OMNI
BRIDGEWAY

Annual Report 2021

2021
ANNIVERSARY
YEAR

35 years in business
20 years public listing
20 years asset tracing
20 years in Germany
10 years in US
5 years in Asia
5 years in Canada

Omni Bridgeway is the global leader in financing and managing legal risks

We have significant expertise in civil and common law legal and recovery systems and offer dispute finance from case inception through to post-judgment enforcement and recovery.

We are the world's largest dispute finance team and have operations around the globe.

Since 1986, Omni Bridgeway has established a record of financing disputes and enforcement proceedings, and in 2021 our company marks numerous anniversaries that reflect decades of delivering results for clients.

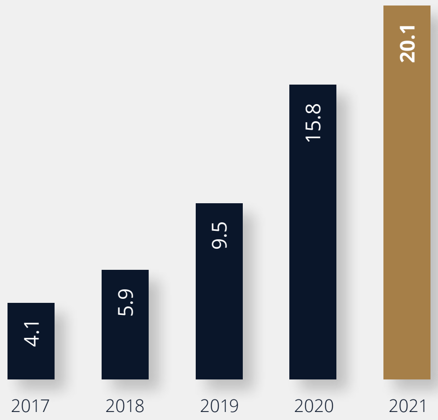
All figures are in Australian Dollars (AUD, A$) unless otherwise stated.

Contents

Highlights

EPV

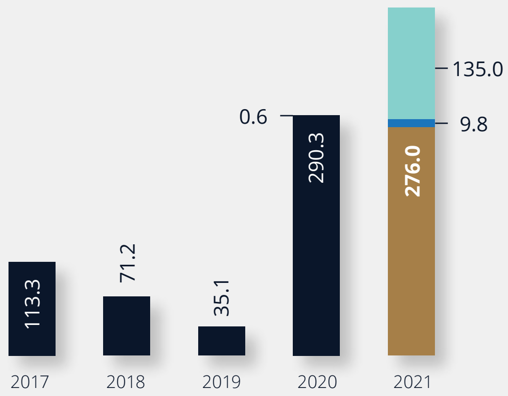
$20.1bn



CAGR > 42% over 5 years

Gross investment proceeds

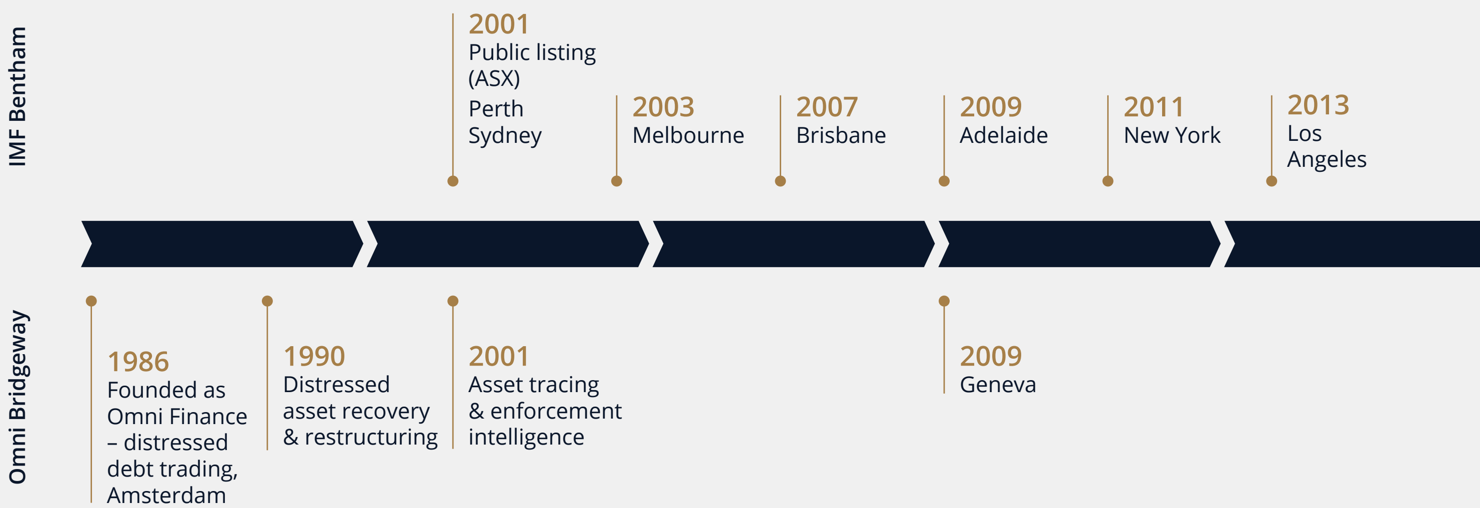
$276.0m



CAGR > 33% over 5 years

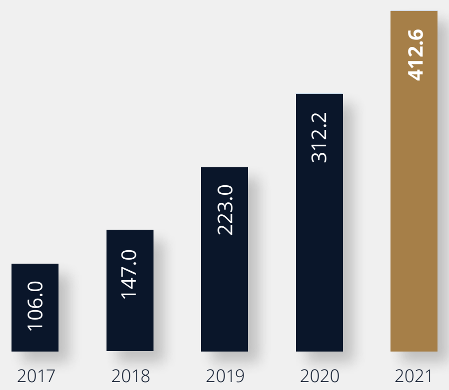
- Fund 5 component that is not consolidated within the group
- Income yet to be recognised from substantially completed investments

Supporting clients from case inception through to post-judgment enforcement and recovery for 30+ years



Annual investment commitment

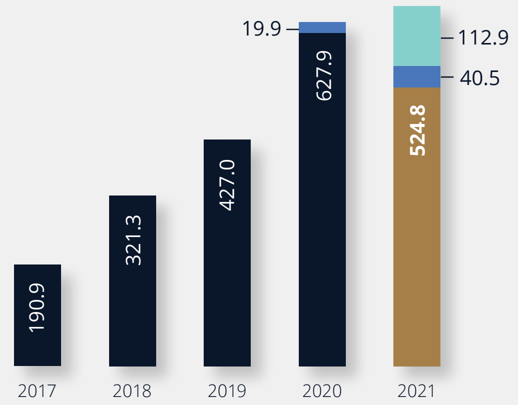
$412.6m



CAGR > 38% over 5 years

Investments

$524.8m



CAGR > 35% over 5 years

Fund 5 component that is not consolidated within the group

Westgem & Fund 4 IFRS impaired investment

2015
San Francisco

2015
Singapore

2016
Toronto

2016
Fund 6
€150m

2017
Fund 1
US$172m
Funds 2 & 3
A$180m
Houston
Singapore

2017
Cologne
(ROLAND
ProzessFinanz)

2018
Fund 4
US$500m
Hong Kong
Montreal
London

2018
Dubai

2019
Fund 5
US$500m

2019
Fund 7
US$100m
(DARP[1])

NOV 2019
Merger
IMF Bentham /
Omni Bridgeway
A$2.2 billion FUM[2]
(7 Funds)

2021
Auckland
Madrid

2021
ANNIVERSARY
YEAR

2021
35 years
in business
20 years
Germany, public listing, asset tracing
10 years
US
5 years
Asia and Canada

1 | Distressed Asset Recovery Program
2 | Funds under management

Chairman's and Managing Director's Report

Introduction

As is the nature of our business and sector, where completions are driven by court availability and counterparties' willingness to settle, revenues within short timeframes (such as half-year financial reporting) will inevitably be episodic. Performance should be assessed over a longer period, reflecting the duration of the underlying investment class.

Our second half results reflect an increase in the number of completions, revenue generated and profitability. Our annual results based on IFRS, after provisions for impairments, reflects an overall loss.

Notwithstanding this IFRS result, this year reflects the overwhelming benefits of our diversification strategy, with a:

- record number of investment applications
- record amount of capital committed for new investments, up 32% from last year
- record growth in EPV to $20.1 billion, up 27% from last year

We now manage over 300 investments around the world, with exposure to common and civil law jurisdictions, geographies within those jurisdictions, types of cases, sources of opportunities and service providers, and with a growing exposure to the northern hemisphere.

In addition, we completed some of the most significant investments in our portfolio, including the partial settlement of the long- standing Wivenhoe case. Income of $95.3 million was recognised during the year from the Wivenhoe investment and we estimate potential future income from the remainder of the investment to be in the range of $103 to $238 million (subject to the commentary and assumptions detailed in our ASX announcement dated 10 May 2021).

Wivenhoe is one of our remaining, historical balance sheet investments and its partial completion transitions us closer to our strategic objective of Fund manager and co-investor model.

Our portfolio increasingly reflects the use of dispute finance as a capital and risk management tool, with companies representing a large proportion of our funded clients.

We now operate seven Funds, providing the capacity to invest in a broader range of opportunities, generate a return in management fees and performance fees as a manager of those Funds, thereby diversifying risk, expanding our income generation capacity and providing the opportunity to stabilise our earnings.

Our first-generation Funds are now fully committed (including conditional commitments) with over $387 million in current investments and $5 million remaining for deployment. Investment commitments in our second- generation Funds are in the middle of their investment period.

Like most enterprises, the COVID-19 pandemic has had some impact on our operations. In some jurisdictions, notably the US, COVID-19 related court delays slowed completions and extended our investment lifecycle.
In the US this was compounded by political and social unrest, along with strong competitor activity as existing participants and new contenders attempted to gain market share through financing investments at margins below our risk-return threshold. These factors affected our capital commitments in our largest market this year.

The pandemic forced some fly-in, fly-out dispute finance participants to retreat from some markets while Omni Bridgeway continued to expand its operations with recruitment in APAC, EMEA and North America. These hires, with more to come in FY22, reinforce Omni Bridgeway's growth strategy.

We found that across our global footprint, the presence of our local teams with local knowledge and extensive networks allowed Omni Bridgeway to remain highly competitive during the pandemic, when fly-in, fly-out providers found it challenging to source and service investments on-the-ground.

Although we adapted our business development initiatives for an on-line world, our origination activities were also challenged by COVID-19 restrictions. As vaccinations approach a critical mass in the community, the legal industry is resuming court trials and clearing court backlogs in the US.

Fortunately, our business model is one that allowed a smooth transition to work-from-home, and our return to office or hybrid working arrangements in 2021 are proving equally seamless where restrictions are easing in some jurisdictions. Some of our markets are already witnessing a resumption of conventional business development methods including in-person meetings, relationship and networking activities, conferences and events. Our Chief Executive Officer, Mr Andrew Saker, was also able to relocate from Australia to New York City in April 2021 to lead our strategic expansion in the world's largest legal market.

Since our 2019 merger, we have successfully integrated our legacy businesses and we experience the benefits of the alliance every day. Our global team collaborates on sourcing and winning funding mandates across jurisdictions and we have exceeded our new business generation targets by collaborating on cross-border pitches and co-investing in over $550 million of new mandates since the merger. We now offer comprehensive solutions from case inception to recovery and regularly supplement merits-funding with enforcement services where clients seek help to recover from evasive debtors.
Our strong geographic footprint and origination network provide a significant comparative advantage and our market knowledge, marketing intensity, speed of response and personal relationships are all levers to generating a high quality and quantity of funding opportunities world-wide.

This year we expanded our geographic footprint with remote servicing, offices, agencies and other arrangements, to service Japan, India, Latin America, New Zealand and Spain and are already funding matters in those countries and successfully onboarded many new colleagues remotely during COVID-19 restrictions.

We are now the largest funding team in the world, with 180+ legal and finance professionals including civil and common law litigators, enforcement lawyers and recovery specialists from premier international law firms, along with economists, financial experts, business intelligence and asset tracing professionals, educated at the world's leading institutions.

We are preparing for the departure of one of our company founders, Executive Director Mr Hugh McLernon who will retire in FY22. Mr McLernon's entrepreneurialism and foresight not only contributed to the formation of our company, but also to the development of the contemporary dispute finance industry. On the back of his determination and effort, many litigants have gained the access to justice they could not have otherwise afforded, and many stakeholders (including shareholders and employees) have been rewarded through the growth of a billion-dollar business from inception.

We express our gratitude for his contribution, guidance, and wisdom throughout the years. He leaves a wonderful legacy for us and we will miss his invaluable input.

We will also farewell Director Mr Michael Bowen who retires from our Board in FY22. Mr Bowen has been a Director of our company since our 2001 public listing and a valuable member and chair of numerous Committees during that time. His expertise, insights, and camaraderie will be missed.

We also say thank you to Dr Arndt Eversberg who retired from Omni Bridgeway on 30 June after developing our German business for almost 10 years.

Having achieved, and exceeded, our last five-year Business Plan, we launched our 2020-25 Business Plan this year and are advancing in its execution. The pandemic has reminded everyone that the landscape is always dynamic, and success requires a strong foundation and dedication, coupled with agility. Our Plan involves continuing to grow and diversify our portfolio, expand our team and geographic footprint and extend our product offering, while remaining adaptable to an ever-changing world stage.

We look forward to navigating the future together with our stakeholders.

Goal	Strategy	Status
Geographical expansion	Americas	• US team growth, office expansions underway, exploring new office locations • Canada team growth, exploring Calgary • Latin America market assessment, strategy and remote servicing
	APAC	• Auckland, New Zealand resources in situ • Exploring India
	EMEA	• Madrid, Spain resources in situ • North Africa exploring debt servicing operation
Expanded service offerings	• Acquiring claims, judgments awards • Funding law firm receivables • Downside risk management	• 14 purchased claims in the portfolio • Assessing M&A opportunities
Capital Structure	• Launch new fund • Increase commitments via Funds	• EPV up 27% on FY20 to $20.1 billion • FY21 capital commitments $413m, up 32% on FY20
Funds	• Scale and diversification	• Exploring secondary market opportunities for accelerating recoveries in Funds

FY21 Results

Income and cash generation

This year we saw the completion of a number of our investments being converted into cash or debtors. 10% of our 30 June 2020 EPV has completed during the year.

The total income generated from investments was $276.0 million, second only to our record FY20 result. $139.6 million from balance sheet investments and $136.4 million for our Funds. $81.2 million arose from US Funds investments, $55.2 million from Rest of World Funds investments. This generated cash and receivables of $192.7 million.

Additionally, several investments completed with an estimated $135.0 million of future income to be accounted for in FY22 and beyond (assuming court approvals, satisfaction of other conditions and qualifications in ASX announcements).

A number of investments also advanced towards completion during the year, with favourable judgments and awards. In some cases, we are now funding the enforcement and recovery of those awards (an example of our service offering that assists clients from case inception through to ultimate recovery).

Profit

Whilst our full year 2021 result is a loss of $18.4 million, we generated a profit of $92.4 million in the second half of the year.

Additionally, within that result is provision for a non-cash investment impairment allowance of $120.7 million relating to investments that experienced negative judgments.

Two of the material underlying cases are being appealed (with our funding) based upon legal advice on the grounds and prospects of overturning the first instance judgment. The aggregate impairment and adverse cost provision relating to those two investments is $121.6 million. The level of each investment’s impairment will be continually assessed and may be reversed as appropriate depending upon developments in the future. If the investment is ultimately successful it may generate proceeds to the Group in excess of its carrying value. The possible completion period of these investments may occur in FY23 or later.

Balance sheet

Our overall portfolio continues to grow. Group net assets are consistent with prior year, even with large investment completions occurring, and but for two significant impairments would have reflected a 14.1% increase. Our direct balance sheet investments continue to run-off and are substantially wound down following the partial completion of Wivenhoe in May 2021.

Sources and applications of cash and receivables - non-IFRS (unaudited)

$m	FY21	FY20
Cash generation		
Proceeds: from litigation funding	**183.5**	171.0
Proceeds: from claims portfolio investments	**11.0**	15.0
Proceeds: from disposal of a financial asset	**–**	9.7
Net interest	**(6.8)**	(4.6)
Other income	**0.4**	0.8
Movement in receivables balance	**73.1**	110.3
	261.2	302.2
Cash burn		
Net operational cash expenditure	**(60.7)**	(67.2)
Income tax paid	**(7.8)**	(3.9)
	(68.5)	(71.1)
Net cash generation[1]	**192.7**	231.1
Cash and receivables balance		
Cash: direct balance sheet	**100.0**	133.2
Cash: consolidated funds	**42.7**	61.2
Receivables balance: direct balance sheet	**117.2**	70.0
Receivables balance: consolidated funds	**80.4**	54.4
Total cash and receivables balance	**340.3**	318.8

1 Net cash generation is categorised as non-IFRS information. This information has not been audited or reviewed.

Non-controlling interest (NCI)

Throughout the year we have continued to utilise Fund capital and drawn down capital to meet our investment commitments. FY21 saw aggregate drawdowns in excess of $100 million, the highest in Omni Bridgeway's history. A large component of these drawdowns is from external capital and reflects an increase in NCI. We would expect this dynamic to continue during the investment period of the Funds.

Expenses increased during the year reflecting our strategy to diversify, establish new offices in jurisdictions and address competition.

Investment portfolio

Portfolio overview

We continue to grow and diversify our global investment portfolio year on year to mitigate risk.

As at 30 June 2021 our diversified portfolio comprised over 300 investments, not counting underlying portfolio investments separately, with the majority within Fund structures.

Our annual investments on a conditional and unconditional basis total $412.6 million in capital commitments. We achieved 95% of our FY21 target to commit $436.6 million (a 58% increase on last year's target) even with the challenges of COVID-19.

We are experiencing demand for increasingly larger investments and expect that trend to continue.

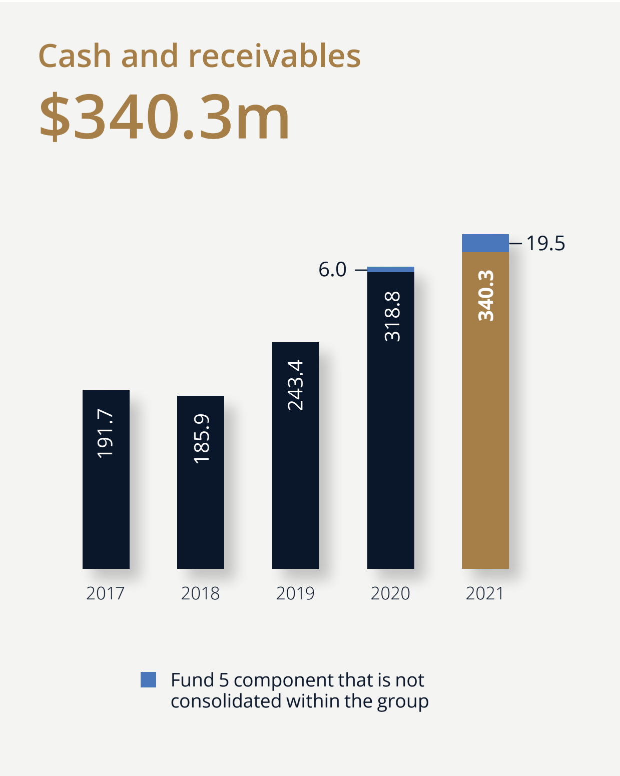
North America represents 39% of the EPV with EMEA representing 29% and Australian investments sitting at 21%. We expect the US proportion will increase in future.

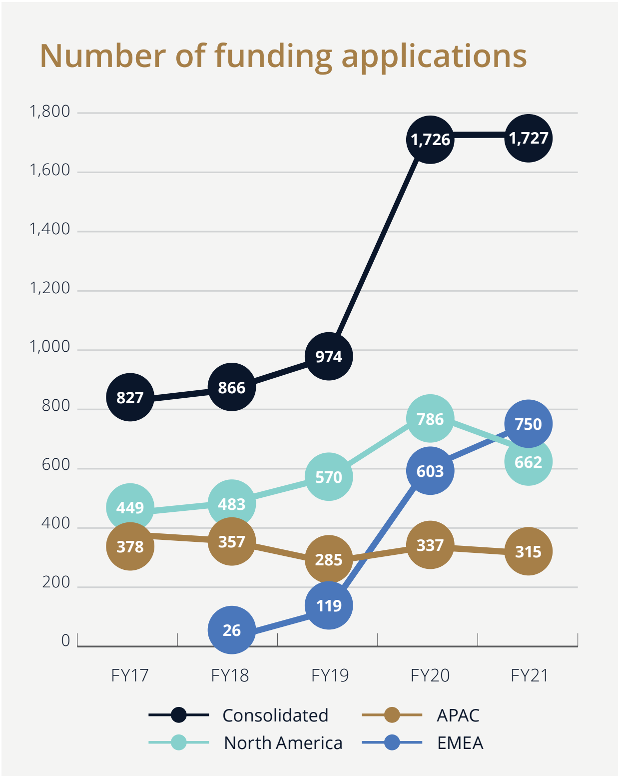
Funding applications

This year we reached 1,727 funding applications (nearly 160% increase since the beginning of FY16).

Our leading market reputation and business development activities are generating opportunities and these are amplified by the collaboration of our post-merger team. Our competitor landscape has changed with a favourable impact on Omni Bridgeway's market share. An increasing awareness of dispute finance is also growing the total market.

Our average realised investment gestation has increased from 2.7 to 2.8 years in no small part due to COVID-19.





Investment portfolio profile

	CURRENT INVESTMENTS							COMPLETED INVESTMENTS								
			EPV possible completion (million)									Success rate			ROIC	IRR
												Legal outcome	Financial outcome		(excl. overheads)	
	#	Avg. age (yrs.)	Total	FY22	FY23	FY24	FY25+	#	Avg. age (yrs.)	EPV million	Income / EPV conversion	#	#	$ weighted avg.		
Balance sheet	13	6.2	$838.2	$437.0	$400.3	$0.9	–	91	3.0	$3,570.4	21%	85%	76%	75%	146%	82%
Fund 1	22	4.5	$2,065.4	$227.4	$1,310.9	$186.3	$340.8	26	2.9	$1,287.7	13%	88%	69%	74%	54%	22%
Funds 2 & 3	29	2.1	$4,131.6	$1,003.6	$2,068.7	$332.3	$727.0	13	1.4	$395.2	18%	77%	77%	45%	91%	113%
Fund 4	16	0.9	$4,581.0	$189.8	$1,005.5	$2,425.7	$959.9	2	0.4	$198.7	15%	100%	100%	100%	22%	201%
Fund 5	31	0.7	$3,777.6	$341.9	$1,245.0	$1,197.5	$993.2	3	0.8	$96.0	29%[B]	67%	67%	99%	49%[B]	30%[B]
Fund 6	187	5.0	$3,178.8	$399.3	$844.9	$606.8	$1,327.8	172	3.3	n/a	n/a	n/a	68%	72%	298%	160%
Fund 7	–	n/a	n/a	–	–	–	–	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

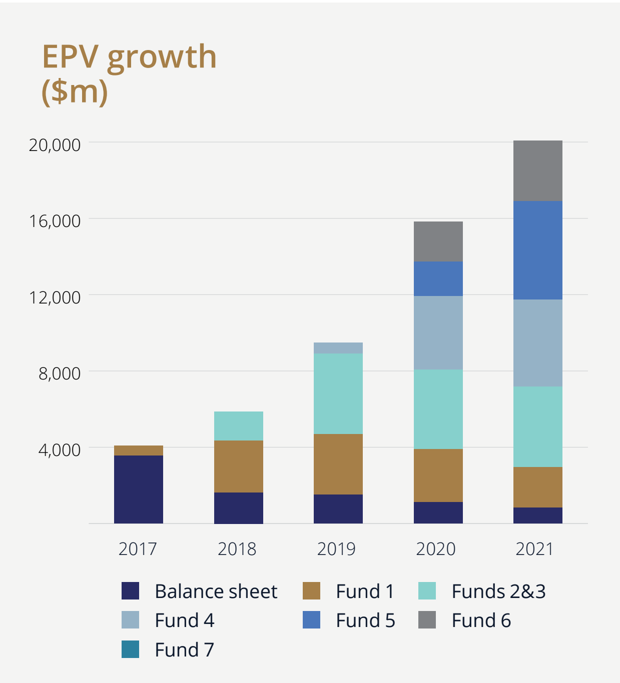
Data covers the period from 1 July 2011 for the balance sheet investments and each of the funds from their dates of inception.

* A successful legal outcome is one where the client wins a return through settlement or judgment; a successful financial outcome requires the Group's income to exceed investment costs.

B Audit adjustments to constrain income recognised at this point in time.

Estimated portfolio value

During FY21 we committed, or agreed to commit, $412.6 million, translating to a compound annual growth rate (CAGR) of over 40% since FY15. Our increased portfolio produced an EPV of $20.1 billion in FY21 (including IC approved and conditionally funded investments), representing a CAGR of more than 45% over six years.



Funds management

In total, we have close to $2.4 billion in funds under management which have been invested or are available to invest in dispute resolution and recovery. The majority of our investments sit within seven Funds.

Funds 1, 2 and 3 are committed. The commitment periods for those Funds are complete and they are now in their 'harvest phase'.

New investments are made from Funds 4, 5, 6 and 7, with each Fund at a different stage of maturity. Fund 6 is rapidly approaching its capacity. The establishment of new Funds is under consideration.

Less than 5% of our investments (by number) remain on our balance sheet.

Our Fund investors have been selected in part because of their low credit risk, their commitment to the Fund arrangements and because their capital is non-discretionary. Our strategy is to remain a meaningful minority investor in each of our Funds, to harness investment returns as an equity participant, with management and performance fee revenue from returns on third party capital.

Funds summary (unaudited)

Fund 1 100% committed US$ million	Capital called			Uncalled capital			Accumulated preferred return	Accumulated special distribution	Accumulated management fee
	Total	Investor	Omni	Total	Investor	Omni	Investor	Investor	Omni
	166.7	125.0	41.7	5.0	3.8	1.2	46.1	1.8	5.5
Distributions		(82.7)	–	n/a	n/a	n/a	(8.3)	–	–
Total US$		**42.3**	**41.7**	**5.0**	**3.8**	**1.2**	**37.8**	**1.8**	**5.5**
$ equivalent		**56.3**	**55.5**	**6.6**	**5.0**	**1.6**	**50.4**	**2.3**	**7.3**

Funds 2&3 98% committed $ million	Capital called			Uncalled capital			Accumulated preferred return	Accumulated special distribution	Accumulated management fee
	Total	Investors	Omni	Total	Investors	Omni	Investors	Investors	Omni
	118.5	94.8	23.7	70.5	56.4	14.1	24.0	5.0	3.0
Distributions		(41.6)	–	n/a	n/a	n/a	–	–	–
Total $		**53.2**	**23.7**	**70.5**	**56.4**	**14.1**	**24.0**	**5.0**	**3.0**

Fund 4 34% committed US$ million	Capital called			Uncalled capital			Recycled proceeds		
	Total	Investors	Omni	Total	Investors	Omni	Total	Investors	Omni
	121.2	97.1	24.1	378.8	302.9	75.9	–	–	–
		n/a	n/a	n/a	n/a	n/a	19.7	15.8	3.9
Distributions		–	–	n/a	n/a	n/a	–	–	–
Total US$		**97.1**	**24.1**	**378.8**	**302.9**	**75.9**	**19.7**	**15.8**	**3.9**
$ equivalent		**129.3**	**32.1**	**504.2**	**403.2**	**101.0**	**31.2**	**25.0**	**6.2**

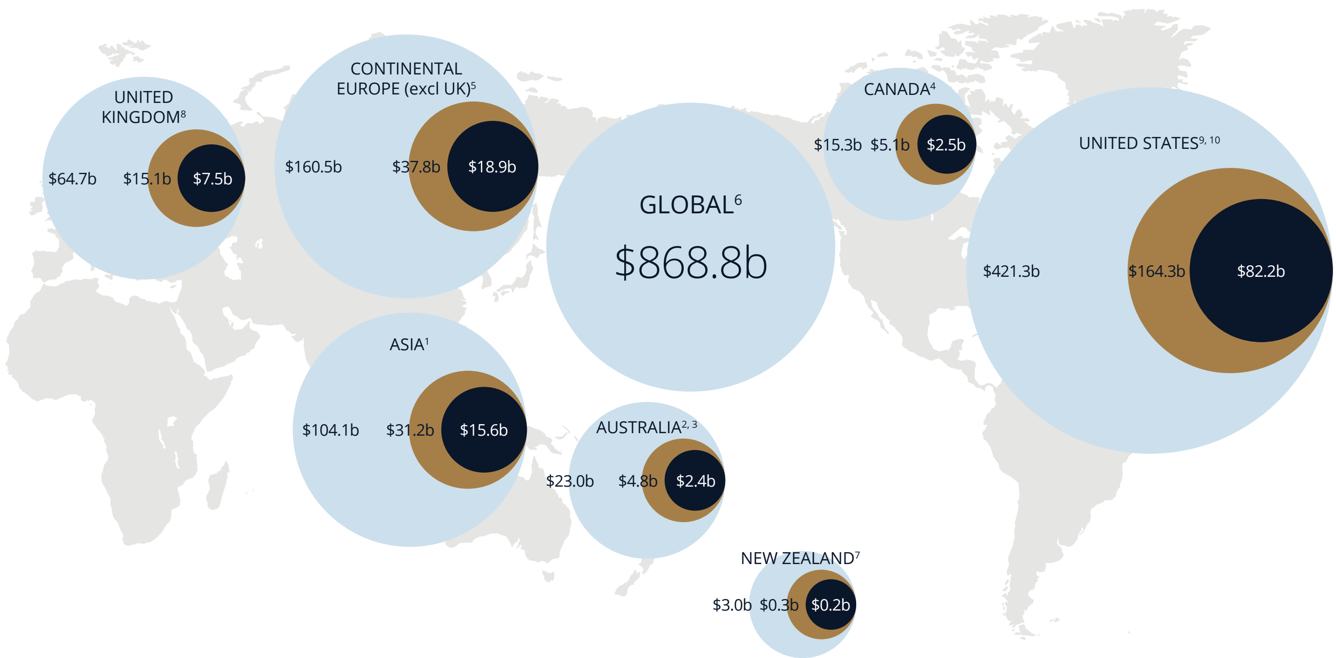
Fund 5 35% committed US$ million	Capital called			Uncalled capital			Recycled proceeds		
	Total	Investors	Omni	Total	Investors	Omni	Total	Investors	Omni
	57.0	45.6	11.4	443.0	354.4	88.6	–	–	–
		n/a	n/a	n/a	n/a	n/a	15.2	12.2	3.0
Distributions		–	–	n/a	n/a	n/a	–	–	–
Total US$		**45.6**	**11.4**	**443.0**	**354.4**	**88.6**	**15.2**	**12.2**	**3.0**
$ equivalent		**60.7**	**15.2**	**589.7**	**471.7**	**117.9**	**20.2**	**16.2**	**4.0**

Fund 6 92% committed EUR million	Capital called			Uncalled capital			Recycled proceeds		
	Total	Investors	Omni	Total	Investors	Omni	Total	Investors	Omni
	70.0	66.5	3.5	80.0	76.0	4.0	–	–	–
		n/a	n/a	n/a	n/a	n/a	30.7	29.2	1.5
Distributions		–	–	n/a	n/a	n/a	–	–	–
Total EUR		**66.5**	**3.5**	**80.0**	**76.0**	**4.0**	**30.7**	**29.2**	**1.5**
$ equivalent		**105.3**	**5.5**	**126.7**	**120.4**	**6.3**	**48.6**	**46.2**	**2.4**

Fund 7 4% called US$ million	Capital called			Uncalled capital			Recycled proceeds		
	Total	Investors	Fund 6	Total	Investors	Fund 6	Total	Investors	Fund 6
	3.5	1.0	2.5	96.5	49.0	47.5	–	–	–
Distributions		–	–	n/a	n/a	n/a	–	–	–
Total US$		**1.0**	**2.5**	**96.5**	**49.0**	**47.5**	**–**	**–**	**–**
$ equivalent		**1.3**	**3.3**	**128.5**	**65.2**	**63.2**	**–**	**–**	**–**

Addressable market

The world-wide legal services market continues to grow, and the dispute finance sector is expanding concurrently as various jurisdictions deregulate, more capital becomes available and market participants become more familiar with the offering. The overall annual legal spend for the global legal services market is estimated at A$868.8 billion[6]. This does not include disputes or other legal matters that are managed in-house or not progressed, nor does it capture all enforcement-related services. Omni Bridgeway estimates only a small proportion of the addressable market currently uses dispute finance, representing a substantial opportunity for the continued growth of our business and our sector.



- Total market legal spend AU$
- Estimated litigation portion of total legal spend AU$
- Estimated total addressable market as % of total legal spend AU$

Figures may be rounded
All figures converted to AU$ as at 30 June 2021
The ability to finance defences as well as claims could increase the potential addressable market %

1. MarketLine Industry Profile, "Legal Services in Asia-Pacific", November 2020, page 2.
2. Baikie, Victoria, AU Industry (ANSIC) Report M6931, "Legal Services in Australia" IBISWorld, February 2021, page 10.
3. Thomson Reuters, 2020 'Australia: State of the Legal Market', Thomson Reuters & Peer Monitor, page 6.
4. Koronios, Eva, CA Industry (NAICS) Report 54111CA, "Law Firms in Canada", IBISWorld, September 2020, page 7.
5. MarketLine Industry Profile, "Legal Services in Europe", November 2020, page 2.
6. MarketLine Industry Profile, Reference 0199-0423, "Global Legal Services", MarketLine, November 2020, pp 8-13.
7. Kyriakopoulos, Arthur, NZ Industry (ANZSIC) Report M6931 NZ, "Legal Services in New Zealand", IBISWorld, August 2020, pp 7-9.
8. Dinev, Krasimir, UK Industry (UK SIC) Report M69.100, "Legal Activities in the UK", IBISWorld, February 2021, page 7-8.
9. Thomson Reuters Institute & Georgetown Law Center on Ethics and the Legal Profession, "2021 Report on the State of the Market", page 4.
10. Schulman, Gabriel, US Industry (NAICS) Report 54111, "Law Firms in the US", IBISWorld, January 2021, page 7.

Updates from around the world

Asia-Pacific

Our team provides end-to-end dispute finance solutions to Asia-Pacific and global clients, across common and civil law matters. Our operations in Singapore have expanded with a new hire to meet the ever-growing market demand. We also grew the Australian team and in FY22 will open our first office in New Zealand.

As the number of class action claims return to pre-pandemic levels, Omni Bridgeway is anticipating some increased competition from contingency law firms in markets such as Australia, where the State of Victoria has introduced legislation supportive of contingency fees. However, increased regulation is likely to deter other competitors.

Europe Middle East Africa (EMEA)

We expanded our EMEA operations with key hires in Germany, Spain, the UK and the Netherlands, with more to come in FY22.

Omni Bridgeway also continued to build its pan-EMEA group claims capability as harmonised collective redress legislation begins to roll out across Europe, as well as its arbitration capability.

While we have observed the emergence of the first dedicated Continental European funders, as well as Anglo-Saxon origin contingency-fee law firms setting up representative offices in (Continental) Europe, our local presence, global network and expanding capabilities will enable us to take advantage of expansion opportunities across the region.

North America

The North American team faced a particularly challenging operating environment in the past financial year. COVID-19 caused significant closures and delays to the court systems, some of which are only now clearing thanks to the vaccination programs. Despite these challenges, our US and Canadian teams maintained a leading position in our respective markets.

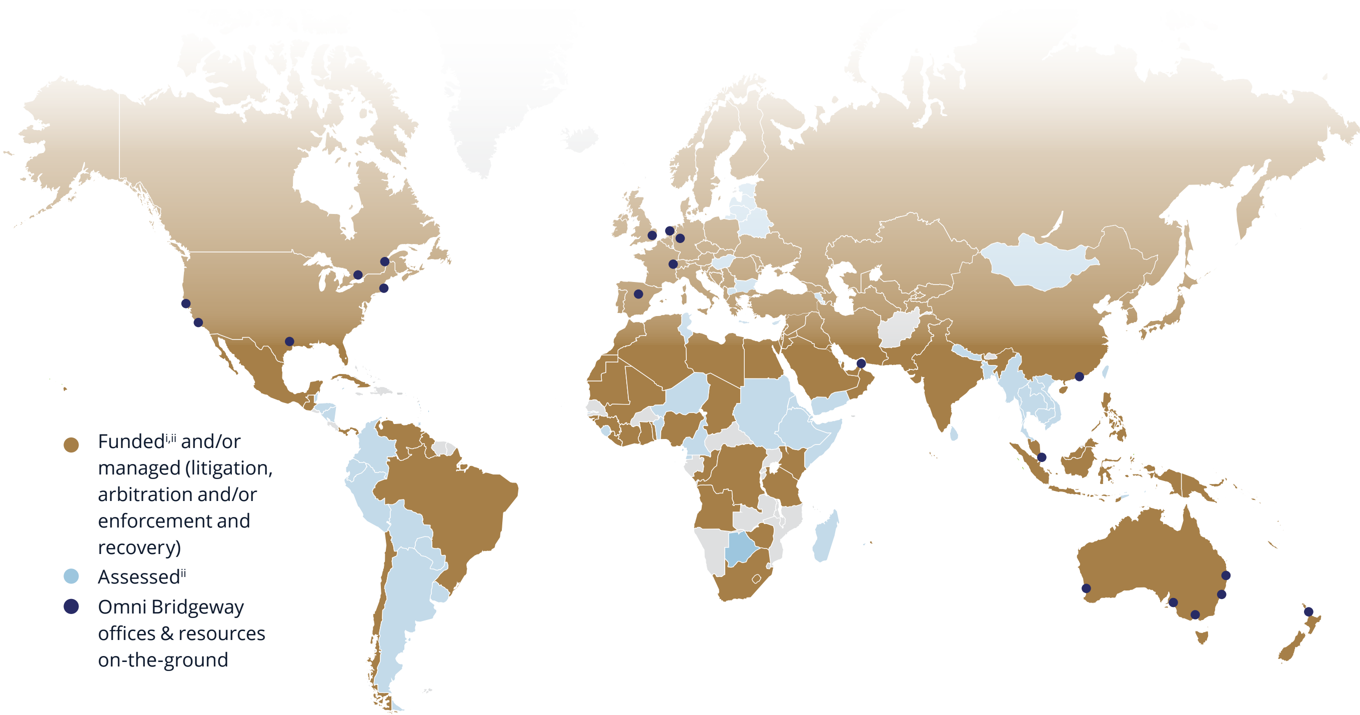
The US team successfully onboarded two new members and has launched a robust recruitment program for FY22 to catch up with growth plans put on hold due to the restrictions in place during the past year; the team continues to explore opportunities to expand its specialist expertise and diversify its talent, with insurance, insolvency and restructuring specialists proving in high demand given the challenging economic conditions.

The Canadian team was also strengthened with the addition of a dedicated corporate counsel. Omni Bridgeway is considering expanding its footprint to open an office in Calgary in FY22.

The success of the merger is evidenced by strong client interest in our enhanced skills and capabilities for the funding of enforcement mandates.

Omni Bridgeway is servicing Latin America remotely from the North American teams and across our organisation.

The LatAm team has extensive contacts and work experience in the region and is exploring opportunities to expand our operations there.



i Non-recourse financing of domestic or international arbitration, litigation (individual claimant or group litigation) and enforcement and recovery actions.

ii Reflects locations of parties, disputes, proceedings, enforcement actions.

Global risk, compliance and governance

Regulatory environment

We have seen a number of initiatives for regulatory reform in several jurisdictions.

Globally, a working group of the United Nations Commission on International Trade Law (UNCITRAL) is proposing some changes to Investor-State Dispute Settlement (ISDS) arbitrations that involve litigation funding.

In Australia the Government has implemented rules requiring licensing for litigation funders and for class actions to be conducted as managed investment schemes. This has reduced the number of funders operating class actions in Australia, leading to an increase in activity for Omni Bridgeway. Additional regulatory reform is currently before Parliament in relation to changes to disclosure rules will not have a material effect on our business. There is also consideration for imposing a minimum return requirement to group members. Whether this proceeds, and in what form, is unclear at the time of finalising this Report.

In Europe, some preliminary regulatory proposals have been initiated but it remains to be seen if there is any real prospect of these being progressed.

In the US, we have seen a new rule in New Jersey that now requires litigation funders to disclose their involvement in proceedings in that State.

Risk management

With growth and diversification at the heart of our strategic direction over recent years, we have continued to evolve our risk management focus to respond to new and emerging risks whilst remaining focused on the quality of our investment management processes.

Over the last five years, we took some key strategic steps to develop the business, each of these had a risk management driver. We:

- raised non-recourse third party funds for investments which reduced our balance sheet exposure to any single litigation outcome and simultaneously delivered an additional revenue line via management and performance fees. This leveraged the skills of our investment teams whilst dialling back our capital exposure to idiosyncratic litigation risks;
- increased the number of markets in which we operate and worked hard to develop and evolve the global market for legal risk asset management. This reduced our exposure and dependency on any one market and limited the risks associated with a sole or dual market focus;
- invested ahead of our revenue growth in front and back office resources required to grow the portfolio and build a bridge to more stabilised and consistent earnings; and
- acquired the complementary business of Omni Bridgeway and merged global market leaders in the pre-judgment financing and post judgment enforcement arenas. This further diversified the operations and revenue sources of the business and created a combined capability to finance and manage the most complex of disputes and recoveries.

Quality of investment decisions

While all of the above developments were important and significant for the business, the largest single risk remains the ongoing quality of investment decisions and resulting investment assets. Unlike many asset classes, whether traditional or alternative, a poor decision to invest into a dispute financing asset, will invariably see the investor not only lose 100 per cent of the capital deployed but can, in cost shifting jurisdictions, result in similar sized amounts being payable to reimburse the defendant for its costs. Whilst it is possible to take actions like those which we have to reduce the impact of any one individual poor investment decision, this dynamic ensures that Omni Bridgeway remains laser focused on all aspects of the investment process, from the first client engagement through to an investment's conclusion.

We continue to add resources to our investment committees where they are accretive to the quality of decision making. In FY21, Benjamin Hughes joined our US and RoW investment committees for arbitration investments and we consider that adding niche expertise for particular investment types complements the broad skills of the permanent members of these committees.

We regularly review our internal and external operating environments to determine our key risks and whether any incremental mitigating actions are appropriate when considering the associated costs and the existing post mitigation rating attributed to that key risk.

COVID-19

The impact on Omni Bridgeway's business has been relatively contained. Court closures, most acutely in the US, increased average investment durations within Omni Bridgeway's portfolio. Whilst this is a delay rather than a loss of income, it has a dilutive impact on fund performance returns, particularly in Omni Bridgeway's first-generation funds due to the subordinated nature of all of the manager's returns. As courts reopen, we see encouraging signs for the resolution of our investments, either by court determination or settlement.

The global pandemic has spurned a significant volume of commercial disputes, not least in the business interruption insurance market.

Our primary assets are our people and the restricted and remote working practices have placed a strain on our people and curtailed a number of business development opportunities. We are not alone in that regard and we have placed an emphasis in all our operating markets on maintaining the health and wellbeing of our people throughout this period. Notwithstanding the pressures of COVID, we have had a tremendous year developing business and have increased EPV 27% ($4.3 billion).

Time and open-ended capital commitments

Once an investment is made, the two biggest impacts on Omni Bridgeway's return, outside of the amount the claim resolves for, or is otherwise monetised for, are the duration of the investment and the amount of capital deployed to the investment. Financing commissions are generally designed to mitigate the risk of delays by increasing over the life of the investment but such ratchets have a cut off which if exceeded, cause return dilution. Outside of the US, most of our capital commitments to investments are uncapped and based upon the budgeted costs at the outset. Predicting the path of dispute resolution is fraught with inaccuracy and budget overruns are a risk we have to manage. We do so invariably through risk sharing with the lawyers, but for some investments the impact of budget overruns can be highly dilutive to returns because there is generally no positive correlation between the amount expended in legal costs and the ultimate resolution amount.

Cyber security

We employ a variety of people-centric cybersecurity tactics, including regular training and simulated attack scenarios for our people in order to customise preventative measures. We enlist all our people throughout our global company as the first line of defence in protecting our data and commercially sensitive know-how.

We invest in security hardware, software, systems and policies and regularly submit to external IT audits to prevent attacks and detect (and learn from) new attack tools, methodologies and targets. Cyber security risks are ever-present and we remain vigilant throughout our business at all times.

Compliance

The Group is regulated by the Securities and Exchange Commission in the US as a registered investment adviser and in Australia by both the Australian Securities and Investment Commission and the Australian Securities Exchange with regard to its Australian financial services licence and the listing of both Omni Bridgeway's shares and bonds. The group has an evolved compliance framework which is continually enhanced and regular training is undertaken across our international network to instill best practice.

Governance

Omni Bridgeway has issued a detailed Environmental, Social Governance statement containing full details of its corporate governance practices and a review of FY21 developments.

Andrew Saker
Managing Director and Chief Executive Officer

Michael Kay
Chairman

The Omni Bridgeway advantage

Despite significant barriers to entry in our industry, the desire for non-correlated returns and the success of market leaders like Omni Bridgeway will always attract contenders. However, resilience and success over time in this industry requires a special formula that is not easily replicated. Omni Bridgeway has carefully honed its unique value proposition over 35 years.

The global leader in financing and managing legal risks

Global talent

- 180+ specialists
- 30+ languages
- 'On-the-ground' throughout the world
- Local knowledge and cultural awareness
- Collaboration with professional advisers
- Expansive networks
- Tactical insights, project management capability and legal cost monitoring

Capital and transparency

- Significant funds world-wide
- Resources to overcome strong opponents or evasive debtors
- Public company with transparent financial position and corporate governance (ASX:OBL)

Track record

- Financing disputes and enforcement proceedings around the world since 1986
- Enviable success rate over hundreds of cases
- Significant returns for clients
- Formidable partner by your side
- Premier brand to enhance your reputation with stakeholders and opponents
- Trusted by courts and leading advisers around the world

World-leading enforcement capabilities

- 30+ years' experience funding, devising strategies for and managing preventative measures and enforcements
- Un-matched experience recovering in 100+ jurisdictions, no matter how challenging the jurisdiction
- Asset tracing specialists who find, freeze and attach assets and navigate legal challenges

Regulatory compliance

- Holder of Australian Financial Services Licence (AFSL) and authorised to operate Litigation Funding Schemes[1]
- Registered investment adviser with US Securities Exchange Commission (SEC)[2]
- Compliant with Hong Kong Department of Justice (DOJ) Code of Practice for Third Party Funding of Arbitration

Commercial acumen

- Prompt assessment
- Strategic insights
- Creative, bespoke solutions from case inception to enforcement and recovery
- Entrepreneurialism

Downside cover

- Security for costs and adverse costs cover in cost-shifting jurisdictions

1 Issued September 2020 to Omni Bridgeway's wholly owned subsidiary Omni Bridgeway Investment Management Ltd.

2 Omni Bridgeway Management LLC.

Contents

Directors' Report

The directors of Omni Bridgeway Limited submit their report for the year ended 30 June 2021.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Names, Qualifications, Experience and Special Responsibilities

Michael Kay

Non-Executive Chairman

Michael Kay has been the Non-Executive Chairman since 1 July 2015. He brings a wealth of commercial experience, with a sound track-record of building successful businesses. Most recently he was Chief Executive Officer and Managing Director of salary packaging company McMillan Shakespeare Limited. He was previously Chief Executive Officer of national insurer AAMI and before that spent 12 years in private legal practice.

Mr Kay is Chairman and Non-Executive Director of City Chic Collective Limited and Non-Executive Director of Pharmacy Guild Australia (appointed February 2021).

Mr Kay is a member of the Audit and Risk Committee, Remuneration Committee, Corporate Governance Committee and is Chair of the Nomination Committee.

During the past three years he has been a Director of Omni Bridgeway Limited (formerly IMF Bentham Limited), Lovisa Holdings Limited (retired October 2018), ApplyDirect Limited (retired March 2019), City Chic Collective Limited, Pharmacy Guild Australia and RAC Insurance Pty Limited (retired June 2021).

Mr Kay holds a Bachelor of Laws from the University of Sydney, Australia.

Andrew Saker

Managing Director and CEO

Andrew Saker was appointed Managing Director and Chief Executive Officer on 5 January 2015. Since then, he has led a transformational strategy of geographic expansion, product diversification, and migrating the company's business model from capital management to fund management.

In 2019 Mr Saker led the merger, and subsequent integration, of the IMF Bentham and Omni Bridgeway legacy businesses to form the global Omni Bridgeway Group. Omni Bridgeway is now the largest funding team in the world and the global leader in financing and managing legal risks.

Mr Saker and the Board have now set Omni Bridgeway's corporate strategy for the next five years to 2025, prioritising further geographic expansion, product extensions and team augmentation.

Mr Saker is a member of the Nomination Committee.

During the past three years he has not served as a Director of any listed company other than Omni Bridgeway Limited (formerly IMF Bentham Limited).

Mr Saker has lived and worked in Australia, Asia and the United States.

Mr Saker holds a Bachelor of Commerce in Accounting and Finance from the University of Western Australia. He is an Associate Member of Chartered Accountants Australia and New Zealand. Until his appointment as Managing Director and Chief Executive Officer, he was a Registered Company Liquidator of the Australian Securities & Investments Commission and an Official Liquidator of the Supreme and Federal Courts.

Hugh McLernon

Executive Director

Hugh McLernon is one of the founders and pioneers of the contemporary dispute finance industry. He has been an Executive Director and member of the company's Investment Committee since 2001. He also oversees Special Projects for the company.

Mr McLernon is a lawyer by training. After graduation, he worked as a Crown Prosecutor for eight years and then as a barrister at the independent bar for a further nine years, before joining Clayton Utz for three years as a litigation partner.

In 1988, he retired from legal practice and introduced the secondary life insurance market into Australia through the Capital Life Exchange. He also pioneered the funding of large-scale litigation in Australia through McLernon Group Limited in 1992. In 1997 Mr McLernon faced and overcame the first claim of champerty in the modern era made in the Federal Court before French J (as he then was) in Penale -v- McLernon Group Limited. From 1996 to 2001, he was the Managing Director of McLernon Group Limited, as well as the Hill Group of companies which operates in the finance, mining, property, insurance and general investment arenas of Australia.

In 2001, Mr McLernon promoted the listing of Insolvency Management Fund Limited (now Omni Bridgeway Limited) onto the ASX. He was the inaugural Managing Director from 2001 to 2004, and again from 2009 to 2015.

During the past three years Mr McLernon has not served as a Director of any listed company other than Omni Bridgeway Limited (formerly IMF Bentham Limited).

Mr McLernon holds a Bachelor of Laws degree from the University of Western Australia.

The American Lawyer included Mr McLernon in its list of the Top 50 innovators for Big Law in the US during the course of the previous half century.

Raymond van Hulst

Executive Director

Raymond van Hulst was a Managing Director of the legacy Omni Bridgeway business that was acquired by Omni Bridgeway Limited (then IMF Bentham Limited) in November 2019. Mr van Hulst was appointed to the Board as an Executive Director in April 2020.

Mr van Hulst is responsible for several special projects and for the company's strategic initiatives, operations and investment activities across the EMEA region. He leads one of the largest teams of litigators, recovery, business intelligence and asset-tracing specialists in the industry.

Mr van Hulst has 20 years experience in structuring and managing innovative solutions for complex and high value litigation funding and legal enforcement matters.

Mr van Hulst has established two institutionally backed funds aimed at funding legal disputes and enforcement matters, including in joint venture with the International Finance Corporation, part of the World Bank for the Distressed Asset Recovery Program. He leads Omni Bridgeway's Investment Committee for these funds. Mr van Hulst also led Omni Bridgeway's acquisition of its German funding business, Roland ProzessFinanz, in 2017.

Mr van Hulst was previously with ABN AMRO Bank Structured Finance, based out of India and Europe.

During the past three years he has not served as a Director of any listed company other than Omni Bridgeway Limited.

Mr van Hulst has lived and worked in The Netherlands, India, France and Switzerland.

Mr van Hulst holds an MBA from INSEAD and a Master's Degree in Management (University of Groningen, the Netherlands).

Karen Phin

Non-Executive Director

Karen Phin has over 25 years' experience advising Australian listed companies in the retail, banking, industrial and natural resources sectors on capital management, capital raisings and mergers and acquisitions. Until 2014, she was a Managing Director and Head of Capital Advisory at Citigroup in Australia and New Zealand. Prior to joining Citigroup, she spent 12 months at ASIC as a Senior Specialist in the Corporations group. From 1996 to 2009, Ms Phin was a Managing Director at UBS AG, where she established and led the Capital Management Group.

Ms Phin was appointed to the Board as a Non-Executive Director in August 2017. Ms Phin is a member of Omni Bridgeway's Audit and Risk Committee, Remuneration Committee, Nomination Committee and Chair of the Corporate Governance Committee.

She is currently a Non-Executive Director of Magellan Financial Group Limited and ARB Corporation Limited and is a member of the Takeovers Panel.

During the past three years, she has not served as a Director of any company other than Omni Bridgeway Limited (formerly IMF Bentham Limited), Magellan Financial Group Limited and ARB Corporation Limited.

Ms Phin holds a Bachelor of Arts and Bachelor of Laws (Honours) from the University of Sydney, Australia and is a graduate of the Australian Institute of Company Directors.

Michael Bowen

Non-Executive Director

Michael Bowen was a partner of global law firm DLA Piper and joined Thomson Geer in 2021. He practises primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources. Mr Bowen assists the Managing Director on matters concerning corporations law.

Mr Bowen was appointed to the Board as a Non-Executive Director in December 2001. He is Chair of the Remuneration Committee, is a member of the Audit and Risk Committee (and was Chair until 4 April 2019) and is a member of the Corporate Governance Committee and Nomination Committee.

Mr Bowen is also a Non-Executive Director of Lotus Resources Limited (appointed 22 February 2021).

During the past three years he has not served as a Director of any listed company other than Omni Bridgeway Limited (formerly IMF Bentham Limited), Lotus Resources Limited and Trek Metals Limited (resigned 4 September 2020).

Mr Bowen holds Bachelor of Laws, Jurisprudence and Commerce from the University of Western Australia. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia since 1979, and is also admitted as a solicitor of the High Court of Australia. He is a Certified Public Accountant and a member of the Australian Society of Accountants.

Christine Feldmanis

Non-Executive Director

Christine Feldmanis is a qualified accountant, investment, governance and risk management specialist with over 30 years' experience in the finance and investment industry. She was previously Managing Director of an ASX-listed boutique funds management incubator business and Chief Finance Officer of the NSW Treasury Corporation.

As a professional Non-Executive Director and experienced Board Committee Chair, Ms Feldmanis' current Non-Executive Director roles include FIIG Securities Limited, Bell Financial Group Ltd, Bell Asset Management Limited, Rabobank Australia Ltd and not- for-profit organisation, Foodbank NSW.

Ms Feldmanis was appointed to the Board as a Non-Executive Director in November 2018. Ms Feldmanis is Chair of the Audit and Risk Committee and a member of the Remuneration Committee, Nomination Committee and Corporate Governance Committee.

During the past three years she has not served as a Director of any listed company other than Omni Bridgeway Limited (formerly IMF Bentham Limited), Bell Financial Group Ltd and Perpetual Equity Investment Company Limited.

Ms Feldmanis holds a Bachelor of Commerce from the University of Wollongong, Australia and Master of Applied Finance from Macquarie University, Australia. She is a Fellow of the Australian Institute of Company Directors, Trustee Fellow of the Association of Superannuation Funds of Australia, Senior Fellow of the Financial Services Institute of Australasia and a Certified Practising Accountant.

Officers

Stuart Mitchell

Group Chief Financial Officer

Stuart Mitchell joined the company in November 2018. He was previously Chief Financial Officer, Legal Counsel and Company Secretary for Ironbridge Capital, an Australian- based investment and private equity firm, providing funding for domestic and international businesses. His role encompassed financial management, budgeting, modelling, reporting and disclosure, governance, compliance, risk assessment, accounting, taxation, licensing and control issues of the manager, funds and associated structures across Asia Pacific, the Caribbean and Europe.

Mr Mitchell has over 20 years' commercial experience in Australia and the UK in the financial services sector, including private equity, funds management and venture capital.

He has held senior finance and legal roles, leading all aspects of corporate finance, administration, compliance, risk, accounting and tax. Mr Mitchell has worked in London in business analysis and finance, control and compliance and lending and derivatives. He has also worked in private legal practice, specialising in litigation and held accounting, audit and advisory positions in Australia.

Mr Mitchell has lived in Australia, the United Kingdom and Italy.

Mr Mitchell holds a Bachelor of Commerce from the University of New South Wales, Australia and a Diploma in Law from the New South Wales Legal Profession Admission Board and a Graduate Diploma in Legal Practice from the University of Technology Sydney, Australia. He was admitted to practise as a solicitor in New South Wales and is a qualified Chartered Company Secretary and Chartered Accountant.

Jeremy Sambrook

Group General Counsel and Company Secretary

Jeremy Sambrook is an experienced corporate lawyer with a broad in-house legal and private practice background, having practised in the UK, Hong Kong, the Channel Islands and Australia.

Immediately before joining the company Mr Sambrook was a Special Counsel in the Corporate team at DLA Piper Australia in Perth, Australia.

Following seven years working at a leading London law firm, Mr Sambrook moved to one of Europe's largest international hedge fund managers as Corporate Legal Counsel with responsibility for a wide variety of corporate group projects. He became a partner in 2010 and went on to manage the off-shore head office before moving with his family to Australia in 2013.

Mr Sambrook was appointed as General Counsel and Company Secretary in 2016 and has built out the global legal, compliance and risk function, in line with the international growth of the business, to a team of legal and compliance specialists across APAC, North America and EMEA. He became Group General Counsel and Company Secretary in 2020 following the expansion of the Legal and Risk team.

He leads the company's in-house legal and secretariat functions and is responsible for all Group legal, risk, compliance and corporate governance.

Mr Sambrook has lived in the United Kingdom, Channel Islands and Australia.

Mr Sambrook holds a Bachelor of Laws from the University of Bristol, UK.

Interests in shares, bonds and performance rights of the Company

As at the date of this report, the interests of the Directors in shares, Omni Bridgeway Bonds, Fixed Rate Notes and share performance rights of the Company were:

	Number of ordinary shares	Number of Omni Bridgeway Bonds	Number of Fixed Rate Notes	Number of performance rights
Michael Kay	470,000	–	–	–
Andrew Saker	182,068	–	–	2,527,171
Hugh McLernon	4,185,982	7,500	–	2,390,355
Raymond van Hulst	2,153,551	–	–	92,652
Michael Bowen	1,114,620	1,500	–	–
Karen Phin	27,266	–	–	–
Christine Feldmanis	45,656	–	80	–
Total	**8,179,143**	**9,000**	**80**	**5,010,178**

Further details of the interests of the Directors in the shares, bonds and options of the Company as at the date of this report are set out in the Remuneration Report included within the Directors' Report.

Dividends paid by Omni Bridgeway Limited

	Declared date	Record date	Payment date	Cents	$m
Dividends paid in the year:					
Interim for the year					
On ordinary shares	n/a	n/a	n/a	nil	–
Final for 2020, as recommended in the 2020 financial report					
On ordinary shares	24/8/20	2/9/20	25/9/20	4.0	10,139

Where dividends are paid by Omni Bridgeway Limited, shareholders are able to elect to participate in the dividend reinvestment plan in relation to these dividends.

The Directors have determined they will consider, and where appropriate, implement, a regular semi-annual dividend which reflects the cash position and performance of the Group at the time of the dividend and the likely demand for cash over the ensuing 12-month period. The Company has put in place a dividend reinvestment plan that shareholders may elect to participate in, and, on appropriate occasions, may arrange underwriting to reduce the impact a particular dividend might otherwise have on cash.

The Directors have not declared a dividend for the period (2020: 4.0 cents per share totaling $9,995,000).

Operating and financial review

Principal activities

The principal activities of the entities within the consolidated Group during the financial year were (i) the investment into and the management of Funds (or Fund-like structures) that are focused on investing into litigation and dispute resolution and enforcement matters globally and (ii) the continued holding of direct investments into similar litigation and dispute resolution, and enforcement matters.

The Group (either via the Funds or directly) invests by purchasing awards, claims or rights to action, non-performing loans and distressed debt or entering into funding agreements with claimants, liquidators, banks, creditors, or law firms to provide funding, recovery, enforcement, and associated services. The Group does not provide legal advice.

The key business driver is to make investments which ultimately result in a successful completion. If the litigation, arbitration, recovery, or enforcement action is successful, the Group earns a return from the realised amount. The return may be structured as either a multiple of the amount invested or as a percentage of the realised amount; and may be in addition to or inclusive of the amount invested; or a combination thereof. Generally, the multiple or percentage increases as the duration of an investment increases.

If the litigation, arbitration, recovery, or enforcement is ultimately unsuccessful the Group does not generate any return and will realise/derecognise its investment for a loss in the profit and loss account. Additionally, in certain jurisdictions, the investment may require the Group to pay any adverse costs that may arise in respect of the costs incurred by the defendant(s) to the funded litigation.

The Group also receives fees for managing and servicing the Funds and depending on the Funds’ performance may also receive a performance fee.

Operating results for the financial year

Total gross investment proceeds and income of $276.0 million was generated for the year ended 30 June 2021 (2020: $290.3 million).

The Group experienced a loss for the year of $18.4 million (2020: profit $17.6 million); primarily reflecting the impact of the impairment to two significant investments. Additionally, the result reflects the lumpiness of investment returns, with binary outcomes.

The impact of portfolio theory adopted over recent years around asset management is yet to translate into smooth earnings. The first half saw the Group experience a loss of $110.9 million generated from gross investment proceeds and income of $45.3 million, and impairment cost of $107.0 million, whereas the second half saw a profit of $92.4 million from gross investment proceeds and income of $230.7 million, and impairment costs of $13.7 million.

There are investments that had substantially completed prior to 30 June 2021 but did not fully satisfy the revenue recognition accounting standards and our policies.

To the extent that delays impact an investment’s IRR or distribution from a Fund there may be an indirect decrease in the ultimate return to the Company.

During the year there were 44 completions. The greatest area of delay related to US investments where COVID-19 disrupted the Jury-trial system.

In assessing the carrying value and associated impairment of investments, the most up to date estimates of success and timing have been used. This has not led to significant impairments.

The Group specifically considered the impact of COVID-19 in assessing the values of its assets (including intangibles, receivables/loans, investments, other financial assets, contract assets and deferred tax assets) and liabilities. No significant adjustments have been required.

OBL does not consider that the pandemic has had a negative impact on its solvency or going concern.

Operating and financial review (continued)

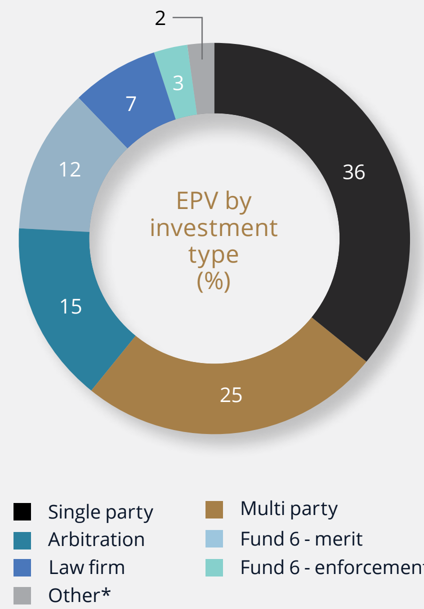
Across the Group applications for funding are up on last year, although commitment to new Investments, particularly in relation to Fund 7 and US have been restricted. Delayed commitment to investments has not negatively impacted the Fund as it was in start-up phase with nominal drawn capital and no investments at the commencement of the pandemic. The investment opportunity is potentially even stronger today, with the potential investment universe remaining as it was, if not larger, and at possibly lower cost.

COVID-19 related causes of action may result in more investment opportunities being available for consideration by the Group.

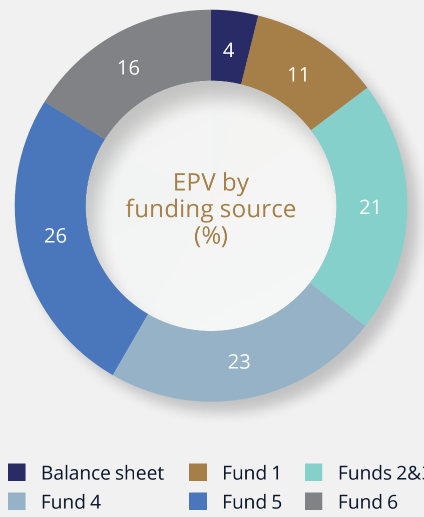
Nature of operations

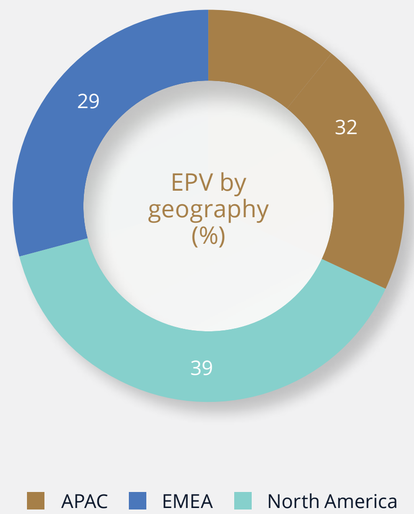
In any given year the Group's profitability is significantly dependent upon the outcome of funded investments that complete. The successful completion of an investment and the timing of that completion is not ultimately within the Group's control. Legislative, regulatory, judicial and policy changes may have an impact on future profitability.

The Group endeavours to have a mix of investments it is funding at any one time. These can broadly be categorised as law firm portfolios, patent and intellectual property claims, commercial, insolvency, corporate, arbitration claims, appeal, whistle-blower claims and multi-party actions. The global expansion also creates diversification across jurisdictions.



* Includes appeal, commercial, corporate funding, patent and other IP.





Operating and financial review (continued)

The Group invests across the globe with a physical operating presence in APAC, North America and EMEA. During the year we extended our resources into New Zealand and Spain.

The Group undertakes new investing activities through its Funds (or Fund-like structures), with $412.6 million committed (2020: $313.2 million) to investments during the year.

In 2017 the Group established its first-generation Funds (Fund 1, and Funds 2 & 3) with external investor capital commitments. During the 2019 financial year the Group established its second-generation Funds (Fund 4 (series I), and 5 (series I)). The acquisition of OBE in November 2019 included two more Funds (Fund 6 and Fund 7).

No new investments are being made directly on-balance sheet. The investment periods of the first-generation Funds have expired and are in their "harvest" period. The second-generation and acquired Funds continue within their respective investment periods.

Investment Activity

As at 30 June 2021, there were 298 investments in the Group's funded portfolio (2020: 277). There were an additional 25 conditional investments. During the year 71 new investments commenced (2020: 51), and 44 investments completed (2020: 40).

The total Estimated Portfolio Value was $20.1 billion (2020: $15.8 billion); for unconditional investment it was $18.6 billion (2020: $13.5 billion).

Rest of the World

At 30 June 2021 there are a total of 257 (2020: 235) non-US investments in the portfolio: 10 are direct on-balance sheet investments (2020: 13) and 247 are in Funds 2&3; Fund 5 and 6 (2020: 222).

During the year a total of 62 new investments commenced (2020: 42) and 36 completed (2020: 33).

The Estimated Portfolio Value was $11.8 billion (2020: $6.7 billion).

US

At 30 June 2021 there are 41 US investments in the portfolio (2020: 42): 3 are direct on-balance sheet investments (2020: 3) and 38 are in Funds 1 and 4.

During the year a total of 9 new investments commenced (2020: 9) and 8 completed (2020: 7).

The Estimated Portfolio Value was $6.8 billion (2020: $6.8 billion.)

Operating and financial review (continued)

Fund 1

The Group and an external investor have committed up to US$171.7 million to this Fund to be deployed on US cases over a three-year investment period which has now expired.

The external investor's capital commitment was for 75% with OBL funding 25%. Under the Fund's NCI waterfall, the external investor is entitled to a capped priority return on invested capital and a further preferred return on committed but undrawn capital, after which OBL is entitled to a manager return and its invested capital. The residual net cash flows received are distributed 85% to OBL and 15% to the external investor. In accordance with the waterfall, the total amount to be paid to the investor (net of receivables and cash) is US$50.6 million after which OBL receives its capital and fees.

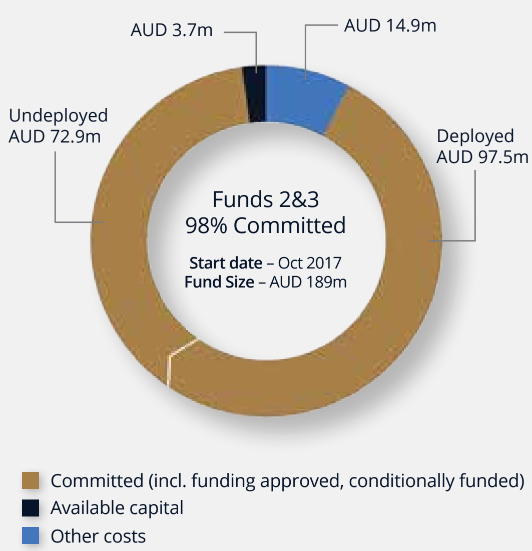
Funds 2 & 3

Funds 2 & 3 invested in litigation in jurisdictions outside the USA over a three-year investment period which has now expired.

The external investors' capital commitment is for 80% with OBL funding 20%. The Funds' economics and NCI waterfall profile for investors and OBL is similar to Fund 1, except that

i. the preferred return is a slightly different rate and

ii. the residual net cash flows received on investments are distributed 80% to OBL and 20% to the external investors.



Operating and financial review (continued)

Fund 4

This US centric investment structure was established to follow on from the US investment activity of Fund 1 over a four-year investment period. It has capital commitments of US$500.0 million (series I), with the potential to increase to US$1.0 billion (with series II).

20% of the capital is to be provided by OBL, 80% is from external investors.

OBL will periodically receive management, advisory, administration and performance fees in relation to the Fund from the external investors in the Fund.

OBL receives its investor return on its committed capital pari passu with the external investors.

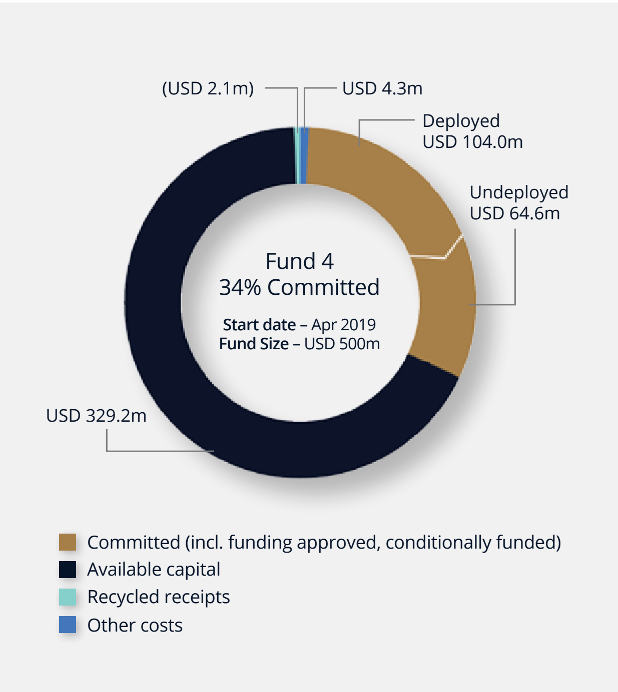
Fund 5

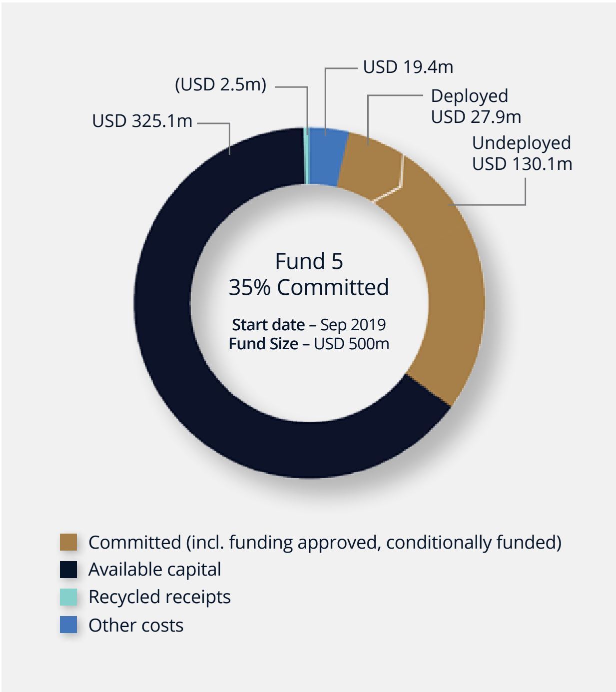
This non-US-centric investment structure was established to follow the rest of world investment activity of Funds 2 & 3 over a four-year investment period. It has capital commitments of US$500.000 million (series I), with the potential to increase to US$1.000 billion (with series II).

20% of the capital is to be provided by OBL, and 80% is from external investors.

OBL will periodically receive management, advisory, administration and performance fees in relation to the Fund.

OBL will receive its investor return on its committed capital pari passu with the external investors.





Operating and financial review (continued)

Fund 6

Fund 6 was acquired by the Group as part of the November 2019 acquisition of OBE. This is an EMEA focused investment structure established to invest in litigation, arbitration and enforcement proceedings, and for the work- out and monetisation of claims.

It has capital commitments of EUR $150.0 million, 5% of the capital is to be provided by OBL, and 95% is from external investors.

OBL will periodically receive management, advisory, administration and performance fees in relation to the Fund.

OBL will receive its investor return on its committed capital pari passu with the external investors. Under the Funds' economics and NCI waterfall profile returns are attributed between OBL and investors based on the category of underlying case.

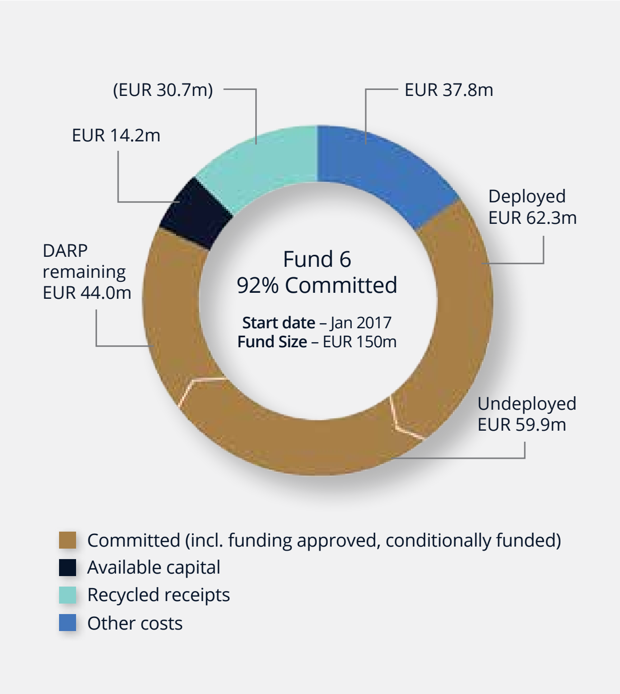
Fund 7

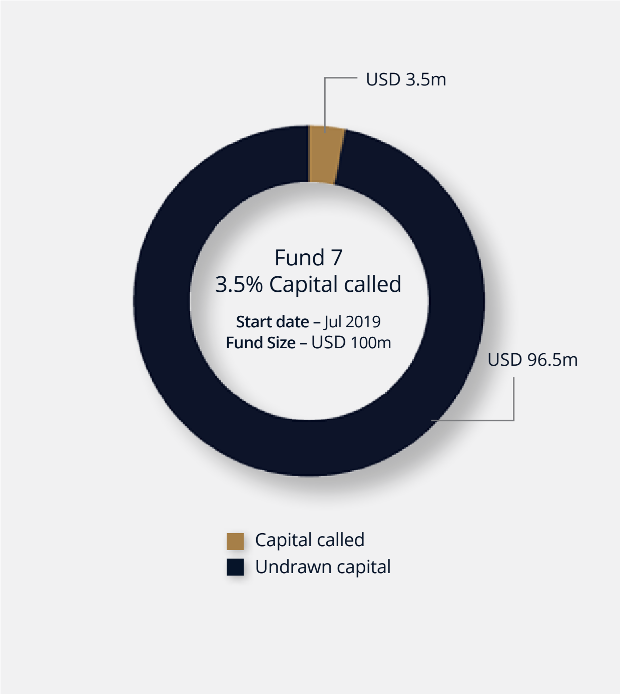
This joint initiative with the International Finance Corporation (part of the World Bank) was acquired by the Group as part of the November 2019 acquisition of OBE. This is a Middle East North Africa (MENA) focused investment structure established to focus on Bank non-performing loans in the Middle East and North Africa.

It has capital commitments of USD $100.0 million, 50% of the capital is to be provided by Fund 6, and 50% (comprising 20% of capital and 30% by way of a loan) from International Finance Corporation as an external investor.

OBL will periodically receive management, advisory, administration and performance fees in relation to the Fund.

Under the distribution waterfall, funds will be applied firstly to repay the IFC debt, after which Fund 6 is entitled to its investor return on its committed capital pari passu with the external investor.





Operating and financial review (continued)

Wivenhoe

The Wivenhoe Dam class action (a direct balance sheet investment) involves people who suffered loss in the Brisbane floods of 2011, who alleged the increased flooding was caused by the negligence of the dam operators. There is a participation agreement between OBL and a co- funder to share the costs (including any adverse costs) and any return from this claim. A positive judgment for OBL's funded client was received on 29 November 2019.

OBL's funded client has settled with The State of Queensland and Sunwater for their collective 50% share of the $440 million.

OBL has derecognised the related 50% of its intangible and recognised $95.3 million from the Settlement, representing costs reimbursement, project management fee and funding commission.

Seqwater's appeal against the judgment was heard in May 2021. A decision has not been received yet.

Westgem

The Westgem balance sheet investment concerns a property developer alleging improper conduct in relation to loans for a property development by a bank. The trial commenced in March 2018 and concluded in July 2018. First instance Judgment was received in favour of the defendant in August 2020.

Following legal advice on the grounds and prospects of overturning the first instance judgment the funded client lodged an appeal by September 2020. The decision to appeal was supported by senior counsel's advice that the merits of the appeal are positive. The appeal is supported and will be funded by Omni.

In accordance with our IFRS compliant accounting policy the first instance judgment is considered to be an impairment trigger. Accordingly, notwithstanding management's continued support of the appeal process, the Group has fully impaired this investment. The investment has not been derecognised and the Group intends to pursue the investment to achieve a positive outcome. The level of impairment will be continually assessed and may be reversed as appropriate depending upon developments in the future.

If the investment is ultimately successful it may generate proceeds to the Group in excess of its carrying value. The investment has a possible completion period of FY23.

Fund 4 investment impairment

In January 2021 summary judgment was granted against a Fund 4 funded client. The investment is for USD 40.0 million regarding an anti-trust claim in the US.

Following legal advice on the grounds and prospects of overturning the summary judgment the funded client has lodged an appeal. This appeal is supported by the Group. The client does not require funding from the Group to pursue the appeal.

In accordance with our IFRS compliant accounting policy the summary judgment is considered to be an impairment trigger. Accordingly, notwithstanding management's continued support of the appeal process, the Group has fully impaired this investment. The investment has not been derecognised and the Group intends to pursue the investment to achieve a positive outcome. The level of impairment will be continually assessed and may be reversed as appropriate pending developments in the future.

If the investment is ultimately successful it may generate proceeds to the Group in excess of its carrying value. Completion is anticipated to occur in FY24.

Investment Returns Metrics

The Group in total has completed 271 (2020: 227) investments since listing, excluding withdrawals, with an average investment period of 2.8 years (2020: 2.7 years). The Group has generated a ROIC of 1.27 times (excluding overheads) (2020: 1.32 times).

Employees

At 30 June 2021, the Group employed 180 permanent staff (2020: 159).

Operating and financial review (continued)

Status of Omni Bridgeway Holding B.V purchase

Since acquisition of Omni Bridgeway Holding B.V., it has funded 51 new investments (2020: 21), and 42 (2020: 15) investments have completed.

Its investment completions have demonstrated a (i) 2.43 times ROIC on the purchased fair values (2020: 1.98) and (ii) 3.29 times ROIC on their invested cost (2020: 3.83).

The new investments had an applicable value of 180% of the first annual new business growth target entitling the sellers to their full first year variable consideration payment. The excess will be carried towards next year's hurdle. The annual variable consideration calculation for the each of the remaining four years is a dynamic calculation and factors in both new investments and any variation in the value of investments from prior years. The payment was satisfied by the issue of shares in the Company.

Australian Financial Services License (AFSL)/MIS

In September 2020 Omni became the first litigation funder in Australia to obtain an AFSL authorising it to fund class actions under the newly revised regulatory landscape. Since then, Omni Bridgeway has commenced 6 class action Managed Investment Schemes.

Auditor

In May 2021 Ernst and Young (EY) resigned as the auditor of Omni Bridgeway Limited (Omni Bridgeway) and was replaced by BDO.

EY has provided audit services to the Company since 2001 and its resignation has been accepted by Omni Bridgeway following the consent of Australian Securities and Investments Commission.

Shareholder Returns

The following summary of operating results reflects the Group's performance for the year ended 30 June 2021:

Shareholder Returns	2021	2020
Basic loss per share (cents per share)	**(9.86)**	(4.90)
Diluted loss per share (cents per share)	**(9.86)**	(4.90)
Return on assets (NPAT/average assets)	**(1.7%)**	1.9%
Return on equity (NPAT/average equity)	**(2.4%)**	2.7%
Net debt/equity ratio %*	**N/A**	N/A

* Net debt (cash and short term deposits less total debt) is positive as cash and short term deposits are greater than total debt.

Operating and financial review (continued)

A summary of the impact of investment completions and impairment on the profit and loss for the year is below:

$'000	Number of completions: Full	Number of completions: Partial	EPV million[1] (crystallised)	Proceeds	Intangible derecognition: incl. capitalised overhead	Intangible derecognition: excl. capitalised overhead	Net gain/(loss): incl. capitalised overhead	Net gain/(loss): excl. capitalised overhead	Attributed to: OBL	Attributed to: NCI
INTANGIBLES										
Direct balance sheet investments	3	3	117.0	137,280	(32,654)	(22,201)	104,626	115,079	104,626	–
Fund 1 investments	7	5	437.7	73,751	(32,651)	(28,658)	41,100	45,093	(3,993)	45,093
Funds 2 & 3 investments	5	2	186.0	23,975	(24,348)	(20,841)	(373)	3,134	(373)	–
Fund 4 investments	1	1	430.6	7,526	(7,399)	(7,306)	127	220	(49)	176
Fund 5 investments	3	1	96.0	1,256	(764)	(591)	492	665	492	–
Fund 6 investments	25	12	81.2	22,140	(8,000)	(7,645)	14,140	14,495	(357)	14,497
TOTAL INTANGIBLES	**44**	**24**	**1,349**	**265,928**	**(105,816)**	**(87,242)**	**160,112**	**178,686**	**100,346**	**59,766**

$'000	Collection of proceeds	Amortisation of purchased claims: incl. capitalised overhead	Amortisation of purchased claims: excl. capitalised overhead	Net gain/(loss): incl. capitalised overhead	Net gain/(loss): excl. capitalised overhead	Attributed to: OBL	Attributed to: NCI
PURCHASED CLAIMS							
Fund 5 investments	3,958	(2,742)	(2,742)	1,216	1,216	1,216	–
Fund 6 investments	45	21	21	66	66	66	–
TOTAL PURCHASED CLAIMS	**4,003**	**(2,721)**	**(2,721)**	**1,282**	**1,282**	**1,282**	**–**

$'000	Revenue	Amortisation of claims portfolio: incl. capitalised overhead	Amortisation of claims portfolio: excl. capitalised overhead	Net gain/(loss): incl. capitalised overhead	Net gain/(loss): excl. capitalised overhead	Attributed to: OBL	Attributed to: NCI
CLAIMS PORTFOLIO							
Fund 6 investments	1,696	(1,559)	(1,474)	137	222	44	93
TOTAL CLAIMS PORTFOLIO	**1,696**	**(1,559)**	**(1,474)**	**137**	**222**	**44**	**93**

Operating and financial review (continued)

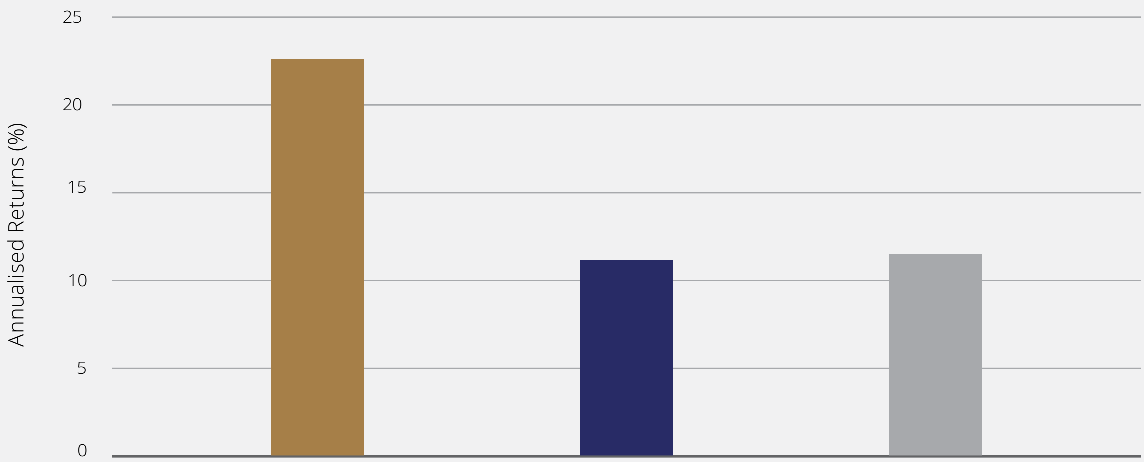
		Expense		Net gain/(loss)		Attributed to	
$'000	Proceeds	incl. capitalised overhead	excl. capitalised overhead	incl. capitalised overhead	excl. capitalised overhead	OBL	NCI
IMPAIRMENT EXPENSE							
Direct balance sheet investments		(57,830)	(35,205)	(57,830)	(35,205)	(57,830)	–
Fund 1 investments		2,952	2,504	2,952	2,504	448	2,504
Funds 2 & 3 investments		(3,475)	(2,918)	(3,475)	(2,918)	(3,475)	–
Fund 4 investments		(57,936)	(56,850)	(57,936)	(56,850)	(12,456)	(45,480)
Fund 5 investments		–	–	–	–	–	–
Fund 6 investments		(4,445)	(4,425)	(4,445)	(4,425)	(791)	(3,654)
TOTAL IMPAIRMENT EXPENSE		**(120,734)**	**(96,894)**	**(120,734)**	**(96,894)**	**(74,104)**	**(46,630)**
TOTAL	**271,627**	**(230,830)**	**(188,331)**	**40,797**	**83,296**	**27,568**	**(13,229)**

1 EPV is categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 - Disclosing non-IFRS financial information, issued in December 2011. This information has not been audited or reviewed. Refer to the Glossary for additional information. The EPV above relates only to full completions.

Operating and financial review (continued)

OBL's share price closed at $3.75 per share on 30 June 2021 (2020: $4.77).

OBL entered the ASX top 200 companies on 22 June 2020. Since 1 July 2016, OBL has outperformed the major indices on an annualised basis up to 30 June 2021 as detailed below:



Annualised Return with Dividend Reinvestment	
OBL Share Price	22.6%
S&P/ASX 200 Accumulation Index	11.2%
ASX All Ordinaries Accumulation Index	11.5%

Liquidity and capital resources

The consolidated Statement of Cash Flows illustrates that there was a decrease in cash and cash equivalents for the year ended 30 June 2021 of $47.5 million (2020: $34.0 million). Operating activities used $97.9 million of net cash outflows (2020: $74.2 million), whilst cash inflows from investing activities were $46.8 million (2020: net cash outflow of $54.2 million), and financing activities raised $3.7 million (2020: $94.4 million).

There was an increase in receivables from litigation contracts of $73.1 million (2020: $110.3 million).

Operating and financial review (continued)

Asset and capital structure

	2021 $'000	2020 $'000	Change %
Cash and short term deposits	**142,648**	194,384	(27%)
Total debt	**(151,365)**	(149,468)	1%
Net cash	**(8,717)**	44,916	(119%)
Total equity	**762,347**	767,201	(1%)
Working Capital Ratio	**4.9:1**	3.7:1	32%

There are 760,000 Bonds on issue with a face value of $100 each. The Omni Bridgeway Bonds have a variable rate of interest based on the Bank Bill rate plus a fixed margin of 4.20% per annum, paid quarterly. The maturity date is 22 December 2022, with a first issuer call date of 8 January 2022 and an increase in the margin of 1.0% applying from 1 January 2022 to the maturity date.

On 20 December 2019, the Company refinanced its Fixed Rate Notes by early redemption of the existing notes by payment of 101% of the outstanding principle and accrued interest to the date of redemption. Of the notes on issue, 34,284 notes were redeemed and reissued to new noteholders and 37,716 notes were exchanged for new notes. The interest rate payable to new noteholders is 5.65% per annum payable quarterly. The Fixed Rate Notes are due to mature on 8 January 2026 and are secured by a security interest over all present and after-acquired property of OBL, with guarantees provided by certain wholly-owned subsidiaries.

OBL has the discretion to redeem the Fixed Rate Notes prior to the maturity date on 8 January in each year between 2022 and 2024 (inclusive), and again on 8 July 2025. To the extent OBL exercise its early redemption right it will pay a redemption premium, of between zero and 2%.

Profile of interest-bearing debt

The profile of the Group's interest-bearing debt finance is as follows:

	2021 $'000	2020 $'000	Change %
Current			
Leases	**2,449**	2,870	(15%)
	2,449	2,870	(15%)
Non-current			
Omni Bridgeway Bonds	**75,290**	73,942	2%
Fixed Rate Notes	**70,232**	69,842	1%
Leases	**3,394**	2,814	21%
	148,916	146,598	2%
Total interest-bearing debt[1]	**151,365**	149,468	1%

1 Face value of the Bonds and Fixed Rate Notes is $148.0 million. $76.0 million relates to the Omni Bridgeway Bonds restructured in December 2018, while Fixed Rate Notes of $72.0 million were refinanced in December 2019. The carrying value of the debt is net of transaction costs and debt premium (See Note 17).

Operating and financial review (continued)

Shares issued during the year

On 4 December 2020, the Company issued 8,120,290 shares to the Vendors of Omni Bridgeway Holding B.V., being 4,311,789 shares for the variable consideration, together with 3,808,501 shares for the first tranche of the deferred but unconditional consideration.

Risk management

The Group's major risk continues to be the choice of cases to be funded. The Company has an investment protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with very good chances of success are accepted for funding. The Group also insures a portion of the adverse costs order exposure in relation to certain investments on its own balance sheet, and Fund 6, and Funds 2 & 3 and Fund 5 are covered by After- The-Event insurance policies.

Another risk which requires constant management is liquidity. OBL's strategic plan addresses this risk through the introduction of fund structures that reduce OBL's direct capital exposure to potential investment losses.

There were portfolio concentration risks associated with investments in the Wivenhoe and Westgem investments. However, the Company's diversification strategy has reduced this risk for future periods. There are 298 investments in the current portfolio (2020: 277). The overall average investment size for the Group's entire portfolio is $2.5 million. The OBE Group's cases average $0.9 million. Excluding the new OBE Group portfolio, the average investment size is $3.9 million (2020: $5.1 million).

OBL also constantly monitors proposed legislative, regulatory, judicial and policy changes that may affect litigation funding in the markets in which it operates.

OBL, like all businesses, faces the risk of damage to its reputation, name or brand which could materialise from various sources. The Group aspires to maintain an excellent reputation for strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The Group recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause. We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. Strategic and reputational risk is mitigated as much as possible through detailed processes and governance involving escalation procedures from investment managers to management and from management to the board, and from regular, clear communication with shareholders, clients and all stakeholders. Whilst seeking to clearly differentiate itself in the industry, OBL may suffer indirect reputational damage from the actions of other participants that draw criticism of the industry more broadly.

Significant changes in the state of affairs

There have been no significant changes in the Company's state of affairs during this reporting period other than as is disclosed in this report.

Significant events after reporting date

There have been no significant events after the reporting date.

Likely developments and expected results

Based upon EPV, approximately 14% of the investment portfolio at 30 June 2021 is anticipated to complete in FY22 (FY20: 29%).

The estimated completion period is OBL's current estimate of the period in which the case may be finalised. The case may finalise earlier or later than the identified period for various reasons. Completion means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded client. It may not follow that the financial result will be accounted for in the year of finalisation. Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.

The Group does not provide forecasts in light of the difficulty in estimating the finalisation of its investments but provides an indication of its view of the possible completion dates and EPV in the quarterly portfolio reports.

OBL expects demand for its funding to continue in each of its markets. Competition is expected to increase in coming years with new entrants in each market. Litigation funding is considered non-cyclical or uncorrelated to underlying economic conditions.

Environmental regulation and performance

The consolidated entity's operations are not presently subject to significant environmental regulation under the laws of the Commonwealth and the States.

Share options

Unissued shares

As at the date of this report there were 18,528,532 share performance rights on issue (2020: 17,302,007).

Indemnification and insurance of directors and officers

During the financial year the Company has paid premiums in respect of an insurance contract insuring all the directors and officers of the Group against any legal costs incurred in defending proceedings for conduct other than, amongst others:

(a) wilful breach of duty; or

(b) contravention of sections 182 or 183 of the *Corporations Act 2001*, as may be permitted by section 199B of the *Corporations Act 2001*.

The total amount of premiums paid under the insurance contract referred to above was $2.4 million during the current financial year (2020: $1.3 million).

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY (ceased) or BDO (commenced) during or since the financial year.

Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

I am pleased to present OBL's 2021 Remuneration Report on behalf of the Board of directors ("Board").

The Group has a variable remuneration framework designed to align executive reward and shareholder value and to incentivise the achievement of our strategic vision over the longer term. The variable remuneration framework is designed to reflect industry standards and to ensure that Key Management Personnel ("KMP") and executives are aligned to and rewarded for delivering sustained Group performance.

As we proceed into our next 5- year strategic plan, we are in the process or reviewing the group's remuneration structures. We have engaged Mercer Consulting ("Mercer") to conduct a review of our current Short-Term Incentive ("STIP") and Long-Term Incentive ("LTIP") plans against best market practice. The Remuneration Committee will review Mercer's report together with assessing whether the current performance milestones of the plans are optimally aligned with the new strategic business plan and shareholders' interests.

Any changes will be implemented with effect from FY22 and will, where relevant, be presented for consideration at our upcoming annual general meeting for shareholder consideration.

The current levels of fixed remuneration of the Group's senior employees are reflective of the private practice professional services market within which OBL competes for talent. Investment managers are invariably at or around the partner level of legal practices prior to joining OBL. Under the total remuneration arrangements, a material portion of staff remuneration is 'at-risk' and linked to both short-term and long-term performance.

The Group's current variable remuneration framework for KMP, senior executives and investment managers (collectively "Senior Staff") consists of two components:

- a Short-Term Incentive Plan ("STIP") which provides for an annual cash payment, subject to the achievement of key financial and non-financial performance objectives; and
- an equity-based Long-Term Incentive Plan ("LTIP") that provides for an annual grant of performance rights. Vesting of performance rights is contingent on performance against two metrics, positive relative Total Shareholder Return ("TSR") and Compound Annual Growth Rate ("CAGR") of the intangible asset balance ("Funds Deployed"), both measured over a three-year performance period.

For those employees participating in the STIP, the target STIP payment for the 2021 financial year is, consistent with prior years capped at 40% of an employee's Total Fixed Remuneration ("TFR"). No STIP payments have been made or accrued for the period; this is the 3rd year out of the last four where no STIP payment has occurred.

The LTIP for Senior Staff is designed to complement the STIP as a form of 'at-risk' remuneration tied to long-term performance for the key contributors to the business. The LTIP directly aligns shareholders' and participants' interests.

The metrics assessed over the three-year vesting period, for the performance rights granted in FY2019, have allowed for a 95% vesting.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours faithfully

Michael Bowen
Chairman of the Remuneration Committee

Remuneration Report (Audited)

This Remuneration Report outlines the director and Key Management Personnel (KMP) remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth) and its Regulations. For the purposes of this report, KMP of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of Omni Bridgeway Limited (OBL).

Key management personnel

Details of OBL's KMP for the 2021 financial year are:

(i) Directors

Michael Kay	Chairman and Non-Executive Director
Andrew Saker	Managing Director and Chief Executive Officer
Hugh McLernon	Executive Director
Raymond van Hulst	Executive Director
Michael Bowen	Non-Executive Director
Karen Phin	Non-Executive Director
Christine Feldmanis	Non-Executive Director

(ii) Executives

Stuart Mitchell	Group Chief Financial Officer
Jeremy Sambrook	Group General Counsel and Company Secretary

There were no other changes to OBL's KMP after the reporting date and before the financial report was authorised for issue.

Remuneration Committee

The Remuneration Committee of the Board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and KMP.

The Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of the Board and KMP on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring the best stakeholder benefit from the Board and KMP. During 2020 financial year, the Comparator Group used for the Long Term Incentive Program (LTIP) was assessed with involvement from PwC, who provided two alternative Comparator Groups that could be adopted by the Remuneration Committee. PwC were paid $37,000 for remuneration consulting services and no other services were provided by PwC during the 2020 financial year. The Board is satisfied that the recommendation provided was free from undue influence by eligible participants of the LTIP. During the FY21 year Mercer were engaged to review the STIP and LTIP plans against best market practice.

Remuneration philosophy

The performance of the Group is heavily dependent upon the quality of its directors and KMP. Accordingly, the Company must attract, motivate and retain highly skilled directors and executives.

The Group embodies the following principles in its remuneration framework:

- determination of appropriate market rates for the fixed remuneration component recognising that the majority of investment professionals are most comparable to partners in private practice professional services businesses; and
- establishment of appropriate performance hurdles for the variable remuneration component.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and KMP remuneration is separate and distinct. The Short Term Incentive Program (STIP) and LTIP are products of an external remuneration review and are reflective of industry standards. The Remuneration Committee will undertake a review of the STIP and LTIP structures as part of the implementation of the new FY2021 – FY2025 strategic business plan with the aim of ensuring continued alignment of remuneration outcomes with sustained Group performance.

Non-executive director remuneration

All non-executive directors enter into service agreements with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors. Non-executive directors' fees and payments totalled $570,101 (including superannuation), as disclosed in the following tables in this report. At the 2015 Annual General Meeting, shareholders approved payments up to $700,000 to non-executive directors.

There are no retirement allowances for non-executive directors save for ongoing indemnification and rights to insurance, nor do they participate in any incentive programs. Non-executive directors may, however, elect to have a portion of their remuneration paid into their personal superannuation plans.

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of compensation elements commensurate with their position and responsibilities, within the following framework:

- reward executives for Company and individual performance against targets set to appropriate benchmarks;
- align the interests of executives with those of shareholders;

Remuneration Report (Audited) (continued)

- link rewards with the internal strategic goals of the Group; and
- ensure total compensation is competitive by market standards.

Structure

It is the Remuneration Committee's policy that employment contracts are entered into with all KMP. Details of these contracts are provided below (see Executive Employment Contracts).

Compensation consists of the following key elements:

- **fixed remuneration** consisting of base salary, superannuation and benefits; and
- **variable remuneration** consisting of a cash component short term incentive plan (STIP) and performance right component long term incentive plan (LTIP).

Fixed remuneration

The levels of fixed remuneration of OBL's senior employees are reflective of the private practice professional services market within which the Company competes for talent. Investment managers are invariably at or around the partner level of legal practices prior to joining OBL.

Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of Group and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Variable remuneration

Objective

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

Structure

Short Term Incentive Plan

The purpose of STIP is to provide an annual 'at-risk' incentive to participants linked to the achievement of specific financial and non-financial performance objectives. The STIP performance measures were chosen as they reflect the core drivers of short - term performance and also provide a framework for delivering sustainable value to the Group, its shareholders and other stakeholders.

Key features of the STIP include:

- Applicable employees will be eligible to be considered by the Remuneration Committee to participate in the STIP, which will be delivered as an annual cash payment.
- The STIP opportunity is expressed as a percentage of their total fixed remuneration.
- At the beginning of the financial year, financial and non-financial performance objectives will be set with reference to an employee's role and contribution to the Group. Key performance indicators are set for individuals aligned to the strategic and commercial objectives of the business incorporated in the approved business plan and budget, risk and compliance policies and procedures, and cultural, leadership and behavioural expectations. The KPIs are targeted to the individual roles and their ability to influence each of these pillars of performance, from an outcome perspective and in respect to how they go about achieving the results.
- If elected prior to the start of the financial year, and with approval of the Remuneration Committee, senior executives have the option of foregoing their STIP allocation and electing to receive 100% of their at-risk remuneration in performance rights, under the same terms as the existing LTIP structure.
- At the end of the financial year, actual performance will be assessed against the pre-set financial and non-financial performance objectives set at the beginning of the year.

The maximum STIP incentive for participating employees is 40% of TFR. The STIP metrics set for the 2021 financial year were:

i. Target 1 – Between 25% and 50% of the STIP opportunity (or 10% to 20% of the employees' fixed salary) will be awarded to employees if the Group achieves growth in net profit before tax (before bonus) of between 5% and 15%; and

ii. Target 2 – 50% of the STIP opportunity (or 20% of the employees' fixed salary) will be awarded if employees achieve their non-financial objectives (which are set individually).

In financial years where no net profit before tax (before bonus) is achieved, it is at the discretion of the Remuneration Committee as to whether to pay STIP. STIP is paid in cash at the end of the financial year, or performance rights' after the Participant's election.

Remuneration Report (Audited) (continued)

Long Term Incentive Plan

The LTIP complements the STIP as a form of 'at-risk' remuneration tied to long-term performance. The LTIP encourages equity ownership and directly aligns shareholders' and participants' interests.

Key features of the LTIP include:

- Eligible participants include employees and contractors performing an investment role, senior employees or contractors in non-investment roles, directors and company secretaries.
- Awards will be granted annually as performance rights over OBL ordinary shares.
- The LTIP opportunity will be expressed as a percentage of TFR.
- The value of the LTIP opportunity is set up to 60% (or 100%, if LTIP has been elected and approved to replace forgone STIP) of TFR calculated on face value by reference to Omni Bridgeway Limited's volume weighted average share price (VWAP) at the start of the applicable period.
- Two performance metrics have been set and the performance rights, or a portion thereof, will vest in three years if:
  i. Target 1 – TSR measurements will comprise 50% of the LTIP opportunity:
    - TSR must be positive overall between the issuance of the performance rights and the vesting date.
    - Each Performance Right is issued for no consideration and shall have no exercise price.
    - Performance rights issued pursuant to the Plan ("Performance Rights") shall be issued at no cost to the recipient and are rights to receive fully paid ordinary shares in the Company in the future, if certain conditions are satisfied within the period specified.
    - The Company's TSR will then be compared to a peer group, at 30 June, which will include listed entities in the ASX 300 Diversified Financials industry group with a market capitalisation below $10 billion. For the 2021 financial year, this group consists of the following companies:
      - Janus Henderson Group PLC
      - Eclipx Group Limited
      - IOOF Holdings Limited
      - Netwealth Group Limited
      - OFX Group Limited
      - Pinnacle Investment Management Limited
      - Australian Ethical Investment Limited
      - Money3 Corporation Limited
      - Hub24 Limited
      - Challenger Limited
      - Perpetual Limited
      - Credit Corp Group Limited
      - Navigator Global Investments Limited
      - Centuria Capital Group
      - Pendal Group Limited
      - ZIP Co Ltd
      - Platinum Asset Management Limited
      - Humm Group Limited
      - AMP Limited

Remuneration Report (Audited) (continued)

- The TSR component will vest in accordance with the following vesting schedule:

TSR Percentile Ranking	Percentage Vesting
Less than the 50th percentile	Nil vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	Between 50% and 100%, determined on a straight-line basis
Equal to the 75th percentile or above	100% vesting

ii. ii. Target 2 – The Group will measure the compound annual growth rate of Funds Deployed which will comprise 50% of the LTIP opportunity:

- CAGR of the Funds Deployed component will vest in accordance with the following schedule:

Funds Deployed CAGR	Percentage Vesting
Below 5% CAGR	Nil vesting
At 5% CAGR	50% vesting
Between 5% CAGR and 7% CAGR	Between 50% and 100%, determined on a straight-line basis
7% CAGR and above	100% vesting

These performance conditions have been chosen to ensure the remuneration of executives and KMP are aligned with the Group's strategy to increase the OBL portfolio, invest in future income and potential earnings capacity, and creation of shareholder wealth.

In addition to the above, shareholder approval was obtained at the General Meeting on 14 February 2020 to amend the LTIP for future issues as follows:

- The number of Performance Rights issued to an Eligible Participant is determined by reference to their TFR and the Company VWAP to an applicable date of
  i. 30 June of the preceding Financial Year; or
  ii. 31 December of the preceding Half Financial Year, depending on when a participant became eligible to participate in the LTIP.
- The definition of "Comparator Group" to mean
  i. such companies or entities, being not less than 6, selected by the Remuneration Committee with effect from the applicable Start Date, and each being in the diversified financial industry sector, listed on the ASX and having a market capitalisation of between 50% and 200% of the Company's market capitalisation on the applicable date of invitation, save that the Remuneration Committee may at any time thereafter during the relevant Performance Period, add any other company or entity to such group which satisfies the above criteria (as at the date of such addition) and may remove any company or entity within the group which no longer satisfies such criteria (as at the date of such removal), save that where such removal results in the group comprising less than 6 companies and entities, the Remuneration Committee shall, to the extent such company or entity exists, add another company or entity to such group which satisfies the above criteria (as at the date of such addition) in order to maintain, so far as possible, that the group comprises a minimum of 6 companies or entities; or
  ii. such industry or market index selected by the Remuneration Committee, in its absolute discretion, with effect from the applicable Start Date.

Group Statutory Performance Indicators

The objectives and philosophy of the Remuneration Committee are based upon aligning the performance of the Group's employees with increasing value to shareholders. The graph on page 32 shows the performance of the Group as measured by its share price and compared to other shares listed on the ASX.

The following is a summary of the Group's earnings per share (shown as cents per share) over the last five years:

	2017	2018	2019	2020	2021
OBL share price at 30 June ($)	1.89	3.00	2.92	4.77	**3.75**
Dividends paid per share (cents)	7.00	3.00	–	7.00	**–**
Earnings / (loss) per share (cents)	8.82	(6.25)	(24.40)	(4.90)	**(9.86)**
Diluted earnings / (loss) per share (cents)	8.47	(6.25)	(24.40)	(4.90)	**(9.86)**

Note, comparatives have been restated for the impact of issue of bonus shares. Comparatives have not been restated for the impact of adopting *AASB9, AASB15* and *AASB16.*

Executive Employment Contracts

Andrew Saker, Managing Director and CEO:

- contract commenced 5 January 2015;
- gross salary package of $1,250,000 pa including superannuation;
- a cost of living allowance for his relocation to the United States;
- salary may be reviewed by the Board from time to time;
- notice period by the employee is 12 months and 6 months' notice by the Company; and
- As approved by shareholders at the AGM held on 21 November 2018, upon termination on good terms, the following termination payment arrangements apply:
  - i. the notice periods specified above;
  - ii. 12 months' salary;
  - iii. statutory entitlements; and
  - iv. any unvested LTIP will lapse.
- As approved by shareholders at the AGM held on 21 November 2018, if termination occurs due to the provision of six months notice by OBL, or the provision of notice by Mr Saker in situations where either a material breach of his executive services agreement occurs, material diminution of Mr Saker's role or if Mr Saker is unfit due to illness or injury then in addition to the above the following benefit is paid:
  - i. A payment calculated by reference to the number of shares Mr Saker would have retained from any unvested performance rights multiplied by the 5-day VWAP calculated at the date such performance rights would have vested had they continued to be held.

Hugh McLernon, Executive Director:

- contract commenced 1 July 2007;
- gross salary package of $1,200,000 pa including superannuation;
- salary to be reviewed annually;
- notice period by either the employee or the Company is 12 months; and
- no other termination payment arrangements (excluding statutory entitlements) apply other than the notice period specified above and any unvested LTIP will lapse.

Remuneration Report (Audited) (continued)

Raymond van Hulst, Executive Director:

- contract commenced 21 April 2020;
- gross salary package of CHF518,376 pa;
- salary to be reviewed annually;
- notice period by either the employee or the Company is 3 months; and
- no other termination payment arrangements (excluding statutory entitlements) apply other than the notice period specified above and any unvested LTIP will lapse.

Stuart Mitchell, Chief Financial Officer:

- contract commenced 12 November 2018;
- gross salary package of $450,000 pa including superannuation;
- salary to be reviewed annually;
- notice period by either the employee or the Company is 6 months; and
- no other termination payment arrangements apply other than the notice periods specified above and any unvested LTIP will lapse.

Jeremy Sambrook, General Counsel and Company Secretary:

- contract commenced 18 January 2016;
- gross salary package of $420,000 pa including superannuation;
- salary to be reviewed annually;
- notice period by either the employee or the Company is 6 months; and
- no other termination payment arrangements apply other than the notice periods specified above and unvested LTIP will lapse.

(a) Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2021

	Short-term benefits		Post-employment	Long term benefits	Share based payments			
2021	Salary & fees[1] $	Cash bonus accrued $	Super-annuation/ pension[1] $	Employee entitlements[1] $	Share performance rights[2] $	Termination payments $	Total Remuneration $	Performance related %
Directors								
Michael Kay	213,943	–	20,325	–	–	–	234,268	0%
Andrew Saker	1,433,354	–	21,694	(14,182)	1,294,755	–	2,735,621	47%
Hugh McLernon	1,228,309	–	21,694	97,720	1,233,321	–	2,581,044	48%
Raymond van Hulst	761,974	–	33,027	17,639	106,235	–	918,875	12%
Michael Bowen	95,130	–	9,037	–	–	–	104,167	0%
Karen Phin	106,796	–	9,037	–	–	–	115,833	0%
Christine Feldmanis	115,834	–	–	–	–	–	115,833	0%
Executives								
Stuart Mitchell	447,057	–	21,694	23,569	262,141	–	754,461	35%
Jeremy Sambrook	415,807	–	21,694	32,120	258,019	–	727,640	35%
Total	**4,818,204**	**–**	**158,202**	**156,866**	**3,154,471**	**–**	**8,287,743**	

1 Fixed remuneration (Salary & Fees, Superannuation and employee entitlements)
2 Variable remuneration (share performance entitlements)

Remuneration Report (Audited) (continued)

Table 2: Remuneration for the year ended 30 June 2020

2020	Short-term benefits Salary & fees $	Cash bonus accrued[1] $	Post-employment Super-annuation /pension $	Long term benefits Employee entitlements $	Share based payments Share performance rights $	Termination payments $	Total Remuneration $	Performance related %
Directors								
Michael Kay	205,488	–	19,512	–	–	–	225,000	0%
Andrew Saker	1,228,997	–	21,003	49,740	1,044,170	–	2,343,910	45%
Hugh McLernon	1,178,997	–	21,003	112,421	994,545	–	2,306,966	43%
Raymond van Hulst[2]	512,313	97,179	25,209	29,340	26,391	–	690,432	15%
Michael Bowen	91,324	–	8,676	–	–	–	100,000	0%
Karen Phin	91,324	–	8,676	–	–	–	100,000	0%
Christine Feldmanis	91,324	–	8,676	–	–	–	100,000	0%
Executives								
Stuart Mitchell	428,997	180,000	21,003	37,592	168,798	–	836,390	42%
Jeremy Sambrook	398,997	168,000	21,003	19,708	224,490	–	832,198	47%
Total	**4,227,761**	**445,179**	**154,761**	**248,801**	**2,458,394**	**–**	**7,534,896**	

1 The 2020 bonus has been accrued and was paid in the 2021 year.

2 Performance rights relating to the FY2020 issue were not granted to Mr van Hulst during the 2020 financial year as they were subject to shareholder approval. Shareholder approval was obtained in the 2021 financial year and Mr van Hulst received 31,946 performance rights (Tranche 1: 15,973 and Tranche 2: 15,973) on the same terms as the FY21 LTIP disclosed in Note 30 of the financial statements.

The following table outlines the proportion of maximum STIP earned by KMP in the 2021 financial year.

	Maximum STIP opportunity (% of TFR)	Maximum STIP opportunity ($)	% of maximum earned	% of STIP forfeited
Andrew Saker[1]	0%	–	0%	0%
Hugh McLernon[1]	0%	–	0%	0%
Raymond van Hulst	40%	185,000	0%	100%
Stuart Mitchell	40%	180,000	0%	100%
Jeremy Sambrook	40%	168,000	0%	100%

1 Elected to receive 100% of variable remuneration as LTIP.

In light of the financial performance of the Group, the Remuneration Committee has determined that no STIP is payable for the financial year.

Remuneration Report (Audited) (continued)

(b) Share performance rights awarded, vested and lapsed during the year

2021	Tranche 1 performance rights awarded during the year Number	Fair value of Tranche 1 performance rights at grant date[1] $	Tranche 2 performance rights awarded during the year Number	Fair value of Tranche 2 performance rights at grant date[1] $	Total performance rights awarded during the financial year Number	Grant date	Vesting date	Expiry Date	Value of performance rights granted during the year $	Total performance rights vested during the year Number	Value of performance rights remaining to be expensed to profit & loss $
Directors											
Michael Kay	–	–	–	–	–	–	–	–	–	–	–
Andrew Saker	131,949	2.53	131,949	4.47	263,898	1/07/2020	30/06/2023	1/07/2035	923,115	390,270	1,343,650
Hugh McLernon	124,510	2.53	124,510	4.47	249,020	1/07/2020	30/06/2023	1/07/2035	871,072	367,717	1,279,824
Raymond van Hulst	46,326	2.23	46,326	4.11	92,652	27/11/2020	30/06/2023	1/07/2035	293,847	–	165,940
Michael Bowen	–	–	–	–	–	–	–	–	–	–	–
Karen Phin	–	–	–	–	–	–	–	–	–	–	–
Christine Feldmanis	–	–	–	–	–	–	–	–	–	–	–
Executives											
Stuart Mitchell	28,015	2.53	28,015	4.47	56,030	1/07/2020	30/06/2023	1/07/2035	195,993	52,816	287,962
Jeremy Sambrook	26,147	2.53	26,147	4.47	52,294	1/07/2020	30/06/2023	1/07/2035	182,924	67,148	268,763
Total	**356,947**		**356,947**		**713,894**				**2,466,951**	**877,951**	**3,346,139**

2020	Tranche 1 performance rights awarded during the year Number	Fair value of Tranche 1 performance rights at grant date[1] $	Tranche 2 performance rights awarded during the year Number	Fair value of Tranche 2 performance rights at grant date[1] $	Total performance rights awarded during the financial year Number	Grant date	Vesting date	Expiry Date	Value of performance rights granted during the year $	Total performance rights vested during the year Number	Value of performance rights remaining to be expensed to profit & loss $
Directors											
Michael Kay	–	–	–	–	–	–	–	–	–	–	–
Andrew Saker	217,366	3.93	217,366	4.33	434,732	14/02/2020	30/06/2022	1/07/2034	1,795,661	420,104	1,455,917
Hugh McLernon	208,671	3.93	208,671	4.33	417,342	14/02/2020	30/06/2022	1/07/2034	1,723,831	395,984	1,393,075
Raymond van Hulst[2]	–	–	–	–	–	–	–	–	–	–	–
Michael Bowen	–	–	–	–	–	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–	–	–	–	–	–
Karen Phin	–	–	–	–	–	–	–	–	–	–	–
Christine Feldmanis	–	–	–	–	–	–	–	–	–	–	–
Executives											
Stuart Mitchell	46,951	3.93	46,951	4.33	93,902	14/02/2020	30/06/2022	1/07/2034	387,862	–	298,085
Jeremy Sambrook	43,821	3.93	43,821	4.33	87,642	14/02/2020	30/06/2022	1/07/2034	362,005	120,518	291,568
Total	**516,809**		**516,809**		**1,033,618**				**4,269,359**	**936,606**	**3,438,645**

1 The fair value of performance rights is determined at the time of grant as prescribed in AASB 2. For details on the valuation of performance rights, including models and assumptions used, refer to Note 30.

2 Performance rights relating to the FY20 issue have not been granted to Mr van Hulst during the 2020 financial year as they were subject to shareholder approval.

Remuneration Report (Audited) (continued)

Share performance rights holdings of Key Management Personnel

2021	Balance 1 July 2020 Number	Granted as remuneration Number	Performance rights exercised Number	Performance rights lapsed Number	Balance 30 June 2021 Number	Vested Number	Un-vested Number
Directors							
Michael Kay	–	–	–	–	**–**	–	–
Andrew Saker	2,283,813	263,898	–	(20,540)	**2,527,171**	1,828,542	698,629
Hugh McLernon	2,160,688	249,020	–	(19,353)	**2,390,355**	1,723,993	666,362
Raymond van Hulst	–	92,652	–	–	**92,652**	–	92,652
Michael Bowen	–	–	–	–	**–**	–	–
Karen Phin	–	–	–	–	**–**	–	–
Christine Feldmanis	–	–	–	–	**–**	–	–
Executives							
Stuart Mitchell	149,498	56,030	-	(2,780)	**202,748**	52,816	149,932
Jeremy Sambrook	423,732	52,294	(265,408)	(3,534)	**207,084**	67,148	139,936
Total	**5,017,731**	**713,894**	**(265,408)**	**(46,207)**	**5,420,010**	**3,672,499**	**1,747,511**

2020	Balance 1 July 2019 Number	Granted as remuneration Number	Performance rights exercised Number	Performance rights lapsed Number	Balance 30 June 2020 Number	Vested Number	Un-vested Number
Directors							
Michael Kay	–	–	–	–	–	–	–
Andrew Saker	1,849,081	434,732	–	–	2,283,813	1,438,272	845,541
Hugh McLernon	1,743,346	417,342	–	–	2,160,688	1,356,276	804,412
Raymond van Hulst[1]	–	–	–	–	–	–	–
Michael Bowen	–	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–	–
Karen Phin	–	–	–	–	–	–	–
Christine Feldmanis	–	–	–	–	–	–	–
Executives							
Stuart Mitchell	55,596	93,902	–	–	149,498	–	149,498
Jeremy Sambrook	336,090	87,642	–	–	423,732	265,408	158,324
Total	**3,984,113**	**1,033,618**	**–**	**–**	**5,017,731**	**3,059,956**	**1,957,775**

1 Performance rights relating to the FY20 issue have not been granted to Mr van Hulst during the 2020 financial year as they were subject to shareholder approval.

Remuneration Report (Audited) (continued)

(c) Shareholdings of Key Management Personnel

2021	Balance 1 July 2020	Received as remuneration	Share performance rights exercised	Net change other[1]	Balance 30 June 2021
Directors					
Michael Kay	417,023	–	–	52,977	**470,000**
Andrew Saker	180,190	–	–	1,878	**182,068**
Hugh McLernon	5,394,990	–	–	(1,209,008)	**4,185,982**
Raymond van Hulst	50,000	–	–	2,103,551	**2,153,551**
Michael Bowen	1,103,124	–	–	11,496	**1,114,620**
Karen Phin	27,266	–	–	–	**27,266**
Christine Feldmanis	45,185	–	–	471	**45,656**
Executives					
Stuart Mitchell	3,941	–	–	131,000	**134,941**
Jeremy Sambrook	8,359	–	265,408	(265,321)	**8,446**
Total	**7,230,078**	**–**	**265,408**	**827,044**	**8,322,530**

1 Net change other relates to shares obtained or sold on market.

Shares above are held nominally by the Directors or the other key management personnel.

(d) Loans to Key Management Personnel

There have been no loans provided to KMP in 2021 (2020: nil).

(e) Transactions with Key Management Personnel

During the year, the Group obtained legal advice from the following legal firms associated with Michael Bowen (i) DLA Piper - $708,710 (2020: $2,035,577) and (ii) Thomson Geer - $151,604 (2020: nil). Mr Bowen was an associate of DLA Piper for less than half of FY21. The legal advice was obtained at arm's length. The Group engages a number of different law firms for its external legal advice and neither the relationship with Thomson Geer or DLA Piper is exclusive. Michael Bowen does not participate in any board decisions to appoint external counsel when Thomson Geer or DLA Piper is being considered for engagement.

During the previous year, the Group obtained services from FIIG Securities, for which Christine Feldmanis is a mutual Director. This resulted in transaction costs totalling $1,776,243. The services were provided at arm's length.

Refer to Note 35 for details.

– End of Remuneration Report –

Directors' Meetings

The number of meetings of directors held during the period under review, and the number of meetings attended by each director, were as follows:

	Board Meetings	Project Sub-Committee Meetings	Audit and Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Total number of meetings held:	10	3	5	4	1	2
Meetings Attended:						
M Kay	10	3	5	4	1	2
A Saker	10	2[1]	5[1]	4[1]	1	1[1]
H McLernon	10	–	1[1]	–	–	–
R van Hulst	10	–	–	–	–	–
M Bowen	10	1	5	4	1	2
K Phin	10	2	5	4	1	2
C Feldmanis	10	2	5	4	1	2

1 Attended by invitation.

Committee membership

As at the date of this report, the Company had an Audit and Risk Committee, a Remuneration Committee, a Nomination Committee and a Corporate Governance Committee. Directors acting on committees of the board during the year were as follows:

Audit and Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
C Feldmanis (Chair)	M Bowen (Chair)	M Kay (Chair)	K Phin (Chair)
M Kay	M Kay	C Feldmanis	M Kay
K Phin	K Phin	M Bowen	M Bowen
M Bowen	C Feldmanis	K Phin	C Feldmanis
		A Saker	

Rounding

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's Independence Declaration

BDO, the Company's auditors, have provided a written independence declaration to the directors in relation to its audit of the Financial Report for the year ended 30 June 2021. This Independence Declaration which forms part of this report, can be found at page 49.

Non-audit services

The directors are satisfied that the provision of non-audit services by BDO to the Group is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO received or are due the following amounts for the provision of non-audit services:

1. Tax compliance services and other non-audit services: $621,000.

For further detail regarding auditors' remuneration, refer to Note 36.

Corporate Governance

The Company has an extensive Corporate Governance Manual which enables the Company to interact with its clients and the public in a consistent and transparent manner. For further information on corporate governance policies and procedures adopted by the Company please refer to our website https://omnibridgeway.com/investors/corporate-governance.

Signed in accordance with a resolution of the directors.

Michael Kay
Chairman

Andrew Saker
Managing Director

Sydney 19 August 2021

Auditor’s Independence Declaration

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF OMNI BRIDGEWAY LIMITED

As lead auditor of Omni Bridgeway Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Omni Bridgeway Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, WA

19 August 2021

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Continuing Operations			
Revenue from contracts with customers	2	**6,084**	23,128
Interest revenue	3	**9,854**	3,579
Net gain on derecognition of intangible assets	4	**160,112**	110,627
Net gain on disposal of financial assets	12	**1,282**	3,848
Other income	5	**524**	20,419
Total income		**177,856**	161,601
Finance costs	6(a)	**1,472**	1,336
Amortisation of claims portfolio	6(b)	**1,559**	14,520
Depreciation expense	6(c)	**3,119**	2,912
Employee benefits expense	6(d)	**57,458**	50,336
Corporate and office expense	6(e)	**17,245**	20,043
Other expenses	6(f)	**24,361**	7,981
Impairment expense	6(g)	**120,734**	17,229
Share of loss in associates and joint ventures		**664**	158
(Loss)/profit before tax and fair value adjustments		**(48,756)**	47,086
Profit / (loss) on fair value adjustment of financial liabilities	27	**16,290**	(13,597)
(Loss)/profit before tax		**(32,466)**	33,489
Income tax (benefit)/expense	7	**(14,035)**	15,890
(Loss)/profit for the year		**(18,431)**	17,599
Attributable to:			
Equity holders of the parent	8	**(25,451)**	(11,542)
Non-controlling interests	33	**7,020**	29,141
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve		**(16,997)**	(10,981)
Items that will not be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve attributed to non-controlling interests		**(20,617)**	4,091
Other comprehensive loss net of tax		**(37,614)**	(6,890)
Total comprehensive (loss)/profit for the year		**(56,045)**	10,709
Attributable to:			
Equity holders of the parent		**(42,448)**	(22,523)
Non-controlling interests		**(13,597)**	33,232
Loss per share attributable to the equity holders of the Company (cents per share)			
Basic loss per share (cents per share)	8	**(9.86)**	(4.90)
Diluted loss per share (cents per share)	8	**(9.86)**	(4.90)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	16	**142,648**	194,384
Receivables from litigation contracts and other	20	**209,389**	128,987
Contract costs	21	**939**	939
Other assets	22	**5,009**	5,024
Total Current Assets		**357,985**	329,334
Non–Current Assets			
Receivables from litigation contracts and other	20	**21,916**	5,743
Plant and equipment	23	**5,905**	6,922
Claims portfolio	11	**95,059**	93,680
Purchased claims	12	**38,754**	17,019
Intangible assets - litigation contracts in progress	13	**391,034**	517,230
Goodwill	14	**99,645**	103,072
Investment in associates and Joint Ventures	34	**4,453**	4,596
Contract costs	21	**3,522**	4,461
Other assets	22	**17,769**	12,409
Deferred tax assets	7	**30,490**	26,004
Total Non-Current Assets		**708,547**	791,136
TOTAL ASSETS		**1,066,532**	1,120,470
LIABILITIES			
Current Liabilities			
Trade and other payables	24	**21,009**	24,044
Income tax payable		**6,083**	9,557
Provisions	25	**24,414**	14,923
Lease liabilities	26	**2,449**	2,870
Other financial liabilities	27	**19,717**	38,336
Total Current Liabilities		**73,672**	89,730
Non–Current Liabilities			
Provisions	25	**855**	677
Lease liabilities	26	**3,394**	2,814
Debt securities	17	**145,522**	143,784
Deferred income tax liabilities	7	**19,620**	30,747
Other financial liabilities	27	**60,975**	85,364
Other liabilities		**147**	153
Total Non-Current Liabilities		**230,513**	263,539
TOTAL LIABILITIES		**304,185**	353,269
NET ASSETS		**762,347**	767,201
EQUITY			
Contributed equity	18	**389,501**	347,630
Reserves	19(b)	**(15,441)**	(5,032)
Retained earnings / (accumulated losses)	19(a)	**(42,187)**	(6,597)
Equity attributable to equity holders of the parent		**331,873**	336,001
Non-controlling interests	33	**430,474**	431,200
TOTAL EQUITY		**762,347**	767,201

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2021

	Note	Consolidated 2021 $'000	2020 $'000
Cash flows from operating activities			
Proceeds from claims portfolio investments		**11,008**	15,004
Payments for claims portfolio investments - external costs[1]		**(13,933)**	(23,210)
Proceeds from deferred recognition of performance fee		**383**	817
Payments to suppliers and employees		**(80,765)**	(53,374)
Payments for transaction costs of acquiring a business		**–**	(4,838)
Interest income		**592**	2,811
Interest paid		**(7,367)**	(7,460)
Income tax paid		**(7,843)**	(3,904)
Net cash flows used in operating activities	10	**(97,925)**	(74,154)
Cash flows from investing activities			
Proceeds from litigation funding		**183,510**	170,978
Payments for litigation funding - external costs		**(126,775)**	(183,611)
Payments for litigation funding - capitalised overhead and employee costs		**(6,868)**	(7,341)
Proceeds from disposal of financial asset		**–**	9,675
Payments for plant and equipment		**(220)**	(416)
Loans to related parties		**(2,848)**	(938)
Loans to third parties		**–**	(933)
Payments for investment in an associate		**–**	(1,743)
Payments for acquisition of business		**–**	(50,212)
Net cash acquired in a business combination		**–**	10,345
Net cash flows used in / (from) investing activities		**46,799**	(54,196)
Cash flows from financing activities			
Dividends paid		**(7,872)**	(41,051)
Proceeds from raising capital		**–**	138,471
Payments for costs of raising capital		**–**	(6,276)
Proceeds from issue of debt		**–**	34,284
Repayment of debt		**–**	(34,284)
Payments for costs of issuing debt		**–**	(2,183)
Payments of lease liabilities		**(3,508)**	(1,515)
Contributions from non-controlling interests		**80,540**	69,092
Distributions to non-controlling interests		**(65,499)**	(62,254)
Payments for fund establishment costs		**–**	(652)
Receipts for reimbursement of fund establishment costs		**–**	736
Net cash flows from financing activities		**3,661**	94,368
Net decrease in cash and cash equivalents held		**(47,465)**	(33,982)
Net foreign exchange difference		**(4,271)**	1,906
Cash and cash equivalents at beginning of year		**194,384**	226,460
Cash and cash equivalents at end of year	16	**142,648**	194,384

1 In the Consolidated Statement of Cash Flows, the Payments for claims portfolio investments - external costs have been reclassified to better reflect the nature of the expenditure.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2021

Consolidated	Issued capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Option premium reserve $'000	Convertible note reserve $'000	Fund equity reserve $'000	Retained earnings/ Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2020	**347,630**	**23,918**	**(11,408)**	**3,404**	**3,832**	**(24,778)**	**(6,597)**	**336,001**	**431,200**	**767,201**
Profit/(loss) for the year	–	–	–	–	–	–	(25,451)	(25,451)	7,020	(18,431)
Other comprehensive income/(loss)	–	–	(16,997)	–	–	–	–	(16,997)	(20,617)	(37,614)
Total comprehensive income/(loss) for the year	**–**	**–**	**(16,997)**	**–**	**–**	**–**	**(25,451)**	**(42,448)**	**(13,597)**	**(56,045)**
Equity Transactions:										
Dividend paid / declared	–	–	–	–	–	–	(10,139)	(10,139)	–	(10,139)
Shares issued	6,064	(6,064)	–	–	–	–	–	–	–	–
Share based payments, net of tax	–	10,473	–	–	–	–	–	10,473	–	10,473
Shares issued to settle deferred and variable deferred consideration	33,537	–	–	–	–	–	–	33,537	–	33,537
Shares issued under dividend reinvestment plan	2,270	–	–	–	–	–	–	2,270	–	2,270
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	80,540	80,540
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(65,499)	(65,499)
Changes in the proportion of equity held by non-controlling interests	–	–	–	–	–	2,179	–	2,179	(2,170)	9
At 30 June 2021	**389,501**	**28,327**	**(28,405)**	**3,404**	**3,832**	**(22,599)**	**(42,187)**	**331,873**	**430,474**	**762,347**

Consolidated Statement of Changes in Equity

continued

	Issued capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Option premium reserve $'000	Convertible note reserve $'000	Fund equity reserve $'000	Retained earnings/ Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 July 2019	**205,558**	**17,749**	**(427)**	**3,404**	**3,832**	**(23,665)**	**12,427**	**218,878**	**296,552**	**515,430**
Profit/(loss) for the year	–	–	–	–	–	–	(11,542)	(11,542)	29,141	17,599
Other comprehensive income/(loss)	–	–	(10,981)	–	–	–	–	(10,981)	4,091	(6,890)
Total comprehensive income/(loss) for the year	**–**	**–**	**(10,981)**	**–**	**–**	**–**	**(11,542)**	**(22,523)**	**33,232**	**10,709**
Equity Transactions:										
Dividend paid / declared	–	–	–	–	–	–	(7,482)	(7,482)	–	(7,482)
Proceeds from shares issued	138,471	–	–	–	–	–	–	138,471	–	138,471
Transaction costs associated with share issue, net of tax	(4,259)	–	–	–	–	–	–	(4,259)	–	(4,259)
Shares issued	6,021	(6,021)	–	–	–	–	–	–		–
Share based payments, net of tax	-	12,190	–	–	–	–	–	12,190	–	12,190
Shares issued under Dividend Reinvestment Plan	1,839	–	–	–	–	–	–	1,839	–	1,839
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	69,092	69,092
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	(71,778)	(71,778)
Changes in the proportion of equity held by non-controlling interests	–	–	–	–	–	(1,113)	–	(1,113)	1,993	880
Non-controlling interests arising on a business combination	–	–	–	–	–	–	–	–	102,109	102,109
At 30 June 2020	**347,630**	**23,918**	**(11,408)**	**3,404**	**3,832**	**(24,778)**	**(6,597)**	**336,001**	**431,200**	**767,201**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2021

About this Report

The financial report of Omni Bridgeway Limited ("OBL", "the Company" or "the Parent") and its subsidiaries ("the Group" or "consolidated entity") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 19 August 2021. The principal activities of the entities within the consolidated group are:

i. the investment into and management of Funds (or Fund-like structures) that are focused on investing into litigation and dispute resolution matters globally; and

ii. the continued holding of direct investments into similar litigation and dispute resolution matters.

Omni Bridgeway Limited (ABN 45 067 298 088) is a for profit company incorporated and domiciled in Australia and limited by shares that are publicly traded on the Australian Securities Exchange (ASX code: OBL).

This section sets out the basis upon which the Group's Financial Statements are prepared. Specific accounting policies are described in the respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and interpretations and their impact on the financial position and performance of the Group.

a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for deferred and variable deferred consideration that have been measured at fair value.

The financial report is presented in Australian dollars, being the functional currency of the Parent.

The amounts contained within this report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

b. Compliance with IFRS

The financial report also complies with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of Omni Bridgeway Limited and its subsidiaries as at 30 June 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group includes Fund collective investment vehicles over which Omni Bridgeway Limited has the right to direct the relevant activities of the Fund under contractual arrangements and has exposure to variable returns from the Fund collective investment vehicles. See Note 33.

The financial results of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Foreign currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. The Group determines the functional currency of each entity in the Group. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are converted at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or conversion of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

About this Report (continued)

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

d. New and amended accounting standards and interpretations adopted during the year

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020. All new and amended accounting standards and interpretations effective from 1 July 2020 were adopted by the Group with no material impact.

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

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the Group, they have not been listed.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.

That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. The Group has limited exposure to benchmark interest rates and is finalising its assessment of the impact of these amendments.

f. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements.

Key judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of entities in which the Group holds less than a majority voting right (de facto control)

The Group has assessed the entities in which it has an interest to determine whether or not control exists and the entity is, therefore, consolidated into the Group. These entities are listed in Note 33. For those entities consolidated with an interest less than 51%, the Group uses judgment to determine that it has power to direct the relevant activities of the investee under contractual arrangements and sufficient exposure to variable returns. In reviewing whether the Group has power and sufficient exposure to variable returns the Group considers whether it is acting as a principal or as an agent of the entity.

Taxation

The Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows as contained in the Group's yearly budget. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions.

Judgments and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

Intangible Assets - Litigation Contracts in Progress

Classification of litigation investments as Intangible Assets

The classification of Litigation Contracts in Progress requires judgment on the circumstances and contracts attached to the investment. Refer to Note 13 on the accounting policy on and significant judgments for Intangible Assets - Litigation Contracts in Progress.

Significant estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

About this Report (continued)

COVID-19 pandemic

The COVID-19 pandemic has interrupted dispute resolution systems to different degrees in jurisdictions where the Group has investments. Whilst this has led to some delays in completions, or the expected completion date, this has not led to significant impairments. In assessing the carrying value and associated impairment of investments, the most up to date estimates of success and timing have been used. This has not led to significant impairments. Additionally, the Group has specifically considered the impact of COVID-19 in assessing the values of its other assets (including goodwill, receivables/loans, other financial assets and deferred tax assets) and liabilities. No significant adjustments have been required.

Impairment of financial and non-financial assets

The Group assesses impairment of all required financial and non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The group primarily relies on value in use calculations based on Discounted Cash Flow (DCF) models. The cash flows are derived from either the Group's budget or from estimates made by investment managers. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles recognised by the Group. Refer to individual notes for further information around impairment of financial and non-financial assets.

Fair value measurement of financial assets and net assets acquired in a business combination

The Group measures net assets of an acquired Group in a business combination at fair value at acquisition date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

Fair value measurement of financial liabilities through profit and loss

Deferred and variable deferred consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the deferred and variable deferred consideration meets the definition of a financial liability at fair value through profit and loss, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on option pricing methodology. The key inputs are detailed in the Notes 15, 27 and 31.

Provision for adverse costs

The Group raises a provision for adverse costs when the underlying litigation, arbitration, enforcement or recovery which was funded is lost and the jurisdiction requires adverse costs to be paid to the counter party. When an investment is lost and an appeal is lodged, the Group still raises a provision. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit. Typically, this estimate is between 40% to 80% of the amount spent by the plaintiff, on the basis that there is only one defendant per case. Refer to Notes 25 and 28 for further details on adverse costs.

Measurement of non-controlling interests ("NCI")

Profits and losses are attributed to non-controlling interests in line with the allocation of profit distributions under the terms of the respective agreements with non-controlling investors. Therefore, at the end of each reporting period, the non- controlling interests represents the non-controlling shareholders' share of net assets, as would be distributed under the relevant shareholders or investors agreements at the balance date.

About this Report (continued)

Revenue recognition – estimating variable consideration on management and performance fees

The Group estimates variable considerations to be included in the transaction price for management and performance fees charged. Management fees are based on the level of external investors net deployed capital per quarter and any uncertainty is resolved at the end of the same quarter. Therefore, management fee revenues are recognised quarterly in arrears, corresponding with the delivery of performance obligations. The calculation of performance fees is subject to some uncertainties. Accordingly, performance fee revenue is not recognised until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Net gain/loss on derecognition of intangible assets

The Group recognises income on successful completion of litigation contracts. The income is recognised in accordance with the Litigation Funding Agreement (LFA) terms. In some instances, the income calculation requires certain estimates and assumptions to be made. Refer to Note 13 for further information.

Expected credit losses of receivables

The Group uses Investment Managers' best estimate to calculate ECLs for receivables. The provision is based on assessment customer segments that have similar loss patterns. Refer to Note 20 for further information.

A. RESULTS FOR THE YEAR

Note 1: Segment information

The Group only operates in one industry, being funding and provision of services in relation to dispute resolution. For management purposes, the Group is organised into operating segments comprising the OBL Group's corporate operations and the Group's fund structures.

The OBL Group's wholly owned subsidiaries own historical litigation in progress investments and provide investment management advisory and administration services to the Group's fund structures in the following locations:

- Australia
- United States
- Canada
- Asia
- EMEA
- The Group's Fund structures include:
    - Fund 1 – This comprises Omni Bridgeway (Fund 1) LLC, Security Finance (Fund 1) LLC and HC 1 LLC. The Fund invests in litigation investments in the United States. Fund 1 is consolidated into the Group.
    - Funds 2 & 3 – This comprises Omni Bridgeway (Fund 2) Pty Ltd, Omni Bridgeway (Fund 3) Pty Ltd, IMF Bentham ROW SPV 1 Limited and IMF Bentham ROW SPV 2 Limited. These entities jointly invest in litigation investments outside the United States. Funds 2&3 are consolidated into the Group.
    - Fund 4 – This Fund invests in litigation investments in the United States. It consists of a series of parallel investing entities comprising Omni Bridgeway (Fund 4) Invt 1 LP; Omni Bridgeway (Fund 4) Invt 2 LP; Omni Bridgeway (Fund 4) Invt 3 LP; Omni Bridgeway (Fund 4) Invt 4 LP; Omni Bridgeway (Fund 4) Invt 5 LP; Omni Bridgeway (Fund 4) Invt 6 LP; Omni Bridgeway (Fund 4) Invt 7 LP; Omni Bridgeway (Fund 4) Invt 8 LP; Omni Bridgeway (Fund 4) Invt 9 LP; Security Finance (Fund 4) LLC; JPV 1 LP and Bentham HPCR LP. Fund 4 entities except for Bentham HPCR LP are consolidated into the Group.
    - Fund 5 – Consists of a collective investment group comprising Omni Bridgeway (Fund 5) LP, Omni Bridgeway (Fund 5) Cayman Invt. Limited, Omni Bridgeway (Fund 5) Australian Invt Pty Ltd, Omni Bridgeway (Fund 5) Canada Investments Ltd, 2238319 Alberta Ltd as well as parallel joint investor, Omni Bridgeway (Fund 5) GPA Pty Ltd. This Fund invests in litigation investments outside the United States. Only the parallel joint investor is consolidated within the Group. The segment note includes the parallel joint investor as well as Omni Bridgeway (Cayman) Limited which is the investment advisor to Fund 5.
    - Fund 6 – This is an EMEA focused investment structure that was acquired in a business combination on 8 November 2019 and includes the entity responsible for providing the management of Fund 7. Fund 7 itself is not consolidated into Fund 6. It was established to invest in litigation, arbitration and enforcement proceedings, and for the work-out and monetisation of claims. Revenue is derived from enforcement and recovery services and other income is derived from litigation contracts in progress investments and purchased claims. OBL retains control and ownership of Fund 6 via its equity interests. Legal ownership of the investments are spread across the entire OBE Group. Fund 6 is consolidated into the Group.

For Fund 1 and Funds 2 & 3, the non-controlling interest is comprised of an equity interests which carry an entitlement to receive a capped priority return on drawn capital and a further preferred return on committed but undrawn capital. OBL retains control and ownership of the Funds via its equity interests. Upon satisfaction of the non-controlling interests' priority returns, OBL is entitled to a manager return. After satisfaction of the priority return and the manager returns, the residual net cash flows are to be distributed (i) for Fund 1: 85% to OBL and 15% to the non-controlling interests: (ii) for Funds 2 & 3, 80% to OBL and 20% to non-controlling interests. The Funds have an infinite life and all distributions are discretionary.

For Fund 4 the non-controlling interest is comprised of an equity interest which, together with OBL's interest, carries an entitlement to receive return of capital plus a hurdle return on invested capital; and a pro-rata share of any residual after OBL's periodic management fee and transactional based performance fee. OBL retains control and ownership of the Funds via its equity interest. The Fund has an infinite life and all distributions are discretionary.

Note 1: Segment information (continued)

For Fund 5, there is no non-controlling interest as only OBL's 100% owned investment vehicle is consolidated. OBL is entitled to periodic management fees and transactional based performance fees.

For Fund 6, the non-controlling interest is comprised of an equity interest which, together with OBL's interest, carries a case by case entitlement to receive return of capital plus a return on invested capital after OBL's transactional based performance fee. OBL retains control and ownership of the Funds via its equity interest. The Fund has an infinite life and all distributions are discretionary during the investment period.

Intersegment revenue comprises interest revenue on intercompany loans and management fees.

Intercompany interest revenue is recognised in accordance with AASB 9 using the effective interest rate method.

The intercompany management fee revenue earned during the year was derived from management and advisory agreements between the group entities. The consideration received is determined by reference to costs plus a percentage mark-up. The revenue is recognised over the period in which costs are incurred as it is deemed that the Group transfers control of the management services over this period and, therefore, satisfies its performance obligations and recognises revenue over time.

Adjustments and eliminations relate to certain finance and overheads costs that are not allocated to individual segments as the underlying expenses are incurred within wholly owned operations. These costs are capitalised into litigation funding contracts on consolidation of the Group. The associated tax effect accounting for these items are also managed on a Group basis and not allocated to the individual segments.

Inter-segment revenues and expenses are eliminated on consolidation and reflected in the "adjustments and eliminations" column.

Adjustments made in the balance sheet include adjustments to non-current assets to eliminate intercompany loans and investments in subsidiaries on consolidation.

	Group (excl Funds)	Funds					Consolidation	
	Corporate $'000	1 $'000	2&3 $'000	4 $'000	5 $'000	6 $'000	Adjustments and eliminations $'000	Consolidated $'000
Segment result for the year ended 30 June 2021								
Interest revenue on cash and deposits	483	50	8	–	–	–	–	**541**
Interest revenue on receivables from litigation contracts	29	–	130	9	–	1,017	(10)	**1,175**
Interest revenue on purchased claims	–	–	1,574	(118)	–	6,682	–	**8,138**
Inter-segment	17,470	–	–	–	–	–	(17,470)	**–**
Revenue from contracts with customers	2,355	–	–	–	567	3,162	–	**6,084**
Segment revenue	**20,337**	**50**	**1,712**	**(109)**	**567**	**10,861**	**(17,480)**	**15,938**
Net gain/(loss) on derecognition of intangible assets	104,649	45,093	1,397	220	663	14,143	(6,053)	**160,112**
Net gain on disposal of financial assets	–	–	–	–	1,215	67	–	**1,282**
Other income	165	–	–	–	–	359	–	**524**
Total Income	**125,151**	**45,143**	**3,109**	**111**	**2,445**	**25,430**	**(23,533)**	**177,856**
Impairment expenses	57,830	(2,502)	3,218	56,850	–	4,445	893	**120,734**
Amortisation of claims portfolio	–	–	–	–	–	1,559	–	**1,559**
Other expenses	112,308	(17)	6,462	485	1,506	16,993	(34,082)	**103,655**
Share of loss in associates and joint ventures	–	–	–	–	–	664	–	**664**
(Loss)/profit before tax and fair value adjustments on financial liabilities	**(44,987)**	**47,662**	**(6,571)**	**(57,224)**	**939**	**1,769**	**9,656**	**(48,756)**
Profit / (loss) on fair value adjustment of financial liabilities	16,290	–	–	–	–	–	–	**16,290**
(Loss)/profit before tax	**(28,697)**	**47,662**	**(6,571)**	**(57,224)**	**939**	**1,769**	**9,656**	**(32,466)**
Income tax (benefit)/expense	(15,824)	63	(2,095)	–	134	2,006	1,681	**(14,035)**
Segment result	**(12,873)**	**47,599**	**(4,476)**	**(57,224)**	**805**	**(237)**	**7,975**	**(18,431)**
Attributable to:								
Equity holders of the parent	(12,873)	–	(4,476)	(11,419)	805	(5,463)	7,975	**(25,451)**
Non-controlling interests	–	47,599	–	(45,805)	–	5,226	–	**7,020**

Note 1: Segment information (continued)

	Group (excl Funds)	Funds					Consolidation	
	Corporate $'000	1 $'000	2&3 $'000	4 $'000	5 $'000	6 $'000	Adjustments and eliminations $'000	Consolidated $'000
Segment assets and liabilities at 30 June 2021								
Cash and cash equivalents[1]	99,960	10,836	3,018	19,056	300	9,478	–	**142,648**
Receivables from litigation contracts	109,790	43,936	7,819	–	–	14,110	–	**175,655**
Other current assets	31,430	–	15,397	549	–	6,416	(14,110)	**39,682**
Claims portfolio	–	–	–	–	–	93,784	1,275	**95,059**
Purchased claims	–	–	7,414	8,214	–	23,126	–	**38,754**
Intangible assets - litigation contracts in progress	108,327	150,283	59,022	121,389	8,021	54,867	30,424	**532,333**
Intangibles impairments	(65,860)	(9,671)	(5,031)	(54,346)	–	(1,548)	(4,843)	**(141,299)**
Goodwill	99,645	–	–	–	–	–	–	**99,645**
Investments in funds	267,870	–	–	–	–	4,453	(267,870)	**4,453**
Other non-current assets	157,797	–	32,633	–	4,360	11,267	(126,455)	**79,602**
Total segment assets	**808,959**	**195,384**	**120,272**	**94,862**	**12,681**	**215,953**	**(381,579)**	**1,066,532**
Current liabilities	44,095	433	22,106	599	12,522	27,317	(33,400)	**73,672**
Non-current liabilities	140,526	–	–	–	–	81,589	8,398	**230,513**
Total segment liabilities	**184,621**	**433**	**22,106**	**599**	**12,522**	**108,906**	**(25,002)**	**304,185**
Net assets	**624,338**	**194,951**	**98,166**	**94,263**	**159**	**107,047**	**(356,577)**	**762,347**
Equity attributable to:								
Equity holders of the parent	624,338	47,481	17,767	9,143	159	(10,438)	(356,577)	**331,873**
Contributed equity - NCI	–	91,339	73,439	132,427	–	110,412	–	**407,617**
Earnings - NCI	–	56,131	6,960	(47,307)	–	7,073	–	**22,857**
Total equity	**624,338**	**194,951**	**98,166**	**94,263**	**159**	**107,047**	**(356,577)**	**762,347**

1 Cash in Funds can only be used for litigation matters and expenses in the Funds.

Note 1: Segment information (continued)

	Group (excl Funds)	Funds					Consolidation	
	Corporate $'000	1 $'000	2&3 $'000	4 $'000	5 $'000	6 $'000	Adjustments and eliminations $'000	Consolidated $'000
Segment result for year ended 30 June 2020								
Interest revenue	2,141	192	413	–	–	76	–	**2,822**
Purchased claims interest revenue	836	–	896	–	–	–	(975)	**757**
Inter-segment	18,038	–	–	–	–	4,069	(22,107)	**–**
Revenue from contracts with customers	1,293	–	–	–	141	21,694	–	**23,128**
Segment revenue	**22,308**	**192**	**1,309**	**–**	**141**	**25,839**	**(23,082)**	**26,707**
Net gain/(loss) on derecognition of intangible assets	55,667	16,831	34,866	4,029	(68)	1,466	(2,164)	**110,627**
Net gain/(loss) on disposal of financial assets	–	–	–	–	–	3,848	–	**3,848**
Other income	19,815	–	(32)	(5)	(736)	1,314	63	**20,419**
Total Income	**93,636**	**17,023**	**36,143**	**4,024**	**(663)**	**32,467**	**(25,183)**	**161,601**
Impairment expenses	5,166	7,174	1,193	(6)	–	772	2,930	**17,229**
Amortisation of claims portfolio	–	–	–	–	–	14,520	–	**14,520**
Other expenses	112,588	47	276	156	488	16,274	(47,221)	**82,608**
Share of loss in associates and joint ventures	–	–	–	–	–	158	–	**158**
(Loss)/profit before tax and fair value adjustments on financial liabilities	**(19,964)**	**9,802**	**34,674**	**3,874**	**(1,151)**	**743**	**19,108**	**47,086**
Profit / (loss) on fair value adjustment of financial liabilities	(13,597)	–	–	–	–	–	–	**(13,597)**
(Loss)/profit before tax	**(33,561)**	**9,802**	**34,674**	**3,874**	**(1,151)**	**743**	**19,108**	**33,489**
Income tax (benefit)/expense	1,056	143	10,213	–	(342)	3,704	1,116	**15,890**
Segment result	**(34,617)**	**9,659**	**24,461**	**3,874**	**(809)**	**(2,961)**	**17,992**	**17,599**
Attributable to:								
Equity holders of the parent	(34,617)	–	5,399	968	(809)	(475)	17,992	**(11,542)**
Non-controlling interests	–	9,659	19,062	2,906	–	(2,486)	–	**29,141**

	Group (excl Funds)	Funds					Consolidation	
	Corporate $'000	1 $'000	2&3 $'000	4 $'000	5 $'000	6 $'000	Adjustments and eliminations $'000	Consolidated $'000
Segment assets and liabilities at 30 June 2020								
Cash and cash equivalents[1]	133,205	17,366	6,671	28,533	49	8,560	–	**194,384**
Other current assets	80,956	5,886	39,390	3	1,368	16,199	(8,852)	**134,950**
Claims portfolio	–	–	–	–	–	93,680	–	**93,680**
Purchased claims	–	–	5,726	1	3,032	8,260	–	**17,019**
Intangible assets - litigation contracts in progress	126,655	191,339	51,902	92,017	1,874	33,244	48,199	**545,230**
Intangibles impairments	(8,086)	(13,149)	(1,813)	–	–	(898)	(4,054)	**(28,000)**
Goodwill	103,072	–	–	–	–	–	–	**103,072**
Other Non-current assets	170,618	(1)	6,894	–	(7,243)	173,791	(283,924)	**60,135**
Total segment assets	**606,420**	**201,441**	**108,770**	**120,554**	**(920)**	**332,836**	**(248,631)**	**1,120,470**
Current liabilities	31,741	1,181	11,721	3,311	(141)	51,725	(9,808)	**89,730**
Non-current liabilities	198,824	–	5,018	–	–	83,823	(24,126)	**263,539**
Total segment liabilities	**230,565**	**1,181**	**16,739**	**3,311**	**(141)**	**135,548**	**(33,934)**	**353,269**
Net assets	**375,855**	**200,260**	**92,031**	**117,243**	**(779)**	**197,288**	**(214,697)**	**767,201**
Equity attributable to:								
Equity holders of the parent	375,855	32,103	23,681	23,190	(779)	96,648	(214,697)	**336,001**
Contributed equity - NCI	–	127,511	54,871	94,479	–	98,609	–	**375,470**
Earnings - NCI	–	40,646	13,479	(426)	–	2,031	–	**55,730**
Total equity	**375,855**	**200,260**	**92,031**	**117,243**	**(779)**	**197,288**	**(214,697)**	**767,201**

1 Cash in Funds can only be used for litigation matters and expenses in the Funds.

Note 1: Segment information (continued)

Non-current assets, excluding financial assets and deferred tax assets, can be represented geographically as follows:

	Consolidated	
	2021 $'000	2020 $'000
Australia	**162,552**	238,041
United States	**234,241**	295,443
Canada	**17,374**	17,844
EMEA	**61,587**	58,512
Asia	**20,830**	15,627
	496,584	625,467

Note 2: Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the service is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

(i) Enforcement and recovery services

The nature of services

Revenue is generated from enforcement and recovery services. The revenue generated from recovery services consists of revenue earned for the recovery services provided for various claims such as court judgments, non-performing loans and unpaid account receivables.

Performance obligations

At contract inception, the Group assesses the services promised in its contracts with customers and identifies performance obligations in each promise to transfer to the customer funds recovered from various claims such as court judgments, non- performing loans and unpaid account receivables. Performance obligations are satisfied at a point in time, upon the recovery of each dollar of a judgment.

Transaction price

Almost all revenues from enforcement and recovery services are based on a no success, no fee basis. The transaction price contains various components, with each component being either fixed or variable. The Group includes variable consideration (a portion or all) in the transaction price only when it is highly probable that the recognised revenue will not incur a significant revenue reversal. The revenue is based on a percentage of the funds recovered so the uncertainty is typically removed when the funds have been received or settlement agreement has been signed and where applicable, court approval obtained as then the revenue formula can be applied to the outcome.

(ii) Management fees

The management fee revenue earned during the year was derived from Investment Management Agreements with the investors in Fund 4 and Investment Advisory Agreements with each of Fund 5 and Fund 7. The services provided are for the administration of the investor accounts and fund structures. For Fund 4 and Fund 5 the consideration receivable is considered to be variable consideration and is determined with reference to the net invested capital attributable to the Investor's accounts. The revenue is recognised over the period in which there is net invested capital in the fund as the Group transfers control of the services over this period and, therefore, satisfies its performance obligations over time. Variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As the net invested capital is known at the end of each quarter the management fees are able to be calculated and recognised as it is then highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Fees for management of Fund 7 is based on the operational costs of the managing entity.

Note 2: Revenue from contracts with customers (continued)

	Corporate $'000	Fund 5 $'000	Fund 6 $'000	Total $'000
2021				
Type of service				
Claims portfolio proceeds	**–**	**–**	**1,696**	**1,696**
Management fees	**2,355**	**567**	**1,466**	**4,388**
	2,355	**567**	**3,162**	**6,084**
2020				
Type of service				
Claims portfolio proceeds	–	–	21,694	21,694
Management fees	1,293	141	–	1,434
	1,293	141	21,694	23,128
2021				
Geographical markets				
Europe	**–**	**–**	**3,162**	**3,162**
Australia	**360**	**–**	**–**	**360**
United States	**1,995**	**–**	**–**	**1,995**
Cayman Islands	**–**	**567**	**–**	**567**
	2,355	**567**	**3,162**	**6,084**
2020				
Geographical markets				
Europe	–	–	21,694	21,694
Australia	109	–	–	109
United States	1,184	–	–	1,184
Cayman Islands	–	141	–	141
	1,293	141	21,694	23,128
2021				
Timing of revenue recognition				
Services transferred at a point in time	**–**	**–**	**1,696**	**1,696**
Services transferred over time	**2,355**	**567**	**1,466**	**4,388**
	2,355	**567**	**3,162**	**6,084**
2020				
Timing of revenue recognition				
Services transferred at a point in time	–	–	21,694	21,694
Services transferred over time	1,293	141	–	1,434
	1,293	141	21,694	23,128

Not included in revenue is $1.144 million (2020: $0.812 million) of performance fees that relate to the completion of investments in Fund 4 that have not satisfied the income recognition requirements yet. $1.144 million (2020: $0.812 million) is disclosed in other liabilities on the balance sheet.

Note 3: Interest revenue

Interest revenue is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

The Group earned 85% (2020: 91%) of its interest revenue on cash and deposits in Australia. Interest revenue on matter receivables relates to the EMEA region. The purchased claims revenue relates to the geographic markets of Europe, Canada and the United States.

	Consolidated	
	2021 $'000	2020 $'000
Interest revenue		
Interest revenue on cash and deposits	**541**	2,822
Interest revenue on receivables from litigation contracts	**1,175**	–
Interest revenue on purchased claims	**8,138**	757
	9,854	3,579

Note 4: Net gain on derecognition of intangibles assets

Net gain on derecognition of intangibles assets is derived from the disposal of the Group's Litigation Contracts in Progress. The accounting policy for Litigation Contracts in Progress is outlined in Note 13.

	Consolidated	
	2021 $'000	2020 $'000
Net gain on derecognition of intangible assets		
Litigation funding contracts - proceeds	**265,928**	257,513
Litigation funding contracts - derecognition of intangible (successful investments)[1]	**(77,453)**	(134,393)
Litigation funding contracts - derecognition of intangible (unsuccessful investments)[2, 3]	**(28,363)**	(12,493)
	160,112	110,627

1 This consists of costs related to the Group's derecognition of litigation contracts intangibles on cases that have settled or been won.

2 This consists of costs related to the Group's derecognition of litigation contracts intangibles on cases lost by the Group and cases not pursued by the Group due to the cases not meeting the Group's required rate of return.

3 Adverse cost expenses are presented in other expenses instead of being part of the gain/loss on derecognition of intangible assets. The change in presentation has been made to better reflect the nature of the expenditure.

Net gain on derecognition of intangible assets can be represented geographically as follows:

	Consolidated	
	2021 $'000	2020 $'000
Australia	**98,819**	84,533
United States	**40,473**	19,343
Canada	**7,663**	5,902
EMEA	**21,015**	1,150
Asia	**(7,858)**	(301)
	160,112	110,627

Note 5: Other income

	Consolidated	
	2021 $'000	2020 $'000
Other income		
Foreign exchange gain	**–**	17,843
Other income	**524**	2,221
Fair value gain on equity instruments at fair value through profit or loss	**–**	355
	524	20,419

Note 6: Expenses

Finance costs

Borrowing costs directly attributable to the acquisition and development of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds. Detailed information is provided in Note 17.

Amortisation of claims portfolio

Amortisation of claims portfolio represents the amortisation of the capitalised contract costs relating to the claims portfolio due to completion of the underlying enforcement or recovery claims. Detailed information is provided in Note 11.

Depreciation

The depreciation policy is disclosed in Note 23.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages salaries, annual leave, long service leave and bonuses. Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the periods in which the employees render the related services are recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method. Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

Share based payments

The policy for share based payments is disclosed in Note 30.

Impairment of intangible assets

The policy for intangible assets is disclosed in Note 13.

Note 6: Expenses (continued)

	Consolidated	
	2021 $'000	2020 $'000
(a) Finance costs		
Interest on lease liabilities	750	263
Other finance charges	722	1,073
	1,472	1,336
(b) Amortisation of claims portfolio		
Amortisation of claims portfolio (Note 11)	1,559	14,520
(c) Depreciation expense		
Depreciation	3,119	2,912
(d) Employee benefits expense		
Wages and salaries	38,512	39,307
Superannuation expense	1,723	1,524
Directors' fees	501	496
Payroll tax	2,686	1,682
Share based payments	13,755	7,313
Long service leave	281	14
	57,458	50,336
(e) Corporate and office expense		
Insurance expense	2,929	2,711
Network expense	1,414	1,544
Marketing expense	1,179	1,708
Occupancy expense	677	538
Professional fees expense	10,489	11,416
Recruitment expense	390	557
Travel expense	167	1,569
	17,245	20,043
(f) Other expenses		
ASX fees	206	267
General expenses	888	1,438
Amortisation of contract costs	939	939
Postage, printing and stationery	1,035	788
Repairs and maintenance	14	41
Share registry costs	17	111
Staff training, development and conferences	53	243
Adverse costs[1]	15,280	4,154
Foreign exchange loss	5,868	–
Loss on disposal of fixed assets	61	–
	24,361	7,981
(g) Impairment expense		
Impairment[2]	120,734	17,229

1 Adverse cost expenses from previous period of $4.154 million are presented in other expenses instead of being part of the gain/loss on derecognition of intangible assets. The change in presentation has been made to better reflect the nature of the expenditure.

2 This includes impairment expense of $112.911 million in respect to Westgem and a Fund 4 investment. Whilst a provision for impairment was raised for accounting purposes, management continues to support the appeal process for these investments. Please refer to Note 13 section(a) for details.

Note 7: Income tax

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided for using the full liability balance sheet method.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in other comprehensive income are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Australian consolidated tax group

The Parent Company and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

Note 7: Income tax (continued)

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of cash flows from operating activities.

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

	Consolidated	
	2021 $'000	2020 $'000
Statement of Comprehensive Income		
The major components of income tax expense/(benefit) are:		
Current income tax		
Current income tax charge	**15,178**	8,762
Adjustment in respect of current income tax expense of previous year	**61**	(14)
Refund of foreign state-based taxes	**–**	23
Current year losses moved to deferred tax asset	**8,383**	5,150
Current year utilisation of carried forward tax losses	**(18,388)**	–
Other	**(944)**	(545)
Deferred income tax:		
Relating to origination and reversal of temporary differences	**(28,814)**	3,649
Current year losses moved to deferred tax asset	**(8,383)**	(5,150)
Reduction in deferred tax asset for loss utilisation	**18,388**	–
Adjustment in respect of deferred income tax of previous year	**173**	563
Deferred tax assets derecognised	**–**	3,019
Other	**311**	433
Income tax (benefit)/expense reported in the Consolidated Statement of Comprehensive Income	**(14,035)**	15,890
Deferred income tax related to items charged or credited directly to equity		
Deferred tax associated with share-based payments	**1,381**	(7,240)
Deferred tax associated with transaction costs recognised in equity	**–**	(763)
Income tax expense reported in equity	**1,381**	(8,003)

Note 7: Income tax (continued)

Reconciliation between tax expense/(benefit) and the product of accounting profit/(loss) before income multiplied by the Group's applicable income tax rate is as follows:

	Consolidated	
	2021 $'000	2020 $'000
Accounting profit/(loss) before income tax	**(32,466)**	33,489
At the Group's statutory income tax rate of 30% (2020: 30%)	**(9,740)**	10,047
Foreign tax rate adjustments	**1,397**	2,605
Adjustment in respect of income and deferred tax of previous years	**128**	548
Expenditure not allowable for income tax purposes	**912**	5,418
Amounts deductible for income tax purposes (permanent)	**(3,326)**	–
Non-assessable income	**(1,138)**	(3,742)
State income tax	**(1,106)**	(1,363)
Relating to deductible temporary differences not previously recognised	**226**	(514)
Deferred tax assets derecognised	**–**	3,019
Other	**(1,388)**	(128)
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(14,035)**	15,890

	Statement of Financial Position		Statement of Comprehensive Income	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities				
Intangibles	**37,769**	59,220	**21,451**	1,042
Accrued interest & unrealised foreign exchange differences	**12**	22	**10**	(19)
Right-of-use assets	**1,250**	1,425	**175**	(1,425)
Receivables	**–**	–	**–**	38
Other	**–**	72	**72**	(69)
Gross deferred income tax liabilities	**39,031**	60,739	**21,708**	(433)
Deferred income tax assets				
Net operating losses	**6,214**	19,330	**(13,150)**	2,028
Accruals and provisions / bonds raising costs	**6,856**	1,980	**4,709**	(2,277)
Share based payments	**4,405**	6,409	**(623)**	(4,918)
Leases	**71**	71	**–**	71
Expenditure deductible for income tax over time	**1,865**	2,202	**(337)**	(795)
Gross deferred income tax assets	**19,411**	29,992	**(9,401)**	(5,891)
Net deferred income tax liabilities	**19,620**	30,747		

Note 7: Income tax (continued)

	Statement of Financial Position		Statement of Comprehensive Income	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Foreign deferred tax assets				
Accruals and provisions	**766**	1,369	**(603)**	1,365
Intercompany	**(23)**	55	**(78)**	27
Expenditure deductible for income tax over time	**971**	1,500	**(529)**	1,289
Leases	**3,474**	1,215	**(1,063)**	1,215
Share based payments	**1,359**	4,537	**144**	(2,524)
Deferred tax assets - Foreign net operating losses - federal and state	**23,943**	17,328	**6,615**	3,122
Deferred tax assets	**30,490**	26,004	**4,486**	4,494
Net deferred income tax			**16,793**	(1,830)
Movements in foreign exchange			**1,534**	(685)
Deferred tax expense			**18,327**	(2,515)

Unrecognised temporary differences and tax losses

At 30 June 2021, the Group had $2.604 million (2020: $3.019 million) of unrecognised deferred tax assets relating to temporary differences and tax losses in its Canadian subsidiaries.

Deferred tax assets relating to USA operations

The deferred tax assets balance includes $23,298 million (2020: $17.362 million) of assets relating to carried forward tax losses of Omni Bridgeway Holdings (USA) Inc. Under existing tax regulations, the losses incurred prior to financial year ended 30 June 2019 can be carried forward for 20 years and losses incurred thereafter can be carried forward indefinitely. The US business has a recent history of incurring tax losses. The losses have arisen primarily from the implementation of the expansion of the administrative base in the United States to support strategic growth initiatives that are, according to plan, yet to realise their full value. Fund 1's NCI waterfall, by design, priorities the NCI investor's return initially and then swings to favor Omni. Omni has considered the utilisation of these tax losses within the expanded US business and has determined that, based on approved budgets and existing case matters, it is probable that the US tax group will earn sufficient taxable income to utilise the losses. Further, in assessing the utilisation of the tax losses, Omni considers there to be convincing other evidence to support the recoverability of these tax losses including:

(i) The US business has been in an expansion and infrastructure growth phase. Additional costs have been incurred in the business related to the expansion of activity and changes in operations to a Fund management structure. Investments in people, systems and infrastructure have been made ahead of the expected investment activity of the Funds. Fund 1 commenced in 2017 and Fund 4 in 2019. Whilst Fund 1 is fully invested; Fund 4 (with an approved portfolio size of US$500 million of which the US business has a 20% interest) is commencing its investment commitment activity. With an average investment life of circa 3 years, a significant portion of the expected income is in the future. This income generation will be by way of both investment returns and fee revenues.

(ii) The US business has raised substantial external capital over the past three years via its Fund structures. Fund 1 raised US$171.7 million (75% external commitments) and Fund 4 raised US$500 million (80% external commitments). The external capital raised is the foundation of the investing activity that enables the US business to grow and generate returns to realise future taxable income. Omni has access to more investment capital that at any time in its history.

(iii) There are 41 US investments. The carrying value of intangibles assets (investments) was $238.920 million at 30 June 2021. The US business historically has an 78% success rate, based on number of investments. The US business has historically had a return on invested capital ("ROIC") (refer to Glossary) of 0.4x, including losses and excluding overheads. The growth in the Group's investments together with the Group's historical performance provides an indication of growth in future taxable income.

(iv) The coronavirus pandemic and other political events in the US have temporarily delayed US investment completions, as the court process has been significantly disrupted during 2021. Once the normalcy in the US court system resumes, completion rates are expected to return to normal.

Note 7: Income tax (continued)

Deferred tax assets relating to ROW funds

Omni Bridgeway (Fund 2) Pty Limited and Omni Bridgeway (Fund 3) Pty Limited carried combined total deferred tax assets balances of $5.892 million as at 30 June 2021 (2020: $0.059 million), the deferred tax assets balances were predominantly related to the loss of Australian investments and Asian investments during this reporting period. The Funds are 98% committed with litigation investments that are expected to generate significant taxable income in the future.

Note 8: Loss per share

Basic (loss) per share is calculated as net profit/loss attributable to members of the Parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the Parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of interest dividends associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares;
- divided by the weighted average number of shares and dilutive shares, adjusted for any bonus element.

At 30 June 2021, 18,528,532 performance rights (2020: 17,302,007) were on issue as detailed in Note 30. Upon meeting certain performance conditions over the three-year performance period, the vesting of each right will result in the issue of 1 ordinary share. The performance shares are contingently issuable and are not considered dilutive.

The following reflects the income and share data used in the basic loss per share computation:

(a) Earnings used in calculating earnings per share

	Consolidated	
	2021 $'000	**2020 $'000**
For basic and diluted loss per share		
Total net loss attributable to equity holders of the Parent	**(25,451)**	(11,542)

(b) Weighted average number of shares

	2021 $'000	**2020 $'000**
Weighted average number of ordinary shares outstanding	**257,994**	235,709
Effect of dilution:		
Performance rights	**–**	–
Weighted average number of ordinary shares	**257,994**	235,709

Variable Deferred Consideration and Deferred Consideration are payable by the issue of fully paid ordinary shares in Omni Bridgeway Limited (OBL). Please refer to Note 27 for details.

These shares have not been included for the following reasons:

- Variable Deferred Consideration shares have not been included as their performance milestones for future tranches have yet to be met. Deferred Consideration shares have not been included as shareholder approval will be required for tranche 2.
- In addition to the above, the inclusion of any of these shares would be considered antidilutive.

Note 8: Loss per share (continued)

The weighted average number of ordinary shares outstanding only includes performance rights granted under the Long Term Incentive Plan where the performance hurdles are met as at period end and they do not have an anti-dilutive effect. As at 30 June 2021, there were 18,528,532 (2020: 17,302,007) performance rights calculated as meeting the performance criteria for inclusion in diluted earnings per share, however these were not included due to their anti-dilutive effect.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Note 9: Dividends paid and proposed by Omni Bridgeway Limited (the parent entity)

(a) Cash dividends on ordinary shares declared and paid

	Consolidated	
	2021 $'000	2020 $'000
Final dividend for 2020: 4.00 cents per share (2019: nil cents per share)	**10,139**	–
Interim dividend for 2021: nil cents per share (2020: 3.00 cents per share)	**–**	7,482
	10,139	7,482

The Directors have determined not to pay a final dividend for the year ended 30 June 2021. Omni Bridgeway Limited's retained earnings are disclosed in Note 32.

On 24 August 2020 the Directors declared a final fully franked dividend of 4.00 cents per share for the 2020 financial year, totalling $9,955,000. The record date for this dividend was 2 September 2020 and the payment date was 25 September 2020. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

The Directors have determined they will consider, and where appropriate, implement, a regular semi-annual dividend which reflects the cash position of the Company at the time of the dividend and the likely demand for cash over the ensuing 12 month period. The Company has put in place a dividend reinvestment plan and, on appropriate occasions, will arrange underwriting to reduce the impact a particular dividend might otherwise have on cash.

(b) Franking credit balance

	Omni Bridgeway Limited	
	2021 $'000	2020 $'000
The amount of franking credits for the subsequent financial year are:		
– Franking account balance at the end of previous financial year at 30%	**10,250**	14,766
– Franking debits arising from the payment of last year's final dividend	**(4,345)**	–
– Franking debits arising from the payment of last year's interim dividend	**–**	(3,207)
– Franking debits arising from the income tax refund received during the financial year	**–**	(1,309)
Balance at 30 June	**5,905**	10,250

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2020: 30%).

Note 10: Statement of cash flows reconciliation

Reconciliation of net profit / (loss) after tax to net cash flows used in operations:

	Consolidated	
	2021 $'000	2020 $'000
Net (loss)/profit after tax	**(18,431)**	17,599
Adjustments for:		
Fair value adjustments to financial liabilities	**16,290**	(33,225)
Net impact of the reclassification of litigation intangibles related cashflows to investing activities and claims portfolio	**(70,704)**	13,364
Receipts of reimbursement of fund establishment costs	**–**	(736)
Amortisation of claims portfolio	**1,559**	14,520
Amortisation of contract costs	**939**	939
Depreciation	**3,119**	2,912
Share based payments	**16,642**	9,084
Unrealised foreign exchange loss /(gain)	**5,868**	(17,843)
Lease incentive adjustments	**–**	(289)
Changes in assets and liabilities		
Increase in receivables	**(96,575)**	(117,864)
Increase in other current assets	**(4,406)**	(3,123)
(Decrease)/Increase in other liabilities	**(43,014)**	122,938
Increase in lease liabilities	**159**	5,684
Decrease /(Increase) in intangibles	**126,196**	(90,253)
Increase in trade creditors and accruals	**(3,035)**	52
Increase in provisions	**9,669**	(24)
(Increase)/decrease in deferred tax assets and liabilities	**(15,613)**	14,648
Increase in current income tax receivable/(payable)	**(3,474)**	10,673
Increase in claims portfolio and purchased claims	**(23,114)**	(23,210)
Net cash used in operating activities	**(97,925)**	(74,154)

Disclosure of financing facilities

Refer to Note 16 and Note 17.

Changes in liabilities arising from financing activities

Refer to Note 17 and Note 26.

B. INVESTMENTS AND INTANGIBLE ASSETS

Note 11: Claims portfolio

The claims portfolio assets consist of the capitalised costs incurred to obtain or fulfill a contract with a customer. These contracts with customers comprise the litigation funding enforcement investment contracts and certain merits-based funding contracts.

Costs incurred to obtain a contract are only capitalised to the investment when it is expected that a contract will be executed, and where those costs will be recoverable. The Group recognises an asset for costs incurred to fulfill a contract if those costs relate directly to the contract, the costs generate or enhance resources of the Group to satisfy performance obligations in the future and the costs are expected to be recovered. All capitalised contract costs are amortised to the profit and loss on a systematic basis that follows delivery of performance obligations to the customer. The satisfaction of performance obligations on the contracts are aligned with each individual dollar of recovery to the customer.

The carrying value of the claims portfolio is measured at cost less amortisation and any impairment loss. At each reporting date an assessment is made on an individual investment by investment basis to determine if the carrying amount of a contract exceeds its recoverable amount. In order to determine the recoverable amount a cashflow model is used which includes forecast revenues and expenses, together with an estimate of directly attributable overheads to complete the contract. If the carrying value exceeds the recoverable amount the difference is recognised as an impairment expense in the profit or loss.

	Consolidated	
	2021 $'000	**2020 $'000**
Balance at 1 July	**93,680**	–
Acquisition through business combination[1]	**–**	98,330
Additions – external funding deployment	**9,618**	8,123
Amortisation of claims portfolio[2]	**(1,559)**	(14,520)
Claims portfolio impairment	**(3,565)**	–
Foreign currency adjustment	**(3,115)**	1,747
	95,059	93,680

1 Included in the acquisition through business combination was $nil (2020: $74.180 million) of PPA. Refer to Note 31 for further information.

2 Represents the amortisation of the capitalised contract costs due to successful and unsuccessful completion of investments. It includes $nil (2020: $8.540 million) of PPA, the aggregate amortisation of value adjustments from business combination since the purchase of OBE in October 2019 is $8.540 million (2020: $8.540 million).

Note 12: Purchased claims

Purchased claims are litigation assets which have been acquired by the Group. They are classified as purchased credit-impaired financial assets which are initially recognised at fair value.

The credit-adjusted effective interest rate on these financial assets is calculated taking into account the initial lifetime expected credit loss in the estimated cash flows. In determining the lifetime expected credit losses for these financial assets, the Group has taken into account the financial position of the counterparties, the legal environment in which the enforcement occurs, historical default experience and considering various external sources of actual and forecast information, as appropriate.

Purchased claims are subsequently measured at amortised cost by applying the credit-adjusted effective interest rate. The Group recognises –

i. Interest income through the application of the credit-adjusted effective interest rate to the amortised cost of the purchased claims; and

ii. Impairment losses and gains, when material, due to the changes in estimated lifetime expected credit losses. At each reporting period the Group reviews the estimated cash flows from purchased claims on an investment by investment basis, estimating the expected recovery, its timing and any other cashflows that may be attributable to the counterparties. The net present value of the cashflows are then determined using the credit-adjusted effective interest rate and the value compared to the carrying value. Where there is a material gain, this gain is recognised by adjusting the gross carrying amount of the receivable. Where there is a material loss, it is recognised as a loss allowance account.

Note 12: Purchased claims (continued)

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	17,019	–
Acquisition through business combination[1]	–	12,028
Interest revenue	8,137	757
Additions – external funding deployment	20,518	9,830
Purchased claims expenses[2]	(2,721)	(5,815)
Purchased claims impairment	(3,797)	–
Foreign currency adjustment	(402)	219
Balance at 30 June	38,754	17,019

1 Purchased claims were acquired through the business combination. Refer to Note 31 for further information.

2 Included in the purchase claim expense during the year ended 30 June 2021 was $nil (2020: $5.595 million) of fair value adjustments that originally arose from business combination.

At 30 June 2021 the fair value of the purchased claims amounted to $38.754 million (2020: $17.019 million) and the gross contractual amount of $181.9 million (2020: $173.343 million).

	Consolidated	
	2021 $'000	2020 $'000
Net gain on disposal of Purchased claims		
Proceeds from purchased claims disposed	4,003	9,663
Carrying value of purchased claims disposed[1]	(2,721)	(5,815)
	1,282	3,848

1 Included in the purchased claims disposed of during the year ended 30 June 2021 was $nil (2020: $5.595 million) of fair value adjustments that originally arose from business combination.

Note 13: Intangible assets – litigation contracts in progress

(a) Recognition and measurement

Litigation Contracts in Progress

Litigation Contracts in Progress are recognised as an intangible asset in the financial statements of the Group, they represent future economic benefits controlled by the Group. The Group is able to control the expected future economic benefit as the Litigation Contracts in Progress may be exchanged or sold. The litigation funding contract does not give rise to an unconditional right to receive cash. Rather, it provides the Group with a right to a share of litigation proceeds which may be in the form of cash or other non-financial assets.

The Group's litigation contracts are not considered contracts with customers as they are collaborative arrangements and there is no vendor-customer relationship established in the contract.

Litigation Contracts in Progress are measured at cost on initial recognition. Litigation Contracts in Progress are not amortised as the assets are not available for use until the determination of a successful judgment or settlement, at which point the assets are realised through disposal.

Gains or losses arising from derecognition of Litigation Contracts in Progress are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Note 13: Intangible assets – litigation contracts in progress (continued)

The following specific asset recognition and derecognition rules have been applied to Litigation Contracts in Progress:

(i) Actions still ongoing:

When litigation is ongoing and pending a determination, Litigation Contracts in Progress are carried at cost (subject to any provision for impairment). Subsequent and ongoing expenditure is capitalised when it meets all the following criteria:

(a) the Group is able to demonstrate its ability to complete the litigation so that the asset will be available for use and the benefits embodied in the asset will be realised;

(b) the Group retains control of the asset;

(c) the Group can demonstrate that it intends to complete the litigation;

(d) the Group is able demonstrate the availability of adequate technical, financial and other resources to complete the litigation; and

(e) the Group can measure reliably the expenditure attributable to the intangible asset during the life of the Litigation Contracts In Progress.

Impairment is considered in line with policy described in (c) Impairment testing of intangible assets, below.

(ii) Successful completion:

Where the litigation has been finally determined in favour of the client or a positive settlement has been agreed, such that there is not considered to be a significant risk of reversal, this constitutes a disposal transaction and a gain or loss on disposal of the intangible asset is recognised in the Statement of Comprehensive income. Control of the intangible asset is considered to be transferred as follows:

- For judgments, typically after a judgment has been determined and the relevant appeal periods have expired; and
- For settlements, typically when settlement agreement is reached and if relevant, court approval is obtained.

(iii) Unsuccessful completion:

Where the litigation is unsuccessful, the cost of the intangible asset net of accumulated impairment is derecognised and a loss is recognised in the Statement of Comprehensive Income.

If the claimant, having been unsuccessful at trial, appeals against the judgment, then the future costs incurred by the Group on the investment in relation to the appeal are expensed as incurred.

(b) Reconciliation of carrying amounts

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	**517,230**	426,977
Acquisitions through business combination	**–**	53,435
Additions - external costs	**107,762**	177,578
Additions - capitalised borrowing costs	**8,961**	10,385
Additions - capitalised employee costs	**9,723**	10,424
Additions - capitalised overheads	**522**	465
Derecognitions - external expenditure (successful investment)	**(62,693)**	(124,297)
Derecognitions - capitalised borrowing costs and overheads (successful investment)	**(14,152)**	(10,096)
Derecognitions - external expenditure (unsuccessful investment)	**(24,550)**	(14,501)
Derecognitions - capitalised borrowing costs and overheads (unsuccessful investment)	**(4,222)**	(2,146)
Net derecognition of fair value adjustments	**(197)**	–
Intangibles impairment	**(113,373)**	(17,229)
Effect of movement in foreign currency	**(33,977)**	6,235
Balance at 30 June	**391,034**	517,230

Note 13: Intangible assets – litigation contracts in progress (continued)

The carrying value of Litigation Contracts In Progress includes external costs such as solicitors' fees, counsels' fees and experts' fees funded by the Group, the capitalisation of certain directly attributable internal costs of managing the litigation funding investment, such as certain wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described below. The capitalised wages in 2021 equated to approximately 16.4% of the Group's total salary costs (2020: 22.6%). The other internal capitalised expenses equated to approximately 43.6% of related overhead costs (2020: 46.3%).

The Group has determined that Litigation Funding Contracts In Progress meet the definition of qualifying assets and that all borrowing costs are eligible for capitalisation. The weighted average cost of borrowing was 6.3% (2020: 7.9%).

The carrying value of Litigation Contracts In Progress can be summarised as follows:

	Consolidated	
	2021 $'000	2020 $'000
External costs[1]	**459,371**	473,170
Capitalised internal costs	**38,262**	39,000
Capitalised borrowing costs	**34,700**	33,060
Gross carrying amount at cost	**532,333**	545,230
Accumulated impairment	**(141,299)**	(28,000)
Balance at 30 June	**391,034**	517,230

1 Included in the carrying value was $21.527 million (2020: $53.435 million) of fair value adjustments from business combination. Refer to Note 31 for further information.

(c) Impairment testing of intangible assets

Except for specific Litigation Contracts in Progress subject to an unfavourable judgment, the recoverable amount of each of the Litigation Contracts in Progress is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management for the expected length of each investment. Litigation Contracts in Progress that are subject to an unfavourable judgment are impaired down to their recoverable amount based on their estimated fair value less costs of disposal.

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of Litigation Contracts in Progress:

- The estimated cost to complete a Litigation Contract in Progress is budgeted based on estimates provided by the external legal advisors handling the litigation.
- The value to the Group of the Litigation Contracts in Progress, once completed, is estimated based on the successful conclusion and the resulting expected settlement or judgment amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital and other factors relevant to the particular Litigation Contracts in Progress including country risk. The discount rate applied ranged between 11.7% and 15.9% for this reporting period (30 June 2020: between 8.5% and 10%).

At 30 June 2021, a provision for impairment has been recognised for $141.299 million (2020: $28.000 million). The impairment comprised –

- $58.135 million relating to the Westgem investment. The provision raised is for the full carrying value of the investment, including internal overheads. During the year, the Supreme Court of Western Australia delivered judgment in the Westgem litigation and dismissed in full all of the claims of Omni Bridgeway's funded clients. An appeal was lodged with the Supreme Court of Western Australia on 17 September 2020. The provision for impairment is in accordance with the Group's accounting policy which reflects IFRS accounting standard requirements and reflects the first instance Supreme Court judgment in favour of the defendant being a trigger for impairment. The investment has not been derecognised and the Group intends to pursue the investment to achieve a positive outcome. The level of impairment will be continually assessed and may be reversed as appropriate pending developments in the future.
- $54.776 million relating to a Fund 4 investment. The provision raised is for the full carrying value of the investment, including internal overheads. During the period, Summary Judgment against a funded claimant within Fund 4 was granted. The funded claimant has lodged a notice to appeal the decision. The provision for impairment is in accordance with the Group's accounting policy which reflects IFRS accounting standard requirements and reflects the first instance summary judgment in favour of the defendant being a trigger for impairment. The investment has not been derecognised and the Group intends to pursue the investments to achieve a positive outcome. The level of impairment will be continually assessed and may be reversed as appropriate depending on developments in the future.

Note 13: Intangible assets – litigation contracts in progress (continued)

- The remainder of the impairment, $28.388 million at 30 June 2021 ($28.000 million at 30 June 2020) relates to forty-two investments (30 June 2020: twenty-six) across the remainder of the portfolio. The majority of which are not individually material. The $113.299 net million movement in the period reflects (i) $121.738 million of new impairments; (ii) the net impact of investment completions and the asset derecognised and (iii) foreign exchange variance. For new or increased impairments, during the impairment review, management have determined that either a successful outcome for the investment was no longer likely to occur or that the likely outcome would not recover the current carrying value of the investment. The discount rate used in the impairment assessment of these assets was 15%. After taking into account the impairment, at 30 June 2021, the forty-one investments have a combined carrying value of $26.709 million. This amount reflects the net recoverable amount expected to be received from the investments.

(d) Additional information

The Group has one Litigation Contract in Progress asset that is significantly complete.

Wivenhoe partial settlement

A positive NSW Supreme Court judgment for OBL's funded client was received on 29 November 2019. Two of the defendants (with a court determined 50% portion of liability) have accepted that judgment and a settlement was approved by the Supreme Court on 26 February 2021; whilst the remaining defendant has appealed. The Group has recognised revenue from the partial settlement and has derecognised 50% of the investment. The Group continues to carry the remaining 50% investment as a Litigation contract in Progress at cost.

Note 14: Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the fair value of the net identifiable assets acquired and liabilities assumed). Goodwill is subsequently measured at cost less any impairment.

Goodwill arose on the acquisition of Omni Bridgeway Holding B.V. and its subsidiaries (collectively known as the OBE Group) accounted for as a business combination. For impairment purposes, goodwill has been solely allocated to the OBE Group. The Group performs its annual impairment test on the goodwill associated with the OBE Group at 30 June each year.

The impairment test performed on the OBE Group goodwill is done via a value-in-use calculation using the following inputs –

i. Cashflows generated over a 5 year period from the OBE Group's annual budget. The annual budget includes an estimation for all cashflows from operations of the OBE Group, including returns from investments and payments of overheads. The budget cashflows are sensitive to the timing and amount of investment completions. The investment completions refer to income earned from claims portfolio, purchased claims and intangible assets – litigation contracts in progress. The timing of completion and amount of investment income are based on the relevant investment manager's best estimates during the Group's annual budget process and are reviewed internally by management. The cashflows from investment completions have a compound annual growth rate of 24.7% over the cash flow period. This is reflective of the management's estimate of the OBE Group's expected future growth in business activity.
ii. Discount rate of 15% (2020:12%). The discount rate represents the current assessment of the risks specific to OBE Group CGU, taking into consideration the time value of money and individual risks of the underlying OBE Group investment that have not been incorporated in the cash flow estimates. The discount rate was arrived using the OBL's weighted average cost of capital ("WACC") as a starting base.
iii. No reasonably possible change in key assumption would result in the carrying amount of the CGU exceeding its recoverable amount.

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	**103,072**	–
Provisional goodwill recognised on acquisition	**–**	101,342
Foreign currency adjustment	**(3,427)**	1,730
Balance at 30 June	**99,645**	103,072

C. CAPITAL STRUCTURE

Note 15: Financial risk management

The Group's principal financial instruments comprise cash and short-term deposits, purchased claims, receivables, payables, debt securities (bonds and fixed rate notes), lease liabilities, deferred consideration and variable deferred consideration.

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

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

Risk exposures and responses

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to:

- the Group's cash holdings with a floating interest rate; and
- the Group has a $76,000,000 variable rate bond debt outstanding as at 30 June 2021. These Omni Bridgeway Bonds require that the Group make a quarterly coupon payment based on the Bank Bill Rate plus a fixed margin of 4.20% per annum.

At reporting date the Group had the following financial instruments exposed mainly to Australian variable interest rate risk:

	Consolidated	
	2021 $'000	**2020 $'000**
Financial instruments		
Cash and cash equivalents	**142,648**	194,384
Omni Bridgeway Bonds	**(75,290)**	(73,942)
Net exposure	**67,358**	120,442

The Group regularly analyses its interest rate exposure. Within this analysis, consideration is given to expected interest rate movements and the Group's future cash requirements, potential renewals of existing positions, alternative financing available, and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2021, if interest rates had moved with all other variables held constant, post-tax profit/(loss) and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
+0.10% (10 basis points) (2020: +0.25%)	**47**	211	**47**	211
-0.10% (10 basis points) (2020: +0.25%)	**(47)**	(211)	**(47)**	(211)

Note 15: Financial risk management (continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents, purchased claims and receivables from litigation contracts and other. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note. Apart from ratings on cash held and litigation contract receivables, as detailed below, the remainder of the Group's receivables typically do not carry and credit risk rating from a ratings agency.

To mitigate credit risk on litigation contract receivables the Group assesses the defendants in the investments funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Wherever possible, the Group ensures that security for settlement sums is provided, usually with the settlement funds placed into solicitors' trust accounts. As at 30 June 2021 there are no funds within solicitor's trust accounts relating to receivables. The Group's continual monitoring of the defendants' financial capacity mitigates this risk. As at 30 June 2021 there were no litigation contract receivables that were due to be paid by the AAA rated government (2020: $78.204 million).

To mitigate credit risk on purchased claims, the Group assesses the defendants in the investments funded by the Group prior to purchasing the claim. The Group's continual monitoring of the defendants' financial capacity mitigates this risk.

To mitigate credit risk on cash and cash equivalents, the Group holds over 91% (2020: 95%) of its cash with Australian and American AA rated banks.

Refer to each financial asset's respective note for information on how impairment and credit loss is determined.

Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet the Group's expected financial commitments in a timely and cost-effective manner.

Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels. All financial liabilities of the Group, except the Omni Bridgeway Bonds, Fixed Rate Notes, consideration liabilities and non-current lease liabilities, are current and payable within 30 days.

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

	< 6 months $'000	6-12 months $'000	1-5 years $'000	>5 years $'000	Total $'000
2021					
Financial Liabilities					
Trade and other payables	**21,009**	**–**	**–**	**–**	**21,009**
Bonds and Fixed Rate Notes – principal	**–**	**–**	**148,000**	**–**	**148,000**
Bonds and Fixed Rate Notes – interest	**3,645**	**2,118**	**14,355**	**–**	**20,118**
Lease liabilities	**1,437**	**1,437**	**6,339**	**–**	**9,213**
Deferred and variable deferred consideration	**14,647**	**5,070**	**60,975**	**–**	**80,692**
	40,738	**8,625**	**229,669**	**–**	**279,032**
2020					
Financial Liabilities					
Trade and other payables	24,044	–	–	–	24,044
Bonds and Fixed Rate Notes – principal	–	–	76,000	72,000	148,000
Bonds and Fixed Rate Notes – interest	3,668	3,668	22,059	2,140	31,535
Lease liabilities	1,356	1,356	2,795	666	6,173
Deferred and variable deferred consideration	42,786	–	76,030	–	118,816
	71,854	5,024	176,884	74,806	328,568

Note 15: Financial risk management (continued)

Equity price risk

The fair value of the deferred and variable deferred consideration for the acquisition of the OBE Group (refer to Note 27 and 31) are exposed to changes in the Company's share price. There are no hedging or policies in place to mitigate the changes in share price. Refer to Fair Value section of Note 15 for sensitivity analysis of this risk.

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group carried at amortised cost approximate their fair values, except for the Omni Bridgeway Bonds and Fixed Rate Notes. The Omni Bridgeway Bonds fair value has been determined using the quoted market price at 30 June, and the Fixed Rate Notes fair value has been determined using the price from FIIG, a privately-owned corporate bonds and government bonds specialist.

For the purposes of disclosure, the fair value measurements used for the Bonds are level 1 on the fair value hierarchy and the Notes level 3. Level 3 inputs were used for all other assets and liabilities below to determine that the carrying value approximates fair value.

	Carrying Value		Fair Value	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Financial assets				
Receivables from litigation contracts and other	**231,305**	134,730	**231,305**	134,730
Purchased claims	**38,754**	17,019	**38,754**	17,019
Financial investments	**389**	–	**389**	–
Other assets/security deposits	**21,859**	17,396	**21,859**	17,396
	292,307	169,145	**292,307**	169,145
Financial liabilities				
Trade and other payables	**21,009**	24,044	**21,009**	24,044
Omni Bridgeway bonds	**75,290**	73,942	**76,760**	75,808
Fixed rate notes	**70,232**	69,842	**73,690**	69,139
Deferred consideration	**17,783**	42,786	**17,783**	42,786
Variable deferred consideration	**48,533**	76,030	**48,533**	76,030
Variable consideration – Purchased claims	**14,376**	4,884	**14,376**	4,884
	247,223	291,528	**252,151**	292,691

Note 15: Financial risk management (continued)

Description of significant inputs to valuation of deferred and variable deferred consideration

The significant inputs used in the fair value measurements of deferred and variable deferred consideration, categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 30 June are shown below:

For the DC and VDC valuations, the basis of the selected valuation assumptions are as follows:

Item	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Variable deferred consideration	Black Scholes Option Pricing Model	Exercise price	Theoretical exercise price based on the floor price of $3.407	
		Volatility	40% at 30 June 2021 and 45% at 30 June 2020	At 30 June 2021: An absolute 5% increase in the volatility would result in a $879,000 increase in the value of the liability. An absolute 5% decrease in the volatility would result in a $885,000 decrease in the value of the liability. At 30 June 2020: An absolute 5% increase in the volatility would result in a $1,293,000 increase in the value of the liability. An absolute 5% decrease in the volatility would result in a $1,285,000 decrease in the value of the liability.
		Underlying share price	$3.75 at 30 June 2021 and $4.77 at 30 June 2020	At 30 June 2021: A relative 5% increase in the share price would result in a $1,462,000 increase in the value of the liability. A relative 5% decrease in the share price would result in a $1,359,000 decrease in the value of the liability. At 30 June 2020: A relative 5% increase in the share price would result in a $2,755,000 increase in the value of the liability. A relative 5% decrease in the share price would result in a $2,699,000 decrease in the value of the liability.
		Dividend yield	As at 30 June 2021: 0% for 8-Nov-21 payment 2% for 8-Nov-22 payment 2% for 8-Nov-23 payment 2% for 8-Nov-24 payment (as at 30 June 2020: 4%)	At 30 June 2021: An absolute 1% increase in dividend yield would result in a $312,000 decrease in the value of the liability. An absolute 1% decrease in dividend yield would result in a $332,000 increase in the value of the liability.
		Risk free rate	As at 30 June 2021: 0.01% for 8-Nov-21 payment 0.02% for 8-Nov-22 payment 0.09% for 8-Nov-23 payment 0.34% for 8-Nov-24 payment (as at 30 June 2020: 0.41%)	

Note 15: Financial risk management (continued)

Item	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
		FX forward rate (AUD/EUR)	At 30 June 2021: 8-Nov-21: 1.58 8-Nov-22: 1.59 8-Nov-23: 1.60 8-Nov-24: 1.63 At 30 June 2020: 8-Nov-21: 1.648 8-Nov-22: 1.668 8-Nov-23: 1.689 8-Nov-24: 1.714	30 June 2021: A relative 5% increase in the forward exchange rates would result in a $2,403,000 increase the value of the liability. A relative 5% decrease in the forward exchange rate would result in a $2,403,000 decrease in the value of the liability. At 30 June 2020: A relative 5% increase in the forward exchange rates would result in a $3,776,000 increase the value of the liability. A relative 5% decrease in the forward exchange rate would result in a $3,781,000 decrease in the value of the liability.
Deferred consideration	Black Scholes Option Pricing Model	Exercise price	Theoretical exercise price based on the floor price of $3.407	
		Volatility	40% at 30 June 2021 and 45% at 30 June 2020	At 30 June 2021: An absolute 5% increase in the volatility would result in a $334,000 increase in the value of the liability. An absolute 5% decrease in the volatility would result in a $334,000 decrease in the value of the liability. At 30 June 2020: An absolute 5% increase in the volatility would result in a $571,000 increase in the value of the liability. An absolute 5% decrease in the volatility would result in a $553,000 decrease in the value of the liability.
		Underlying share price	$3.75 at 30 June 2021 and $4.77 at 30 June 2020	At 30 June 2021: An absolute 5% increase in the share price would result in a $525,000 increase in the value of the liability. An absolute 5% decrease in the share price would result in a $491,000 decrease in the value of the liability. At 30 June 2020: A relative 5% increase in the share price would result in a $1,683,000 increase in the value of the liability. A relative 5% decrease in the share price would result in a $1,630,000 decrease in the value of the liability.
		Dividend yield	2% at 30 June 2021 and 4% at 30 June 2020	
		Risk free rate	0.02% at 30 June 2021 and 0.41% at 30 June 2020	

Note 15: Financial risk management (continued)

Item	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
		FX forward rate (AUD/EUR)	At 30 June 2021: 8-Nov-21: 1.58 8-Nov-22: 1.59 8-Nov-23: 1.60 8-Nov-24: 1.63	At 30 June 2021: relative 5% increase in the forward exchange rates would result in a $889,000 increase the value of the liability. A relative 5% decrease in the forward exchange rate would result in a $889,000 decrease in the value of the liability
			At 30 June 2020: 8-Nov-21: 1.648 8-Nov-22: 1.668 8-Nov-23: 1.689 8-Nov-24: 1.714	At 30 June 2020: A relative 5% increase in the forward exchange rates would result in a $3,378,000 increase the value of the liability. A relative 5% decrease in the forward exchange rate would result in a $3,382,000 decrease in the value of the liability.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency in which they are measured. The risk is monitored using sensitivity analysis and cash flow forecasting. The Group is also exposed to foreign exchange translation risk arising from its foreign operations. The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature. In addition, the parent entity has intercompany receivables from its subsidiaries denominated in Australian Dollars which are eliminated on consolidation. The gains or losses on re-measurement of these intercompany receivables from foreign currencies to Australian Dollars are not eliminated on consolidation as the loans are not considered to be part of the net investment in the subsidiary.

The Group's exposure to foreign currency risk at 30 June were as follows:

2021	AUD $'000	USD $'000	GBP $'000	EUR $'000	SGD $'000	CAD $'000	HKD $'000	CHF $'000	AED $'000	JPY $'000
Financial Assets										
Cash and cash equivalents	–	14,676	270	1,196	63	76	9,257	53	38	55
Receivables from litigation contracts and other	–	10,071	–	108	–	16,533	–	–	–	–
Intercompany loan receivable	–	30,194	(644)	–	(1,661)	–	–	–	–	–
Total assets	–	54,941	(374)	1,304	(1,598)	16,609	9,257	53	38	55
Financial Liabilities										
Trade Payables	80	919	167	319	1	48	97	3	4	(34)
Deferred consideration liabilities	66,315	–	–	–	–	–	–	–	–	–
Total liabilities	66,395	919	167	319	1	48	97	3	4	(34)

Note 15: Financial risk management (continued)

2020	AUD $'000	USD $'000	GBP $'000	EUR $'000	SGD $'000	CAD $'000	HKD $'000	CHF $'000	AED $'000	JPY $'000
Financial Assets										
Cash and cash equivalents	–	26,821	81	2,573	813	1,225	10,434	89	567	64
Receivables from litigation contracts and other[1]	–	21,219	1,973	1,700	–	–	–	–	–	–
	–	48,040	2,054	4,273	813	1,225	10,434	89	567	64
Financial Liabilities										
Trade Payables	–	18	–	349	1,125	(1)	–	307	–	–
Deferred consideration liabilities	118,816	–	–	–	–	–	–	–	–	–
	118,816	18	–	349	1,125	(1)	–	307	–	–

1 The receivables from litigation contracts and other balance includes the intercompany loan receivable that Omni Bridgeway Limited has with Omni Bridgeway Holdings (USA) Inc (formerly Bentham Holdings Inc) (USD), Omni Bridgeway Capital (Canada) Limited (formerly Bentham IMF Capital Limited) (CAD) and Omni Bridgeway (Singapore) Pte Limited (formerly IMF Bentham Pte Limited) (SGD).

The Group's exposure to foreign currency risk on cash and cash equivalents primarily relates to foreign cash holdings within the parent entity. The USD foreign currency risk for receivables is predominately due to the Group's Euro denominated subsidiaries which have USD receivables. The AUD foreign currency risk for deferred and variable deferred consideration is due to Omni Bridgeway (Storm) Holdings BV's acquisition of the OBE Group and its requirement to deliver AUD denominated shares in the Company.

Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the subsidiary's functional currency to the listed currencies, with all other variables held constant. The sensitivity is based on management's estimate of reasonably possible changes over the financial year.

		Impact on profit or loss before tax ($'000)									
		AUD	USD	GBP	EUR	SGD	CAD	HKD	CHF	AED	JPY
30 June 2021	**+10%**	**6,584**	**(7,191)**	**100**	**(156)**	**158**	**(1,779)**	**(157)**	**(7)**	**(1)**	**–**
	-10%	**(6,584)**	**7,191**	**(100)**	**156**	**(158)**	**1,779**	**157**	**7**	**1**	**–**
30 June 2020	+10%	14,308	(7,006)	(368)	(700)	(85)	(131)	(196)	33	(23)	–
	-10%	(14,326)	7,006	368	700	85	131	196	(33)	23	–

Note 16: Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows comprise cash at bank and on hand, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash on hand and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank	**88,107**	101,037
Short-term deposits	**54,541**	93,347
	142,648	194,384

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. Of the cash at bank, $1,313,000 (2020: $1,089,000) is restricted as it is held within Stichting vehicles on behalf of customers. The Stichting vehicles were founded as a separate, independent foundation to ensure the cash flows related to the claims were secured.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group. As at 30 June 2021, all short-term deposits are due to mature in less than 90 days from inception and earn interest at the respective short-term deposit rates.

Bank Guarantees

Bank guarantees have been issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for investments funded under litigation contracts. As at 30 June 2021, guarantees of $1,163,000 were outstanding (2020: $1,204,000). The Group has a total guarantee facility limit of $1,432,000 (2020: $1,474,000) that is secured by an offset arrangement with deposits of $1,632,000 (2020: $1,674,000). Cash in Funds can only be used for litigation matters and expenses in the Funds.

Note 17: Debt securities

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

The borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

	Consolidated	
	2021 $'000	2020 $'000
Non-Current		
Omni Bridgeway Bonds	**75,290**	73,942
Fixed Rate Notes	**70,232**	69,842
	145,522	143,784

Note 17: Debt securities (continued)

Cash and non-cash movements in debt securities are shown below:

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	**143,784**	143,972
Proceeds from issue of debt	**–**	34,284
Repayment of debt	**–**	(34,284)
Payments for costs of issuing debt	**–**	(2,183)
Amortisation of costs of issuing debt	**1,738**	1,995
Balance at 30 June	**145,522**	143,784

There are 760,000 Bonds on issue with a face value of $100 each. The Omni Bridgeway Bonds have a variable rate of interest based on the Bank Bill rate plus a fixed margin of 4.20% per annum, paid quarterly. The maturity date is 22 December 2022, with a first issuer call date of 8 January 2022 with an increase in the margin of 1.0% applying from 1 January 2022 to the maturity date.

On 20 December 2019, the Company refinanced its Fixed Rate Notes by early redemption of the existing notes by payment of 101% of the outstanding principal and accrued interest to the date of redemption. Of the notes on issue, 34,284 notes were redeemed and new notes issued to new noteholders and 37,716 notes were exchanged for new notes. The interest rate payable to new Noteholders is 5.65% per annum payable quarterly. The Fixed Rate Notes are due to mature on 8 January 2026 and are secured by a security interest over all present and after-acquired property of the Group.

The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of $8.961 million (2020: $10.385 million) during the current financial year as part of the Litigation Contracts in Progress intangible assets which are deemed to be qualifying assets post the application date of AASB 123 (revised) on 1 July 2009 (refer to Note 13).

In relation to the debt securities held by the Group, there were no material breaches in covenants. The following ratios are applicable to the Group for the financial year:

	Consolidated	
	2021	2020
Gearing ratio[1]	**40%**	46%
Working capital ratio[2]	**4.86**	3.67
Interest cover[3]	**N/A**	N/A

1 The gearing ratio is calculated as total liabilities over total equity in accordance with CO 14/1276. It is categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information, issued in December 2011.

2 The working capital ratio is calculated as current assets over current liabilities in accordance with CO 14/1276. It is categorised as non-IFRS information prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information, issued in December 2011.

3 The interest cover ratio is calculated as EBITDA over net interest expense in accordance with CO 14/1276. It is not applicable as interest is capitalised on qualifying assets.

Note 17: Debt securities (continued)

In accordance with the Financial covenants required per OBL Bonds Trust Deed and OBL Note Trust Deed, the current resources of the Issuer Group as at 30 June 2021 was $233.002 million (2020: $203.857 million) which comprised:

	Consolidated	
	2021 $'000	2020 $'000
Cash at bank	**98,664**	132,463
Deposits	**–**	–
Financial instruments	**–**	–
Receivables from litigation contracts & other	**134,338**	71,394
	233,002	203,857

In accordance with clause 5.9(a)(ii) of the OTC Note terms and in accordance with clause 4.5(a)(ii) of Schedule 2 of the OBL Bond Trust Deed, OBL confirms that at all times during the previous six months no wholly owned subsidiary held cash on its balance sheet in an amount which at any time exceeds the subsidiary cash limit at that time for a period of more than 30 consecutive calendar days, unless the relevant wholly owned subsidiary has provided an unconditional guarantee of all amounts owing on the bonds then outstanding in favour of the Trustee.

Note 18: Contributed equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Consolidated	
	2021 $'000	2020 $'000
Contributed equity		
Issued and fully paid ordinary shares	**389,501**	347,630

(a) Ordinary shares

Fully paid ordinary shares carry one vote per share and the right to dividends.

	Number '000	$'000
Movement in ordinary shares		
At 1 July 2019	204,609	205,558
Shares issued during the year (Entitlement offer and Placement)	40,571	134,212
Shares issued upon exercise of performance rights	4,231	6,021
Shares issued under the Dividend Reinvestment Plan	454	1,839
At 30 June 2020	249,865	347,630
Shares issued during the year (Deferred and Variable Deferred Consideration)	**8,120**	**33,537**
Shares issued upon exercise of performance rights	**3,604**	**6,064**
Shares issued under the Dividend Reinvestment Plan	**591**	**2,270**
At 30 June 2021	**262,180**	**389,501**

On 25 September 2020, the Company issued 590,734 shares at $3.84 per share under its Dividend Reinvestment Plan.

Note 18: Contributed equity (continued)

(b) Performance rights

As at 30 June 2021, there were 18,528,532 unissued ordinary shares in respect of which share performance rights were outstanding (2020: 17,302,007).

(c) Capital management

Capital includes bonds, notes, lease liabilities and equity attributable to the equity holders of the Parent. When managing capital, management's objective is to ensure the Group continues as a going concern while maintaining optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The Group's earnings often vary dramatically, and this is expected to continue in future. Management's policy is to pay dividends to shareholders from earnings where there is capital surplus to the needs of the business.

The Group is not subject to any externally imposed capital requirements. Omni Bridgeway Limited's accumulated losses/retained earnings are disclosed in Note 32.

Note 19: Retained earnings/(accumulated losses) and reserves

(a) Movements in retained earnings/(accumulated losses) were as follows:

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	**(6,597)**	12,494
Effect of adoption of AASB 16 Leases	**–**	(67)
Net loss for the year	**(25,451)**	(11,542)
Dividend paid	**(10,139)**	(7,482)
Balance at 30 June	**(42,187)**	(6,597)

(b) Movements in reserves were as follows:

	Share based payment reserve $'000	Foreign currency translation reserve $'000	Option premium reserve $'000	Convertible note reserve $'000	Fund equity reserve $'000	Total reserves $'000
Balance at 1 July 2019	17,749	(427)	3,404	3,832	(23,665)	893
Movements in reserves during the year	6,169	(10,981)	–	–	(1,113)	(5,925)
Balance at 30 June 2020	23,918	(11,408)	3,404	3,832	(24,778)	(5,032)
Movements in reserves during the year	4,409	(16,997)	–	–	2,179	(10,409)
Balance at 30 June 2021	**28,327**	**(28,405)**	**3,404**	**3,832**	**(22,599)**	**(15,441)**

Note 19: Retained earnings/(accumulated losses) and reserves (continued)

(c) Nature and purpose of reserves

i. *Share-based payment reserve*
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel as part of their remuneration. Refer to Note 30 for further details of this plan.

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

iii. *Option premium reserve*
This reserve is used to record the value of equity benefits provided to employees and directors, including Key Management Personnel, as part of their remuneration. This reserve relates to the previous plan for options already vested.

iv. *Convertible note reserve*
This reserve was used to record the equity portion on the convertible notes (issued on 13 December 2010), which were fully redeemed by the Company during December 2013.

v. *Fund equity reserve*
This reserve is used to record changes in the proportion of equity held by non-controlling interests within the Group.

D. WORKING CAPITAL, OTHER ASSETS AND OTHER LIABILITIES

Note 20: Receivables from litigation contracts and other

Receivables are recognised initially at fair value and subsequently remeasured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Collectability of receivables from litigation contracts is reviewed on an ongoing basis. Collectability of receivables from litigation contracts is reviewed on an ongoing basis. The Group recognises an allowance for expected credit losses (ECLs) for all receivables based on the difference between the contractual cash flows due and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows may include funds that are already held within a solicitor's trust account. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). As at 30 June 2021 the value of the ECL allowance is nil (2020: nil).

	Consolidated	
	2021 $'000	**2020 $'000**
Current		
Receivables from litigation contracts[1]	**175,655**	118,701
Other receivables[2]	**33,734**	10,286
	209,389	128,987
Non-current		
Receivables from litigation contracts[3]	**21,916**	5,743
	21,916	5,743

1 The gross value of current receivables before ECLs at 30 June 2021 is $221.332 million (2020: $118.701 million)

2 Other receivables comprise interest receivable upon the maturity of the Group's short-term deposits (between 30 and 90 days), receivables from co-funders of litigation contracts in progress, short term loans and deposits receivable.

3 The gross value of non-current receivables before ECLs at 30 June 2021 is $26,080 million (2020: $5,743 million)

Fair value and credit risk

Due to the nature of these receivables, the carrying value of the current receivables approximates its fair value. The maximum exposure to credit risk is the carrying value of receivables. Settlement funds may be held as security. It is not the Group's policy to transfer (on-sell) receivables.

Note 21: Contract costs

The Group holds management and advisory contracts in respect of Fund 4 and Fund 5. Incremental costs incurred in obtaining a contract are capitalised when the Group expects to recover the costs and are amortised on a systemic basis that is consistent with the Group's transfer of related services to the customer.

The amounts have been capitalised as shown below. The amounts are being amortised on a straight line basis over a period of seven years, being in reference to the initial four-year commitment period of the fund plus the estimated litigation funding contract life of three years.

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	5,400	6,339
Amortisation of contract costs	(939)	(939)
Balance at 30 June	4,461	5,400
Current	939	939
Non-current	3,522	4,461
	4,461	5,400

Note 22: Other assets

	Consolidated	
	2021 $'000	2020 $'000
Current		
Prepayments	2,216	2,274
Deposits	2,793	2,750
	5,009	5,024
Non-current		
Prepayments	8,735	11,522
Deposits	7,445	–
Financial investments	389	–
Other	1,200	887
	17,769	12,409

Financial Investments

Financial investments represent the Group's investments made into Managed Investment Schemes ("MIS") relating to Australian Class Action Lawsuits. The Group participates in these investments via its' 20% participation in Fund 5 investments.

As at 30 June 2021 there were six separate investments into MIS's as follows –

1. The Prawn White Spot Litigation Funding Scheme (ARSN 647 887 027)
2. The Certain Underwriters at Lloyds Group Litigation Funding Scheme (ARSN 647 497 229)
3. Spring Farm Litigation Funding Scheme (ARSN 649 089 912)
4. Freedom Foods Group Litigation Funding Scheme (ARSN 646 754 378)
5. The Lloyds BII Claim Litigation Funding Scheme (ARSN 650 744 228)
6. The QBE BII Claim Litigation Funding Scheme (ARSN 650 744 415)

Note 22: Other assets (continued)

These investments are not consolidated into the Group and are classified as financial assets at fair value through the profit or loss. The investments are initially recognised at fair value plus any attributable transaction costs and are subsequently measured at fair value at each reporting date. Management judgement is required when calculating the fair value of the investments. Level 3 inputs are used in the fair value calculation and estimation of fair value is inherently uncertain.

Typically the fair value of investments are equivalent to the Group's deployed capital on the investment, being the Group's share of funded costs of the litigation plus any associated other funded costs of the MIS, until there is some material objective positive or negative event in the underlying litigation that would cause a change in value.

The responsible entity of the MIS's is Omni Bridgeway Managed Investments Limited, which is part of the consolidated Group.

Note 23: Plant and equipment

Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing parts is incurred. All other repairs and maintenance are recognised in the profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The major categories of property, plant and equipment are depreciated as follows:

- Equipment 2 to 5 years;
- Furniture 2 to 6 years;
- Leasehold 2 to 11 years; and
- Right-of-use 2 to 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end. An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (ie. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised (Refer to Note 26), initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

	Consolidated	
	2021 $'000	2020 $'000
Gross carrying amount - at cost	**14,181**	12,833
Accumulated depreciation	**(8,276)**	(5,911)
Net carrying amount	**5,905**	6,922

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Note 23: Plant and equipment (continued)

Reconciliation of carrying amounts at the beginning and end of the year

	Equipment $'000	Furniture, Fixtures and Fittings $'000	Leasehold Improvements $'000	Right-of-use assets $'000	Total $'000
Gross carrying amount					
Balance at 1 July 2019	1,085	482	2,025	–	3,592
Adjustment on adoption of AASB16	–	–	–	3,054	3,054
Additions recognised at acquisition	788	442	–	1,993	3,223
Additions	166	103	138	2,770	3,177
Disposals	–	–	(231)	–	(231)
Effect of movement in foreign currency	2	10	6	–	18
Balance at 30 June 2020	2,041	1,037	1,938	7,817	12,833
Additions	**266**	**42**	**5**	**1,778**	**2,091**
Disposals	**(154)**	**–**	**–**	**–**	**(154)**
Effect of movement in foreign currency	**(73)**	**(111)**	**(12)**	**(393)**	**(589)**
Balance at 30 June 2021	**2,080**	**968**	**1,931**	**9,202**	**14,181**
Accumulated depreciation					
Balance at 1 July 2020	760	323	1,397	–	2,480
Depreciation charge recognised at acquisition	379	378	–	–	757
Depreciation charge for the year	221	118	379	2,194	2,912
Disposals	–	–	(183)	–	(183)
Effect of movement in foreign currency	(19)	(11)	(25)	–	(55)
Balance at 30 June 2020	1,341	808	1,568	2,194	5,911
Adjustment on adoption of AASB16	**–**	**–**	**–**	**(363)**	**(363)**
Depreciation charge for the year	**414**	**3**	**249**	**2,453**	**3,119**
Disposals	**(91)**	**–**	**–**	**–**	**(91)**
Effect of movement in foreign currency	**(70)**	**(35)**	**(3)**	**(192)**	**(300)**
Balance at 30 June 2021	**1,594**	**776**	**1,814**	**4,092**	**8,276**

Plant and Equipment of the Company is subject to a fixed charge to secure the Company's debt due to Bondholders. See Note 17 for further details. Refer to Note 26 for further information on Right-of-use assets and their associated leases.

Note 24: Trade and other payables

Trade payables, other payables and accruals are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group or liabilities to provide funding in relation to an investment to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services or deployment against investment commitments. The amounts are unsecured, non-interest bearing and are usually paid within 30 days of recognition.

	Consolidated	
	2021 $'000	2020 $'000
Trade payables	**18,688**	20,333
Wage accruals	**501**	1,833
Interest accruals	**1,820**	1,878
	21,009	24,044

Fair Value

Due to the nature of trade and other payables, their carrying value approximates their fair value.

Note 25: Provisions

General provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave, long service leave and bonuses.

Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the periods in which the employees render the related services are recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method.

Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

	Consolidated	
	2021 $'000	2020 $'000
Current		
Annual leave and vested long service leave	**4,637**	3,498
Adverse costs	**19,100**	672
Bonus	**677**	10,753
	24,414	14,923
Non-Current		
Premises lease make good	**278**	282
Long service leave	**577**	395
	855	677

Note 25: Provisions (continued)

(a) Movement in provisions

	Adverse costs $'000	Annual leave $'000	Long service leave $'000	Premises lease make good $'000	Bonus $'000	Total $'000
Balance at 1 July 2020	672	2,693	1,200	282	10,753	15,600
Arising during the year	18,428	2,001	281	–	999	21,709
Utilised	–	(892)	–	–	(11,077)	(11,969)
Effect of movement in foreign currency	–	(69)	–	(4)	2	(71)
Balance at 30 June 2021	**19,100**	**3,733**	**1,481**	**278**	**677**	**25,269**
Current 2021	19,100	3,733	904	–	677	24,414
Non-current 2021	–	–	577	278	–	855
	19,100	**3,733**	**1,481**	**278**	**677**	**25,269**
Current 2020	672	2,693	805	–	10,753	14,923
Non-current 2020	–	–	395	282	–	677
	672	2,693	1,200	282	10,753	15,600

(b) Nature and timing of provisions

Adverse costs

The Group raises a provision for adverse costs when the underlying litigation, arbitration, enforcement or recovery which was funded is lost and the jurisdiction requires adverse costs to be paid to the counter party. When an investment is lost and an appeal is lodged, the Group still raises a provision. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit. Typically, this estimate is between 40% to 80% of the amount spent by the plaintiff, on the basis that there is only one defendant per case. Refer to Note 28 for further details on adverse costs.

As at 30 June 2021, adverse costs provision of $19.1 million (2020: $0.7 million) had been recognised for two on-balance sheet investments and one investment in the Funds that received an unfavourable judgment. Of that amount, $9.4 million will be recovered from insurance proceeds ($8.6 million) and as part of a co-funding agreement ($0.8 million) and this amount has been recognised as a receivable. As a result, $15.3 million has been expensed and is included in other expenses.

Premises lease make good

The make good provision relates to amounts recognised for make good requirements on leases of office space.

Bonus

The bonus provision relates to amounts accrued based on management's best estimate to be paid to employees.

Note 26: Lease liabilities

The Group has lease contracts for rental property and motor vehicles. These leases generally have lease terms between 3 and 7 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Rental property $'000	Other equipment $'000	Total $'000
Balance at 1 July 2019	3,001	53	3,054
Additions	4,763	–	4,763
Depreciation expense	(2,171)	(23)	(2,194)
Balance at 30 June 2020	5,593	30	5,623
Additions	2,141	–	2,141
Depreciation expense	(2,429)	(24)	(2,453)
Effects of movement in foreign currency	(201)	–	(201)
Balance at 30 June 2021	**5,104**	**6**	**5,110**

Note 26: Lease liabilities (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Consolidated	
	2021 $'000	2020 $'000
Balance at 1 July	**5,684**	3,205
Additions	**2,657**	4,494
Accretion of interest	**750**	263
Payments	**(2,947)**	(2,278)
Effects of movement in foreign currency	**(301)**	–
Balance at 30 June	**5,843**	5,684
Current	**2,449**	2,870
Non-current	**3,394**	2,814
	5,843	5,684

The following are the amounts recognised in profit or loss:

	Consolidated	
	2021 $'000	2020 $'000
Depreciation expense on right-of-use assets	**2,453**	2,194
Interest expense on lease liabilities (included in finance costs)	**750**	263
Expense relating to short-term leases	**352**	205
Expenses relating to leases of low-value assets (included in corporate and office expense)	**209**	189
Total amount recognised in profit and loss	**3,764**	2,851

The Group had total cash outflows for leases of $3,508,000 in 2021 (2020: $1,515,000). The future cash outflows relating to leases that have not yet commenced are disclosed in Note 28.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	Within five years $'000	More than five years $'000	Total $'000
Extension options not expected to be exercised	531	–	531

Note 27: Other financial liabilities

Variable consideration relating to purchased claims is initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Deferred and variable deferred consideration is valued at fair value at the acquisition date as part of at FVPL business combination. The deferred and variable deferred consideration meets the definition of a financial liability, and it is subsequently remeasured at fair value at each reporting date.

	Consolidated	
	2021 $'000	2020 $'000
Current		
Deferred consideration	–	20,681
Variable deferred consideration	14,647	17,655
Variable consideration - Purchased claims	5,070	–
	19,717	38,336
Non-Current		
Deferred consideration	17,783	22,105
Variable deferred consideration	33,886	58,375
Variable consideration - Purchased claims	9,306	4,884
	60,975	85,364

Deferred and variable deferred consideration

Deferred and variable deferred consideration relates to the acquisition of OBE Group. The determination of the fair value is designated as level 3 in the fair value hierarchy. Refer to Notes 15 and 31 for further information.

Note 27: Other financial liabilities (continued)

The following table reconciles the movements in recurring fair value measurements categorised within level 3 of the fair value hierarchy:

	Deferred consideration $'000	Variable Deferred consideration $'000	Total $'000
Current			
Balance at 1 July 2020	**20,681**	**17,655**	**38,336**
Fair value remeasurement recognised through profit and loss	**(2,793)**	**(3,403)**	**(6,196)**
Issue of shares to satisfy the liability	**(17,808)**	**(15,729)**	**(33,537)**
Reclassification from Non-Current	**–**	**16,194**	**16,194**
Effect of movement in foreign currency	**(80)**	**(70)**	**(150)**
Balance at 30 June 2021	**–**	**14,647**	**14,647**
Non-Current			
Balance at 1 July 2020	**22,105**	**58,375**	**80,480**
Fair value remeasurement recognised through profit and loss	**(3,628)**	**(6,465)**	**(10,093)**
Reclassification to Current	**–**	**(16,194)**	**(16,194)**
Effect of movement in foreign currency	**(694)**	**(1,830)**	**(2,524)**
Balance at 30 June 2021	**17,783**	**33,886**	**51,669**
Current			
Balance at 1 July 2019	–	–	–
Additions recognised through business combination	17,565	14,997	32,562
Fair value remeasurement recognised through profit and loss	2,816	2,402	5,218
Effect of movement in foreign currency	300	256	556
Balance at 30 June 2020	20,681	17,655	38,336
Non-Current			
Balance at 1 July 2019	–	–	–
Additions recognised through business combination	19,452	51,440	70,892
Fair value remeasurement recognised through profit and loss	2,321	6,058	8,379
Effect of movement in foreign currency	332	877	1,209
Balance at 30 June 2020	22,105	58,375	80,480

Note 28: Commitments and contingencies

Capital commitments

Omni Bridgeway Limited has $373.038 million in aggregate Investor Capital commitments to its Funds 1, 2 & 3, 4, 5, 6 and 7 collectively, of which $240.880 million is undrawn as at 30 June 2021.

The Funds have made aggregate funding commitments to Investments totalling $1,096.550 million, of which $523.554 million is yet to be deployed as at 30 June 2021.

Remuneration commitments

	Consolidated	
	2021 $'000	**2020 $'000**
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:		
Within one year	**5,461**	4,383
After one year but no more than five years	**–**	–
	5,461	4,383

Amounts disclosed as remuneration commitments also include commitments arising from the service contracts of, and bonuses payable to, directors and executives referred to in the Remuneration Report of the Directors' Report that are not recognised as liabilities and are not included in the compensation of Key Management Personnel.

Contingencies

In certain jurisdictions litigation funding agreements contain an undertaking from the Group to the client that the Group will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. It is not possible to predict in which cases such an award might be made.

In addition, the Group has insurance arrangements which, in some circumstances, will lessen the impact of such awards. The entire Funds 2 and 3 portfolio has an after the event ("ATE") insurance policy that will respond to claims for adverse costs in aggregate in excess of $7.5m up to the policy indemnity limit. The entire Fund 5 portfolio has an after the event ("ATE") insurance policy that will respond to claims for adverse costs in aggregate in excess of USD20 million up to the policy indemnity limit. Based on past experience, an award of adverse costs to a defendant will approximate 40% to 80% (depending on jurisdiction) of the amount paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant).

Accordingly, an estimate of the total potential adverse costs exposure of the Group which has accumulated from time to time may be made by assuming all cases are lost, that adverse costs equal 40% to 80% of the amount spent by the plaintiff and that there is only one defendant per case.

At 30 June 2021, the total amount spent on currently funded investments by the Group where undertakings to pay adverse costs have been provided was $107.476 million (2020: $129.856 million). The potential adverse costs orders using the above methodology would amount to $45.315 million (2020: $75.735 million). Subject to impairment considerations, the Group does not currently expect that any of the investments will be unsuccessful. The Group maintains a large cash holding in the event that one or more investments are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

Further to the contingent comment above, in respect to a number of investments where the Group has a potential exposure to adverse cost exposure OBL has provided a security deed poll. The group has invested $65,080,000 to these investments collectively. Where the investment is within a Fund OBL is indemnified by the respective Fund.

A portion of the consideration relating to the acquisition of OBE Group is contingent upon the OBE Group meeting performance targets. This is outlined in Note 31.

E. THE GROUP, MANAGEMENT AND RELATED PARTIES

Note 29: Key management personnel

Details of Key Management Personnel

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

Compensation of Key Management Personnel

	Consolidated	
	2021 $'000	2020 $'000
Short-term employee benefits	**4,818**	4,673
Post-employment benefits	**158**	155
Long term employee benefits	**157**	249
Share based payments	**3,154**	2,458
	8,287	7,535

Note 30: Share-based payment plan

Share-based payment transactions

(i) Equity-settled transactions

The Company's LTIP awards share performance rights to key senior employees. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Monte Carlo or Black Scholes Model depending on the type of LTIP.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of OBL (i.e. market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share-based payment reserve, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by OBL to employees of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated through consolidation. As a result, the expenses recognised by the Company in relation to equity-settled awards only represents the expense associated with grants to employees of the Parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and an expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

Where outstanding rights do not have an anti-dilutive effect and are currently meeting the performance criteria, the dilutive effect, if any, is added to share dilution in the computation of diluted earnings per share.

Note 30: Share-Based Payment Plan (continued)

(ii) Cash-settled transactions

The Group does not provide cash-settled share-based benefits to employees or senior executives.

Long Term Incentive Plan

LTIP awards are delivered in the form of performance rights over shares which vest after a period of three years subject to meeting performance measures. The Group uses relative TSR and CAGR of Funds Deployed as the performance measures.

For the portion of the LTIP subject to the relative TSR performance measure, the fair value of share performance rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share performance rights were granted. For the portion of the LTIP based on the achievement of CAGR of Funds Deployed, the Black-Scholes model is used.

4,528,546 share performance rights were issued during 2021 (2020: 5,431,814). Specific assessment for performance rights issued in the period is below:

Grant Date	1 July 2020	27 November 2020
Share price at grant date	$4.670	$4.250
Exercise price	Nil	Nil
Expected Volatility (%)	40%	40%
Dividend yield (%)	1.50%	1.50%
Risk-free rate (%)	0.27%	0.11%
Performance period	3 years ending 30 June 2023	3 years ending 30 June 2023
Models used	Monte Carlo & Black Scholes	Monte Carlo & Black Scholes
Tranche 1 - relative TSR (value per right $)	$2.530	$1.812
Tranche 2 - CAGR (value per right $)	$4.466	$4.089

The expense recognised for share based payments during the year is shown below:

	Consolidated	
	2021 $'000	**2020 $'000**
Share based payments expense	**13,755**	7,313

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share performance rights during the year:

	30 June 2021 Number	30 June 2021 WAEP	30 June 2020 Number	30 June 2020 WAEP
Movements during the year				
Outstanding at 1 July	**17,302,007**	**–**	15,601,589	–
Granted	**4,528,546**	**–**	5,431,814	–
Exercised	**(2,297,814)**	**–**	(2,425,845)	–
Forfeited	**(1,004,207)**	**–**	(1,305,551)	–
Outstanding at 30 June	**18,528,532**	**–**	17,302,007	–
Exercisable at 30 June	**4,829,705**	**–**	7,862,485	–

Note 31: Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in profit or loss in accordance with AASB 9. Refer to Note 15 and 27 for further information

Acquisition of Omni Bridgeway Holding BV

On 15 October 2019, the Group agreed to acquire 100% of shares in Omni Bridgeway Holding B.V. (OBE Group), a non-listed company headquartered in the Netherlands, and its subsidiaries in exchange for cash and share capital consideration. The primary purpose for the acquisition was to expand the Group's geographical footprint and also expand the types of litigation dispute resolution investments that it engages in. The transaction completed on 8 November 2019, for $122.737 million with a cash payment of EUR31.177 million ($51.003 million); a fair value of deferred consideration payable of EUR22.984 million ($37.017 million at acquisition) and a fair value of contingent variable deferred consideration amount payable of up to EUR41.251 million ($66.437 million at acquisition), subject to new business targets. Goodwill of $101.342 million was recognised and $103.065 million of fair value adjustment was required to individually identifiable assets.

Note 31: Business combination (continued)

(a) Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Omni Bridgeway as at the date of acquisition have been determined, as follows:

	Fair value recognised on acquisition $'000
Assets	
Cash and cash equivalents	10,345
Other receivables	39,914
Other financial assets	4,923
Plant and equipment	473
Right-of-use assets	1,993
Claims portfolio	98,330
Purchased claims	12,785
Intangible assets - litigation contracts in progress	53,435
Investment in associates and joint ventures	19
	222,217
Liabilities	
Trade and other payables	44,174
Provisions	1,490
Deferred income tax liabilities	20,127
Lease liabilities	1,993
	67,784
Total identifiable net assets at fair value	154,433
Non-controlling interests	(102,109)
Goodwill arising on acquisition[1]	101,342
Purchase consideration	153,666

1 Goodwill recognised is primarily attributable to the future investment performance of the OBE Group and expected synergies and other benefits from combining the assets and activities of the OBE Group with those of the Group. The goodwill is not deductible for tax purposes.

For the current year the OBE Group was fully consolidated in the revenue and profit/(loss), refer to segment note. From the date of acquisition to 30 June 2020, the OB Group contributed revenue of $25.839 million and $1.299 million loss before tax. If the combination had taken place on 1 July 2019, revenue from continuing operations would have been $30.097 million and loss before tax from continuing operations for the Group would have been $9.670 million for the year ended 30 June 2020.

Note 31: Business combination (continued)

The value of non-controlling interests acquired has been calculated with reference to the non-controlling interests' share of the fair value of net assets acquired.

	At acquisition $'000
Purchase Consideration	
Cash consideration	50,212
Deferred consideration	37,017
Variable deferred consideration	66,437
Total consideration	153,666
Analysis of cash flows on acquisition	
Cash consideration (included in cash flows from investing activities)	(50,212)
Transaction costs of the acquisition (included in cash flows from operating activities)	(4,838)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	10,345
Net cash outflow on acquisition	(44,705)

Transaction costs of $4.838 million were expensed and are included in professional fees within corporate and office expenses on the Statement of Comprehensive Income for the year ended 30 June 2020.

(b) Deferred consideration

As part of the purchase agreement with the vendors, an amount of deferred consideration of EUR18.132 million ($29.202 million at acquisition) was agreed, payable in two equal instalments 12 months and 36 months after completion.

The fair value of the deferred consideration at acquisition is determined using the Black Scholes option pricing model. The key assumptions are detailed above in Note 15. As at the acquisition date, the fair value of the deferred consideration payable was estimated to be $37.017 million. The issue of shares in relation to tranche 1 of the deferred consideration payment was approved on at the OBL general meeting held on the 27 November 2020. The remaining tranche 2 deferred consideration payment will be satisfied by the issue of shares in Omni Bridgeway subject to shareholder approval at an issue price of $3.407 per share. If the deferred consideration is satisfied by the issue of OBL shares and the market value of those shares is less than $3.407 per share at the time of issue, OBL shall be obliged to make a further payment by way of deferred consideration of the difference in value. If shareholder approval is not obtained for the deferred consideration to be satisfied by way of the issue of OBL shares, OBL will be obliged to make the payment in cash at the higher of EUR9.066 million or the value of the OBL shares which would have been issued had shareholder approval been obtained.

	$'000
Balance at 30 June 2019	–
Liability arising on business combination	37,017
Fair value remeasurement recognised through profit and loss	5,137
Effect of movement in foreign currency	632
Balance at 30 June 2020	42,786
Fair value remeasurement recognised through profit and loss	(6,421)
Issue of shares to satisfy the liability	(17,808)
Effect of movement in foreign currency	(774)
Balance at 30 June 2021	17,783

Note 31: Business combination (continued)

(c) Variable deferred consideration

As part of the purchase agreement with the vendors, an amount of variable deferred consideration of up to EUR32.500 million ($52.343 million at acquisition) was agreed. This will be payable over a five year period subject to performance milestones. On 14 February 2020, the Company obtained shareholder approval for the issue of up to a maximum of 17,328,712 shares toward satisfaction of the variable deferred consideration liability that may become payable.

The variable deferred consideration will (to the extent it becomes payable) be satisfied by the issue of shares in the Company at an issue price of $3.407 per share. If the market value of those shares is less than $3.407 at the time of issue, the Group shall be obliged to make a further payment by way of variable deferred consideration for the difference in value. The payment schedule for the variable deferred consideration is:

i. EUR8.000 million per year, over the period of 1 to 3 years following acquisition date, if the entity meets stipulated performance milestones; and
ii. EUR4.250 million per year, over the period of 4 to 5 years following acquisition date, if the entity meets stipulated performance milestones.

The milestones are focussed on cumulative annual new business generation.

As at the acquisition date, the fair value of the variable deferred consideration was estimated to be $66.437 million. The fair value of the variable deferred consideration has been determined using a probability weighted payout approach incorporating a Black Scholes option pricing model. The probabilities of meeting the business hurdles have been estimated by management and the valuation method is considered Level 3 in the fair value hierarchy. The key assumptions take into consideration the probability of meeting each target performance milestone % at both acquisition and balance sheet date. As at date of acquisition, the past key performance indicators of Omni Bridgeway show that it is highly probable that the target performance milestones will be achieved. The fair value of the variable deferred consideration determined at date of acquisition reflects this scenario.

	$'000
Balance at 30 June 2019	–
Liability arising on business combination	66,437
Fair value remeasurement recognised through profit and loss	8,460
Effect of movement in foreign currency	1,133
Balance at 30 June 2020	76,030
Fair value remeasurement recognised through profit and loss	(9,868)
Issue of shares to satisfy the liability	(15,729)
Effect of movement in foreign currency	(1,900)
Balance at 30 June 2021	48,533

Note 31: Business combination (continued)

ASX has granted the Company a waiver from Listing Rule 7.3.4, to permit the Company to seek Shareholder approval for the issue of the Variable Deferred Consideration Shares in respect of the Variable Deferred Consideration later than 3 months from the date of the Meeting but no later than 60 months after the date of Completion (ASX Waiver). The ASX Waiver was granted subject to the following conditions:

i. the Annual Targets not being varied;

ii. the maximum number of Variable Deferred Consideration Shares to be issued is calculated based upon the Minimum Deemed Issue Price and is stated in the Notice, along with adequate details regarding potential dilution;

iii. for any annual reporting during which any of the Variable Deferred Consideration Shares have been issued or any of them remain to be issued, the Company's annual report sets out in detail the number of Variable Deferred Consideration Shares issued in that annual reporting period, the number of Variable Deferred Consideration Shares that remain to be issued and the basis on which the Variable Deferred Consideration Shares may be issued;

iv. in any half year or quarterly report for a period during which any of the Variable Deferred Consideration Shares have been issued or remain to be issued, the Company must include a summary statement of the number of Variable Deferred Consideration Shares issued during the reporting period, the number of Variable Deferred Consideration Shares that remain to be issued and the basis on which the Variable Deferred Consideration Shares may be issued; and

v. the notice of shareholder meeting contains the full terms and conditions of the Variable Deferred Consideration Shares and the conditions of the Waiver.

Shares were issued in settlement of this obligation:

	2021 Number '000	2020 Number '000
Variable Deferred Consideration shares		
Maximum approved as permissible to issue	**17,329**	17,329
Previously issued	**–**	–
Issued during the year (Note 18)	**(8,120)**	–
Total issued	**(8,120)**	–
Remaining shares to be issued	**9,209**	17,329

The remaining balance may be issued per the payment schedule above if the cumulative annual business generation milestones are met.

Note 32: Parent entity information

	2021 $'000	2020 $'000
Information relating to Omni Bridgeway Limited:		
Current assets	**217,248**	201,473
Total assets	**593,376**	564,818
Current liabilities	**(38,991)**	(21,524)
Total liabilities	**(178,524)**	(165,826)
Net assets	**414,852**	398,992
Issued capital	**385,940**	345,548
Retained earnings/Accumulated losses	**(5,603)**	25,449
Reserves	**34,515**	27,995
Total shareholders' equity	**414,852**	398,992
Loss of the Parent	**(20,867)**	(13,315)
Total comprehensive loss of the Parent	**(20,867)**	(13,315)

Details of the contractual commitments and contingent liabilities of the Parent are contained in Note 28.

Note 32: Parent entity information (continued)

The consolidated financial statements include the financial statements of OBL and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage owned 2021 %	Percentage owned 2020 %
Fund 1			
Omni Bridgeway (Fund 1) LLC	USA	**50**	37
HC 1 LLC	USA	**12**	7
Security Finance (Fund 1) LLC	USA	**50**	37
Funds 2 & 3			
Omni Bridgeway (Fund 2) Pty Ltd	Australia	**24**	20
Omni Bridgeway (Fund 3) Pty Ltd	Australia	**24**	20
IMF Bentham ROW SPV 1 Limited	United Kingdom	**24**	20
IMF Bentham ROW SPV 2 Pty Ltd[1]	Australia	**24**	–
Fund 4			
Omni Bridgeway (Fund 4) Invt 1 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 2 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 3 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 4 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 5 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 6 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 7 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 8 LP	USA	**20**	20
Omni Bridgeway (Fund 4) Invt 9 LP	USA	**20**	20
JPV I LP[6]	USA	**20**	–
Fund 5			
Omni Bridgeway (Fund 5) GPA Pty Ltd	Australia	**100**	100
Fund 6			
Omni Bridgeway BV[2]	Netherlands	**81**	81
Omni Bridgeway LegalTech BV[2]	Netherlands	**41**	41
Omni Bridgeway Emerging Markets BV[2]	Netherlands	**81**	81
Omni Bridgeway Collective Redress BV[2]	Netherlands	**81**	81
Omni Bridgeway Asia Pte Ltd[2]	Singapore	**81**	81
Omni Bridgeway Holding (Switzerland) SA[2]	Switzerland	**81**	81
Omni Bridgeway SA[2]	Switzerland	**81**	81
Omni Bridgeway GmbH[2]	Germany	**81**	81
Minories Capital Ltd[2 7]	Guernsey	**81**	81
Omni Bridgeway Finance BV[2]	Netherlands	**81**	81
Stichting Client Accounts Omni Bridgeway[2 3]	Netherlands	**N/A**	N/A
Stichting Cartel Compensation[2 3]	Netherlands	**N/A**	N/A
Stichting Trucks Cartel Compensation[2 3]	Netherlands	**N/A**	N/A
Fund 7			
Omni Bridgeway Advisory Ltd[2]	United Arab Emirates	**65**	65

Note 32: Parent entity information (continued)

Name	Country of Incorporation	Percentage owned 2021 %	2020 %
Group Subsidiaries			
Omni Bridgeway Holdings (Fund 1) LLC	USA	**100**	100
Omni Bridgeway Capital GP (Fund 4) LLC	USA	**100**	100
Omni Bridgeway (USA) LLC	USA	**100**	100
Omni Bridgeway Management (USA) LLC	USA	**100**	100
Omni Bridgeway Holdings (USA) Inc	USA	**100**	100
Security Finance LLC	USA	**100**	100
Omni Bridgeway Capital (Canada) Limited	Canada	**100**	100
Lien Finance Canada Limited	Canada	**100**	100
Omni Bridgeway (Singapore) Pte Limited	Singapore	**100**	100
Omni Bridgeway (UK) Limited	United Kingdom	**100**	100
Omni Bridgeway (Cayman) Limited	Cayman Islands	**100**	100
Omni Bridgeway (Storm) Holdings Pty Ltd	Australia	**100**	100
Omni Bridgeway (Storm) Holdings BV	Netherlands	**100**	100
Omni Bridgeway Investment Management Ltd[5]	Australia	**100**	100
Omni Bridgeway Holding B.V.[2]	Netherlands	**100**	100
Omni Bridgeway Investment BV[2,4]	Netherlands	**100**	100

1 This entity was incorporated 15 March 2021.
2 Acquired through business combination with Omni Bridgeway Holding B.V. Group.
3 The Stichting vehicles were founded as separate, independent foundations to ensure the cash flows related to the claims were secured.
4 This holding this represents 100% of type A shares and voting rights. Type B shares, with no voting rights, represent 90% of share capital and receive 10% of yearly profits. Type A shares receive the remaining yearly profits.
5 This entity was incorporated 26 June 2020.
6 This entity was incorporated 7 July 2020.
7 This entity is currently under liquidation.

For all subsidiaries where there is less than 51% ownership interest, the Group has power to direct the relevant activities of the investee under contractual arrangements and exposure to variable returns the Group is considered to be acting as principal and thus has control.

Note 33: Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

	Country of Incorporation	Percentage owned 2021 %	Percentage owned 2020 %
Proportion of equity interest held by non-controlling interests:			
Fund 1			
Omni Bridgeway (Fund 1) LLC[1]	USA	**50**	63
HC 1 LLC[1]	USA	**88**	93
Security Finance (Fund 1) LLC[1]	USA	**50**	63
Funds 2 & 3			
Omni Bridgeway (Fund 2) Pty Ltd[2]	Australia	**76**	80
Omni Bridgeway (Fund 3) Pty Ltd[2]	Australia	**76**	80
IMF Bentham ROW SPV 1 Limited[2]	United Kingdom	**76**	80
IMF Bentham ROW SPV 2 Pty Ltd[2]	Australia	**76**	–
Fund 4			
Omni Bridgeway (Fund 4) Invt 1 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 2 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 3 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 4 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 5 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 6 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 7 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 8 LP[3]	USA	**80**	80
Omni Bridgeway (Fund 4) Invt 9 LP[3]	USA	**80**	80
JPV I LP	USA	**80**	–
Security Finance (Fund 4) LLC[3]	USA	**100**	80
Fund 6			
Omni Bridgeway BV[4]	Netherlands	**19**	19
Omni Bridgeway LegalTech BV[4]	Netherlands	**59**	59
Omni Bridgeway Emerging Markets BV[4]	Netherlands	**19**	19
Omni Bridgeway Collective Redress BV[4]	Netherlands	**19**	19
Omni Bridgeway Asia Pte Ltd[4]	Singapore	**19**	19
Omni Bridgeway Holding (Switzerland) SA[4]	Switzerland	**19**	19
Omni Bridgeway SA[4]	Switzerland	**19**	19
Omni Bridgeway GmbH[4]	Germany	**19**	19
Minories Capital Ltd[4]	Guernsey	**19**	19
Omni Bridgeway Finance BV[4]	Netherlands	**19**	19

Note 33: Material partly-owned subsidiaries (continued)

	2021 $'000	2020 $'000
Accumulated balances of material non-controlling interests:		
Omni Bridgeway (Fund 1) LLC[1]	**106,266**	126,987
HC 1 LLC[1]	**47,138**	47,104
Omni Bridgeway (Fund 2) Pty Ltd[2]	**62,481**	53,455
Omni Bridgeway (Fund 3) Pty Ltd[2]	**20,827**	17,804
Fund 4[3]	**85,120**	94,053
Fund 6[4]	**117,485**	100,640
Fund 7	**–**	–
Transaction costs, net of tax - disposal of non-controlling interest (Fund 1)	**(5,934)**	(5,934)
Transaction costs, net of tax - disposal of non-controlling interest (Funds 2 & 3)	**(2,909)**	(2,909)
	430,474	431,200
Profit/(loss) allocated to material non-controlling interests:		
Omni Bridgeway (Fund 1) LLC[1]	**47,599**	9,659
Omni Bridgeway (Fund 2) Pty Ltd[2]	**–**	14,325
Omni Bridgeway (Fund 3) Pty Ltd[2]	**–**	4,737
Fund 4	**(45,805)**	2,906
Fund 6	**5,226**	(2,486)
Fund 7	**–**	–
	7,020	29,141

1 The results and non-controlling interests of these entities comprise the results of Fund 1, included in Note 1 Segment Information.
2 The results and non-controlling interests of these entities comprise the results of Funds 2 & 3, included in Note 1 Segment Information.
3 The results and non-controlling interests of these entities comprise the results of Fund 4, included in Note 1 Segment Information.
4 The results and non-controlling interests of these entities comprise the results of Fund 6, included in Note 1 Segment Information.

Movements in NCI's during the year were as follows:

	Fund 1 $'000	Funds 2 & 3 $'000	Fund 4 $'000	Fund 5 $'000	Fund 6 $'000	Total $'000
Balance at 1 July 2019	202,529	68,573	25,450	–	–	296,552
Business combination	–	–	–	–	102,109	102,109
Contributions	–	–	69,092	–	–	69,092
Distributions	(57,753)	(10,561)	(3,464)	–	–	(71,778)
Change in share of net assets attributable to NCI	8,686	(8,724)	(137)	–	2,168	1,993
Profit/(loss)	9,659	19,062	2,906	–	(2,486)	29,141
Other comprehensive income	5,036	–	206	–	(1,151)	4,091
Balance at 30 June 2020	168,157	68,350	94,053	–	100,640	431,200
Contributions	**43**	**30,080**	**38,614**	**–**	**11,803**	**80,540**
Distributions	**(36,213)**	**(27,036)**	**(2,250)**	**–**	**–**	**(65,499)**
Change in share of net assets attributable to NCI	**73,630**	**9,005**	**(81,840)**	**–**	**(2,965)**	**(2,170)**
Profit	**(47,599)**	**–**	**45,805**	**–**	**8,814**	**7,020**
Other comprehensive loss	**(10,548)**	**–**	**(9,262)**	**–**	**(807)**	**(20,617)**
Balance at 30 June 2021	**147,470**	**80,399**	**85,120**	**–**	**117,485**	**430,474**

Note 33: Material partly-owned subsidiaries (continued)

Funds 2 & 3

On 13 September 2017, the Group established Omni Bridgeway (Fund 2) Pty Ltd and Omni Bridgeway (Fund 3) Pty Ltd Pty Ltd) (collectively "Funds 2 & 3").

Fund 4

On 26 October 2018, the Group established Omni Bridgeway Capital GP (Fund 4) LLC On 29 November 2018, the Group established Security Finance (Fund 4) LLC. On 4 December 2018, the Group established Bentham Investments 1 – 10 LP (collectively "Fund 4"). On 7 July 2020, the Group established JPV 1 LP.

Fund 5

On 20 June 2019, the Group established Fund 5, a non-US-centric investment structure.

Fund 6

Fund 6 was created in 2016 and was acquired by the Group as part of the November 2019 acquisition of OBE. This is an EMEA focused investment structure.

The summarised financial information of controlled entities with material non-controlling interests is provided below is based on amounts prior to intercompany eliminations:

	Fund 1		Funds 2 & 3		Fund 4		Fund 5		Fund 6	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Summarised statement of cash flows										
Operating	**12**	(98)	**(7,510)**	6,797	**(3,255)**	(310)	**–**	–	**(17,047)**	(49,682)
Investing	**(5,060)**	25,507	**(6,707)**	(27,923)	**(50,517)**	(66,042)	**–**	–	**7,182**	58,143
Financing	**41**	(57,724)	**10,564**	(10,561)	**45,825**	91,965	**–**	–	**11,803**	–
Net increase in cash and cash equivalents	**(5,007)**	(32,315)	**(3,653)**	(31,687)	**(7,947)**	25,613	**–**	–	**1,938**	8,461
Cash and cash equivalents at the beginning of the period	**17,365**	49,680	**6,671**	38,326	**31,246**	5,627	**–**	–	**8,556**	–
Foreign exchange	**(1,521)**	–	**–**	32	**(2,897)**	6	**–**	–	**(1,016)**	95
Cash and cash equivalents at the end of the period	**10,837**	17,365	**3,018**	6,671	**20,402**	31,246	**–**	–	**9,478**	8,556

Note 34: Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Note 34: Investment in associates and joint ventures (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

During the year, TCF a joint venture to the Group was wound down and deregistered. Also, during the year, Flight Refund Company Gmbh an associate to the Group was disposed-of. Both entities had immaterial balances to the Group at the time of disposal.

Interest in associates and joint ventures for the relevant financial year is provided below:

	2021 $'000	2020 $'000
Income	–	143
Total expenses	**121**	304
Operating loss	**(121)**	(161)
Equity accounted investment result	**7,390**	(13,425)
Net profit/(loss)	**7,269**	(13,587)
Share of profit/(loss) in associates and joint ventures[1]	**363**	(679)
Current assets	**322**	696
Non-current assets	**86,942**	101,245
Current liabilities	**309**	(11,195)
Equity	**86,955**	90,746
Group's share in equity - 5% (2020: 5%)	**4,453**	4,596
Group's carrying amount of the investment	**4,453**	4,596

1 The balances do not include immaterial associates and joint ventures.

Note 35: Related party disclosure

Transactions with director related entities

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Consolidated	
	2021 $'000	2020 $'000
Transactions with DLA Piper[1]	709	2,036
Transactions with FIIG Securities[2]	–	1,776
Transactions with Thomson Geer[1]	152	–
	861	3,812

1 During the year, the Group obtained legal advice from the following legal firms associated with Michael Bowen (i) DLA Piper - $0.7 million and (ii) Thomson Geer - $0.2 million (2020: $2.0 million). Mr Bowen was an associate of DLA Piper for less than half of FY21. The legal advice was obtained at arm's length. The Group engages a number of different law firms for its external legal advice and neither the relationship with Thomson Geer or DLA Piper is exclusive. Michael Bowen does not participate in any board decisions to appoint external counsel when Thomson Geer or DLA Piper is being considered for engagement.

2 The Group obtained services from FIIG Securities during the year ended 30 June 2020, for which Christine Feldmanis is a mutual Director. The services were provided at arm's length rates. Christine Feldmanis recuses herself from all discussions regarding the appointment of FIIG Securities and review of its service provision.

Note 36: Auditor's remuneration

Ernst & Young resigned as Auditors during the financial year and BDO was appointed on 17 May 2021.

The auditor of Omni Bridgeway Limited is BDO Audit (WA) Pty Ltd.

	Consolidated	
	2021 $'000	2020 $'000
Fees to BDO and Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities		
BDO	728	–
Ernst & Young	502	500
Fees for other assurance and agreed-upon procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm		
BDO	85	–
Ernst & Young	–	85
Fees for other services		
Due Diligence Report - Ernst & Young	–	354
Taxation - BDO	536	–
	1,851	939

Note 37: Events after the reporting date

Apart from that disclosed in this report, no other circumstances have arisen since 30 June 2021 that have significantly affected, or may significantly affect the consolidated entities' operations, the results of those operations, or the consolidated entities state of affairs in the future financial years.

Directors' Declaration

In accordance with a resolution of the Directors of Omni Bridgeway Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of Omni Bridgeway Limited for the financial year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of its financial position as at 30 June 2021 and performance for the year ended on that date; and

ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.

On behalf of the board

Michael Kay
Non-Executive Director

Andrew Saker
Managing Director

Sydney, 19 August 2021

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INDEPENDENT AUDITOR'S REPORT

To the members of Omni Bridgeway Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Omni Bridgeway Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with 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 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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

Impairment of litigation related assets

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Notes 11, 12 and 13 to the Financial Report, the Group recognises three different types of litigation assets, including: • Claims portfolio; • Purchased claims; and • Litigation contracts in progress. Whilst the assets are different from an accounting perspective, they are considered for impairment by the Group on a similar basis, using discounted cash flow models. As a result, the carrying values are contingent on future cash flows and there is a risk that if these cash flows do not meet the Group's expectations, or if significant estimates and judgements such as the estimated completion dates and/or discount rates change, the assets may be impaired. Furthermore, as disclosed in Note 13, significant impairment charges were recognised in the current year predominately relating to select Fund 1 and Fund 4 investments. This was a key audit matter because it requires a high level of estimate and judgement and changes in these assumptions might lead to a significant change in the carrying values of the litigation related assets.	Our procedures included, but were not limited to: • on a sample basis, assessing the effectiveness of the Group's controls in relation to the review of carrying values for litigation related assets, including controls over the discounted cash flow models and assumptions applied; • discussing significant investments with respective Case Investment Managers, in order to understand investment status and assess estimates and judgements made by the Group that impact the discounted cash flow models including litigation completion dates, litigation proceeds, budgeted costs to complete and intention to continue the litigation matter; • assessing the reasonableness of key assumptions including cash flow forecasts and considering the reliability of previous forecasts; • using our internal valuation specialists to assess the appropriateness of the discount rates applied; • testing the mathematical accuracy of the discounted cash flow models; • performing sensitivity analysis on key assumptions including cash flow forecasts and discount rates; • reviewing Board minutes, ASX announcements and other publicly available information to ensure the Group has not decided to discontinue or has been unsuccessful in investments; and • assessing the adequacy of the related disclosures in Notes 11, 12 and 13 to the Financial Report.

Carrying value of goodwill

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 14 to the Financial Report, the Group recognises goodwill in respect to the Fund 6 (OBE Group, EMEA) cash generating unit (CGU). The Group is required under Australian Accounting Standard AASB 136 *Impairment of Assets* ("AASB 136"), to perform an annual impairment test of the carrying value of goodwill. As a result, the Group's impairment assessment is undertaken using a value-in-use model. This was a key audit matter because it requires a high level estimate and judgement, in particular in estimating future growth rates, discount rates and the expected cash flows of the CGU to which the goodwill and other assets have been allocated.	Our procedures included, but were not limited to: • evaluating the Group's CGU identification and the allocation of goodwill and other assets to the carrying value of the CGU based on our understanding of the CGU's business; • assessing the reasonableness of key assumptions including cash flow forecasts, considering the reliability of previous forecasts and consistency with discounted cash flow models for the CGU's litigation related assets; • comparing the CGU's forecast cash flows to the board approved budget; • using our internal valuation specialists to assess the appropriateness of the discount rate applied; • performing sensitivity analysis on key assumptions including cash flow forecasts, growth and discount rates; • testing the mathematical accuracy of the value-in-use model; and • assessing the adequacy of the related disclosures in Note 14 to the Financial Report.

Other matter

The financial report of Omni Bridgeway Limited, for the year ended 30 June 2020 was audited by another auditor who expressed an unmodified opinion on that report on 24 August 2020.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 46 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Omni Bridgeway Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit (WA)

Glyn O'Brien

Director

Perth, 19 August 2021

Shareholder Information

The information set out below is current as at 31 July 2021.

(a) Distribution of Shareholders

Ordinary Share Capital

262,180,473 fully paid ordinary shares are held by 4,712 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

Omni Bridgeway Bonds

There are 760,000 bonds issued held by 518 individual bond holders. The Omni Bridgeway Bonds do not carry the right to vote at any shareholders meeting.

Options

There are no options issued over ordinary shares.

Performance Rights

18,528,532 performance rights were issued to 106 rights holders.

Fixed Rate Notes

There are 72,000 Fixed Rate Notes.

Distribution of Securities

The number of shareholders by size of holding, in each class are as at 31 July 2021:

	Number	Fully paid ordinary shares	% of issued capital	Number	Bonds
1 – 1,000	1,299	572,915	0.22	449	155,351
1,001 – 5,000	1,714	4,684,257	1.79	62	124,595
5,001 – 10,000	768	5,693,100	2.17	2	12,528
10,001 – 100,000	855	22,688,590	8.65	4	136,554
100,001 and over	76	228,541,611	87.17	1	330,972
	4,712	**262,180,473**	**100.00**	**518**	**760,000**

Non-marketable Parcels

There were 331 holders of less than a marketable parcel of ordinary shares.

(b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 31 July 2021 are:

Shareholder	Number of ordinary Shares	% of issued capital
Perpetual Limited	20,586,061	7.85
Challenger Limited	19,762,368	7.54
Greencape Capital Pty Ltd	19,762,368	7.54
Amitell Capital Pte Ltd	15,798,137	6.03
	75,908,934	**28.96**

(c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2021

Ordinary Shares	Number of ordinary Shares '000	% of issued capital
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	61,280	23.40
2. CITICORP NOMINEES PTY LIMITED	41,228	15.73
3. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,947	15.62
4. NATIONAL NOMINEES LIMITED	18,172	6.93
5. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,212	3.13
6. UBS NOMINEES PTY LTD	7,640	2.91
7. BNP PARIBAS NOMS PTY LTD	7,085	2.70
8. CPU SHARE PLANS PTY LTD	4,830	1.84
9. BNP PARIBAS NOMINEES PTY LTD	4,035	1.54
10. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,717	1.42
11. MCLERNON GROUP SUPERANNUATION PTY LTD	3,136	1.20
12. BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	2,839	1.08
13. CITICORP NOMINEES PTY LIMITED	1,972	0.75
14. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,766	0.67
15. CPU SHARE PLANS PTY LTD	1,278	0.49
16. MR PETER FREDERICK PHILLIPS + MRS ALICE SAU HAN PHILLIPS	1,274	0.49
17. RIVERDOOR CAPITAL B.V	1,209	0.46
18. MR DENNIS JOHN BANKS	1,097	0.42
19. BNP PARIBAS NOMINEES PTY LTD	1,075	0.41
20. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,057	0.40
	213,849	**81.59**

(d) Options as at 31 July 2021 – unquoted

There are no options issued.

(e) Securities subject to escrow

There are no securities subject to escrow.

(f) 20 Largest Holders of Quoted Omni Bridgeway Bonds as at 31 July 2021

	Bond Holders	Number of Bonds	% of units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	330,972	43.55
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	60,845	8.01
3	NATIONAL NOMINEES LIMITED	39,841	5.24
4	CITICORP NOMINEES PTY LIMITED	23,608	3.11
5	MUTUAL TRUST PTY LTD	12,260	1.61
6	MCLERNON GROUP SUPERANNUATION PTY LTD	7,500	0.99
7	NETWEALTH INVESTMENTS LIMITED	5,028	0.66
8	SANCTUARY GATE PTY LTD	5,000	0.66
9	CARRIER INTERNATIONAL PTY LIMITED	4,580	0.60
10	MELPEAT PTY LTD	3,500	0.46
11	MR CHIA-HO CHEN	3,435	0.45
12	PSTAR PTY LTD	3,269	0.43
13	CITER INVESTMENTS PTY LTD	3,002	0.40
14	BRIGHTON GRAMMAR SCHOOL FOUNDATION LTD	3,000	0.39
14	MS CAROLYN MARGARET EARL + MR JOHN WILLIAM NISSEN	3,000	0.39
14	MORBEN NOMINEES PTY LTD	3,000	0.39
14	ROBROZ PTY LTD	3,000	0.39
14	SINGAPORE INVESTMENTS PTY LTD	3,000	0.39
14	VOSBURG PTY LTD	3,000	0.39
20	JOWENE PTY LIMITED	2,585	0.34
		523,425	**68.85**

Corporate Information

This annual report covers both Omni Bridgeway Limited as an individual entity and the consolidated entity comprising Omni Bridgeway Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report. The Directors' Report is not part of the financial report.

Directors

Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
Raymond van Hulst	Executive Director
Michael Bowen	Non-Executive Director
Karen Phin	Non-Executive Director
Christine Feldmanis	Non-Executive Director

Company Secretary

Jeremy Sambrook

Registered office and principal place of business in Australia

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Share registry

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Level 3, 60 Carrington Street
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Auditors

BDO AUDIT (WA) PTY LTD
38 Station Street
Subiaco WA 6008

Bankers

NATIONAL AUSTRALIA BANK LIMITED
255 George Street
Sydney NSW 2000

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www.omnibridgeway.com

The Company is listed on the Australian Securities Exchange with Sydney, Australia as its home exchange. Its ASX code is "OBL" and its shares were trading as at the date of report.

The ordinary shares (Shares) of Omni Bridgeway Limited (OBL) are subject to ownership restrictions applying to residents of the United States.

The Shares have not been registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. In addition, OBL has not been registered under the US Investment Company Act of 1940 in reliance on an exemption from registration.

Accordingly, the Shares may not be offered or sold in the United States or to, or for the account or benefit of US Persons except in accordance with an available exemption from, or a transaction not subject to, the registration requirements of the US Securities Act, the US Investment Company Act and applicable US state securities laws.

In order to qualify for an exemption under the US Investment Company Act, the constitution of OBL provides that where a holder is an Excluded US Person:

- OBL may refuse to register a transfer of Shares to that Excluded US Person; and
- the Excluded US Person may be requested to sell such person's Shares and, if the Excluded US Person fails to do so within 30 business days, to be divested of such Shares and to receive the proceeds of sale (net of transaction costs, including any applicable brokerage) as soon as practicable after the sale.

In addition, OBL's constitution provides that a holder may be required to complete a statutory declaration in relation to whether they (or any person on whose account or benefit it holds Shares) are an Excluded US Person. Any holder who does not comply with such a request will be deemed to be an Excluded US Person.

The Shares are issued on terms under which each holder who is or becomes an Excluded US Person agrees to the above terms and irrevocably appoints OBL as that holder's agent and attorney to do all acts and things and execute all documents which OBL considers necessary, desirable or reasonably incidental to effect the above actions.

Definitions

An "**Excluded US Person**" means a holder of Shares (or a person who seeks to be registered as a holder of Shares) whom the directors of OBL have determined (i) is a US Person who is not a Qualified Purchaser or a Knowledgeable Employee or (ii) holds or will hold Shares for the account or benefit of any US Person who is not a Qualified Purchaser or a Knowledgeable Employee.

The term "**Qualified Purchaser**" has the meaning given in Section 2(a)(51) of the US Investment Company Act of 1940 and the rules and regulations of the US Securities and Exchange Commission.

The term "**US Person**" has the meaning given in Rule 902(k) of Regulation S under the US Securities Act of 1933.

Glossary of Terms

AASB	Australian Accounting Standards Board
Addressable Market	Is OBL's estimate of the annual amount spent by plaintiff/applicants on external costs of litigation/ dispute resolution that could be addressed by OBL's litigation funding service offering.
CAGR	Compound Annual Growth Rate
EMEA	Europe, Middle East and Africa
EPS	Earnings Per Share
Estimated Portfolio Value (EPV)	EPV for an investment where the funding entity earns: i. a percentage of the resolution proceeds as a funding commission, is OBL's current estimate of the claim's recoverable amount after considering the perceived capacity of the defendant to meet the claim and any other pertinent factors. Such amount is not necessarily the amount being claimed by the claimants, nor is it an estimate of the return to OBL if the investment is successful; ii. a funding commission calculated as a multiple of capital invested shall be calculated by taking OBL's estimate of the potential income return from the investment and grossing this up to an EPV using OBL's Long-Term Conversion Rate; and iii. a funding commission calculated on a combination of the above bases or on an alternative basis, may utilise one of the above methodologies, or a hybrid construct, or an alternative methodology depending upon the components of the funding commission. OBE Group's EPV has been estimated on a conceptually consistent basis; enforcement case investments may have a multi-layered approach from a timing and value perspective. Where OBE Group have not yet been able to ascertain an EPV consistent with the disclosed methodology an EPV of zero has been used. However calculated, an EPV is an estimate and is subject to change over time for a number of reasons, including, but not limited to, changes in circumstances and knowledge relating to an investment or the defendant(s) perceived capacity to meet the claim, partial recovery and, where applicable, fluctuations in exchange rates between the applicable local currency and the Australian dollar. Possible EPV's are reviewed and updated where necessary. The portfolio's value is the aggregation of individual investments' EPVs as determined above.
IC	Investment Committee
ICC	International Chamber of Commerce
ICSID	International Centre for Settlement of Investment Disputes
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
LTIP	Long Term Incentive Program
MOIC	Multiple on Invested Capital
NCI	Non-Controlling Interest
OCA	On-line Client Administration Proprietary Database
ROIC	Return on Invested Capital
SIAC	Singapore International Arbitration Centre
STIP	Short Term Incentive Program
TFR	Total Fixed Remuneration
TSR	Total Shareholder Return

Non-IFRS financial information included in this Report has been prepared in accordance with ASIC Regulatory Guidance 230 – Disclosing Non-IFRS financial information, issued December 2011. This information has not been audited or reviewed.

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