 2020: $10,000) grant from the City of Chandler.

The Group also received debt forgiveness of $1,113,000 inclusive of $9,000 accrued interest (31 December 2020: $nil) from the US Small Business Administration for its first and second Paycheck Protection Program Loan (‘PPP Loan’) – see note 16 for further information.

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

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 year ended 31 December 2020.

Note 5. Expenses

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
(Loss) before income tax from continuing operations includes the following specific expenses:		
*Impairment gain on financial liabilities**		
Adjustment – vendor loan	-	(10,602)
Adjustment – promissory notes payable	-	(9,000)
	-	(19,602)
Employee benefits expense		
Defined contribution superannuation expense	148	136
Share-based payments expense	184	-
Employee benefits expense excluding superannuation	3,864	4,588
	4,196	4,724
Depreciation and amortisation expense		
Depreciation - property, plant and equipment	110	77
Depreciation - right-of-use assets	239	198
Amortisation - other intangibles	-	195
	349	470
Impairment of assets		
Goodwill	-	37,828
Impairment of short-term loans	75	479
	75	38,307
Administration and other expenses		
ASIC, ASX and share registry fees	46	41
Insurance	220	191
Legal and professional fees**	3,082	2,903
Rent and office costs	(51)	104
Travel and accommodation	265	98
Short-term lease payments	-	15
Low-value assets lease payments	54	55
Other	519	279
	4,135	3,686
Finance costs		
Interest expense and line fees	11,440	14,919
Interest - right-of-use assets	34	91
	11,474	15,010

* 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 $1,363,000 (2020: $1,454,000) associated with the Efficient Frontier Investing refinance, addressing the defaults under the Syndicated acquisition facility and the restructuring process.

Note 6. 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$725,000 (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.

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 6. Discontinued operations (continued)

Financial performance information

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Net loss from medical lien funding	-	(1,414)
Net gain from disbursement funding	2,033	1,281
Other income:		
Litigation contracts in progress – settlements and judgments	-	1,892
Litigation contracts in progress – expenses	-	(1,750)
Other revenue	7	61
Total revenue	2,040	70
Non-supplier related cost of sales	-	(29)
Employee benefits expense	(529)	(227)
Depreciation and amortisation	(52)	(1,114)
Impairment of assets	-	(8,733)
Administration and other expenses	(76)	(263)
Finance costs*	(2,171)	(4,176)
Total expenses	(2,828)	(14,513)
(Loss) before income tax expense	(788)	(14,472)
Income tax expense	-	(790)
(Loss) after income tax expense from discontinued operations	(788)	(15,262)

Cash flow information

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Net cash inflow/(outflow) from operating activities	50	(67)
Net cash (outflow)/inflow from investing activities	(199)	1,632
Net cash (outflow) from financing activities	-	(54)
Net (decrease)/increase in cash and cash equivalents from discontinued operations	(149)	1,511

Note 7. Earnings per share

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Earnings per share for loss from continuing operations		
(Loss) after income tax	(20,441)	(62,874)
Non-controlling interest	(27)	(338)
(Loss) after income tax attributable to the owners of LawFinance Limited	(20,468)	(63,212)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	28,995,748	9,041,890
Weighted average number of ordinary shares used in calculating diluted earnings per share	28,995,748	9,041,890

Note 7. Earnings per share (continued)

	Cents	Cents
Basic loss per share	(70.59)	(699.10)
Diluted loss per share	(70.59)	(699.10)

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Earnings per share for loss from discontinued operations		
(Loss) after income tax	(788)	(15,262)
Non-controlling interest	-	-
(Loss) after income tax attributable to the owners of LawFinance Limited	(788)	(15,262)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	28,995,748	9,041,890
Weighted average number of ordinary shares used in calculating diluted earnings per share	28,995,748	9,041,890

	Cents	Cents
Basic loss per share	(2.72)	(168.79)
Diluted loss per share	(2.72)	(168.79)

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Earnings per share for loss		
(Loss) after income tax	(21,229)	(78,136)
Non-controlling interest	(27)	(338)
(Loss) after income tax attributable to the owners of LawFinance Limited	(21,256)	(78,474)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	28,995,748	9,041,890
Weighted average number of ordinary shares used in calculating diluted earnings per share	28,995,748	9,041,890

	Cents	Cents
Basic loss per share	(73.31)	(867.89)
Diluted loss per share	(73.31)	(867.89)

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'.

The Company excluded 2,692,000 options on issue (2020: 71,500,000), nil convertible bonds (2020: 14,000), 4,527,440 warrants (2020: 452,743,636) and 2,234,141 shares (maximum conversion) attached to the Capitalising converting notes (note 18) (2020: 223,414,026) from the diluted earnings calculations as they are anti-dilutive for the financial year.

Note 8. Cash and cash equivalents

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Current assets		
Cash at bank*	5,101	4,746

Reconciliation to cash and cash equivalents at the end of the financial year
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	5,101	4,746
Cash and cash equivalents - classified as held for sale	-	451
Balance as per statement of cash flows	5,101	5,197

* Of the total cash at bank, $782,000 (2020: $1,585,000) was considered unavailable for operations as it was held pending distribution to asset-backed lenders. Refer note 16 (i) Efficient Frontier Investing and (iii) Partners for Growth ('PFG') .

Note 9. Financial assets at fair value through profit or loss - Australia

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Current assets		
Loan receivables - disbursement funding - Australia (gross)	-	13,597
Fair value movement	-	(2,827)
Unrecognised day 1 margin	-	(532)
Allowance for expected credit losses	-	(3,044)
	-	7,194
Non-current assets		
Loan receivables - disbursement funding - Australia (gross)	-	12,980
Fair value movement	-	(2,700)
Unrecognised day 1 margin	-	(1,351)
	-	8,929
	-	16,123

Note 10. Financial assets at amortised cost - USA

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Current assets		
Loan receivables - medical lien funding - USA (gross)	44,292	48,161
Allowance for expected credit losses	(31,920)	(32,922)
	12,372	15,239
Non-current assets		
Loan receivables - medical lien funding - USA (gross)	104,072	120,132
Allowance for expected credit losses	(75,002)	(82,118)
	29,070	38,014
	41,442	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 on historical loss rates.

Note 11. Other receivables

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Current assets		
Other trade receivables	-	48
Short-term loans	-	128
	-	176
Other receivables*	979	655
	979	831
Non-current assets		
Other receivables**	15	5
	994	836

* Other receivables (current) as at 31 December 2021 includes:
(i) term deposits of $725,000 (31 December 2020: $154,000). The term deposit is held as part of a standstill agreement with Assetsecure and is able to be called on 1 July 2022 (see note 16).
(ii) Mesh receivables of $246,000 (31 December 2020: $501,000). The associated Mesh liabilities of $nil as at 30 December 2021 (31 December 2020: $717,000) are included in note 15 'Trade and other payables'.

** Other receivables (non-current) as at 31 December 2021 includes:
(i) rental bond of $15,000 (31 December 2020: $5,000).

Note 12. Property, plant and equipment

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Non-current assets		
Plant and equipment - at cost	369	459
Less: Accumulated depreciation	(263)	(368)
	106	91

Reconciliations

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

Consolidated	Plant and equipment US$'000
Balance at 1 January 2020	168
Additions	13
Exchange differences	(13)
Depreciation expense	(77)
Balance at 31 December 2020	91
Additions	117
Exchange differences	(2)
Depreciation expense	(100)
Balance at 31 December 2021	106

Note 13. Right-of-use assets

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Non-current assets		
Land and buildings - right-of-use	549	1,780
Less: Accumulated depreciation	(314)	(706)
	235	1,074

Additions to the right-of-use assets during the period were US$262,000.

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

For other AASB 16 lease related disclosures refer to the following:
- note 5 for details of interest on lease liabilities and other lease payments;
- consolidated statement of financial position for lease liabilities at the end of the reporting period; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 14. Intangibles

	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Non-current assets		
Website - at cost	25	25
Less: Accumulated amortisation	(25)	(15)
	-	10
Customer relationships – US medical lien funding business	-	1,913
Less: Accumulated amortisation	-	(1,913)
	-	-
	-	10

Reconciliations

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

Consolidated	Website US$'000	Customer relationships US$'000	Litigation contracts in progress US$'000	Total US$'000
Balance at 1 January 2020	4	1,674	6,362	8,040
Additions	8	-	3,042	3,050
Classified as held for sale (note 6)	-	-	(8,070)	(8,070)
Disposals	-	-	(870)	(870)
Case funding adjustments	-	-	4,295	4,295
Impairment	-	(1,481)	(4,174)	(5,655)
Exchange differences	-	-	333	333
Amortisation expense	(2)	(193)	(918)	(1,113)
Balance at 31 December 2020	10	-	-	10
Amortisation expense	(10)	-	-	(10)
Balance at 31 December 2021	-	-	-	-

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 for the year ended 31 December 2020.

Litigation contracts in progress – these costs form part of the discontinued operations as set out in note 6.

Note 15. Trade and other payables

	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Current liabilities		
Trade and other payables*	692	5,031
Payable to Partners for Growth**	750	-
Accruals	626	1,673
Goods and services tax payable	-	85
	2,068	6,789

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

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

** As part of the Partners for Growth facility, a make good fee of $750,000 will be payable in the following circumstances: At the end of the loan term or refinance of the PFG facility or PFG cancels the warrants or at the end of the Warrant term or if PFG exercises the warrants, $750,000 will be offset against the funds required to pay for the warrants.

Note 16. Borrowings

	Consolidated 31 Dec 2021 US$'000	Consolidated 31 Dec 2020 US$'000
Current liabilities		
Efficient Frontier Investing (i)	23,327	25,266
Syndicated acquisition facility ('SAF') (ii)	-	36,716
Partners for Growth ('PFG') (iii)	13,935	-
Assetsecure Pty Limited loan (iv)	1,027	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)	-	335
Convertible Promissory Note (xv)	16	-
Economic Injury Disaster Relief loan (xvi)	9	4
Insurance financing - Australia	-	27
Credit cards	9	19
	38,323	113,514
Non-current liabilities		
Syndicated acquisition facility ('SAF') (ii)	17,681	-
Paycheck Protection Program loan (xiv)	-	270
Economic Injury Disaster Relief loan (xvi)	137	146
	17,818	416
	56,141	113,930

Note 16. Borrowings (continued)

(i) Efficient Frontier Investing
On 4 December 2020, a subsidiary of the Company (NHF SPV III, LLC) ("SPV III") entered into a facility agreement for $25,550,000 with (amongst others) EFI Cayman SPC for and on behalf of NHF SPV III Segregated Portfolio ("EFI"), acting as agent for a syndicate of financiers. The principal outstanding under this facility reduced to $24,317,000 at 31 December 2021 (31 December 2020: $25,446,000). The carrying value of the loan in accordance with AASB 9 Financial Instruments was $23,327,000 at 31 December 2021 (31 December 2020: $25,266,000).

The facility was used to (amongst other things) refinance amounts owing to Atalaya Special Opportunities Fund VI LP and Paradise Diversified Holdings Limited Partnership and has a three year term expiring on 4 December 2023, with interest (including management fee) on the facility accruing at 12.50% per annum (31 December 2020: 12.50%).

Under the terms of the agreement, the facility is to be repaid with proceeds received from the assets of SPV III (which acquired the rights to certain US medical lien receivables). As at 31 December 2021, for accounting purposes, the discounted future cash flow value of such receivables (book value) is c.94% of the outstanding loan, indicating that there may be a shortfall of $1,438,000 on an accounting basis to allow SPV III to repay the loan in full, however the actual recoveries may be sufficient for the loan to be discharged in full.

The facility is subject to the two financial covenants being a loan to value ratio ('LVR') and a collection hurdle.

In relation to the LVR, being the ratio of the principal outstanding of the loan to the valuation of certain secured assets comprising receivables (the "Claims"). SPV III is currently in compliance with this covenant, based on management's valuation of the claims. Maintaining compliance with this covenant will be dependent on future collections including the outcome of legal recovery (litigation) actions which are difficult to estimate (time and quantum).

As at 31 December 2021, SPV III notified EFI that it was unable to pay $604,377 into this collections hurdle pre-payment account subject to EFI security resulting from a collection hurdle shortfall, relating to the level of collections with respect to certain claims in the preceding 3 months. The required collection hurdle shortfall payment will not be made by 28 February 2022 (New York time), which will trigger a Review Event under the facility. The obligation to pay the collection hurdle shortfall is an obligation of SPV III and management is of the view that it is not broadly in the interests of stakeholders to fund this payment from available cash resources, at this time, which would reduce cash available to invest these funds into new originations to create value for all stakeholders, including EFI and its investors in the facility.

Following a Review Event, EFI may notify SPV III requiring it to negotiate in good faith for a period of 30 days to agree on revised facility terms and if EFI and SPV III are unable to agree revised terms then EFI may demand repayment of the loan within 90 days from the expiry of the negotiation period. It is unclear whether EFI intend to issue this notice to negotiate revised terms or what they may seek in any such negotiation.

The loan is secured by a general security agreement over the assets of SPV III which holds the Claims, which have a book value as at 31 December 2021 of $22,879,000 (31 December 2020: $29,502,000). The Company has also provided a limited guarantee in connection with the facility, however, this guarantee is only effective following the earlier of i) the date a liquidator is appointed to the Company and ii) 4 November 2023 (and is otherwise subject to the terms of a subordination deed dated 4 December 2020 between the Company, EFI and the SAF Lenders ("Subordination Agreement"). The Company's liability to pay any amount under the guarantee is limited to the lower of:

(a) 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 the amount of interest that would accrue on such principal amount outstanding until the final day of the next calendar month.

The receivables held within 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.

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

Note 16. Borrowings (continued)

As the EFI facility is an amortising loan, under AASB 9 Financial Instruments, it is required to be split between current and non-current based on forecast cash repayments of the facility. Given the Review Event expected to arise on 28 February 2022 (New York time) and the progress of discussions with EFI the amount has been recorded as current payable.

(ii) 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 $14,496,000 (A$20,000,000), now referred to as Tranche 1, a new loan amount of $2,772,000 (A$3,825,000) 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. During an election to capitalise interest, the amount is taken to be added to the principal outstanding under the relevant loan.

At 31 December 2021, the Group elected to capitalise the December 2021 quarterly interest of $416,000 (A$570,496).

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

(iii) Partners for Growth ('PFG')
The loan facility of US$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 Borrowers are NHF SPV IV, LLC ("SPV IV") and National Health Finance DM, LLC ("DM") (SPV IV and DM are together, "NHF"). The facility has the capacity to be increased to US$70,000,000 based on certain criteria set by PFG. The interest payable under the drawn down facility total 11.25% per annum (31 December 2020: nil) and the line fee payable on the relevant facility limit is 0.5% (31 December 2020: $nil). The facility is subject to the facility terms available to be drawn during the initial three years with an amortisation period in the fourth year and the maturity date being the fourth anniversary of the date of initial draw.

The drawn loan amount of US$16,140,000 at 31 December 2021 (31 December 2020: $nil) comprises of the principal amount of US$15,962,000 (31 December 2020: $nil) and accrued interest and legal fees of US$177,000 (31 December 2020: $nil). The redraw account of (US$2,201,000) was previously controlled by LAW and transferred to a PFG account in the second half of the year. It was previously classified as cash and cash equivalents.

The loan is secured by a first ranking priority lien over all the assets of SPV IV and DM, including also share security over SPV IV, lockbox agreements and deposit account control agreements.

The facility is subject to a number of covenants. A breach of a covenant may require the Group to (amongst other things) repay the loan earlier

The facility was compliant with the required advance rate of 85% of Eligible Receivables, as at 31 December 2021. Following completion of the December 2021 borrowing base submissions and adjustments, which occurred in January 2022, NHF breached two financial covenants as at 31 December 2021 (Tangible Net Worth of the Company and Cash Collections Covenant). These breaches constituted a Review Event which PFG has agreed to waive subject to certain conditions being agreed to by the Company.

Note 16. Borrowings (continued)

These conditions include that an additional concentration funding 'hold back provision' of 15% of the total eligible Michigan receivables will be applied to the borrowing base of receivables eligible for funding. Receivables originated in Michigan currently account for approximately one third of the total book as at 31 December 2021. Given forecast facility headroom at the end of February 2022, we do not expect that any cash will need to be contributed to the facility to ensure compliance with the required advance rate of 85%.

In addition, the conditions require that LAW needs to ensure that the Tangible Net Worth of the LAW is brought into compliance with the terms of the PFG Facility by 31 March 2022 and that the Company has sufficient capital to fund at least 6 months of expected originations and operating expenditure. As at 31 January 2021, the Company's Tangible Net Worth was $7.1m against a requirement in the PFG Facility of $10m.

The condition described in the paragraph above, was proposed by PFG on the assumption that we will complete a large (c.$10m) funding transaction structured as a collateralized line of credit with a single medical service provider in March 2022. PFG has agreed to lift concentration limits relating to the portion of the book of receivables originated from a single service provider, on the basis that PFG will fund the Line of Credit transaction at 80%, to support the completion of the funding transaction.

The Board considers that PFG's concessions are a clear demonstration of the strength of LAW's funding relationship and PFG's support of our growth strategy.

LAW is in advanced discussions with various parties and the Board is confident that the PFG conditions can be satisfied.

Given the Covenant breaches as at 31 December 2021, the PFG loan amount has been recorded as current payable as at 31 December 2021.

(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$725,000 (A$1,000,000) by 1 July 2022 in full satisfaction of its potential corporate guarantee exposure relating to the Assetsecure receivables purchase agreement with JKF. A bank guarantee of A$1,000,000 is held as security and available to Assetsecure if it has not been repaid in full by 1 July 2022 – refer note 11.

As at 31 December 2021, $1,027,000 remained outstanding to be paid to Assetsecure under the 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 (iii) 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.

Note 16. Borrowings (continued)

(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%).

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. In terest 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%).

Note 16. 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 – 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 and September 2021. The write-off of this loan was accounted for in the statement of profit or loss as other revenue – refer to note 4.

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

(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.

Note 16. Borrowings (continued)

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

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Total facilities		
Efficient Frontier Investing (a)	25,550	25,550
Syndicated acquisition facility (b)	17,681	32,252
Partners for Growth (c)	30,000	-
Assetsecure Pty Limited loan (d)	-	30,716
Atalaya Capital Management (e)	-	80,000
	73,231	168,518
Used at the reporting date		
Efficient Frontier Investing (a)	23,327	25,266
Syndicated acquisition facility (b)	17,681	32,252
Partners for Growth (c)	15,963	-
Assetsecure Pty Limited loan (d)	-	17,017
Atalaya Capital Management (e)	-	17,012
	56,971	91,547
Unused at the reporting date		
Efficient Frontier Investing (a)	-	-
Syndicated acquisition facility (b)	-	-
Partners for Growth (c)	14,037	-
Assetsecure Pty Limited loan (d)	-	13,699
Atalaya Capital Management (e)	-	62,988
	14,037	76,687

(a) This facility does not have a redraw option.
(b) This facility excludes capitalised interest of $414,000 (31 December 2020: $4,464,000).
(c) The facility can be drawn-down based upon various calculations relating to the underlying medical lien funding receivables. As at 31 December 2021, $nil could be drawn down as a result of these calculations (31 December 2020: n/a).
(d) The facility is now under the control of the secured lender and forms part of the Discontinued Operations refer to note 6.
(e) The facility has been repaid in the current period.

Note 17. Issued capital

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

Note 17. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	US$'000
Balance	1 January 2020	561,760,467	40,924
Issue of shares - rights issue (i)	21 February 2020	330,923,639	13,957
Issue of shares - conversion of convertible bonds (ii)	2 April 2020	819,090	33
Issue of shares - litigation settlement (iii)	2 April 2020	14,000,000	558
Issue of shares - conversion of convertible bonds (iv)	20 May 2020	59,126,849	2,451
Issue of shares - placement (v)	14 December 2020	203,600,000	3,831
Share issue costs			(444)
Balance	31 December 2020	1,170,230,045	61,310
Issue of shares - placement (vi)	28 May 2021	1,273,258,048	12,835
Issue of shares - debt to equity restructure (vii)	28 May 2021	1,505,405,083	24,128
Issue of shares - share issue costs (viii)	28 May 2021	32,037,860	(322)
Issue of shares - remuneration shares (ix)	2 June 2021	2,500,000	-
Issue of shares - placement (x)	2 June 2021	2,700,000	51
Share consolidation (100:1) (xi)	9 June 2021	(3,946,269,507)	-
Issue of shares - share purchase plan (xii)	24 June 2021	909,211	629
Share issue costs			(1,005)
Balance	31 December 2021	40,770,740	97,626

(i) Issue price of US$0.042 per share
(ii) Conversion of convertible bonds at US$0.040 per share
(iii) Issue price of US$0.040 per share
(iv) Conversion of convertible bonds at US$0.041 per share
(v) Issue price of US$0.019 per share
(vi) Issue price A$0.013 (US$0.0098) per share
(vii) Debt to equity conversion at A$0.021 (US$0.0158) per share (refer to note 19)
(viii) Capital raising fee paid in shares, issue price of A$0.013 (US$0.0098) per share
(ix) Issue of shares to key management personnel for $nil consideration - Resolution 5 at Company's 2021 AGM
(x) Issue price of A$0.025 (US$0.0188) per share - Resolution 19 at Company's 2021 AGM
(xi) Consolidation of shares - 1 share for every 100 shares held at 9 June 2021 - Resolution 2 at Company's 2021 AGM
(xii) Issue price of A$0.920 (US$0.6909) 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 13,617,687 (2020: 215,097,403) ordinary shares escrowed at 31 December 2021.

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.

Note 17. Issued capital (continued)

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.

As part of the Partners for Growth facility, it requires National Health Finance to hold a minimum cash of $1,000,000 as part of their covenant. 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.

Note 18. Capitalising converting notes

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Capitalising converting notes	14,832	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 CNN 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 (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 year $911,000 (A$1,217,000) of interest was transferred into equity (31 December 2020: $652,000 (A$935,000)).

Note 19. Reserves

	Consolidated	
	31 Dec 2021 US$'000	31 Dec 2020 US$'000
Foreign currency reserve	1,079	(898)
Share-based payments reserve	6,355	6,118
Restructuring reserve	18,910	-
	26,344	5,220

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.

Note 19. Reserves (continued)

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

Restructuring reserve
The reserve is used to recognise the gain on debt to equity conversion.

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

Consolidated	Foreign currency US$'000	Share-based payments US$'000	Restruct--uring US$'000	Total US$'000
Balance at 1 January 2020	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
Foreign currency translation	1,977	-	-	1,977
Restructuring gain on debt to equity conversion*	-	-	18,910	18,910
Share-based payments	-	237	-	237
Balance at 31 December 2021	1,079	6,355	18,910	26,344

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

Note 20. Dividends

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

Note 21. 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 2021	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Assets measured at fair value:				
Loan receivables - disbursement funding - Australia	-	-	-	-
Total assets	-	-	-	-

Note 21. Fair value measurement (continued)

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

The above Loan receivables are shown excluding the adjustment for the unrecognised day 1 margin.

The Loan receivables now form part of the Discontinued Operations refer to note 6.

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 n/a% (2020: 4.45%); 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 n/a% (2020: 14.9%).

Loan receivables fair value measurement – valuation process
Valuations were performed on a half-yearly basis. For the purpose of the valuation, Management collated the inputs and data required to be applied in the valuations. Management performed a reconciliation of the fair value based on the valuation results and as part of the reconciliation process reviewed any unusual movements noted.

Note 21. 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 2020	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	18,006	(1,883)	16,123
Gains recognised in profit or loss	335	-	335
New day 1 margin	-	(182)	(182)
Cash collections - disbursement funding	(2,176)	-	(2,176)
Amortisation of day 1 margin	-	569	569
Discontinued operations	(16,165)	1,496	(14,669)
Balance at 31 December 2021	-	-	-

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$nil as at 31 December 2021 (2020: US$26,577,000).

Note 22. 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 2021 US$'000	Parent 31 Dec 2020 US$'000
(Loss) after income tax	(20,777)	(109,317)
Total comprehensive (loss)	(20,777)	(109,317)

Note 22. Parent entity information (continued)

Statement of financial position

	Parent 31 Dec 2021 US$'000	Parent 31 Dec 2020 US$'000
Total current assets	3,945	3,418
Total assets	3,945	3,401
Total current liabilities	1,347	47,880
Total liabilities	19,028	49,439
Net liabilities	(15,083)	(46,038)
Equity		
Issued capital	97,647	59,353
Capitalising converting notes	14,832	13,933
Foreign currency reserve	2,338	8,524
Share-based payments reserve	6,355	6,044
Restructuring reserve	18,414	-
Accumulated losses	(154,669)	(133,892)
Total (deficiency)	(15,083)	(46,038)