



## Appendix 4E - Final Report

**IMF Bentham Limited**  
**ABN 45 067 298 088**

**Financial year ended**  
**30 June 2016**

### Results for announcement to the market

Current reporting period: 30 June 2016  
 Previous reporting period: 30 June 2015

### Revenue and Net Profit

	Up/Down	Percentage Change	\$'000s
Revenue from ordinary activities (interest)	Down	(72%)	3,448
Total income	Up	109%	56,419
Profit from ordinary activities after tax attributable to members	Up	232%	20,920
Net profit for the period attributable to members	Up	232%	20,920

### Cents per share

Today the Directors have declared a final fully franked dividend which will be paid on 21 October 2016. The record date is 27 September 2016 and the shares will trade ex dividend from 26 September 2016.

7.5

No interim dividend was paid.

0.0

Total dividends per share for the current reporting period

7.5

In the previous reporting period the Directors declared a final fully franked dividend on 19 August 2015. The record date was 25 September 2015. This dividend was paid on 9 October 2015. There was an interim dividend declared on 10 February 2015 which was paid on 10 April 2015.

10.0

The final dividend declared today is an Eligible Dividend under the Company's Dividend Reinvestment Plan.

### Net Tangible Asset Backing

	Consolidated	
	2016	2015
	\$	\$
Net tangible assets per ordinary share	\$0.33	\$0.52
Net assets per ordinary share	\$1.19	\$1.11

Additional Appendix 4E disclosure requirements can be found in the Directors' Report, Financial Statements and the Notes to the Financial Statements contained in the IMF Bentham Annual Report for the year ended 30 June 2016.

### Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2016, which are contained within the IMF Bentham Annual Report, attached.

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**IMF**  
**BENTHAM**  
INTERNATIONAL LITIGATION FUNDING



Annual Report **2016**

# Contents

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IMF Bentham Limited is a leading global litigation funder and the first to list on the Australian Securities Exchange. We have now successfully expanded into the USA and Canada.

We have an experienced team to ensure the strongest cases receive funding and are managed to facilitate their successful resolution.

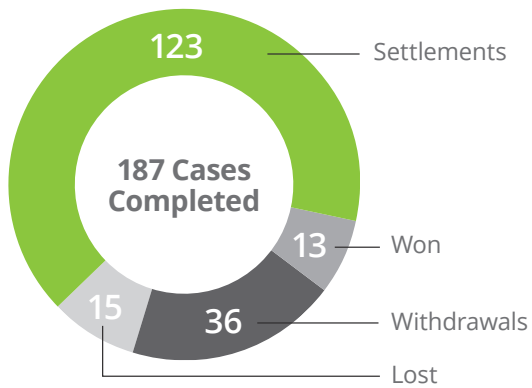
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# Highlights

## IMF'S TRACK RECORD



**\$1.8 billion**  
Total recoveries

**\$1 billion**  
Returns for Clients

**90%**  
Success Rate  
Excluding withdrawals

**2.4 years**  
Average case length

**1.55**  
Multiple on  
Invested Capital

**\$21**

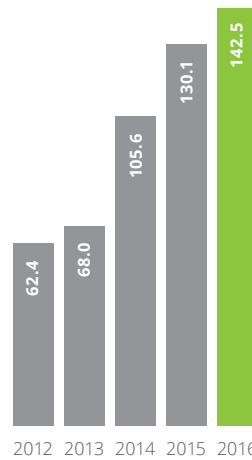
Million  
Net profit

Growth in net profit after tax including profit/loss from discontinued operations of 232% reflects a significant improvement year-on-year.

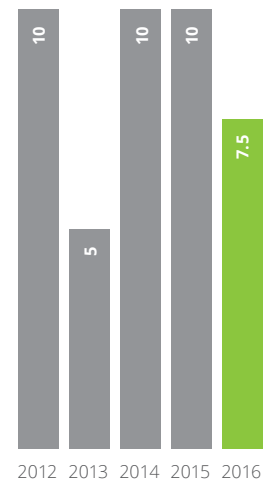
**\$66**

Million  
Net income from  
litigation funding  
(before lost cases)

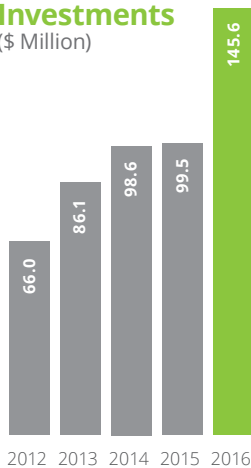
Cash  
(\$ Million)



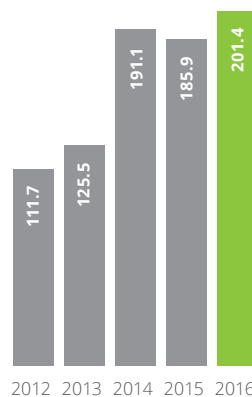
Total Dividend  
(cents/share)



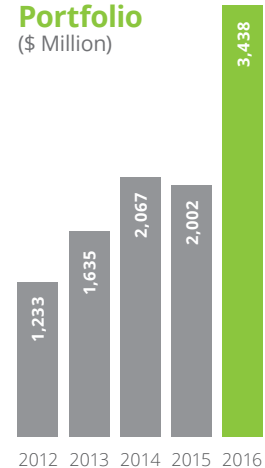
Investments  
(\$ Million)



Net Assets  
(\$ Million)



Portfolio  
(\$ Million)



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# Our Services

**Our principal activities are the investigation, management and funding of litigation claims.**

N.B. IMF does not provide legal advice



Funding for litigation



Factual investigations preliminary to litigation



Appeal funding



Payment of adverse costs orders



Strategic planning, monitoring and managing of litigation



Assistance in facilitating settlements and maximising the value of each claim

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# Board of Directors



**Michael Kay**  
Non-Executive Director and Chairman



**Andrew Saker**  
Managing Director and CEO



**Hugh McLernon**  
Executive Director



**Alden Halse**  
Non-Executive Director



**Michael Bowen**  
Non-Executive Director



**Wendy McCarthy**  
Non-Executive Director

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# Chairman and Managing Director's Report



After a difficult 2015 financial year which included significant changes to both board and management together with patchy results, 2016 has seen significant developments in the company's strategy and operational execution which have contributed to much improved financial results.

## Strategy

IMF commenced its transition process in January 2015 that manifested in a number of key areas during this financial year. The transition process is expected to be completed in the next 12 to 24 months.

One of the key objectives for this transition is the shift from idiosyncratic risk associated with a small number of large cases, to a systemic risk approach associated with a larger number of cases, diversified by size, type and geography with a view to creating a more reliable and consistent cash flow and smoothing, what historically have been, fairly lumpy results.

These changes have started to produce results, reflected in the increase in our portfolio size, carrying value of investments and case numbers. We intend to continue with this approach during the course of the forthcoming year as we seek to achieve the benefits of a portfolio approach to fund management.

At the end of the financial year, IMF sold its European joint venture interest to its former joint venture partner. In participating in the joint venture, IMF was seeking to mitigate the risk and costs of operating in Europe. After two years of operation it became apparent that an actively participating joint venture partner did not fit well with the IMF business model. The sale resulted from a joint venture deadlock sale mechanism and in no way reflects IMF's view on the European market. Achieving a sensible termination of the joint venture was an important and positive development for IMF. IMF is restricted from competing in parts of Europe for a period of 12 months ending in July 2017, after which IMF will consider re-entering the market.

The USA business continues to flourish, driven by an energetic management team and a very sizeable market which is relatively under-penetrated. The US (and Canadian) investment portfolio grew from \$0.619b in 2015 to \$1.642b in 2016 and now comprises 48% of our total portfolio. There remains enormous opportunity for profitable growth in this market and it is and will remain a key focus for us for the foreseeable future.

We commenced business in Canada in early calendar year 2016. While not of the same size as USA, it is nevertheless a large market for legal services and litigation funding is a relatively new concept there. We believe there is a significant opportunity for us in Canada and are setting ourselves to be at the vanguard of the development of that market.

We are continuing to consider other markets and are currently funding in Hong Kong, though have not yet opened an office there.

We have implemented two significant initiatives to further enhance our position as a global industry leader with our funding for the IMF Bentham Class Action Research Initiative in conjunction with the University of NSW and the Civil Justice Research Institute at the University of California, Irvine School of Law. These initiatives are directed at areas of academic research that relate to our core business offerings and principles.

## Financials

The financial results for the year ended 30 June 2016 are pleasing for both the management and shareholders of IMF. Income of \$103.245m, and net profit after tax of \$20.920m reflect a significant turnaround from the previous year. ROA increased from 2.2% in 2015 to 6.2% in 2016, and ROE increased from 3.4% in 2015 to 10.4% in 2016.

However, the results for the current financial year continue to reflect the former strategy, and have been derived from two significant outcomes in the second half of the financial year including S&P Lehman and US Case 008.

IMF set a target for the year to fund 37 cases and to commit \$86m in funds for deployment. During the year IMF agreed to fund 27 matters and committed to deploy \$81m. Whilst this is less than our target, it is a substantial increase over the previous year of 21 cases (28%) and \$54m in funds committed for deployment (50%). With the increase in the number of cases net of completions, the portfolio of cases increased from 39 active matters with an estimated claim value of \$2.002b as at 1 July 2015 to 54 active matters with an estimated claim value of \$3.438b as at 30 June 2016, representing an increase of 38% in cases, and 72% in estimated claim value. The geographic mix of cases has shifted with North America representing 48% of the estimated claim value in the portfolio, up from 31% as at 1 July 2015.

The increase in the portfolio reflects an investment in future income and a material uplift in potential earning capacity. Income for FY2017 is partially underwritten by the conditional settlement in the previously announced Rivercity matter that should result in income of about \$40m.

### Operations

One of the key drivers to our business is the lock-step growth in good cases to fund, and capital to fund them. During the year we took a number of steps to address these drivers, including:

- Increase in human resources by 33%
- Opening an office in Toronto
- Raising of capital through the issue of Fixed Rate Notes

To address the source of good cases during the next year IMF will explore the following opportunities:

- Open new offices in the US and possibly Asia
- Consider new products to be launched, including a family law offering in Australia and arbitration funding on a global basis

- In addition to the requirements of our new offices, expand our human resources through growth in existing offices
- Re-enter the European market at the conclusion of our restraint period on 14 July 2017.

### Capital Management

The Group finished the year with cash of \$142.529m as at 30 June 2016. In addition, the receivables balance was \$49.207m, of which \$42.124m has been received since balance date.

The company requires substantial capital to allocate to its case investments, particularly in the current phase of strong growth. Typically, capital has been raised through proceeds from case wins, debt and issuing equity. During the course of 2016 the company successfully raised \$32.000m through the issue of Fixed Rate Secured Notes. In order to ensure there was sufficient capital to fund case opportunities (particularly in the USA), the directors elected not to pay a dividend at the half year. The board will continue to monitor our capital position closely and the payment of dividends will be based on, amongst others, growth and the cash position of the company at the time and the likely demand for cash over the ensuing 12 month period. As a result of the strong second half results and the resultant cash position, the board elected to pay a dividend at year end.

The board is acutely aware that prudent and efficient capital management can create significant value for shareholders. The board and management have worked diligently during the course of the year in developing a capital management plan that ensures liquidity, appropriate duration, diversity of sources and sensible cost. This work will continue into 2017 and beyond.

As we consider the transition from thinking of ourselves as solely an investor of our own funds to a manager of capital (co-investing was the start of the process), more opportunities will present themselves to reduce liquidity risk and simultaneously, through that approach, increase returns to shareholders. We think this is a substantial performance improvement opportunity.

To address the medium-term capital requirements IMF intends to explore the alternatives over the next 12 months for its US investments. IMF intends to be a participant in any arrangement and therefore an “investor” in a portfolio that will, in addition to mitigating risk, provide an alternative source of income through economics earned as a manager of other investors’ capital. IMF has engaged an exclusive placement agent and US legal advisers to assist in this process.

In summary, this has been a successful and constructive year for the company. On behalf of the board, we congratulate and sincerely thank the people of IMF who have worked hard and with great purpose and intent. With a new strategy in place, good operational execution, a rapidly growing investment portfolio and access to markets with great potential, the company has set a strong platform to deliver profitable growth for shareholders in 2017 and beyond.



**Andrew Saker**  
Managing Director and CEO



**Michael Kay**  
Non-Executive Chairman



# Financial Report

The directors of IMF Bentham Limited  
 (“IMF” or “the Company” or “the Parent”)  
 submit their report for the year ended  
 30 June 2016.

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# Directors' Report

## 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 was appointed the Company's Non-Executive Chairman on 1 July 2015. Mr Kay holds a Bachelor of Laws degree from the University of Sydney. Mr Kay brings a wealth of commercial experience to IMF. Most recently he was Chief Executive Officer and managing director of listed salary packaging company McMillan Shakespeare Ltd, a position he held for six years. Previously Mr Kay had been CEO of national insurer AAMI after serving in a variety of senior roles with that company. Prior to joining AAMI he had spent 12 years in private legal practice. He is a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne. Mr Kay:

- is a non-executive director of RAC Insurance Pty Limited;
- is a non-executive director of TFS Corporation Limited;
- is chairman and non-executive director of Lovisa Holdings Limited; and
- is chairman and executive director of ApplyDirect Limited.

Mr Kay is a member of the audit and risk committee, remuneration committee, corporate governance committee and nomination committee.

During the past three years he has served as a director of the following listed companies:

- TFS Corporation Limited;
- Lovisa Holdings Limited;
- ApplyDirect Limited; and
- McMillan Shakespeare Ltd.

#### Andrew Saker

(Managing Director and CEO)

Andrew Saker was appointed Managing Director and CEO on 5 January 2015. Mr Saker holds a Bachelor of Commerce degree in Accounting and Finance. He is a Member of the Institute of Chartered Accountants and was an Official Liquidator of the Supreme and Federal Courts until his appointment at IMF.

Mr Saker was a partner at a leading provider of corporate recovery, insolvency management and restructuring services throughout Australia and Asia for 16 years.

During this period he managed the Indonesian operations and assisted with billion dollar cross-border restructuring assignments throughout the world including in Indonesia, the Philippines, Singapore, China, Argentina, Kazakhstan, Europe, the US and Canada.

Mr Saker is a member of the nomination committee.

During the past three years he has not served as a director of any other listed company.

#### Hugh McLernon

(Executive Director)

Hugh McLernon is a lawyer by training. He holds a Bachelor of Laws degree from the University of Western Australia. 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, Mr McLernon 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 into Australia through McLernon Group Limited. From 1996 to 2001, Mr McLernon was the managing director of the Hill Group of companies which operates in the finance, mining, property, insurance and investment arenas of Australia.

Mr McLernon has been an executive director of IMF since December 2001 and was the inaugural managing director through to December 2004. He became the managing director again on 18 March 2009 and retired from that role on 5 January 2015.

During the past three years he has not served as a director of any other listed company.

#### Alden Halse

(Non-Executive Director)

Alden Halse is a Chartered Accountant and was a long-term principal of national chartered accountancy firm, Ferrier Hodgson.

Over the last 30 years he has lectured and written extensively in relation to directors' duties, corporate governance issues and corporate and personal insolvency issues. Mr Halse:

- is an associate member of the Institute of Chartered Accountants and the Australian Institute of Company Directors;
- is a past president and current councillor of the Royal Automobile Club of WA (Inc);
- is a non-executive chairman of RACWA Holdings Pty Ltd; and
- is non-executive chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer.

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# Directors' Report

(continued)

Mr Halse was appointed to the board as a non-executive director in December 2001 and is chair of the audit and risk committee and nomination committee and a member of the remuneration committee and corporate governance committee.

During the past three years he has not served as a director of any other listed company.

## **Michael Bowen** (Non-Executive Director)

Michael Bowen graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is a Certified Practising Accountant of CPA Australia. Mr Bowen is a partner of the law firm DLA Piper and formerly of Hardy Bowen which merged with DLA Piper on 1 July 2015, practicing primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources.

Mr Bowen was appointed to the board as a non-executive director in December 2001 and is chair of the remuneration committee and a member of the corporate governance committee, audit and risk committee and nomination committee.

During the past three years he has not served as a director of any other listed company.

## **Wendy McCarthy** (Non-Executive Director)

Wendy McCarthy AO started her career as a secondary school teacher, graduating from the University of New England with a Bachelor of Arts and Diploma of Education. She moved out of the classroom into public life in 1968 and since then has worked for change across the business, government and not-for-profit sectors, in education, family planning, human rights, public health, overseas aid and development, conservation, heritage, and media.

She has held many significant leadership roles in key national and international bodies including eight years as deputy chair of the Australian Broadcasting Corporation, ten years as Chancellor of the University of Canberra, and 12 years of service to Plan Australia as chair, with three years as global deputy chair for Plan International. She has just stepped down after eight years as chair of headspace, the National Youth Mental Health Foundation.

Ms McCarthy currently chairs Circus Oz and is the deputy-chair of Goodstart Early Learning. She is a patron of the Sydney Women's Fund and Ambassador for 1 Million Women. Ms McCarthy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women's affairs and the Bicentennial celebrations, and received a Centenary of Federation Medal for business leadership. She was also awarded an Honorary Doctorate from the University of South Australia.

Ms McCarthy was appointed to the board as a non-executive director in December 2013 and is chair of the corporate governance committee and a member of the audit and risk committee, remuneration committee and nomination committee.

During the past three years she has not served as a director of any other listed company.

## **Diane Jones** (Chief Operating Officer, Company Secretary & Chief Financial Officer - to 30 November 2015)

Diane Jones was the Company Secretary from 14 June 2006 until 30 November 2015. She has been a member of the Institute of Chartered Accountants for over 20 years and holds a Masters of Business Administration degree and a Bachelor of Economics degree from the University of Sydney.

After graduating, Ms Jones spent ten years with a big four accounting firm before moving to a consulting and private equity firm as a consultant and their chief financial officer.

## **Julia Yetsenga** (Company Secretary from 1 December 2015 to 18 January 2016, Interim Chief Financial Officer from 30 November 2015 to 14 April 2016, Chief Financial Officer from 15 April 2016)

Julia Yetsenga has been a member of Chartered Accountants Australia and New Zealand for over 25 years. She holds a Bachelor of Economics from the Australian National University and a graduate diploma in Applied Finance and Investment from FINSIA. She has a wealth of experience in senior finance roles for private and ASX listed companies both in Australia and overseas.

## **Jeremy Sambrook** (General Counsel and Company Secretary – appointed 19 January 2016)

Jeremy Sambrook is an experienced corporate lawyer having practised in the United Kingdom, Hong Kong and the Channel Islands before moving to Australia. He holds a Bachelor of Laws degree from the University of Bristol, United Kingdom, and has a broad based in-house legal and private practice background.

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, becoming a partner in 2010 and going on to manage the off-shore head office prior to moving with family to Australia in 2013. Immediately prior to joining IMF, Mr Sambrook was a Special Counsel in the Corporate team at DLA Piper Australia in Perth.

## Interests in shares, bonds and performance rights of the Company

As at the date of this report, the interests of the directors in shares, IMF Bentham Bonds, Fixed Rate Notes and share performance rights of the Company were:

	Number of ordinary shares	Number of IMF Bentham Bonds	Number of Fixed Rate Notes	Number of performance rights
Michael Kay	307,692	-	-	-
Andrew Saker	149,254	-	100	474,580
Hugh McLernon	7,299,045	7,500	-	447,605
Alden Halse	879,780	750	-	-
Michael Bowen	921,289	1,500	-	-
Wendy McCarthy	-	-	-	-
<b>Total</b>	<b>9,557,060</b>	<b>9,750</b>	<b>100</b>	<b>922,185</b>

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

The directors have today declared a final fully franked dividend of 7.5 cents per share for the 2016 financial year totalling \$12.709m. The record date for this dividend is 27 September 2016 and the payment date will be 21 October 2016. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

The directors determined that a dividend in relation to the 2016 half-year results for the 6 months ended on 31 December 2015 would not be paid.

The directors declared a final fully franked dividend of 5.0 cents per share for the 2015 financial year totaling \$8.388m. The record date for this dividend was 25 September 2015 and the payment date was 9 October 2015. 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.

### Corporate information

#### Corporate structure

IMF Bentham Limited is a company limited by shares which is incorporated and domiciled in Australia. IMF has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being Financial Redress Pty Ltd (formerly Insolvency Litigation Fund Pty Ltd), Bentham Holdings Inc., Bentham Capital LLC, Security Finance LLC, Bentham IMF Capital Limited and Lien Finance Canada Limited ("the Group" or "consolidated entity").

# Directors' Report

(continued)

## Operating and financial review

### Nature of operations and principal activities

The principal activities of the Group during the financial year were the investigation, management and funding of litigation. The Group enters into funding agreements with claimants or law firms to provide these services. The Group does not provide legal advice. The key business driver is to manage and fund the litigation to a successful conclusion. If the litigation is successful, the Group earns from the recovery amount a fee and, depending on the jurisdiction, may also be reimbursed the costs it has paid during the course of the funded litigation. The fee is structured as either a multiple of funds provided or a percentage of the settlement or judgment proceeds and may be lower the earlier the litigation is resolved. If the litigation is unsuccessful the Group does not generate any income and will write off its investment in the litigation. In certain jurisdictions the litigation funding agreement contains an undertaking to the client that the Group will pay any adverse costs ordered in respect of the costs incurred by the defendant(s) during the period of funding.

The Group undertakes these activities through offices around Australia which it has done so since 2001. In 2011 the Group expanded into the USA by opening an office in New York. It opened another office in Los Angeles in 2014 and a further office in San Francisco in 2015.

In January 2016, the Group continued to expand its geographic footprint and opened an office in Toronto, Canada. It is also currently funding two cases in Hong Kong. A further Hong Kong matter settled during the current financial year.

The Group has funded this expansion by retaining earnings and issuing shares and bonds. During the year the Group issued Secured Fixed Rate Corporate Notes raising \$32.000m. These notes carry an interest rate of 7.4% paid half yearly and are due to mature on 30 June 2020.

On 30 June 2016 the Group concluded the sale of its interest in the joint venture established to investigate, manage and fund litigation in Europe. The Group recognised a profit on the sale of \$4.097m before tax. The Group is now restrained from undertaking certain activities in certain areas of Europe for 12 months following the date of termination.

In any given year the Group's profitability is dependent upon the outcome of funded cases resolved in that year, however the successful completion of a case 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 cases it is funding at any one time. These can broadly be categorised as commercial claims, insolvency claims and group actions. The expansion overseas also creates diversification across jurisdictions.

The Group discloses the material cases it funds to the ASX as those cases are funded. The Group also provides, on a quarterly basis, an estimated claim value of those cases in the portfolio. The estimated claim value is IMF's current best estimate of the claims recoverable amount (or remaining recoverable amount if there has been partial recovery). It considers, where appropriate, the perceived capacity of the defendant to pay the amount claimed. It is not necessarily the same as the amount being claimed by IMF's client/s in the case. It is also not the estimated return to the Group from the case if it is successful. IMF also provides case updates on its website: [www.imf.com.au/cases](http://www.imf.com.au/cases).

## Operating and financial review (continued)

### Investment portfolio report at 30 June 2016

	Number of claims	Estimated claim value \$'000	Percentage of total estimated claim value
Claims <\$50M	36	\$760,982	22%
Claims \$50M - \$100M	7	\$465,184	14%
Claims >\$100M	11	\$2,211,843	64%
<b>Total portfolio</b>	<b>54</b>	<b>\$3,438,009</b>	<b>100%</b>

The estimated claim value of IMF's cases increased 72% in the year to 30 June 2016 from \$2.002b to \$3.438b. IMF commenced 27 new cases during the year and extended funding on a further 3 cases, which have a maximum claim value at 30 June 2016 of \$1.417b (2015: 21 new cases which had a maximum claim value of \$0.690b).

During the financial year, IMF concluded 12 matters (2015: 16), with 5 losses (2015: 4), 3 of which are on appeal, and one withdrawal (2015: nil cases withdrawn).

Among the cases completed during the financial year, IMF settled a number of long running matters, one of which was a claim by investors against McGraw Hill Financial Inc. ("S&P") for losses allegedly suffered due to the rating of 8 SCDO products by S&P which investors purchased from Lehman Brothers Australia Limited (in liquidation) ("LBA") (the **S&P Lehman** case). The claim was filed in April 2013 and the settlement became unconditional on 11 May 2016. IMF recognised profit of approximately \$47.442m before tax in the 2016 financial year from the settlement of this claim.

An update on IMF's principal funded cases is as follows:

Proceedings were commenced in December 2013 in the Netherlands by a Foundation incorporated under Dutch law, de Stichting Ratings Redress ("SRR"), to pursue claims (assigned to SRR) for losses suffered by investors in CPDOs arranged by **ABN Amro Bank NV** (now Royal Bank of Scotland NV ("RBS")) and rated by **Standard & Poor's** ("S&P"). SRR entered into a funding agreement with IMF pursuant to which IMF provides funding to SRR for the prosecution of the claims.

S&P commenced proceedings in the English courts, without notice to SRR, seeking declarations that it is not liable to SRR and two of the investors, and seeking contribution from RBS. On 1 May 2015, the Amsterdam District Court ruled that it did not have jurisdiction to hear SRR's claims against S&P and it stayed the claims against RBS. The claims are continuing in the English courts, where S&P now has commenced proceedings against each of the investors who assigned their claims to SRR, as well as SRR. IMF has entered into a funding agreement with each of the investors to provide funding for the prosecution of their defence to S&P and to enable them to counter-claim against S&P and claim against RBS. IMF is also funding proceedings brought in the Dutch courts by NRAM plc (formerly Northern Rock) against S&P and RBS. NRAM plc did not assign its claims to SRR. These proceedings have been stayed pending the outcome of the English proceedings.

Pursuant to directions made to the High Court in London, S&P, RBS, SRR and the investors have made disclosure of their relevant documents. The lawyers for the investors in the English proceedings are currently reviewing the documents disclosed by S&P and RBS. There is a participation agreement between IMF and interests associated with its ex-European joint venture partner (the "Co-Funder") to share equally the costs (including any adverse costs) of, and any return from, this claim.

Expert and lay evidence has been served by the respondents in the proceedings concerning the **Wivenhoe Dam** class action, which is by persons who suffered loss due to increased flooding in the Brisbane floods in 2011, alleged to have been caused by the negligence of the Dam operators. Evidence in reply is in the process of being prepared. There is a participation agreement between IMF and the Co-Funder to share equally the costs (including any adverse costs) of, and any return from, this claim. The original trial date has been vacated and the trial is currently scheduled to commence in October 2017.

In the **Westgem** matter interlocutory proceedings are continuing, primarily on pleading points and the extent of discovery. The parties are back before the Court on 15 August 2016 at which time it is expected that a trial date will be determined by the presiding Judge.

# Directors' Report

(continued)

## Operating and financial review (continued)

Bentham Capital LLC ("Bentham"), IMF's wholly owned US subsidiary, funded 15 matters in the US during the reporting period, making a total of 40 cases funded by Bentham since being established in August 2011. In line with the increase in matters funded, Bentham's contribution to the claim value of IMF's investment portfolio has increased to \$1.642b (2015: \$0.619b) over the year. This now represents 48% (2015: 31%) of IMF's investment portfolio.

In addition, 5 cases were resolved during the year, including 4 losses (2015: 1 loss), two of which are on appeal. Further returns were derived from one matter that resolved in FY2015 and income was also received in relation to 5 matters involving funding law firms across a portfolio of cases. Gross income generated from these cases was \$21.219m (2015: \$38.865m).

The US business now has 13 staff including 6 investment managers and 4 legal counsel. The investment managers are all former senior litigation attorneys, each of between 15 to 25 years' legal experience. This enables significant case analysis to be performed in-house, whilst providing great networks to attract new business.

Although uncertainty in US law concerning whether funders' communications are protected from disclosure inhibits IMF's usual transparency about the cases it funds, we can say that Bentham's US business now contains a diverse group of litigation and arbitration matters. These involve commercial, patent and multi-party cases across a variety of different jurisdictions. Bentham has also now provided funding to ten law firms secured across a portfolio of cases being conducted by the law firms on a contingency basis, adding to the growth and diversity of our product offerings in the US. It is worth noting that there are clear signs of growing competition in the US market, but market knowledge of litigation funding remains at a relatively early stage and so we consider there remain good prospects for the future growth of our US business.

## Employees

At 30 June 2016, IMF employed 56 permanent staff (full time equivalents), including the two executive directors, providing investigative, computer, accounting and management expertise (2015: 42 full time equivalent permanent staff).

## Operating results for the financial year

The following summary of operating results reflects the Group's performance for the year ended 30 June 2016:

Shareholder Returns	2016	2015
Basic earnings per share (cents per share)	12.38	3.78
Diluted earnings per share (cents per share)	12.38	3.78
Return on assets % (NPAT/Total Assets)	6.2%	2.2%
Return on equity % (NPAT/Total Equity)	10.4%	3.4%
Net debt/equity ratio % *	nil	nil

\* 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)

Eight matters (2015: thirteen) generated income greater than \$0.500m during 2016, underpinning the Group's profitability and shareholder returns. The following summarises cases finalised during 2016:

Date commenced	Litigation contract matter name	Claim value in latest investment portfolio prior to matter finalisation \$'000	Total litigation contract income \$'000	Total litigation contract expenses (including capitalised overheads) \$'000	Net gain/(loss) on disposal of intangible asset \$'000
Completed in the current financial year					
1/02/13	ABN Amro-S&P Lehmans	144,000	53,484	(6,042)	47,442
30/06/10	Gunns	10,000	4,989	(2,172)	2,817
24/11/14	USA Case 016	40,000	5,697	(2,970)	2,727
30/06/15	Confidential Hong Kong Matter	30,000	3,068	(684)	2,384
8/03/16	Kimberley Metals	15,000	945	(85)	860
19/11/13	Lynx Engineering	20,000	-	(3,619)	(3,619)
18/04/13	USA Case 005	30,000	-	(3,131)	(3,131)
11/12/14	USA Case 017	26,932	-	(1,539)	(1,539)
	Other - 4 matters	-	20	(1,114)	(1,094)
Further recoveries on completed matters					
14/02/13	Lehman Australia	20,000	11,321	(707)	10,614
12/05/14	USA Case 008	65,000	10,210	(40)	10,170
12/05/10	Bank fees	140,000	4,100	(17,862)	(13,762)
Further recoveries on continuing matters			5,312	(4,425)	887
Other <sup>1</sup>			506	(2,462)	(1,956)
			99,652	(46,852)	52,800

1. Other matters include due diligence expenses for cases not funded.

The Group has finalised 187 (2015: 175) investments since listing, with an average investment period of 2.4 years (2015: 2.4 years). The Group has generated a return on every dollar invested of 1.55 times (excluding overheads) (2015: 1.58 times). IMF has a target to complete cases within 2.5 years and to generate a return on every dollar invested of 2 times (excluding overheads).

The investment portfolio as at 30 June 2016 has a mixture of both mature and new investments, with 21% of the investment portfolio expected to finalise over the next 12 months (2015: 29%). IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols.



# Directors' Report

(continued)

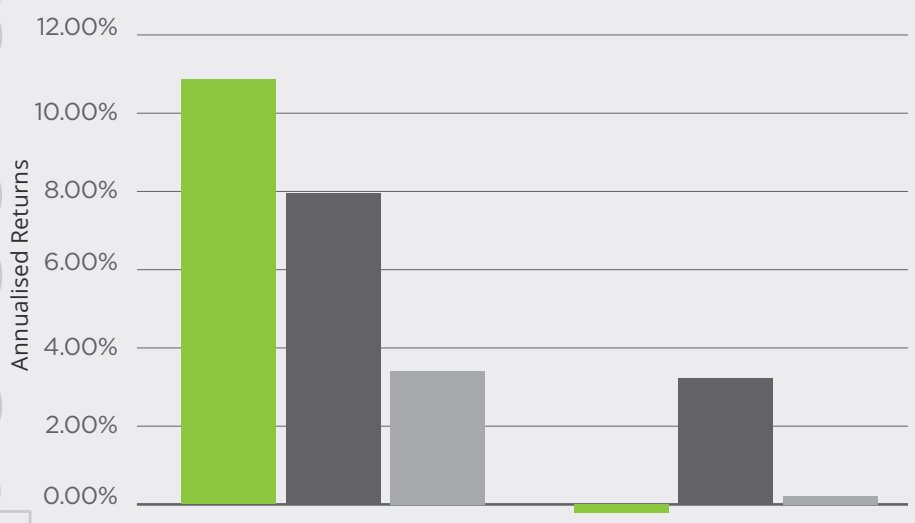
## Operating and financial review (continued)

IMF's share price closed at \$1.53 per share on 30 June 2016 (2015: \$1.72). IMF entered the ASX top 300 companies on 20 March 2009, when its share price was \$1.15. Since entering the index, IMF has outperformed the major indices on an annualised basis from 30 June 2010 to 30 June 2016 as detailed below:

	IMF Share Price	ASX300 AXKO	Small Ords AXSO
Annualised return with dividends reinvested	10.86%	7.97%	3.42%
Annualised return without dividends reinvested	-0.59%	3.23%	0.22%

This share price analysis is shown graphically:

### IMF, ASX300 AND SMALL ORDINARIES Annualised Return 30 June 2010 – 30 June 2016



	Annualised Return with Dividend Reinvestment	Annualised Return without Dividend Reinvestment
IMF	10.86%	-0.59%
ASX300	7.97%	3.23%
Small Ordinaries	3.42%	0.22%

## Liquidity and capital resources

The consolidated Statement of Cash Flows illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2016 of \$10.241m (2015: increase of \$19.381m). Operating activities used \$34.916m of net cash outflows (2015: net cash outflow of \$22.929m), whilst investing activities generated \$20.612m of net cash inflows (2015: net cash inflow of \$54.036m), and financing activities raised \$24.545m (2015: net cash outflow of \$11.726m) principally as a result of the Fixed Rate Note capital raise.

## Operating and financial review (continued)

### Asset and capital structure

	2016 \$'000	2015 \$'000	Change %
Cash and short term deposits	142,529	130,108	10%
Total debt <sup>1</sup>	(79,504)	(48,206)	65%
Net debt <sup>2</sup>	63,025	81,902	-23%
Total equity	201,388	185,900	8%
Gearing Ratio <sup>2</sup>	nil	nil	n/a
Interest Cover <sup>3</sup>	n/a	n/a	n/a
Working Capital Ratio	4.9:1	5.6:1	-34%

- Total debt is \$82.000m. \$50.000m relates to the IMF Bentham Bonds issued in April 2014, while during the financial year, the Company issued Fixed Rate Notes to the value of \$32.000m. Transaction costs of \$3.595m are being written- back to the carrying value of the bonds over their life. (See Note 19)
- Net debt is positive as cash and short term deposits are greater than debt.
- The application of AASB 123 Borrowing Costs has resulted in the capitalisation of interest associated with the IMF Bentham Bonds and the Fixed Rate Notes as the Company's intangible assets are qualifying assets.

In April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of \$1,000 each, raising \$32.000m. Interest of 7.4% per annum is payable to Noteholders half yearly. The Fixed Rate Notes are due to mature on 30 June 2020 and are secured by a security interest over all present and after-acquired property of IMF. IMF has an early redemption option on these Notes at 30 June 2019.

In April 2014, the Company issued 500,000 IMF Bentham Bonds at \$100 each. The interest is paid to bondholders quarterly at a variable rate based on the Bank Bill Rate plus a fixed margin of 4.2% per annum. The Bonds are due to mature on 30 June 2019 and are secured by a security interest over all present and after-acquired property of IMF.

### Profile of debts

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

	2016 \$'000	2015 \$'000	Change %
Non-current			
IMF Bentham Bonds <sup>1</sup>	(48,656)	(48,206)	1%
Fixed Rate Notes	(30,848)	-	100%
<b>Total debt</b>	<b>(79,504)</b>	<b>(48,206)</b>	<b>65%</b>

- Total debt is \$82.000m. \$50.000m relates to the IMF Bentham Bonds issued in April 2014, while during the year, the Company issued Fixed Rate Notes to the value of \$32.000m. Transaction costs of \$3.595m are being written- back to the carrying value of the bonds over their life. (See Note 19)

### Shares issued during the year

On 9 October 2015 the Company issued 1,695,093 shares under its Dividend Reinvestment Plan at \$1.2984 per share.

### Capital expenditure

There has been an increase in capital expenditure during the year ended 30 June 2016 to \$1.109m from \$0.406m in the year ended 30 June 2015. The capital expenditure in 2016 related primarily to the fit-outs of the Perth and Melbourne offices.

# Directors' Report

(continued)

## Operating and financial review (continued)

### Risk management

The major risk for the Company continues to be the choice of cases to be funded. The extent of the mitigation of that risk can best be identified, from time to time, by reference to the fact that in its 15 years of operation IMF has lost only 15 cases out of 187 matters funded and completed.

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 its adverse costs order exposure.

Another risk which needs constant management is liquidity. This principally involves holding a cash balance buffer and taking on new investments only in accordance with IMF's investment protocol. The board of directors has authorised management to identify options for raising capital to fund further expansion of IMF's business, as required.

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

The Australian Federal Court is undertaking a review of its procedures with regard to class action litigation. IMF has provided submissions in the consultation phase and is monitoring further developments. At the present time, although the review is not expected to result in any changes which would have a material impact on IMF's Australian operations, it is too early to be definitive.

In September 2015, IMF responded to a letter from the United States Senate Committee on the Judiciary seeking information in relation to third party litigation financing. IMF is not aware of any further developments since that letter was issued. State based legislation in the area of litigation funding remains a risk factor for IMF to monitor. While a number of legislative initiatives have focused on consumer related actions, there remains potential for these to have a non-material impact on IMF's US operations.

There have been a number of developments in relation to third party litigation funding in Singapore and Hong Kong during the past 12 months, which may represent opportunities for the Group to provide funding in certain circumstances. The Group will continue to monitor these developments.

IMF, 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, IMF may suffer indirect reputational damage from the actions of other participants that draw criticism of the industry more broadly.

The Company has considered its exposure to economic, environmental and social responsibility risks and further detail of this assessment and the mitigations in place is included in the Directors' Report. The Company has determined that it does not, at this time, have a material exposure to environmental or social sustainability risks but will continue to monitor this position.

### Corporate Social Responsibility

As IMF has become an integral part of the litigation landscape in Australia, the Group believes it is important that it should support initiatives which make a positive contribution to the operation and effectiveness of the civil litigation process. IMF has a policy to provide funds to support initiatives which are relevant to IMF's funding business and role within the civil justice system and which offer a symbiotic benefit to IMF. An example of a recent initiative is the IMF Bentham Class Actions Research Initiative in conjunction with the University of NSW and the Civil Justice Research Institute at the University of California.

### Significant changes in the state of affairs

Total equity increased 8% to \$201.388m from \$185.900m at 30 June 2015. 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.

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### Significant events after reporting date

At 30 June 2016, the Group had current receivables of \$47.723m. On 1 July 2016, the Group received \$30.425m in respect of the Lehman matter, and up to the date of this report, a further \$11.7m of this outstanding balance has been received.

### Intangible Assets

The High Court delivered its judgment in the ANZ matter by which it found against the appeal by the class action representative in respect of credit card late payment fees. After a number of hearings and appeals, the Federal Court had previously given judgment in favour of the class action members in the ANZ case in relation only to late payment fees. That judgment was then overturned by the Full Court of the Federal Court and subsequent to the end of the financial year, the High Court dismissed the appeal by the class action representative.

IMF has recognised the associated impairment relevant to the intangible assets in the current financial year.

This impairment has been offset by the achievement of a settlement with the National Australia Bank during the financial year.

### Likely developments and expected results

Approximately 21% of the investment portfolio at 30 June 2016 is expected to complete over the next 12 months. Accordingly, the directors consider that the Company is likely to generate a profit in this period. The estimated completion period is IMF's best estimate of the period in which the case may be finalised. The case may finalise earlier or later than in this period. 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 Rivercity claim against Aecom and two Rivercity companies, alleging misleading and deceptive conduct and omissions in relation to the traffic forecast included in the product disclosure statement, was conditionally settled on 31 May 2016. The settlement is subject to preconditions, including court approval to the settlement which was obtained on 10 August 2016. If all the preconditions to the settlement deed are satisfied, IMF currently expects to generate revenue of about \$40m and profit after capitalised overheads but before tax of approximately \$29m in the 2017 financial year.

IMF expects demand for its funding to continue in Australia, particularly as we are the leading funder in this market. The establishment of our subsidiaries in the United States of America and Canada has resulted in increased funding opportunities. Competition, however, is increasing and is expected to increase further in the coming years with new entrants coming into the Australian market and new entrants in overseas markets. 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 4,811,086 share performance rights on issue.

### 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 \$223,000 during the current financial year (2015: \$158,000).

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, 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 during or since the financial year.

# Directors' Report

(continued)

Dear Shareholder,

On behalf of the board and as Chairman of the Remuneration Committee, I am pleased to present IMF's 2016 Remuneration Report.

2016 is the first year of the implementation of our new variable remuneration framework designed to align executive reward and shareholder value and to incentivise achievement of IMF's business strategy over the longer term. This framework was outlined to shareholders in last year's annual report and approved as required by shareholders at our AGM in November 2015.

Levels of fixed remuneration of IMF'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 prior to joining IMF. The variable remuneration framework applies to the whole Group and was developed to reflect industry standards. Under these remuneration arrangements, a material portion of remuneration is 'at-risk' and linked to both short-term and long-term performance. The structure is designed to ensure that Key Management Personnel ("KMP") are rewarded for delivering sustained Group performance.

The variable remuneration framework for KMP consists of two components:

- A Short Term Incentive Plan ("STIP") that provides for an annual cash payment, subject to the achievement of four key financial and non-financial performance objectives, measured at the Group, regional and individual levels. The target STIP payment is 35% of any employee's Total Fixed Remuneration ("TFR"), with the potential to earn a further 10% as stretch performance if further group performance targets are achieved.
- An equity-based long term incentive plan ("LTIP") that provides for the annual grant of performance rights to KMP. Vesting of awards is contingent on performance against two metrics, positive Relative Total Shareholder Return ("TSR") and Compound Annual Growth Rate ("CAGR") in the intangible asset balance ("Funds Deployed"), both measured over a three-year period.

IMF has achieved sound financial results for 2016 and delivery of several key initiatives to support shareholder value. IMF achieved a substantial improvement in profit after tax and 72% growth in our investment portfolio since 2015, representing positive results for shareholders. This performance has resulted in the satisfaction of the objectives for the majority of the STIP. Further details of the relevant performance objectives are included in the following report.

The LTIP for KMP, set at 65% of TFR, is designed to complement the STIP as a form of 'at-risk' remuneration tied to long-term performance for key contributors to the business. The LTIP directly aligns shareholders and participants interests. The performance rights will vest at the end of a three year vesting period if the performance conditions have been achieved.

The board is confident that IMF's remuneration policies support the Group's financial and strategic goals. We are committed to transparency and an ongoing dialogue with shareholders on remuneration and to this end have made changes to the remuneration report to improve the overall format and flow of information.

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

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## Remuneration report (Audited)

This Remuneration Report outlines the director and KMP remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 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 the Company.

## Key management personnel

Details of IMF's Key Management Personnel are:

### (i) Directors

Michael Kay	Chairman and Non-Executive Director (appointed 1 July 2015)
Andrew Saker	Managing Director and Chief Executive Officer
Hugh McLernon	Non-Executive Director
Michael Bowen	Non-Executive Director
Alden Halse	Non-Executive Director
Wendy McCarthy	Non-Executive Director

### (ii) Executives

Clive Bowman	Chief Executive – Australia and Asia
Charlie Gollow	Chief Executive – USA
Diane Jones	Chief Operating Officer, Company Secretary, Chief Financial Officer to 30 November 2015

There were no other changes to IMF's key management personnel 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 directors 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.

## Remuneration philosophy

The performance of the Company 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 Company 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 business; 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. During the previous financial year, the Committee engaged PricewaterhouseCoopers as an external remuneration consultant to assist with a review of our variable remuneration structure. The STIP and LTIP are the product of that review and are reflective of industry standards.

## Non-executive director remuneration

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 \$485,674 (including superannuation), as disclosed in the following tables. 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, 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;
- link rewards with the internal strategic goals of the Company; and
- ensure total compensation is competitive by market standards.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### Structure

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

Compensation consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

### Fixed remuneration

#### Objective

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.

#### Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost to the Group.

### 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 Company. The total potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

#### 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.

Key features of the STIP include:

- All 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.
- Each participant will have a STIP opportunity expressed as a percentage of his/her total fixed remuneration.
- At the beginning of the financial year financial and non-financial performance objectives will be set.

- As financial objectives underpin IMF's profitability as a driver of shareholder value, three set financial objectives have been determined which will be assessed at the Group and regional levels. These performance objectives are listed below.
- Stretch targets may be set for one or more of the financial targets where the board believes these additional targets will provide additional shareholder returns.
- The non-financial objectives will be specific to the role of the individual.
- 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 STIP metrics set for the 2016 financial year are:

- The target STIP payment has been set at 35% of TFR.
- Three financial targets have been set, as follows:
  - Target 1 – 30% of the STIP opportunity (or 10.5% of the employees' salary) will be awarded to employees if the Group achieves 5% growth in global net profit before tax (before bonus).
  - Target 2 – 30 % of the STIP opportunity (or 10.5% of the employees' salary) will be awarded if the employees' region achieves 5% growth in net profit before tax (before bonus);
  - Target 3 – 20% of the STIP opportunity (or 7% of the employees' salary) will be awarded if the Group achieves 5% growth in the total claim value of the investment portfolio.
- Employees will be awarded 20% (or 7% of the employees' salary) of the STIP opportunity if they achieve their non-financial objectives (which are set individually).
- Target 1 attracts an additional outperformance stretch payment if growth in global net profit before tax (before bonus) exceeds 5%. This additional award is up to 10% of the employees' salary if growth in global net profit before tax (before bonus) exceeds 15%. If growth in global net profit before tax (before bonus) lies between 5% and 15% the outperformance stretch is calculated on a pro-rated straight line basis.

## 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:

- Only key senior employees will be eligible to participate in the LTIP. This will generally be investment managers and above.
- Awards will be granted annually as performance rights over IMF ordinary shares.
- The LTIP opportunity will be expressed as a percentage of TFR.
- Awards will vest subject to performance against two metrics over a three-year period, which are provided equal weighting:
  1. Relative TSR; and
  2. CAGR of Funds Deployed.

#### *The LTIP metrics set for the performance rights during the 2016 financial year are as follows:*

- The LTIP opportunity has been set at 65% of TFR calculated on face value by reference to a volume weighted average share price at the start of the applicable period.
- The two performance metrics have been set and the performance rights, or a portion thereof, will vest in three years if:
  - 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.
    - The Company's TSR will then be compared to a peer group, which will include ASX-listed entities in the Diversified Financials industry group, which are between 50% and 200% of IMF's market capitalisation.
    - 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

- 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 are aligned with the Group's strategy to increase the IMF portfolio, invest in future income and potential earnings capacity, and creation of shareholder wealth.



# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### Group Performance

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 14 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.

	2012	2013	2014	2015	2016
IMF share price at 30 June	1.46	1.76	1.84	1.72	1.53
Earnings per share (cents per share)	34.87	11.21	6.56	3.78	12.38
Diluted earnings per share (cents per share)	29.84	9.78	6.56	3.78	12.38

### Executive Employment Contracts

- a. Andrew Saker, Managing Director and CEO:
  - 5 year contract commenced 5 January 2015;
  - gross salary package of \$1,200,000 pa plus super;
  - salary may be reviewed by the board from time to time,
  - notice period by the employee is 6 months and 12 months' notice by the Company; and
  - no other termination payment arrangements apply other than the notice periods specified above.
- b. Hugh McLernon, Executive Director:
  - rolling 12 month contract commenced 1 July 2007;
  - gross salary package of \$1,150,000 pa including super;
  - salary to be reviewed annually, with the 2016 review determining there should be a 0% increase in salary (2015: 0% increase),
  - notice period is 12 months; and
  - no other termination payment arrangements apply other than the notice period specified above.
- c. Clive Bowman, Chief Executive – Australia and Asia:
  - rolling 12 month contract commenced 1 July 2012;
  - gross salary package of \$925,000 pa including super;
  - salary to be reviewed annually, with the 2016 review determining there should be a 0% increase in salary (2015: 0% increase),
  - notice period is 12 months; and
  - no other termination payment arrangements apply other than the notice period specified above.
- d. Charlie Gollow, Chief Executive - USA:
  - contract commenced 22 April 2003;
  - gross salary package of \$575,000 pa including super;
  - contract to be reviewed annually, with the 2016 review determining there should be a 0% increase in salary (2015: 4.35% increase),
  - notice period by the employee is 3 months and 6 months' notice by the Company; and
  - no other termination payment arrangements apply other than the notice periods specified above.
- e. Diane Jones, Chief Operating Officer, Company Secretary and Chief Financial Officer to 30 November 2015:
  - contract commenced 5 June 2006 and employment ceased 28 February 2016;
  - gross salary package was \$475,000 pa including super; and
  - notice period was 3 months.

## Remuneration report (Audited) (continued)

### (a) Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2016

	Short-term benefits		Post-employment	Long term benefits	Share based payments		Termination payments	Total remuneration	Performance related
	Salary & fees	Cash bonus accrued <sup>1</sup>	Super-Annuation	Long service leave	Share performance rights				
2016	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>									
Michael Kay <sup>2</sup>	197,122	-	18,552	-	-	-	-	215,674	0%
Andrew Saker	1,200,000	548,689	19,308	19,620	141,188	-	-	1,928,805	36%
Hugh McLernon	1,130,692	517,500	19,308	20,479	133,162	-	-	1,821,141	36%
Alden Halse	82,192	-	7,808	-	-	-	-	90,000	0%
Michael Bowen	90,000	-	-	-	-	-	-	90,000	0%
Wendy McCarthy	82,192	-	7,808	-	-	-	-	90,000	0%
<b>Executives</b>									
Clive Bowman	905,692	400,063	19,308	16,365	34,254	-	-	1,375,682	32%
Charlie Gollow	579,650	196,500	19,308	15,977	22,219	-	-	833,654	26%
Diane Jones <sup>3</sup>	336,059	-	14,481	5,854	-	200,068	-	556,462	0%
<b>Total</b>	<b>4,603,599</b>	<b>1,662,752</b>	<b>125,881</b>	<b>78,295</b>	<b>330,823</b>	<b>200,068</b>	<b>200,068</b>	<b>7,001,418</b>	

1. The 2016 bonus has been accrued and will be paid in the 2017 financial year.
2. Michael Kay was appointed as Non-Executive Chairman 1 July 2015.
3. Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered a KMP from that date. She ceased employment on 28 February 2016.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

Table 2: Remuneration for the year ended 30 June 2015

	Short-term benefits		Post-employment	Long term benefits	Share based payments		Total remuneration	Performance related %
	Salary & fees	Cash bonus accrued <sup>4</sup>	Super-annuation	Long service leave	Share performance rights	Termination payments		
2015	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
Robert Ferguson <sup>5</sup>	60,981	-	5,793	-	-	-	66,774	0%
Andrew Saker <sup>6</sup>	800,000	-	12,522	-	-	-	812,522	0%
Hugh McLernon	1,131,216	-	18,784	13,379	-	-	1,163,379	0%
John Walker <sup>7</sup>	906,216	-	18,784	11,432	-	-	936,432	0%
Alden Halse	63,927	-	6,073	-	-	-	70,000	0%
Michael Bowen	70,000	-	-	-	-	-	70,000	0%
Wendy McCarthy	63,927	-	6,073	-	-	-	70,000	0%
<b>Executives</b>								
Clive Bowman	906,216	-	18,784	13,619	-	-	938,619	0%
Charlie Gollow <sup>8</sup>	556,216	377,203	18,784	7,001	-	-	959,204	39%
Diane Jones	456,216	-	18,784	10,474	-	-	485,474	0%
<b>Total</b>	<b>5,014,915</b>	<b>377,203</b>	<b>124,381</b>	<b>55,905</b>	<b>-</b>	<b>-</b>	<b>5,572,404</b>	

4. The 2015 bonus accrued was paid in the 2016 financial year.

5. Robert Ferguson resigned as non-executive director on 5 January 2015.

6. Andrew Saker commenced employment on 1 November 2014.

7. John Walker resigned as a director on 17 June 2015 and is not considered a KMP from that date. He ceased employment on 31 October 2015.

8. Charlie Gollow, as Chief Executive of the profitable US operations became entitled to a bonus in relation to the 2015 financial year.

## Remuneration report (Audited) (continued)

The following table outlines the proportion of maximum STIP earned by KMP in the 2016 financial year.

	Maximum STIP opportunity (% of TFR)	% of maximum earned
Andrew Saker	45%	100%
Hugh McLernon	45%	100%
Clive Bowman	45%	96%
Charlie Gollow	45%	73%
Diane Jones <sup>1</sup>	0%	0%

1. As Diane Jones ceased employment on 28 February 2015, she was not eligible for the STIP for the current financial year.

The proportion of STIP forfeited is derived by subtracting the actual % of the maximum received from 100%, and was 8% on average for the current financial year.

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

	Tranche 1 Performance rights awarded during the year Number	Fair value of Performance rights at award date <sup>1</sup> \$	Tranche 2 Performance rights awarded during the year Number	Fair value of Performance rights at award date <sup>1</sup> \$	Total Performance rights awarded during the financial year Number	Award date	Vesting date	Expiry date	Value of Performance rights granted during the year \$
<i>Directors</i>									
Michael Kay	-	-	-	-	-	-	-	-	-
Andrew Saker	237,290	0.575	237,290	1.210	474,580	20 Nov 2015	30 June 2018	1 July 2030	423,563
Hugh McLernon	223,802	0.575	223,802	1.210	447,604	20 Nov 2015	30 June 2018	1 July 2030	399,487
Alden Halse	-	-	-	-	-	-	-	-	-
Michael Bowen	-	-	-	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-	-	-	-
<i>Executives</i>									
Clive Bowman	180,015	0.333	180,015	0.999	360,030	24 Feb 2016	30 June 2018	1 July 2030	239,780
Charlie Gollow	116,766	0.333	116,766	0.999	233,532	24 Feb 2016	30 June 2018	1 July 2030	155,532
Diane Jones	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>757,873</b>		<b>757,873</b>		<b>1,515,746</b>				<b>1,218,362</b>

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 25.

No share performance rights were granted to KMP in 2015. No share performance rights expired in 2015.

No share performance rights vested or lapsed during the financial year (2015: nil).

There have been no alterations to the terms and conditions of the performance rights awarded as remuneration since their award date.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### (c) Performance right holdings of Key Management Personnel

	Balance 1 July 2015 Number	Granted as remuneration Number	Performance rights exercised Number	Balance 30 June 2016 Number	Exercisable Number	Not exercisable Number
<i>Directors</i>						
Michael Kay	-	-	-	-	-	-
Andrew Saker	-	474,580	-	474,580	-	474,580
Hugh McLernon	-	447,604	-	447,604	-	447,604
Alden Halse	-	-	-	-	-	-
Michael Bowen	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-
<i>Executives</i>						
Clive Bowman	-	360,030	-	360,030	-	360,030
Charlie Gollow	-	233,532	-	233,532	-	233,532
Diane Jones <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	-	<b>1,515,746</b>	-	<b>1,515,746</b>	-	<b>1,515,746</b>

1. Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered a KMP from that date. She ceased employment on 28 February 2016.

### (d) Shareholdings of Key Management Personnel

2016	Balance 1 July 2015	Received as remuneration	Share performance rights exercised	Net change other <sup>1</sup>	Balance 30 June 2016
<i>Directors</i>					
Michael Kay	-	-	-	307,692	307,692
Andrew Saker	-	-	-	149,254	149,254
Hugh McLernon	7,755,991	-	-	(456,946)	7,299,045
Alden Halse	879,780	-	-	-	879,780
Michael Bowen	887,127	-	-	34,162	921,289
Wendy McCarthy	-	-	-	-	-
<i>Executives</i>					
Clive Bowman	1,013,941	-	-	-	1,013,941
Charlie Gollow	467,058	-	-	-	467,058
Diane Jones <sup>2</sup>	40,691	-	-	(40,691)	-
<b>Total</b>	<b>11,044,588</b>	-	-	<b>(6,529)</b>	<b>11,038,059</b>

## Remuneration report (Audited) (continued)

2015	Balance 1 July 2014	Received as remuneration	Share performance rights exercised	Net change other <sup>1</sup>	Balance 30 June 2015
<b>Directors</b>					
Andrew Saker	-	-	-	-	-
Robert Ferguson <sup>3</sup>	1,853,000	-	-	(1,853,000)	-
Hugh McLernon	7,755,991	-	-	-	7,755,991
John Walker <sup>4</sup>	4,958,292	-	-	(4,958,292)	-
Alden Halse	879,780	-	-	-	879,780
Michael Bowen	845,098	-	-	42,029	887,127
Wendy McCarthy	-	-	-	-	-
<b>Executives</b>					
Clive Bowman	1,013,941	-	-	-	1,013,941
Charlie Gollow	467,058	-	-	-	467,058
Diane Jones	38,764	-	-	1,927	40,691
<b>Total</b>	<b>17,811,924</b>	<b>-</b>	<b>-</b>	<b>(6,767,336)</b>	<b>11,044,588</b>

1. Net changes relate to shares obtained or sold on market.
2. Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered to be a KMP from that date. She ceased employment on 28 February 2016.
3. Robert Ferguson resigned as non-executive director on 5 January 2015.
4. John Walker resigned as a director on 17 June 2015 and is not considered to be a KMP from that date. He ceased employment on 31 October 2015.

All equity transactions with KMP other than those arising from the exercise of share performance rights have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

### (e) Loans to Key Management Personnel

There have been no loans provided to Key Management Personnel in 2016 (2015: nil).

### (f) Transactions with Key Management Personnel

During the year the Group obtained legal advice from DLA Piper, a legal firm associated with Michael Bowen, totalling \$229,071 (2015: \$117,404). The legal advice was obtained at normal market prices. Refer to Note 23 for details.

**- End of remuneration report -**

# Directors' Report

(continued)

## Directors' meetings

### 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 & Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
A Halse (Chair)	M Bowen (Chair)	A Halse (Chair)	W McCarthy (Chair) <sup>4</sup>
M Bowen	A Halse	A Saker	A Halse
M Kay <sup>1,2</sup>	M Kay <sup>1,2</sup>	M Bowen	M Bowen <sup>3</sup>
W McCarthy	W McCarthy	M Kay <sup>1,2</sup>	M Kay <sup>1,2</sup>
		W McCarthy	

1. M Kay was appointed as a director on 1 July 2015.
2. M Kay was appointed to the Audit & Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee on 19 August 2015.
3. M Bowen resigned as Chair of the Corporate Governance Committee on 19 November 2015.
4. W McCarthy was appointed as Chair of the Corporate Governance Committee on 19 November 2015.

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	Audit & Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
<b>Total number of meetings held:</b>	11	2	2	1	2
<b>Meetings Attended:</b>					
M Kay	11	2	2	1	2
A Saker	11	-	-	1	-
H McLernon	11	-	-	-	-
A J Halse	9	2	1	1	2
M Bowen	11	2	2	1	2
W McCarthy	10	2	2	1	2

### Rounding

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

### Auditor's Independence Declaration

EY, the Company's auditors, have provided a written declaration to the directors in relation to its audit of the Financial Report for the year ended 30 June 2016. This Independence Declaration can be found at page 30.

### Non-audit services

The directors are satisfied that the provision of non-audit services by EY 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.

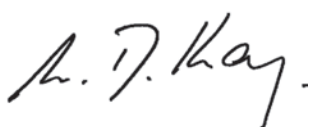
EY received or are due the following amounts for the provision of non-audit services:

- Tax compliance services and other non-audit services \$210,000 (2015: \$122,000).

### 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. The Company's corporate governance statement is noted from page 77 of this Annual Report.

Signed in accordance with a resolution of the directors.



**Michael Kay**  
Chairman

Perth 23 August 2016



**Andrew Saker**  
Managing Director



# Auditor's Independence Declaration



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## Auditor's Independence Declaration to the Directors of IMF Bentham Limited

As lead auditor for the audit of IMF Bentham Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of IMF Bentham Limited and the entities it controlled during the financial year.



Ernst & Young



Robert A Kirkby  
Partner  
23 August 2016

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# Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
<b>Continuing Operations</b>			
Revenue	6	3,448	12,460
Other income	7	52,971	14,590
<b>Total Income</b>		56,419	27,050
Finance costs	8(a)	596	530
Depreciation expense	8(b)	451	228
Employee benefits expense	8(c)	20,784	10,158
Corporate and office expense	8(d)	7,212	3,550
Other expenses	8(e)	1,361	1,143
<b>Profit Before Income Tax from Continuing Operations</b>		26,015	11,441
Income tax expense	9	5,255	2,861
<b>Net Profit from Continuing Operations</b>		20,760	8,580
<b>Discontinued Operations</b>			
Profit/(loss) after tax from discontinued operations	31	160	(2,276)
<b>Profit for the year</b>		20,920	6,304
<b>Other Comprehensive Income</b>			
Items that may be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve	21(b)	97	191
Other comprehensive income net of tax		97	191
<b>Total Comprehensive Income for the Year</b>		21,017	6,495
<b>Earnings per share attributable to the ordinary equity holders of the Company (cents per share)</b>			
Basic profit (cents per share)	11	12.38	3.78
Diluted profit (cents per share)	11	12.38	3.78
<b>Earnings per share attributable for continuing operations (cents per share)</b>			
Basic profit (cents per share)	11	12.29	5.14
Diluted profit (cents per share)	11	12.29	5.14

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

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# Statement of Financial Position

As at 30 June 2016

	Note	Consolidated	
		2016 \$'000	2015 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	142,529	130,108
Trade and other receivables	13	47,723	11,801
Other assets	14	739	321
<b>Total Current Assets</b>		<b>190,991</b>	<b>142,230</b>
<b>Non-Current Assets</b>			
Trade and other receivables	13	1,484	38,098
Plant and equipment	15	1,406	749
Intangible assets	16	145,634	99,483
Investment held in joint venture	31	-	652
<b>Total Non-Current Assets</b>		<b>148,524</b>	<b>138,982</b>
<b>TOTAL ASSETS</b>		<b>339,515</b>	<b>281,212</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	15,250	10,000
Income tax payable		5,073	1,750
Provisions	18	19,238	13,800
Other liabilities		56	75
<b>Total Current Liabilities</b>		<b>39,617</b>	<b>25,625</b>
<b>Non-Current Liabilities</b>			
Provisions	18	297	672
Debt securities	19	79,504	48,206
Other liabilities		-	56
Deferred income tax liabilities	9	18,709	20,753
<b>Total Non-Current Liabilities</b>		<b>98,510</b>	<b>69,687</b>
<b>TOTAL LIABILITIES</b>		<b>138,127</b>	<b>95,312</b>
<b>NET ASSETS</b>		<b>201,388</b>	<b>185,900</b>
<b>EQUITY</b>			
Contributed equity	20	119,122	116,921
Reserves	21(b)	8,182	7,427
Retained earnings	21(a)	74,084	61,552
<b>TOTAL EQUITY</b>		<b>201,388</b>	<b>185,900</b>

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

# Statement of Cash Flows

For the year ended 30 June 2016

	Consolidated		
	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(27,760)	(15,807)
Interest income		1,901	3,158
Interest paid		(3,752)	(3,243)
Income tax paid		(5,305)	(7,037)
<b>Net cash flows (used in) operating activities</b>	22	(34,916)	(22,929)
<b>Cash flows from investing activities</b>			
Proceeds from litigation funding - settlements, fees and reimbursements		108,423	103,359
Payments for litigation funding and capitalised suppliers and employee costs		(82,605)	(49,199)
Purchase of plant and equipment		(1,109)	(406)
Loans made to/(recovered from) joint venture		(1,765)	1,290
Investment in joint venture		(2,332)	(1,008)
<b>Net cash flows from/(used in) investing activities</b>		20,612	54,036
<b>Cash flows from financing activities</b>			
Dividends paid		(6,187)	(11,726)
Bonds proceeds		32,000	-
Cost of issuing bonds		(1,268)	-
<b>Net cash flows (used in)/from financing activities</b>		24,545	(11,726)
Net increase in cash and cash equivalents held		10,241	19,381
Net foreign exchange difference		2,180	5,150
Cash and cash equivalents at beginning of year		130,108	105,577
<b>Cash and cash equivalents at end of year</b>	12	142,529	130,108

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

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# Statement of Changes in Equity

For the year ended 30 June 2016

CONSOLIDATED	Issued capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Option premium reserve \$'000	Convertible notes reserve \$'000	Retained earnings \$'000	Total \$'000
<b>As at 1 July 2015</b>	116,921	-	191	3,404	3,832	61,552	185,900
Profit for the year	-	-	-	-	-	20,920	20,920
Other comprehensive income	-	-	97	-	-	-	97
<b>Total Comprehensive Income for the Year</b>	116,921	-	288	3,404	3,832	82,472	206,917
<b>Equity Transactions:</b>							
Dividend paid	-	-	-	-	-	(8,388)	(8,388)
Share based payments	-	658	-	-	-	-	658
Shares issued under the Dividend Reinvestment Plan	2,201	-	-	-	-	-	2,201
<b>As at 30 June 2016</b>	119,122	658	288	3,404	3,832	74,084	201,388
<b>As at 1 July 2014</b>	112,050	-	-	3,404	3,832	71,845	191,131
Profit for the year	-	-	-	-	-	6,304	6,304
Other comprehensive income	-	-	191	-	-	-	191
<b>Total Comprehensive Income for the Year</b>	112,050	-	191	3,404	3,832	78,149	197,626
<b>Equity Transactions:</b>							
Dividend paid	-	-	-	-	-	(16,597)	(16,597)
Shares issued under the Dividend Reinvestment Plan	4,871	-	-	-	-	-	4,871
<b>As at 30 June 2015</b>	116,921	-	191	3,404	3,832	61,552	185,900

The above 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 2016

## Note 1: Corporate information

The financial report of IMF Bentham Limited ("IMF," the Company" or "the Parent") for the year ended 30 June 2016 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the directors on 23 August 2016.

IMF Bentham 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: IMF).

## Note 2: Summary of significant accounting policies

### 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 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

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 Corporate Instrument 2016/191.

### b. Compliance with IFRS

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

For the purposes of preparing the consolidated financial statements, the Parent is a for profit entity.

### c. New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### (i) Changes in accounting policy and disclosures.

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 1 July 2015, including:

Reference	Title	Application date of standard	Application date for Group
AASB 2013-9	<i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i>  The Standard contains three main parts and makes amendments to a number of Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.  Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.  Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i> .	1 January 2015	1 July 2015
AASB 2015-3	<i>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</i>  The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015	1 July 2015

The adoption of the new and amended standards and interpretations effective as of 1 July 2015 resulted in changes to presentation and disclosures, but had no material impact on the financial position or financial performance of the Group.

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# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

### (ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2016 are outlined in the table below. The impact of new standards and interpretations issued but not yet effective has not been assessed, with the exception of AASB15 'Revenue from Contracts with Customers' and AASB 9 'Financial Instruments' which the Group is currently evaluating the impact of the new standards.

Reference	Summary	Application date of standard	Application date for Group
AASB 9 <i>Financial Instruments</i>	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below:</p> <p><b>Financial assets</b></p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ol> <p><b>Financial liabilities</b></p> <p>Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>- The remaining change is presented in profit or loss</li> </ul>	1 January 2018	1 July 2018

## Note 2: Summary of significant accounting policies (continued)

Reference	Summary	Application date of standard	Application date for Group
	<p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p> <p>Impairment</p> <p>The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting</p> <p>Amendments to AASB 9 (December 2009 &amp; 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <ol style="list-style-type: none"> <li>the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 <i>Business Combinations</i>, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11.</li> <li>the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.</li> </ol> <p>This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	1 July 2016



# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>	1 January 2016	1 July 2016
AASB 15 Revenue from Contracts with Customers	<p>AASB 15 <i>Revenue from Contracts with Customers</i> replaces the existing revenue recognition standards AASB 111 <i>Construction Contracts</i>, AASB 118 <i>Revenue</i> and related Interpretations (Interpretation 13 <i>Customer Loyalty Programmes</i>, Interpretation 15 <i>Agreements for the Construction of Real Estate</i>, Interpretation 18 <i>Transfers of Assets from Customers</i>, Interpretation 131 <i>Revenue—Barter Transactions Involving Advertising Services</i> and Interpretation 1042 <i>Subscriber Acquisition Costs in the Telecommunications Industry</i>). AASB 15 incorporates the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i> issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as Leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> <li>Step 1: Identify the contract(s) with a customer</li> <li>Step 2: Identify the performance obligations in the contract</li> <li>Step 3: Determine the transaction price</li> <li>Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ol> <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p> <p>AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i> amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence and provides further practical expedients on transition to AASB 15.</p>	1 January 2017	1 July 2017

**Note 2: Summary of significant accounting policies (continued)**

Reference	Summary	Application date of standard	Application date for Group
AASB 1057 Application of Australian Accounting Standards	<p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p>	1 January 2016	1 July 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 <i>Consolidated Financial Statements</i> and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <ol style="list-style-type: none"> <li>A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not)</li> <li>A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</li> </ol> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p>	1 January 2016	1 July 2016

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> <li>Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change.</li> </ul> <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> <li>Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7.</li> <li>Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure-Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134.</li> </ul> <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> <li>Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</li> </ul> <p>AASB 134 <i>Interim Financial Reporting</i>:</p> <ul style="list-style-type: none"> <li>Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</li> </ul>	1 January 2016	1 July 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 July 2016

## Note 2: Summary of significant accounting policies (continued)

Reference	Summary	Application date of standard	Application date for Group
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities.	1 January 2016	1 July 2016
AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.	1 January 2016	1 July 2016
AASB 16 Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> <li>– Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.</li> <li>– A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.</li> <li>– Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.</li> <li>– AASB 16 contains disclosure requirements for lessees.</li> </ul> <p>Lessor accounting</p> <ul style="list-style-type: none"> <li>– AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.</li> <li>– AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.</li> </ul> <p>AASB 16 supersedes:</p> <ol style="list-style-type: none"> <li>a. AASB 117 Leases</li> <li>b. Interpretation 4 Determining whether an Arrangement contains a Lease</li> <li>c. SIC-15 Operating Leases—Incentives</li> <li>d. SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</li> </ol> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019	1 July 2019

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Summary	Application date of standard	Application date for Group
2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	This Standard amends AASB 112 <i>Income Taxes</i> (July 2004) and AASB 112 <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	This Standard amends AASB 107 <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.	1 January 2017	1 July 2017
IFRS 2 (Amendments) Classification and Measurement of Share-based Payment Transactions [Amendments to IFRS 2]	This standard amends to IFRS 2 <i>Share-based Payment</i> , clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: <ul style="list-style-type: none"> <li>– The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>– Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>– A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled</li> </ul>	1 January 2018	1 July 2018

### d. Basis of consolidation

The consolidated financial statements comprise the financial statements of IMF Bentham Limited (IMF, the Company or Parent) and its subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc, Bentham Capital LLC, Security Finance LLC, Bentham IMF Capital Limited, and Lien Finance Canada Limited ("the Group") as at 30 June each year. 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 financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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.

## Note 2: Summary of significant accounting policies (continued)

### e. Foreign currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. 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 the Group's entities 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 translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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).

#### *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.

### f. Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in 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.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### g. Trade and other receivables

Trade receivables, which generally have 30-90 day terms, 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 trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor and loss of cases on appeal are considered to be objective evidence of impairment.

### h. Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on financial assets held for trading are recognised in the profit or loss and the related assets are classified as current assets in the Statement of Financial Position.

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

### (ii) Loans and receivables

Loans and receivables including loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### i. Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. 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 as follows:

#### Plant and equipment - over 4 to 15 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

#### Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### j. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### k. Intangible assets

#### Litigation Contracts In Progress

Litigation Contracts In Progress represent future economic benefits controlled by the Group. As Litigation Contracts In Progress may be exchanged or sold, the Group is able to control the expected future economic benefit flowing from the Litigation Contracts In Progress. Accordingly, Litigation Contracts In Progress meet the definition of intangible assets.

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.

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

The following specific asset recognition rules have been applied to Litigation Contracts In Progress:

#### (A) Actions still outstanding:

When litigation is outstanding and pending a determination, Litigation Contracts In Progress are carried at cost. Subsequent expenditure is capitalised when it meets all of the following criteria:

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

## Note 2: Summary of significant accounting policies (continued)

### *(B) Successful judgment:*

Where the litigation has been determined in favour of the Group or a positive settlement has been agreed, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the Statement of Comprehensive Income.

Any future costs relating to the defence of an appeal by the defendant are expensed as incurred.

### *(C) Unsuccessful judgment:*

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

### **I. Trade and other payables**

Trade payables and other payables 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 prior 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. The amounts are unsecured and are usually paid within 30 days of recognition.

### **m. Interest-bearing loans and borrowings**

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loan and borrowings.

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.

### **n. Provisions and employee benefits**

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.

When the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

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 using a discounted cash flow methodology. 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*

#### *(i) Wages, salaries, annual leave and sick leave*

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.

#### *(ii) Long service leave*

Long service is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-costs rates and future settlement dates of employees' departures.

#### *(iii) Bonuses*

Under the IMF Short-Term Incentive Plan, eligible participants have the opportunity to receive an annual cash bonus, subject to performance against clearly defined and measurable financial and non-financial objectives.

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# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

### o. 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 and Binomial 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 IMF (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).

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

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 IMF 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 IMF 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.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### (ii) Cash-settled transactions

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

### p. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### q. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Interest income

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

#### (ii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

#### (iii) Fees

Revenue is recognised when the Group's right to receive the fee is established.

## Note 2: Summary of significant accounting policies (continued)

### r. Income tax and other taxes

Current tax assets and liabilities for the current and prior periods 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 on all temporary differences at the Statement of Financial Position reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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.

IMF and its 100% Australian owned subsidiary have formed a tax consolidated group with effect from 1 July 2002. IMF is the head of the tax consolidated group.

#### 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.

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 2: Summary of significant accounting policies (continued)

### s. Earnings per share

Basic earnings per share is calculated as net profit 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 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.

### t. Borrowing 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 an entity incurs in connection with the borrowing of funds.

### u. Investment in joint venture

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 unanimous consent of the parties sharing control.

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in 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 joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the 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 joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss in the 'Share of profit of a joint venture' in the Statement of Comprehensive Income.

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### Note 3: Financial risk management objective and policies

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

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. In addition, as at 30 June 2016, the Group has a \$50,000,000 variable rate bond debt outstanding. These IMF Bentham 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 to Australian variable interest rate risk:

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Financial instruments</b>		
Cash and cash equivalents	142,529	130,108
IMF Bentham Bonds	(48,656)	(48,206)
<b>Net exposure</b>	<b>93,873</b>	<b>81,902</b>

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 2016, if interest rates had moved, as illustrated in the following table, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgment of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
+0.25% (250 basis points) (2015: +0.5%)	235	410	235	410
-0.25% (250 basis points) (2015: -0.2%)	(235)	(164)	(235)	(164)

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 3: Financial risk management objective and policies (continued)

### Credit risk

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents and receivables. 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.

The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Wherever possible the Group ensures that security for settlement sums is provided, or the settlement funds are placed into solicitors' trust accounts. As at 30 June 2016, a significant portion of the Group's receivables were not under any such security. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

### 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 IMF Bentham Bonds and Fixed Rate Notes, 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
<b>2016</b>					
<b>Financial Liabilities</b>					
Trade and other payables	15,250	-	-	-	15,250
Bonds and Notes	-	-	82,000	-	82,000
Bonds and Notes interest	2,722	2,722	13,257	-	18,701
	17,972	2,722	95,257	-	115,951
<b>2015</b>					
<b>Financial Liabilities</b>					
Trade and other payables	10,000	-	-	-	10,000
Bonds	-	-	50,000	-	50,000
Bonds interest	1,585	1,585	9,750	-	12,920
	11,585	1,585	59,750	-	72,920

### 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 approximate their fair values, except for the IMF Bentham Bonds and Fixed Rate Notes. The IMF Bentham Bonds fair value has been determined using the quoted market price at 30 June 2016, and the Fixed Rate Notes fair value has been determined using the price from Austraclear.

Under AASB 13 the fair value measurements used for the Bonds and Notes are both level 1 on the fair value hierarchy.

At 30 June 2016:

	Carrying Value \$'000	Fair Value \$'000
IMF Bentham Bonds	50,000	49,000
Fixed Rate Notes	32,000	32,480

### Note 3: Financial risk management objective and policies (continued)

#### 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 entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The group is also exposed to foreign exchange risk arising from the translation of 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 an intercompany receivable from its subsidiary denominated in Australian Dollars which is eliminated on consolidation. The gains or losses on re-measurement of this intercompany receivable from US Dollars to Australian Dollars are not eliminated on consolidation as the loan is not considered to be part of the net investment in the subsidiary.

	USD \$'000	GBP \$'000	Euro \$'000	ZAR \$'000	CAD \$'000	HKD \$'000
<b>2016</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	25,124	960	2,510	1	67	28,343
Trade and other receivables <sup>1</sup>	46,898	-	4,010	-	1,039	-
Total assets	72,022	960	6,520	1	1,106	28,343
<b>Financial Liabilities</b>						
Trade Payables	2,700	-	-	-	34	-
Total liabilities	2,700	-	-	-	34	-
<b>2015</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	25,679	3,544	1,322	13,990	-	-
Trade and other receivables <sup>1</sup>	16,504	-	-	-	-	-
Total assets	42,183	3,544	1,322	13,990	-	-
<b>Financial Liabilities</b>						
Payables	2,606	-	-	-	-	-
Total liabilities	2,606	-	-	-	-	-

1. Trade and other receivables balance includes the intercompany loan balance with Bentham Capital and Bentham IMF and the receivable from the sale of the Group's interest in Bentham Ventures B.V.

#### Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the AUD to the listed currencies with all other variables held constant excluding the impact of the foreign exchange movement on the inter-company loan of \$61,792,000 (2015: \$17,955,000). The sensitivity is based on management's estimate of reasonably possible changes over the financial year.

		Impact on profit or loss before tax (A\$'000)					
		USD	GBP	Euro	ZAR	CAD	HKD
<b>2016</b>	+10%	(9,335)	(173)	(973)	-	(111)	(492)
	-10%	9,335	173	973	-	111	492
<b>2015</b>	+10%	(5,148)	(726)	(193)	(146)	-	-
	-10%	5,148	726	193	146	-	-

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 4: 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 in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenues and expenses. Management bases its judgments on historical experience and on other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgments have been made as well as the following key estimates and assumptions that have the most significant impact on the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

### Significant accounting judgments, estimates and assumptions

#### 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 un-recouped 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. 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 on 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

Litigation Contracts in Progress is recognised by the Group as an intangible asset in the financial statements as the Group does not have an unconditional right to receive cash. Rather, it provides the entity with a right to a share of litigation proceeds which may be in the form of cash or other non-financial assets.

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

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual Litigation Contract In Progress as to whether it is likely to be successful, the cost and timing to completion and the ability of the defendant to pay upon completion. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions (refer to Note 16).

#### Share Based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share performance right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Monte-Carlo simulation model for Tranche 1 grants, and the binomial model for Tranche 2 grants. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

#### Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of the recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in Note 16.

#### Note 4: Significant accounting judgments, estimates and assumptions (continued)

##### Long service leave provision

As discussed in Note 2, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

##### Provision for adverse costs

The Group raises a provision for adverse costs when it has lost a matter which it has funded. When a matter is lost and an appeal is lodged, the Group raises a provision. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit following consultation with external advisors.

#### Note 5: Segment information

For management purposes, the Group is organised into one operating segment which provides only one service, being litigation funding. Accordingly, all operating disclosures are based upon analysis of the Group as one segment. Geographically, the Group operates in Australia, the United States of America and Canada.

The Group continues to investigate other markets and has identified the following markets outside of Australia, the United States, Canada and Europe as being favourable to litigation funding: Hong Kong, Singapore, and New Zealand.

Interest received from National Australia Bank Ltd of \$1,210,000 (2015: \$1,830,000), Bankwest of \$682,000 (2015: \$765,000), and Westpac Banking Group Ltd was nil (2015: \$379,000) contributed more than 99% of the Group's bank interest revenue (2015: 99%).

Other income can be represented geographically as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Australia	45,870	(3,900)
United States	7,101	18,490
Canada	-	-
<b>Total other income</b>	<b>52,971</b>	<b>14,590</b>

Non-Current assets, excluding trade receivables and financial assets, can be represented geographically as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Australia	86,298	79,244
United States	59,984	21,640
Canada	7	-
<b>Net exposure</b>	<b>146,289</b>	<b>100,884</b>

#### Note 6: Revenue

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Revenue</b>		
Bank interest received and accrued	1,894	2,982
Fees from Joint Venture	347	729
Unrealised foreign exchange gain	1,207	8,749
	<b>3,448</b>	<b>12,460</b>



# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 7: Other income

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Other income</b>		
Litigation contracts in progress - settlements and judgments	99,797	92,345
Litigation contracts in progress - expenses	(22,540)	(48,519)
Litigation contracts - written-down <sup>1</sup>	(11,389)	(624)
Net gain on derecognition of intangible assets	65,868	43,202
Loss on derecognition of intangible assets/receivables as a result of losing a matter or appeal <sup>2</sup>	(12,923)	(28,635)
Other income	26	23
	<b>52,971</b>	<b>14,590</b>

1. Included in this balance are costs related to the Group's initial assessment of the case and cases not pursued by the Group due to the cases not meeting the Group's required rate of return.
2. Included in this balance are costs related to cases lost by the Group. Further, it includes any adverse costs provision raised when a litigation contract in progress has been written-off due to it being lost.

## Note 8: Expenses

	Consolidated	
	2016 \$'000	2015 \$'000
<b>(a) Finance costs</b>		
Bond costs	540	478
Other finance charges	56	52
	<b>596</b>	<b>530</b>
<b>(b) Depreciation</b>		
Depreciation expense	451	228
<b>(c) Employee benefits expense</b>		
Wages and salaries	18,035	8,492
Superannuation expense	562	501
Directors' fees	467	276
Payroll tax	1,412	806
Share based payments	492	-
Long service leave provision	(184)	83
	<b>20,784</b>	<b>10,158</b>
<b>(d) Corporate and office expense</b>		
Insurance expense	1,588	471
Network expense	154	125
Marketing expense	1,766	797
Occupancy expense	908	267
Professional fee expense	1,480	673
Recruitment expense	442	585
Telephone expense	137	127
Travel expense	737	505
	<b>7,212</b>	<b>3,550</b>

**Note 8: Expenses (continued)**

	Consolidated	
	2016 \$'000	2015 \$'000
<b>(e) Other expenses</b>		
ASX listing fees	87	113
General expenses	702	647
Postage, printing and stationery	387	174
Repairs and maintenance	30	45
Share registry costs	129	150
Software supplies	26	14
	<b>1,361</b>	<b>1,143</b>

**Note 9: Income tax**

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Consolidated statement of profit &amp; loss</b>		
The major components of income tax expense are:		
<b>Current income tax</b>		
Current income tax charge	7,786	5,411
Adjustment in respect of current income tax expense of previous year	731	85
Income tax attributable to a discontinued operation	(1,267)	-
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	1,081	(583)
Other	(5)	(194)
Use of prior year losses not previously recognised	(1,671)	(1,843)
Adjustment in respect of deferred income tax of previous year	(1,400)	(15)
Income tax expense reported in the statement of profit & loss	<b>5,255</b>	<b>2,861</b>

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 9: Income tax (continued)

A reconciliation between tax expense and the product of accounting profit before income multiplied by the Group's applicable income tax rate is as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Accounting profit before income tax from continuing operations	26,015	11,441
Profit/(loss) before tax from a discontinued operation	1,427	(2,276)
Accounting profit before tax	27,442	9,165
At the Group's statutory income tax rate of 30% (2015: 30%)	8,233	3,432
Adjustment in respect of income and deferred tax of previous years	(669)	70
Expenditure not allowable for income tax purposes	821	655
Foreign tax rate adjustment	(219)	460
State income tax	(328)	691
Foreign exchange impact on tax expense	361	351
Use of prior year losses not previously recognised	(1,671)	(1,843)
Other	(6)	(273)
Income tax expense reported in the Statement of Comprehensive Income	5,255	3,543
Income tax attributable to a discontinued operation	1,267	-

	Statement of Financial Position		Statement of Comprehensive Income	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<b>Deferred income tax liabilities</b>				
Intangibles	25,769	23,379	(2,390)	(693)
Accrued interest & unrealised foreign exchange	149	1,658	1,509	2,492
Gross deferred income tax liabilities	25,918	25,037	(881)	1,799
<b>Deferred income tax assets</b>				
Net operating losses - federal and state	1,722	-	1,722	-
Accruals and provisions/bond raising costs	5,460	4,251	1,209	(2,802)
Expenditure deductible for income tax over time	27	33	(6)	11
Gross deferred income tax assets	7,209	4,284	2,925	(2,791)
Net deferred income tax liabilities	<b>18,709</b>	<b>20,753</b>		

### Unrecognised temporary differences and tax losses

At 30 June 2016 the Group had no (2015: nil) unrecognised temporary differences and tax losses.

## Note 10: Dividends paid and proposed

### (a) Cash dividends on ordinary shares declared and paid

Final dividend for 2015: 5.0 cents per share (2014: 5.0 cents per share)

Interim dividend for 2016: 0.0 cents per share (2015: 5.0 cents per share)

### (b) Proposed dividends for ordinary shares:

Final dividend for 2016: 7.5 cents per share (2015: 5.0 cents per share)

Consolidated	
2016 \$'000	2015 \$'000
8,388	8,268
-	8,329
8,388	16,597
12,709	8,388

On 23 August 2016, the directors declared a final fully franked dividend of 7.5 cents per share for the 2016 financial year, totalling \$12,709,000. The record date for this dividend is 27 September 2016 and the payment date will be 21 October 2016. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

An interim dividend was not declared for the half year ended 31 December 2015.

On 19 August 2015, the directors declared a final fully franked dividend of 5.0 cents per share for the 2015 financial year, totalling \$8,388,000. The record date for this dividend was 25 September 2015 and the payment date was on 9 October 2015. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend. On 10 February 2015 an interim fully franked dividend of 5.0 cents per share was declared in respect of the 2015 financial year. The record date for this dividend was 16 March 2015 and the payment date was 10 April 2015.

### (c) Franking credit balance

The amount of franking credits for the subsequent financial year are:

- Franking account balance as at the end of the financial year at 30%
- Franking debits that arose from the payment of last year's final dividend
- Franking debits that arose from the payment of current year's interim dividend
- Franking credits that arose from the payment of income tax payable during the financial year
- Franking credits that will arise from the (refund)/payment of income tax (receivable)/payable as at the end of the financial year

Impact of franking debits that will arise from the payment of the final dividend

IMF Bentham Limited	
2016 \$'000	2015 \$'000
8,316	13,097
(3,595)	(3,543)
-	(3,570)
2,011	2,271
7,497	61
14,229	8,316
(5,447)	(3,595)
8,782	4,721

### (d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2015: 30%).

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 11: Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

During the year ended 30 June 2016, 4,811,086 performance rights were granted as detailed in Note 25. 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 therefore not considered dilutive.

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

### (a) Earnings used in calculating earnings per share

	Consolidated	
	2016 \$'000	2015 \$'000
<b>For basic earnings per share</b>		
Total net profit attributable to ordinary equity holders of the Parent	20,920	6,304

	Consolidated	
	2016 \$'000	2015 \$'000
<b>For basic earnings per share</b>		
Total net profit attributable to continuing operations	20,760	8,580

### (b) Weighted average number of shares

	Number \$'000	
	2016	2015
Weighted average number of ordinary shares	168,988	166,867

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.

### (c) Information on the classification of securities

#### (i) Options

As at 30 June 2016 there were no options issued over shares in the Company (2015: nil).

#### (ii) Bonds and Notes

The bonds and notes are not considered to be dilutive.

**Note 12: Current assets - cash and cash equivalents**

	Consolidated	
	2016 \$'000	2015 \$'000
Cash at bank	64,318	56,106
Short-term deposits	78,211	74,002
	142,529	130,108

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.

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group. As at 30 June 2016, 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.

**Reconciliation to Statement of Cash Flows**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2016 \$'000	2015 \$'000
Cash at bank	64,318	56,106
Short-term deposits	78,211	74,002
	142,529	130,108

**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 matters funded under litigation contracts. As at 30 June 2016 guarantees of \$526,000 were outstanding (2015: \$1,309,000). The guarantees are secured by an offset arrangement with a term deposit of \$5,000,000 (2015: \$5,000,000).

**Set off of assets and liabilities**

The Group has established a legal right of set off with two banks enabling it to set off certain deposits with the banks against bank guarantees issued totalling \$526,000 (2015: \$1,309,000). The total of the bank guarantee facilities is \$5,000,000 (2015: \$5,000,000). The guarantee facility is secured by an offset arrangement against term deposits of \$5,000,000 (2015: \$5,000,000).

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# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 13: Trade and other receivables

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Current</b>		
Trade receivables <sup>1</sup>	40,497	11,441
Interest receivables <sup>2</sup>	1,240	360
Receivable from sale of joint venture	5,986	-
	<b>47,723</b>	<b>11,801</b>
	Consolidated	
	2016 \$'000	2015 \$'000
<b>Non current</b>		
Trade receivables <sup>3</sup>	1,484	38,098
	<b>1,484</b>	<b>38,098</b>

1. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is nothing included in current trade receivables which is subject to appeal (2015: \$nil).

2. Other receivables comprise interest receivable upon the maturity of the Group's short term deposits (between 30 and 90 days).

3. Non-current trade receivables occur either as a result of settlements with a repayment plan greater than 12 months or where a judgment is subject to appeal and the appeal is not expected to be heard within the next 12 months.

At 30 June 2016 and 30 June 2015 the non-current trade receivable was non-interest bearing and related to the Company's expected income from the Lehman matter.

At 30 June, the aging analysis of trade and other receivables is as follows:

	0-30 days \$'000	31-90 days \$'000	91-180 days \$'000	+180 days <sup>1</sup> \$'000	Total \$'000
2016 Consolidated	38,602	3,814	-	6,791	49,207
2015 Consolidated	11,801	-	-	38,098	49,899

1. These amounts are not due and therefore not impaired.

### (a) Fair value and credit risk

Due to the nature of these receivables, the carrying value of the current receivables approximates its fair value. The carrying value of the non-current receivables are adjusted to reflect future cashflows and it is this adjusted carrying value that approximates its fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables.

## Note 14: Current assets - other assets

	Consolidated	
	2016 \$'000	2015 \$'000
Prepayments	485	217
Rental Deposits	254	104
	<b>739</b>	<b>321</b>

**Note 15: Non-current assets - plant and equipment****Reconciliation of carrying amounts at the beginning and end of the year**

	Consolidated	
	2016 \$'000	2015 \$'000
Cost	3,967	2,860
Accumulated depreciation	(2,561)	(2,111)
Net carrying amount	1,406	749

	Consolidated Plant and equipment \$'000
<b>Cost</b>	
Balance as at 1 July 2014	2,454
Additions	406
Disposals	-
At 30 June 2015	2,860
Additions	1,109
Disposals	(2)
<b>At 30 June 2016</b>	<b>3,967</b>
<b>Accumulated depreciation</b>	
Balance as at 1 July 2014	1,883
Depreciation charge for the year	228
Disposals	-
At 30 June 2015	2,111
Depreciation charge for the year	451
Disposals	(1)
<b>At 30 June 2016</b>	<b>2,561</b>
<b>Net book value</b>	
At 30 June 2016	1,406
At 30 June 2015	749

The useful life of the assets was estimated between 4 to 15 years for both 2016 and 2015.

Plant and Equipment of the Company is subject to a fixed charge to secure the Company's debt due to Bondholders. See Note 19 for further details.



# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 16: Intangible assets

### (a) Reconciliation of carrying amounts at the beginning and end of the period

	Consolidated \$'000
<b>Year ended 30 June 2016</b>	
Balance as at 1 July 2015, net of accumulated amortisation and impairment	99,483
Additions	119,042
Disposals	(61,502)
Write-down of Litigation Contracts	(11,389)
<b>At 30 June 2016, net of accumulated amortisation and impairment</b>	<b>145,634</b>
<b>Year ended 30 June 2015</b>	
Cost (gross carrying amount)	98,636
Additions	57,084
Disposals	(55,613)
Write-down of Litigation Contracts	(624)
<b>At 30 June 2015, net of accumulated amortisation and impairment</b>	<b>99,483</b>

### (b) Description of Group's intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described in Note 16(e). The capitalised wages in 2016 equated to approximately 28.5% of the total salary costs (2015: 37%). The other internal capitalised expenses equated to approximately 35.6% of related overhead costs (2015: 82.7%).

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

	Consolidated	
	2016 \$'000	2015 \$'000
Capitalised external costs	119,472	75,300
Capitalised internal costs	17,565	16,503
Capitalised borrowing costs	8,597	7,680
Balance at 30 June	145,634	99,483

### (c) Write off of intangible assets

The carrying amount of Litigation Contracts In Progress is written off when the case is lost by the Group or the Group decides not to pursue cases that do not meet the Group's required rate of return.

### (d) Impairment testing of intangible assets

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.

**Note 16: Intangible assets (continued)**

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 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. The discount rate applied ranged between 10.0% and 11.5% (2015: between 10.0% and 11.5%).

No impairment has been identified as a result of impairment testing performed.

**(e) Capitalised borrowing costs**

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying assets and that 100% of borrowing costs are eligible for capitalisation. The amount of borrowing costs capitalised during the year ended 30 June 2016 was \$3,764,000 (2015: \$2,758,000).

**Note 17: Current liabilities - trade and other payables**

	Consolidated	
	2016 \$'000	2015 \$'000
Trade payables <sup>1</sup>	13,981	8,777
Wage accruals	461	426
Bond interest accrual	808	797
	15,250	10,000

1. Trade payables are non-interest bearing and are normally settled on 30 day terms.

**(a) Fair value**

Due to the nature of trade and other payables, their carrying value is assumed to approximate their fair value.

**Note 18: Current and non-current liabilities – provisions**

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Current</b>		
Annual leave and long service leave	1,847	1,468
Adverse costs <sup>1</sup>	11,200	11,000
Bonus	6,191	1,332
	19,238	13,800
<b>Non-Current</b>		
Long service leave	297	672
	297	672

1. During the financial year 2016 the Group raised a provision of \$3,700,000 for estimated adverse costs obligations in respect of the Lynx and Bank Fees matters. The decision on Lynx is the subject of an appeal application to the High Court and, if the appeal is successful, adverse costs will not be payable. During the financial year the Group paid adverse costs of \$2,867,000 and released \$633,000 in relation to the National Potato matter.

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 18: Current and non-current liabilities – provisions (continued)

### (a) Movement in provisions

	Adverse costs \$'000	Annual leave \$'000	Employee bonus/STIP \$'000	Long service leave \$'000	Total \$'000
As at 1 July 2015	11,000	854	1,332	1,286	14,472
Arising during the year	3,700	1,110	6,191	84	11,085
Utilised	(3,500)	(922)	(1,332)	(268)	(6,022)
As at 30 June 2016	11,200	1,042	6,191	1,102	19,535
Current 2016	11,200	1,042	6,191	805	19,238
Non-current 2016	-	-	-	297	297
	11,200	1,042	6,191	1,102	19,535
Current 2015	11,000	854	1,332	614	13,800
Non-current 2015	-	-	-	672	672
	11,000	854	1,332	1,286	14,472

### (b) Nature and timing of provisions

#### Adverse costs

During the financial year 2016 the Group raised a provision of \$3,700,000 for estimated adverse costs obligations in respect of the Lynx and Bank Fees matters. The decision on Lynx is the subject of an appeal application to the High Court and, if the appeal is successful, adverse costs will not be payable. During the financial year the Group paid adverse costs of \$2,867,000 and released \$633,000 in relation to the National Potato matter. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit following consultation with external advisors.

#### Annual leave and long service leave

Refer to Note 2 for the relevant accounting policy and discussion of significant estimations and assumptions applied in the measurement of this provision.

#### Employee bonus

Refer to Note 2 for the relevant accounting policy and discussion of significant estimations and assumptions applied in the measurement of this provision.

**Note 19: Non-current liabilities – debt securities**

	Consolidated	
	2016 \$'000	2015 \$'000
IMF Bentham Bonds <sup>1</sup>	48,656	48,206
Fixed Rate Notes <sup>1</sup>	30,848	-
	79,504	48,206

1. Includes transaction costs of \$3,595,000.

On 18 April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of \$1,000 each. The interest rate payable to Noteholders is 7.40% per annum payable half yearly. The Fixed Rate Notes are due to mature on 30 June 2020 and are secured by a security interest over all present and after-acquired property of IMF. IMF has an early redemption option on these Fixed Rate Notes on 30 June 2019. The issuer may redeem some or all of the Notes on the optional redemption date by payment of 101 percent of the outstanding principal amount of each Note being redeemed together with any accrued interest, if any, to, but excluding, the date of redemption. No fair value has been attributed to the early redemption option.

The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of \$3,764,000 (2015: \$3,389,000) 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) of 1 July 2009 (refer to Note 16).

The IMF Bentham Bonds issued in April 2014 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 30th June 2019.

**Note 20: Contributed equity**

	Consolidated	
	2016 \$'000	2015 \$'000
<i>Contributed equity</i>		
Issued and fully paid ordinary shares	119,122	116,921

**(a) Ordinary shares**

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

	Number '000	\$'000
<b>Movement in ordinary shares</b>		
As at 30 June 2014	165,370	112,050
Shares issued under the Dividend Reinvestment Plan	2,391	4,871
As at 30 June 2015	167,761	116,921
Shares issued under the Dividend Reinvestment Plan	1,695	2,201
As at 30 June 2016	169,456	119,122

On 9 October 2015 the Company issued 1,695,093 shares under its Dividend Reinvestment Plan at \$1.2984 per share.

On 3 October 2014, the Company issued 1,210,688 shares at \$1.96 per share, and on 10 April 2015 the Company issued 1,180,014 shares at \$2.12 under its Dividend Reinvestment Plan.

**(b) Share options**

At 30 June 2016, there were 4,811,086 share performance rights over unissued ordinary shares (2015: nil).

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 20: Contributed equity (continued)

### (c) Capital management

Capital includes bonds, notes 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 as well as to maintain 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 earnings of the Group are lumpy and this is forecast to continue into the 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. However, if the cash and receivables balances of the Company fall below 75% of the Group financial indebtedness or retained earnings are less than \$57,000,000, or an event of default is subsisting under the IMF Bentham Bonds or Fixed Rate Notes, the Company is not permitted to pay a dividend to ordinary shareholders (this calculation is to be undertaken both before and after the proposed dividend).

## Note 21: Retained earnings and reserves

### (a) Movements in retained earnings were as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Balance 1 July	61,552	71,845
Net profit for the year	20,920	6,304
Dividend paid	(8,388)	(16,597)
Balance 30 June	74,084	61,552

### (b) Movements in reserves were as follows:

	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Other Reserves		Total reserves \$'000
			Option premium reserve \$'000	Convertible notes reserve \$'000	
At 1 July 2014	-	-	3,404	3,832	7,236
Movements in reserves during the period	-	191	-	-	191
At 30 June 2015	-	191	3,404	3,832	7,427
Movements in reserves during the period	658	97	-	-	755
At 30 June 2016	658	288	3,404	3,832	8,182

### (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 25 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 overseas subsidiaries.

#### (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.

**Note 22: Statement of cash flows reconciliation****(a) Reconciliation of net profit after tax to net cash flows used in operations:**

	Consolidated	
	2016 \$'000	2015 \$'000
<b>Net profit attributable to members of the Parent</b>	20,920	6,304
<i>Adjustments for:</i>		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows to/(from) investing activities	(25,818)	(54,160)
Depreciation	451	228
Share based payments	492	-
Unrealised foreign exchange loss/(gain)	211	(5,182)
Share of loss in joint venture	2,670	2,276
Bond amortisation	518	448
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in receivables	692	22,997
Decrease/(increase) in other current assets	(418)	(70)
Decrease/(increase) in intangibles	(46,151)	(848)
Increase/(decrease) in trade creditors and accruals	5,164	1,926
Increase/(decrease) in interest accruals	11	146
Increase/(decrease) in provisions	5,438	6,820
Increase/(decrease) in deferred tax liabilities	(2,044)	(992)
Increase/(decrease) in current income tax liability	3,323	(2,954)
Increase/(decrease) in non-current employee entitlements	(375)	132
Net cash (used in) operating activities	(34,916)	(22,929)

**(b) Disclosure of financing facilities**

Refer to Note 12 and Note 19.

**Note 23: Related party disclosure****Transactions with director and related entities**

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Consolidated	
	2016 \$'000	2015 \$'000
Fee revenue from Joint Venture	347	729
Transactions with related parties <sup>1</sup>	229	117
	576	846

1. During the year the Group obtained legal advice from DLA Piper, a legal firm associated with director Michael Bowen. The legal advice was obtained at normal market prices.

# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 24: Key management personnel

### (a) 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.

### (b) Compensation of Key Management Personnel

	Consolidated	
	2016 \$'000	2015 \$'000
Short-term employee benefits - salaries and wages	4,604	5,015
Short-term employee benefits - accrued and unpaid	1,663	377
Post-employment benefits	125	124
Long service leave accrued during the year	78	56
Share based payments	331	-
Termination payment	200	-
	<b>7,001</b>	<b>5,572</b>

## Note 25: Share-based payment plan

### Long Term Incentive Plan

Under the LTIP, awards are made to executives and other key personnel who have an impact on the Group's performance. 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 Binomial model is used. Specific assumptions are below:

4,811,086 share performance rights were issued during 2016 (2015: nil).

	24 February 2016	20 November 2015
Weighted average fair values at the measurement date		
Dividend yield (%)	5%	5%
Expected Volatility (%)	32%	28%
Risk-free interest rate (%)	1.77%	2.10%
Expected life of share options (years)	3 years ending 30 June 2018	3 years ending 30 June 2018
Weighted average share price (\$)	\$1.67	\$1.67
Model used	Monte Carlo and Binomial	Monte Carlo and Binomial

## Note 26: Commitments and contingencies

### (a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases for its premises. These leases have a life of between one and five years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated	
	2016 \$'000	2015 \$'000
Within one year	1,198	1,131
After one year but no more than five years	1,230	1,678
After more than five years	-	-
Total minimum lease payments	2,428	2,809

### (b) Remuneration commitments

	Consolidated	
	2016 \$'000	2015 \$'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	7,305	7,076
After one year but no more than five years	-	-
	7,305	7,076

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.

### (c) Contingencies

As at 30 June 2016, the Group has three cases, under appeal (2015: one case). The total income recognised by the Group from the cases remaining on appeal in the current financial year is \$nil (2015: nil). The total current and non-current receivables as at 30 June 2016 relating to cases under appeal is \$nil (2015: nil).

In certain jurisdictions litigation funding agreements contain an undertaking from the Company to the client that the Company will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. It is not possible to predict in which cases such an award might be made or the quantum of such awards. In addition, the Company has insurance arrangements which, in some circumstances, will lessen the impact of such awards. In general terms, an award of adverse costs to a defendant will approximate 70% 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 70% of the amount spent by the plaintiff and that there is only one defendant per case.

At 30 June 2016 the total amount spent by the Company where undertakings to pay adverse costs have been provided was \$63,623,000 (2015: \$49,720,000). The potential adverse costs orders using the above methodology would amount to \$44,536,000 (2015: \$34,804,000). The Company does not currently expect that any of the matters will be unsuccessful. The Company maintains a large cash holding in case one or more matters are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

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# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 26: Commitments and contingencies (continued)

On 30 June 2016, the Group sold its 50% interest in Bentham Ventures B.V., a jointly controlled entity principally involved in the funding of litigation throughout Europe but primarily in the United Kingdom. Refer to Note 31 for further details of the sale. As a result of the termination of the joint venture arrangements, IMF will no longer have an interest in the Tesco and VW cases, but will remain as a joint and several guarantor for current clients' exposure for the costs of the litigation and any adverse costs exposure, to the extent not covered by applicable insurance, with IMF being indemnified by certain affiliates of its former joint venture partner with respect to certain of these contingent liabilities.

## Note 27: Economic dependency

IMF Bentham Limited is not economically dependent on any other entity.

## Note 28: Events after the reporting date

At 30 June 2016, the Group had current receivables of \$47,723,000. On 1 July 2016, the Group received \$30,425,000 in respect of the Lehman matter. Up to the date of this report, a further \$11,699,000 of this outstanding balance has been received.

On 27 July 2016, the company announced the appeal on the ANZ Bank Fees matter was dismissed. IMF has recognised an impairment to the intangible asset and an increase to the adverse costs provision in relation to this matter in this financial report for the year ended 30 June 2016.

On 23 August 2016, the directors declared a final fully franked dividend of 7.5 cents per share for the 2016 financial year, totalling \$12,709,000. The record date for this dividend is 27 September 2016 and the payment date will be 21 October 2016. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

## Note 29: Auditor's remuneration

The auditor of IMF Bentham Limited is EY.

Amounts received or due and receivable by EY for:

An audit or review of the financial report of the Parent and any other entity in the Group

Other services in relation to the Parent and any other entity in the consolidated Group:

Tax compliance

Other

	Consolidated	
	2016 \$'000	2015 \$'000
An audit or review of the financial report of the Parent and any other entity in the Group	283	297
Other services in relation to the Parent and any other entity in the consolidated Group:		
Tax compliance	52	87
Other	158	35
	493	419

**Note 30: Parent entity information**

	2016 \$'000	2015 \$'000
<b>Information relating to IMF Bentham Limited:</b>		
Current assets	188,308	138,273
Total assets	347,623	270,664
Current liabilities	(34,666)	(29,914)
Total liabilities	(143,678)	(98,301)
<b>Net assets</b>	<b>203,945</b>	<b>172,363</b>
Issued capital	119,122	116,921
Retained earnings	76,929	48,083
Convertible note reserve	7,894	7,359
<b>Total shareholders' equity</b>	<b>203,945</b>	<b>172,363</b>
Profit or loss of the Parent	26,515	72
<b>Total comprehensive income of the Parent</b>	<b>26,515</b>	<b>72</b>

The Parent has not entered into any guarantees with any of its subsidiaries.

Details of the contingent liabilities of the Parent are contained in Note 26(c). There are no contingent liabilities in relation to the subsidiaries.

Details of the contractual commitments of the Parent are contained in Notes 26(a) and 26(b). There are no contractual commitments in relation to the subsidiaries.

**Tax consolidation*****Tax consolidation contributions/(distributions)***

IMF has recognised the following amounts as tax-consolidation contribution adjustments:

	<b>IMF Bentham Limited</b>	
	2016 \$'000	2015 \$'000
Total increase in tax liability and cost of investment in subsidiaries of IMF Bentham Limited	(374)	(139)

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# Notes to the Financial Statements

For the year ended 30 June 2016 (continued)

## Note 30: Parent entity information (continued)

The consolidated financial statements include the financial statements of IMF and the subsidiaries listed in the following table:

Name	Country of Incorporation	Percentage owned	
		2016 %	2015 %
Financial Redress Pty Ltd	Australia	100	100
Bentham Holdings Inc	USA	100	100
Bentham Capital LLC	USA	100	100
Security Finance LLC	USA	100	100
Bentham IMF Capital Ltd	Canada	100	-
Lien Finance Canada Ltd	Canada	100	-

## Note 31: Discontinued operations

The Bentham Ventures B.V. joint venture was incorporated in March 2014 and on 30 June 2016, the Group announced the sale of its 50% interest in Bentham Ventures B.V. for \$5,986,000, with an effective date of 30 June 2016.

The Group had a 50% interest in Bentham Ventures B.V. a jointly controlled entity principally involved in the funding of litigation throughout Europe but primarily in the United Kingdom and the Netherlands. Bentham Ventures B.V. is the parent entity of Bentham Europe Limited which is principally involved in marketing the funding services offered by its parent and the investigation and monitoring of the litigation funded by its parent.

IMF recognised a profit before tax on the sale at 30 June 2016 of \$4,097,000. After deducting current year losses, and tax, the profit from discontinued operations was \$160,000 as set out below:

	IMF Bentham Limited
	2016 \$'000
Sales consideration	5,986
Write off carrying value of investment	9
Share of loss in current period	(2,670)
FCTR adjustment brought forward	(191)
Derecognise loan owing from Bentham Ventures B.V.	(1,707)
Profit from discontinued operations	1,427
Tax payable	(1,267)
Profit from discontinued operations	160

**Note 31: Discontinued operations (continued)**

The Group's interests in Bentham Ventures B.V., were accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	IMF Bentham Limited	
	2016 \$'000	2015 \$'000
<b>Summarised Statement of Financial Position of Bentham Ventures B.V.</b>		
Current assets	1,283	2,892
Non-current assets	4,008	155
Current liabilities	(5,273)	(1,743)
<b>Equity</b>	18	1,304
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	9	652
<b>Summarised Statement of Profit or Loss of Bentham Ventures B.V.</b>		
Corporate and office expense	2,358	1,979
Employee expense	2,252	1,925
Other expenses	695	442
<b>Loss before tax</b>	5,305	4,346
Income tax expense	34	206
Loss for the year	5,339	4,552
<b>Share of loss in joint venture entity</b>	2,670	2,276
<b>Other comprehensive income</b>		
Proportion of Group's ownership	0%	50%
Group share of other comprehensive income	-	109
<b>Summarised Statement of Cash Flows of Bentham Ventures B.V.</b>		
Operating	(9,728)	(1,643)
Investing	(6)	(166)
Financing	10,441	(1,266)
Net cash (outflow)/ inflow	707	(3,075)
<b>Earnings per share attributable to the ordinary equity holders of the company</b>		
Basic profit/ (loss) for the year from discontinued operations (cents per share)	0.09	0.01
Diluted profit/ (loss) for the year from discontinued operations (cents per share)	0.09	0.01

To calculate the EPS for discontinued operations, the weighted average number of ordinary shares for both the basic and diluted EPS is as per Note 11. The following table provides the profit/ (loss) amount used:

	2016 \$'000	2015 \$'000
Profit/ (loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic and diluted EPS calculations	160	(2,276)

# Directors' Declaration

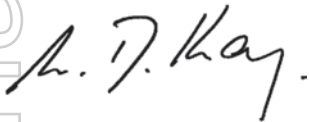
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In accordance with a resolution of the Directors of IMF Bentham Limited, we state that:

In the opinion of the Directors:

- a. the financial statements and notes of IMF Bentham Limited for the financial year ended 30 June 2016 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of its financial position as at 30 June 2016 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 Note 2;
- 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 2016.

On behalf of the board



**Michael Kay**  
Non-Executive Director  
Perth, 23 August 2016



**Andrew Saker**  
Managing Director

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# Independent Auditor's Report



Ernst & Young  
11 Mounts Bay Road  
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## Independent auditor's report to the members of IMF Bentham Limited

### Report on the financial report

We have audited the accompanying financial report of IMF Bentham Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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# Independent Auditor's Report



## Opinion

In our opinion:

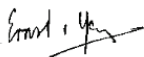
- a. the financial report of IMF Bentham Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 27 of the directors' report for the year ended 30 June 2016. 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.

## Opinion

In our opinion, the Remuneration Report of IMF Bentham Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Robert A Kirkby  
Partner  
Perth  
23 August 2016

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# Corporate Governance Statement

The board of directors of IMF Bentham Limited (“IMF”) is responsible for the corporate governance of the Group. The board guides and monitors the business and affairs of IMF on behalf of the shareholders by whom they are elected and to whom they are accountable. The following table is a summary of the ASX Corporate Governance Principles and Recommendations (“ASX CG Guidance”) and the Group’s compliance with these guidelines and should be read in conjunction with the further details and rationale of the Company’s corporate governance practices in this report.

Recommendation	Comply Yes / No
1.1 A listed entity should disclose:	
(a) the respective roles and responsibilities of its board and management; and	Yes
(b) those matters expressly reserved to the board and those delegated to management.	Yes
1.2 A listed entity should:	
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes
1.5 A listed entity should:	
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;	Yes <sup>1</sup>
(b) disclose that policy or a summary of it; and	Yes
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:	
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or	Yes
(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	N/A
1.6 A listed entity should:	
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes
1.7 A listed entity should:	
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes

<sup>1</sup>IMF is currently undergoing a review of its Diversity Policies. For further information, please see page 84 of this Statement.



# Corporate Governance Statement

(continued)

Recommendation	Comply Yes / No
2.1 The board of a listed entity should:	
(a) have a nomination committee which:	
(1) has at least three members, a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the members of the committee; and	Yes
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes
2.3 A listed entity should disclose:	
(a) the names of the directors considered by the board to be independent directors;	Yes
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	Yes
(c) the length of service of each director.	Yes
2.4 A majority of the board of a listed entity should be independent directors.	Yes
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes
3.1 A listed entity should:	
(a) have a code of conduct for its directors, senior executives and employees; and	Yes
(b) disclose that code or a summary of it.	Yes
4.1 The board of a listed entity should:	
(a) have an audit committee which:	
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director, who is not the chair of the board,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the relevant qualifications and experience of the members of the committee; and	Yes
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A

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Recommendation	Comply Yes / No
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes
5.1 A listed entity should: <ul style="list-style-type: none"> <li data-bbox="231 840 1244 907">(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li data-bbox="231 907 1244 940">(b) disclose that policy or a summary of it.</li> </ul>	Yes
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes
7.1 The board of a listed entity should: <ul style="list-style-type: none"> <li data-bbox="231 1254 1244 1590">(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li data-bbox="287 1299 1244 1332">(1) has at least three members, a majority of whom are independent directors; and</li> <li data-bbox="287 1332 1244 1366">(2) is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li data-bbox="287 1422 1244 1456">(3) the charter of the committee;</li> <li data-bbox="287 1456 1244 1489">(4) the members of the committee; and</li> <li data-bbox="287 1500 1244 1590">(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li data-bbox="231 1601 1244 1657">(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</li> </ul>	Yes
7.2 The board or a committee of the board should: <ul style="list-style-type: none"> <li data-bbox="231 1702 1244 1758">(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</li> <li data-bbox="231 1769 1244 1803">(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>	Yes
7.3 A listed entity should disclose: <ul style="list-style-type: none"> <li data-bbox="231 1848 1244 1904">(a) if it has an internal audit function, how the function is structured and what role it performs; or</li> <li data-bbox="231 1915 1244 2004">(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>	N/A
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes

# Corporate Governance Statement

(continued)

Recommendation	Comply Yes / No
8.1 The board of a listed entity should:	
(a) have a remuneration committee which:	
(1) has at least three members, a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the members of the committee; and	Yes
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	N/A
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes
8.3 A listed entity which has an equity-based remuneration scheme should:	
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	Yes
(b) disclose that policy or a summary of it.	Yes

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The board and management of the Company understand and recognise the importance of achieving good corporate governance across the Group. Throughout the year ended 30 June 2016, the Company adopted and carried out its corporate governance practices in compliance with each of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

This statement discusses various aspects of the corporate governance policies and practices adopted by the Company. For further information on corporate governance policies and procedures adopted by the Company please refer to our website [www.imf.com.au/shareholders/policies](http://www.imf.com.au/shareholders/policies).

This Corporate Governance Statement is current as at the date of the director's Report and has been approved for issue by the board.

### Board Functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board. All directors are encouraged to undertake further professional development to assist them in their role.

The responsibility for the operations and administration of the Company is delegated, by the board, to the managing director and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities.

Whilst at all times the board retains full responsibility for guiding and monitoring the Group, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end the board has established the following committees:

- Audit and risk;
- Remuneration;
- Nomination; and
- Corporate governance.

The roles and responsibilities of these committees are discussed in this Corporate Governance Statement.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board.

The board has a number of mechanisms in place to ensure this is achieved including:

- board approval of a strategic plan designed to meet stakeholders' needs and manage business risk;
- ongoing development of the strategic plan and approving initiatives and strategies designed to ensure the continued growth and success of the Group; and
- implementation of budgets by management and monitoring progress against budget - via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the board include:

- approval of the annual and half-yearly financial reports;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored; and
- reporting to shareholders.

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of IMF are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The composition of the board consists of two executive directors and four independent non-executive directors. The board believes that the majority of the individuals on the board can, and do, make independent judgments in the best interests of the Group on all relevant issues.

The board has in place a number of policy measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes, including:

- the chairman is an independent director and has a casting vote at board meetings where the votes of the directors are tied;
- the directors are able to obtain independent professional advice at the expense of the Group;
- directors who have a conflict of interest in relation to a particular item of business must absent themselves from the board meeting before commencement of discussion on the topic; and
- at least half of the board consists of independent directors.

# Corporate Governance Statement

(continued)

In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of IMF are considered to be independent:

Name	Position
Michael Kay	Non-Executive Chairman
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

In accordance with ASX CG Guidance, the board has considered the independence of Michael Bowen and Alden Halse who have each been directors of the Company for more than 10 years. Michael Bowen is also a partner at DLA Piper who act as solicitors to IMF. The board has determined that these factors do not impact on their independence because in the exercise of their duties they demonstrate independent judgement and an objective assessment of matters before the board.

The position held by each director in office at the date of this report is as follows:

Name	Position
Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

For additional details regarding board appointments, please refer to the Directors' Report and the Company's website.

## Audit and Risk Committee

The board has an Audit and Risk Committee, which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the Group.

This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Audit and Risk Committee supports the board in establishing and maintaining a framework of internal control and ethical standards.

The Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Risk Committee are non-executive directors.

The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and controls.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The board oversees an annual assessment of the effectiveness of risk management and internal compliance and control and confirms this was undertaken in 2016. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the board to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of the Group's risk management.

The members of the Audit and Risk Committee during the year were: Alden Halse (Chairman), Michael Bowen, Wendy McCarthy and Michael Kay (from 19 November 2015).

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

### Managing Director and Chief Financial Officer Certification

The managing director and the chief financial officer have provided a written statement to the board that:

- their view provided on the Group's financial report is founded on a sound system of risk management and internal compliance and controls which implements the financial policies adopted by the board; and
- the Group's risk management and internal compliance and control system is operating effectively in all material respects.

### Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors are assessed are aligned with the financial and non-financial objectives of the Group, as summarised in the diagram below.



Board Skills Matrix

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of directors is reviewed annually by the chairperson. During the 2016 financial year, the chairperson undertook a performance evaluation of each director and key executive.

For details on director attendance at board and board committee meetings during the year ended 30 June 2016, refer to the Directors' Report.

### Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality executive directors and key management personnel by remunerating such individuals fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Group; and
- performance incentives that allow executives to share in the success of the Group.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the Remuneration Report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to non-executive directors.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the managing director and executive team. The board has established a Remuneration Committee comprising non-executive directors. Members of the Remuneration Committee throughout the year were: Michael Bowen (Chairman), Alden Halse, Wendy McCarthy and Michael Kay (from 19 November 2015).

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

### Nomination

The Company understands that the appointment and reappointment of directors to the board is critical to the performance of the Company. In recognition of this, the board has established the Nomination Committee to provide transparency, focus and independent judgement to decisions regarding the composition of the board.

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# Corporate Governance Statement

(continued)

## Diversity

It is the Company's objective to support female representation at senior leadership and board levels. Although the Company advocates greater transparency and measurability of progress, it does not endorse female participation quotas.

The Company has implemented policies that promote the following:

- equal opportunity based upon capabilities and performance;
- attraction and retention of a diverse range of talented people;
- awareness of the differing needs of a diverse range of employees;
- provision of flexible work practices and policies to support all employees; and
- promotion of a culture that is free from discrimination, harassment and bullying.

The board receives a report on an annual basis that provides the female representation at all levels within the Group. The 2016 report provides the following information:

- total female employees: 32 (2015: 19); total employees: 56 (2015: 42);
- total female investment managers: 12 (2015: 4); total investment managers: 25 (2015: 16); and
- total female Key Management Personnel: Nil (2015: 1); total Key Management Personnel: 4 (2015: 5).

In addition, in 2016 the Remuneration Committee undertook a Gender Equality Remuneration Review which demonstrated IMF's remuneration was gender neutral and meritocratic.

The board considers that progress is being made towards achieving the Company's objective to support female representation at senior leadership and board levels, including by the welcoming of 13 new female employees to the Company during the 2016 financial year and the promotion of Ms Julia Yetsenga to the role of Chief Financial Officer.

The Nomination Committee will endeavour to improve the gender diversity at board level at any time nominations are required to fill a board position and the Corporate Governance Committee is in the process of reviewing IMF's diversity policy as part of its regular periodic review.

## Trading Policy

Under the Company's Securities Trading Policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

In addition, the policy prohibits, subject to certain exceptions, dealing in the Company's securities during defined closed periods, being:

- the four weeks prior to and the 24 hours after the release of the Company's half-yearly results;
- the four weeks prior to and the 24 hours after the release of the Company's preliminary final results;
- the four weeks prior to and the 24 hours after the release of the Company's final results; and
- the two weeks prior to and 24 hours after the holding of the Annual General Meeting.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. A copy of the Company's trading policy can be obtained from its website.

## Continuous Disclosure

The Company's continuous disclosure policy includes controls to ensure that the Company at all times complies with the requirements of ASX and the Corporations Act 2001 in relation to its continuous disclosure obligations.

The continuous disclosure policy is contained within the Company's Corporate Governance Manual, which can be obtained from the Company's website.

## Shareholder Communication

The board of directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company and its directors.

Information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report circulated to the Australian Securities Exchange and the Australian Securities & Investments Commission; and
- the Annual General Meeting and other shareholder meetings so called.

Shareholders are encouraged to ask questions of their directors at the Annual General Meeting and other shareholder meetings called by the Company or to contact the Company Secretary to discuss their board, matters pertaining to corporate governance or any other matter relating to the Company, at their convenience.

# Shareholder Information

The information set out below is current as at 31 July 2016.

## (a) Distribution of Shareholders

### Ordinary Share Capital

169,456,064 fully paid ordinary shares are held by 6,524 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

### IMF Bentham Bonds

There are 500,000 bonds issued held by 426 individual bond holders. The IMF Bentham Bonds do not carry the right to vote.

### Options

There are no options issued over ordinary shares.

### Share Performance Rights

4,811,086 share performance rights were issued to 30 rights holders.

### Fixed Rate Notes

There are 32,000 Fixed Rate Notes.

### Distribution of Securities

The number of shareholders by size of holding, in each class are as at 31 July 2016:

	Number	Fully paid ordinary shares	Number	Bonds
1 – 1,000	1,080	536,116	381	101,541
1,001 – 5,000	2,278	6,642,625	35	73,632
5,001 – 10,000	1,305	9,854,879	5	35,479
10,001 – 100,000	1,745	45,329,713	4	188,645
100,001 and over	116	107,092,731	1	100,703
	6,524	169,456,064	426	500,000

### Non-marketable Parcels

There were 359 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 2016 are:

Shareholder	Number of ordinary Shares '000	% of issued capital
Celeste Funds Management Limited	10,488	6.19
Perpetual Investment Management	8,648	5.10
	19,136	11.29

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# Shareholder Information

(continued)

## (c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2016

Ordinary Shares	Number of ordinary Shares '000	% of issued capital
1. J P MORGAN NOMINEES AUSTRALIA LIMITED	18,094	10.68
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,356	9.65
3. UBS NOMINEES PTY LTD	9,832	5.80
4. NATIONAL NOMINEES LIMITED	6,212	3.67
5. BNP PARIBAS NOMS PTY LTD <DRP>	5,968	3.52
6. ZERO NOMINEES PTY LTD	5,200	3.07
7. RBC INVESTOR SERVICES AUSTRALIA PTY LIMITED <VFA A/C>	5,180	3.06
8. MCLERNON GROUP SUPERANNUATION PTY LTD	4,855	2.87
9. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,739	2.80
10. CITICORP NOMINEES PTY LIMITED	2,461	1.45
11. MR HUGH MCLERNON	2,201	1.30
12. MR DENNIS JOHN BANKS <BANKS FAMILY A/C>	1,809	1.07
13. MR CLIVE NORMAN BOWMAN	859	0.51
14. DIRECTOR'S INTEREST PTY LTD <FUND ONE UNIT A/C>	594	0.35
15. B F A PTY LTD	586	0.35
16. BOUCHI PTY LTD	581	0.34
17. WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	539	0.32
18. NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	537	0.32
19. PHILADELPHIA INVESTMENTS PTY LTD	504	0.30
20. HALSE HOLDINGS PTY LTD <THE ALDEN HALSE FAMILY A/C>	500	0.30
	87,606	51.70

## (d) Options as at 31 July 2016 - unquoted

There are no options issued.

## (e) Securities subject to escrow

There are no securities subject to escrow.

**(f) 20 Largest Holders of Quoted IMF Bentham Bonds as at 31 July 2016**

<b>Bond Holders</b>	<b>Number of Bonds '000</b>	<b>% of units</b>
1. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PICREDIT>	101	20.14
2. CITICORP NOMINEES PTY LIMITED	74	14.78
3. UBS NOMINEES PTY LTD	63	12.50
4. J P MORGAN NOMINEES AUSTRALIA LIMITED	32	6.34
5. BNP PARIBAS NOMS PTY LTD <DRP>	21	4.11
6. INVIA CUSTODIAN PTY LIMITED <TORRYBURN SF - FIXED IN A/C>	9	1.80
7. NAMANGI PTY LIMITED	8	1.60
8. MCLERNON GROUP SUPERANNUATION PTY LTD <MCLERNON SUPER FUND A/C>	8	1.50
9. AUST EXECUTOR TRUSTEES LTD <DDH PREFERRED INCOME FUND>	6	1.20
10. NATIONAL NOMINEES LIMITED	5	1.00
11. MR SIMON PETER PRICE + MS RACHEL EMMA FERGUSON <GIRAFFE SUPER FUND A/C>	5	1.00
12. BESSFAM PTY LTD	4	0.81
13. CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	4	0.81
14. FERNANE PTY LTD	4	0.81
15. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4	0.80
16. FAITHFUL COMPANIONS OF JESUS PROPERTY ASSOCIATION <FCJ SOCIETY A/C>	3	0.61
17. FORETELLER PTY LTD <KELINNI A/C>	3	0.60
18. BJM INCOME INVESTMENTS PTY LTD	3	0.50
19. DYSPO PTY LTD <HENTY SUPER FUND A/C>	3	0.50
20. MR TAO WU	2	0.49
	359,528	71.91

# Corporate Information

This annual report covers both IMF Bentham Limited as an individual entity and the consolidated entity comprising IMF Bentham 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 on pages 7 to 29. The Directors' Report is not part of the financial report.

## Directors

Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

## Company secretary

Jeremy Sambrook

## Registered office and principal place of business in australia

Level 10, 39 Martin Place  
Sydney NSW 2000  
Phone: (02) 8223 3567 | Fax: (02) 8223 3555

## Solicitors

DLA PIPER  
Level 31  
Central Park  
152-158 St George's Terrace  
Perth WA 6000

## Share registry

COMPUTERSHARE REGISTRY  
GPO Box 2975  
Melbourne VIC 3001  
Phone: 1300 557 010

## Auditors

EY  
The EY Building  
11 Mounts Bay Road  
Perth WA 6000

## Bankers

NATIONAL AUSTRALIA BANK LIMITED  
255 George Street  
Sydney NSW 2000

## Internet Address

[www.imf.com.au](http://www.imf.com.au)

The Company is listed on the Australian Securities Exchange with Sydney, Australia as its home exchange. Its ASX code is "IMF" and its shares were trading as at the date of this report.





[www.imf.com.au](http://www.imf.com.au)

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