Appendix 4E - Final Report

IMF Bentham Limited
ABN 45 067 298 088

Financial year ended
30 June 2018

Results for announcement to the market

Current reporting period:	30 June 2018
Previous reporting period:	30 June 2017

Revenue and Net Profit

	Up/Down	Percentage Change	$'000s
Revenue from ordinary activities	Up	121%	6,610
Total income	Down	(59%)	23,130
Loss from ordinary activities after tax attributable to members	Down	(151%)	(7,847)
Net loss for the period attributable to members	Down	(171%)	(11,017)

	Cents per share
The Directors have determined that no final dividend will be payable for the year ended 30 June 2018.	Nil
Interim dividend paid - fully franked	3.0
Total dividends per share for the current reporting period	3.0
On 24 August 2017, the Directors declared a 4.0 cent final fully franked dividend relating to the previous reporting period. The record date was 26 September 2017. This dividend was paid on 20 October 2017. A fully franked interim dividend of 3.0 cents per share was declared in respect of the financial year ended 30 June 2017.	7.0

Net Tangible Asset Backing

	Consolidated	
	2018	2017
	$	$
Net tangible assets per ordinary share	$0.27	$0.09
Net assets per ordinary share	$2.12	$1.20

Additional Appendix 4E dislosure 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 2018.

Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2018, which are contained within the IMF Bentham Annual Report, attached.

IMF
BENTHAM
INTERNATIONAL LITIGATION FUNDING

Annual Report 2018

IMF Bentham Limited is a leading global litigation funding company with an unparalleled record of success, achieved over 17 years since listing on the Australian Securities Exchange in 2001.

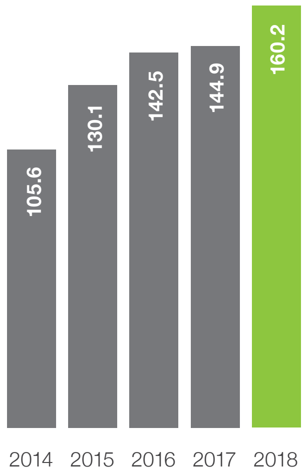
IMF operates globally from 14 offices in Australia, USA, Canada, Singapore, Hong Kong and the United Kingdom providing funding to plaintiffs, law firms and corporations for legal disputes.

Our highly experienced team of investment managers ensures the strongest cases receive funding and are managed to facilitate their successful resolution.

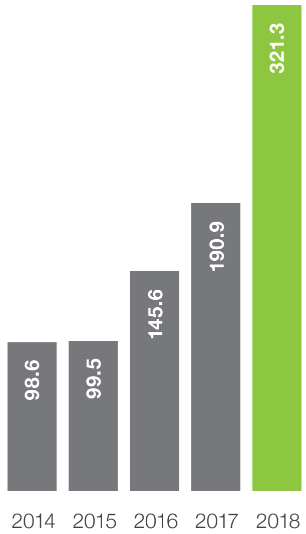
Contents

Highlights

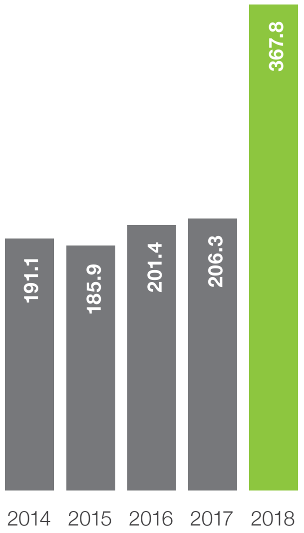
Cash
($ Million)



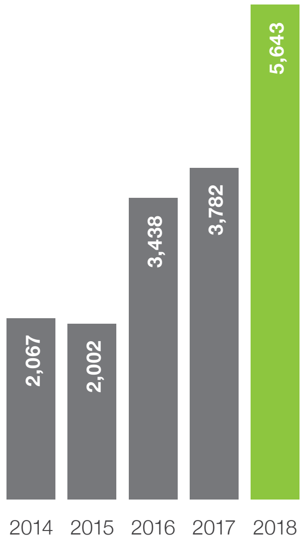
Investments
($ Million)



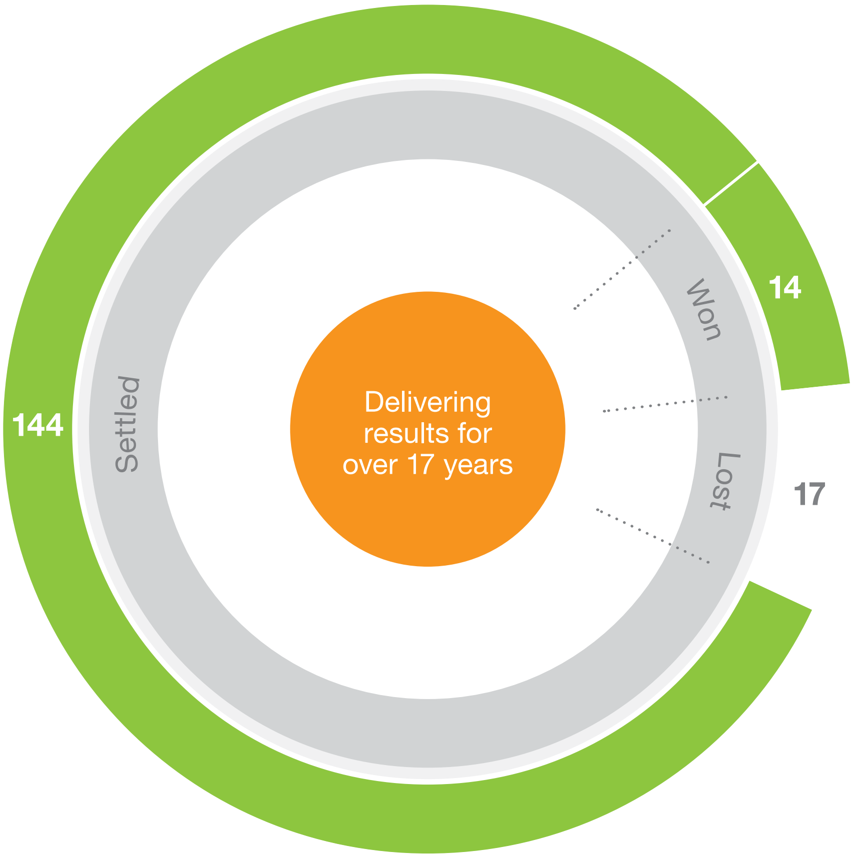
Net Assets
($ Million)



Portfolio
($ Million)



Track Record of Success



Investments funded to completion at 30 June 2018. Does not include withdrawn investments.

$2.2 billion
total recoveries

2.6 years
average investment length

90%
success rate

$1.4 billion
returns for funded claimants

1.5x
return on invested capital

175
investments funded to completion

Chairman's and Managing Director's Report

Introduction

We are now three years into the five-year Strategic Business Plan we commenced in 2015. We are delighted to report the progress and completion of many of the significant objectives in that plan. Over the past three years, our focus has been to mitigate business risk through diversification. Our risk diversification strategy has involved expanding our geographic footprint and growing our team, increasing the number and variety of cases in which we invest and seeking alternative sources of capital.

Before we delve into the detail of what we have achieved in each of these areas, we set out the underlying principles of our decision-making. Our company values are transparency, innovation, entrepreneurship, fairness, partnership and rigour. It is therefore important to us that our stakeholders are clear about what underpins our approach to doing business.

- **We will take the long-term view over the short-term, every time**
  This means preferring to maximise the value of future cashflow over an immediate uplift in profitability. It involves assessing risk and reward differently from some other businesses. It necessarily means analysing the industry and its continuing transformation and making changes now that will deliver value over time. Some of the decisions we have implemented recently may not assist with short term profitability but success in business, as in life, usually comes down to choosing the pain of discipline over the ease of short-term rewards. And that's what we are prepared to do.
- **Fortune favours the bold... and wise**
  We will make bold decisions where it is prudent to do so. Our Investment Committee ("IC") is the forum in which potential investments are analysed and debated with rigour in the context of our corporate strategy. Last financial year we welcomed to our IC former Justice of the Supreme Court of South Australia, Mr John Sulan QC, and former Chief Judge of the Northern District of California, Mr Vaughn Walker. Along with our in-house members, including Hugh McLernon and Clive Bowman who have served since the company was founded, our IC is a formidable assembly where case merits and strategies are discussed openly and robustly. It is the collective heart of the company's investment decisions.
- **We are prioritising growth for long-term profitability**
  We need to maintain strong positions in existing markets while encouraging growth in emerging areas of the rapidly evolving market. We are growing our capacity through team and geographic expansion and also growing our capability through new product and service development. If we continue to execute our services at the highest level and educate the market about new developments and offerings we are confident that long-term profitability will follow.
- **Only the best will do**
  To be an Investment Manager or Legal Counsel at IMF Bentham requires an exceptional formal education, commercial acumen and a breadth and depth of experience in law (particularly litigation and alternative dispute resolution). Investment Managers make decisions every day that involve risk, and often carry some combination of financial, legal, reputational, and personal repercussions. They must be adept negotiators, because they are frequently required to negotiate funding terms, pricing, legal strategy, conditions of settlement and more. Similarly, to be a member of IMF Bentham's central management team requires dedication to your field of expertise and to the mission of building a business and an industry. Each new addition to our team is an occasion for celebration because each person contributes to the ongoing shaping of our company culture and its continued growth.

And now we turn to the details of this year's activities and outcomes.

Andrew Saker
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Michael Kay
NON-EXECUTIVE CHAIRMAN

Capital Diversification

In February 2017, we established Bentham IMF 1 LLC ("Fund 1") solely for US investments. This year, we sold the majority of our US investment portfolio to Fund 1 and, at the same time, upsized Fund 1 to US$166.3 million (with the potential to upsize further in future). The upsized Fund 1 provided additional capital for US investments without creating significant adverse deployment pressure. This capital markets strategy converted the risk in our US investments from balance sheet to a portfolio and converted intangible assets to cash, enabling the cash to be deployed elsewhere. Options for use of the remaining sales proceeds include retiring debt, retaining cash for management of existing large idiosyncratic risks, expansion into Europe, or return of capital.

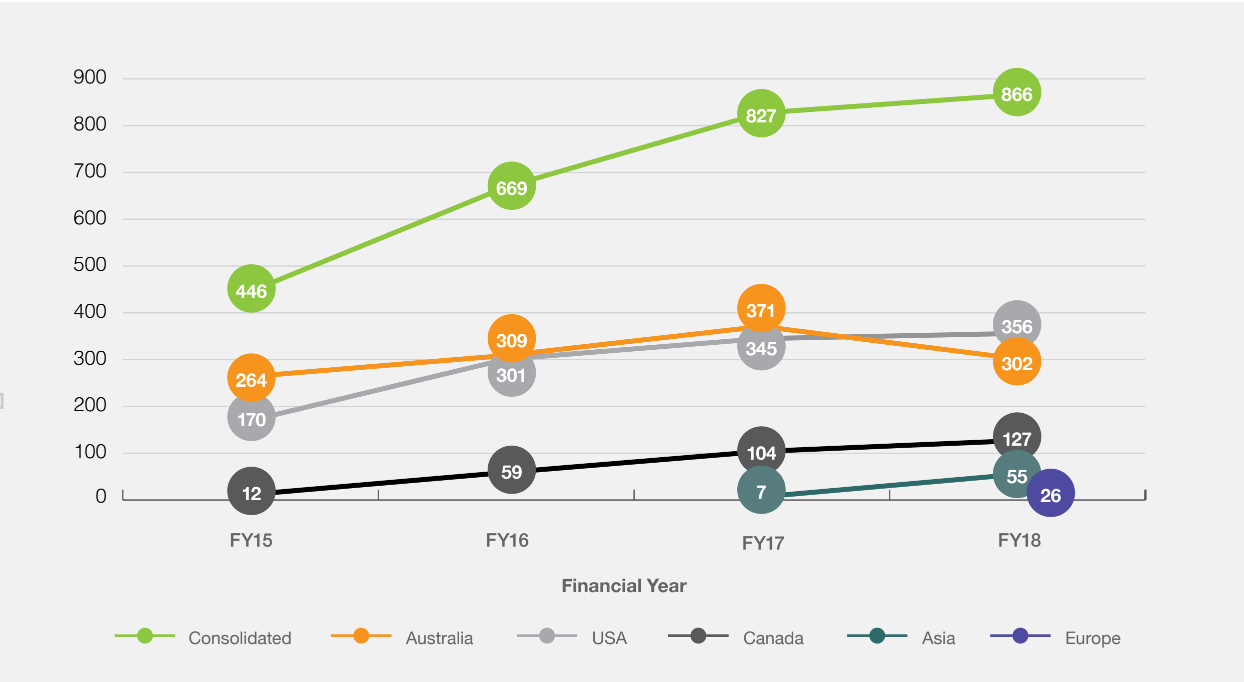
In October 2017, we launched two new investment vehicles: IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd. The two new funds, collectively known as the Rest of World ("RoW") Funds, provide non-recourse leveraged capital for funding investments in jurisdictions outside of the US. The RoW Funds will underwrite investments in Australia, Asia, Canada and Europe, and have a combined capacity of $150 million.

Although these decisions have had a short-term impact on our profitability our long-term strategy should enable us to more efficiently fund future growth and increase our Return on Equity and Return on Assets.

Given the rate of commitment in both Fund 1 and the RoW Funds, our focus for FY19 will be to launch new funds for investments before we reach capacity in the existing funds or the expiry of the Commitment Periods.

Each of these initiatives reflects our transition from investing entirely on our own balance sheet to investing in, and managing, fund structures and increasing our capital resources to grow our investment portfolio.

Funding Applications (number of applications)



Product Diversification

Over the past 17 years, we have built a successful business providing access to justice for claimants, most commonly the impecunious and the ill-matched 'David versus Goliath', and we will continue to do so. However, progress requires innovation, and we see potential in expanding our product offering to include financing commercial disputes for solvent businesses who wish to pursue their legal claims without resorting to their own balance sheet.

Today's businesses are under pressure to do more with less. Management teams must constantly innovate to reduce risks and expenses while at the same time build a sustainable organisation, improve profits, and maximise value for stakeholders. In-house corporate legal teams report their most significant challenge is resource and budget limitations and legal expenditure is under review.

We know that litigation, arbitration and alternative dispute resolution are one of the largest categories of legal expense and one of the most likely areas of work to be outsourced by businesses. Accordingly, we are fielding enquiries and discussing dispute financing options with corporates who are intrigued by the possibility of de-risking their balance sheet and monetising their legal claims.

Dispute financing for corporates may grow worldwide as commercial enterprises become familiar with alternative financing options and recognise the value of unlocking the monetary value in their disputes and assuaging the risks.

It is difficult to reliably quantify the addressable market for our range of products and services. Independent research reports suggest the global market for legal services exceeds $800 billion per annum, with litigation representing approximately 40% of that figure. The portion which comprises commercial disputes for plaintiffs represents an attractive potential serviceable market. And these estimates only factor in actual activity. Market participants suggest there is an untapped market of potential litigation which might be pursued if costs and risks could be defrayed by a dispute financier. The magnitude of the potential 'shadow market' for our products and services is encouraging and our team is engaging with corporate stakeholders to raise awareness and progress opportunities.

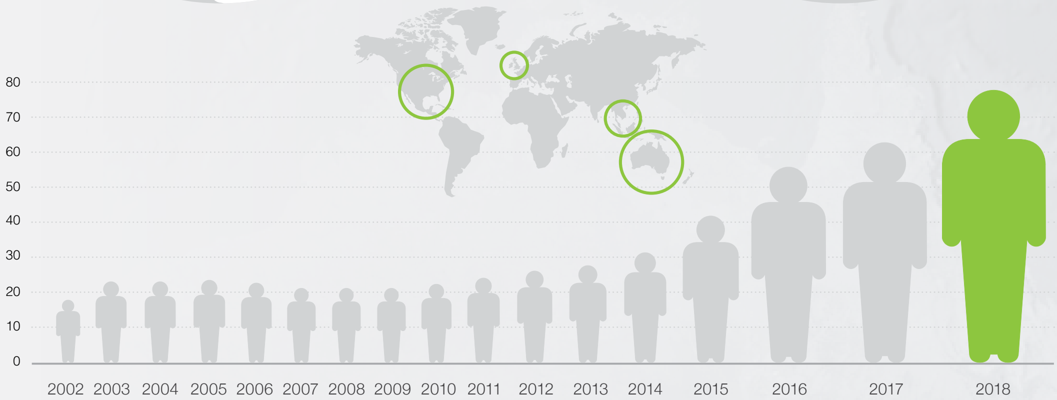
We recognise that making, rather than taking, a new market is a long-game which will require patience and hard work and we will continue to work on this pursuit throughout FY19 and beyond.

> *Litigation is now a permanent fixture in the top five areas of in-house legal work as businesses deploy legal means as a business strategy tool*[1]

1. 2017, Benchmarks & Leading Practices Report, Association of Corporate Counsel Australia, p 117

Geographic Diversification

This year we expanded our geographic footprint with the opening of new offices and the recruitment of new talent in Hong Kong, Montreal and London. We also expanded our teams in existing locations with new hires in Australia, Canada and the USA. We now have 78 people across 14 offices world-wide. Detailed biographies for our people are available on our website.



Chairman's and Managing Director's Report
continued

Australia

In the Australian market, IMF Bentham enjoys a pre-eminent position, and has done so since its inception almost 17 years ago.

We have played a leadership role in the development of the dispute finance industry and continue to do so as the industry adapts to its dynamic landscape. During the year we sought qualitative feedback from key stakeholders in our market and were delighted and humbled by the endorsement of our market leadership, the loyalty to our brand and the acknowledgement of our differentiators. Our team was applauded for its expertise, integrity and likability - all essential ingredients for a business delivering a product-service hybrid to a sophisticated clientele.

We continue to experience an increase in multi-party (class action) proceedings in the Australian market. Competition for opportunities to finance shareholder class actions is intensifying and it is becoming common in the Australian landscape in these cases for multiple law firms, each with a different litigation funder, to back proceedings against the same defendant (known as "multiplicity"). There are a number of factors potentially fuelling this dynamic.

In *Money Max Int Pty Ltd (Trustee) v QBE Insurance Group Limited* [2016] FCAFC 148 the Federal Court of Australia granted a "Common Fund" order directing all group members of the class action to pay a portion of any recoveries to a litigation funder as consideration for the funder's financing of the class action, even if they had not already signed a funding agreement. This has arguably encouraged more open classes (where the class is not limited to persons who have signed a funding agreement) and increased the likelihood of competing class actions, as there is no material threshold in respect of claim size to satisfy before commencing a shareholder class action.

The Courts are grappling with how to deal with multiple claims against a common defendant for essentially the same or similar sets of claims and we have seen one case (the Get Swift case) *Perera v GetSwift Limited* [2018] FCA 732 (currently on appeal) where the Court has applied a number of factors to choose one funder/lawyer group over others. This case did not involve IMF Bentham. We believe IMF Bentham is well placed to win these types of beauty parades.

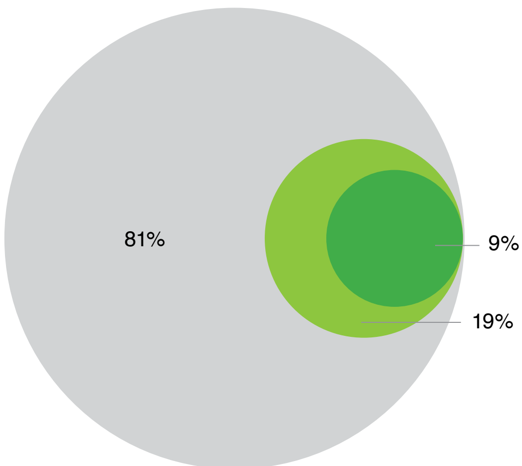
This year we assessed 302 new investment opportunities and invested in 7 class actions – an increase over previous periods.

In December 2017, the Australian Government initiated a Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Commission is uncovering misconduct in the financial services sector which is pointing to potential class actions. The first example of this is a number of class actions against Australian financial services giant, AMP, one of which IMF Bentham is financing. Retail and institutional investors in AMP are seeking damages for alleged disclosure contraventions by AMP. Four class actions have been filed in the Federal Court and one has been filed in the NSW Supreme Court, against AMP.

In addition to AMP, IMF Bentham is funding cases against the Australian Government (contamination from RAAF Base Tindal in Katherine, Northern Territory), Brambles (an ASX-listed supply chain logistics company), the Commonwealth Bank of Australia (Australia's largest retail bank), Murray Goulburn (one of Australia's largest dairy foods companies) and Sirtex Medical Limited (an Australian-based medical device company), among others.

During the year, the class action against Treasury Wine Estates Limited (a global winemaking and distribution business with headquarters in Melbourne, Australia) was successfully settled for $49 million inclusive of costs and interest. The trial in the Westgem investment (a Perth-based property development company) commenced and concluded in July 2018 and the Wivenhoe trial (a compensation claim for financial loss or damage caused by the alleged negligent operation of Wivenhoe and Somerset dams in Queensland, Australia) is continuing. Mediations were held in a number of cases, which ultimately did not settle and those actions continue.

Total Estimated Addressable Market for Australia
Total Estimated Annual Market Legal Spend: $19.7b



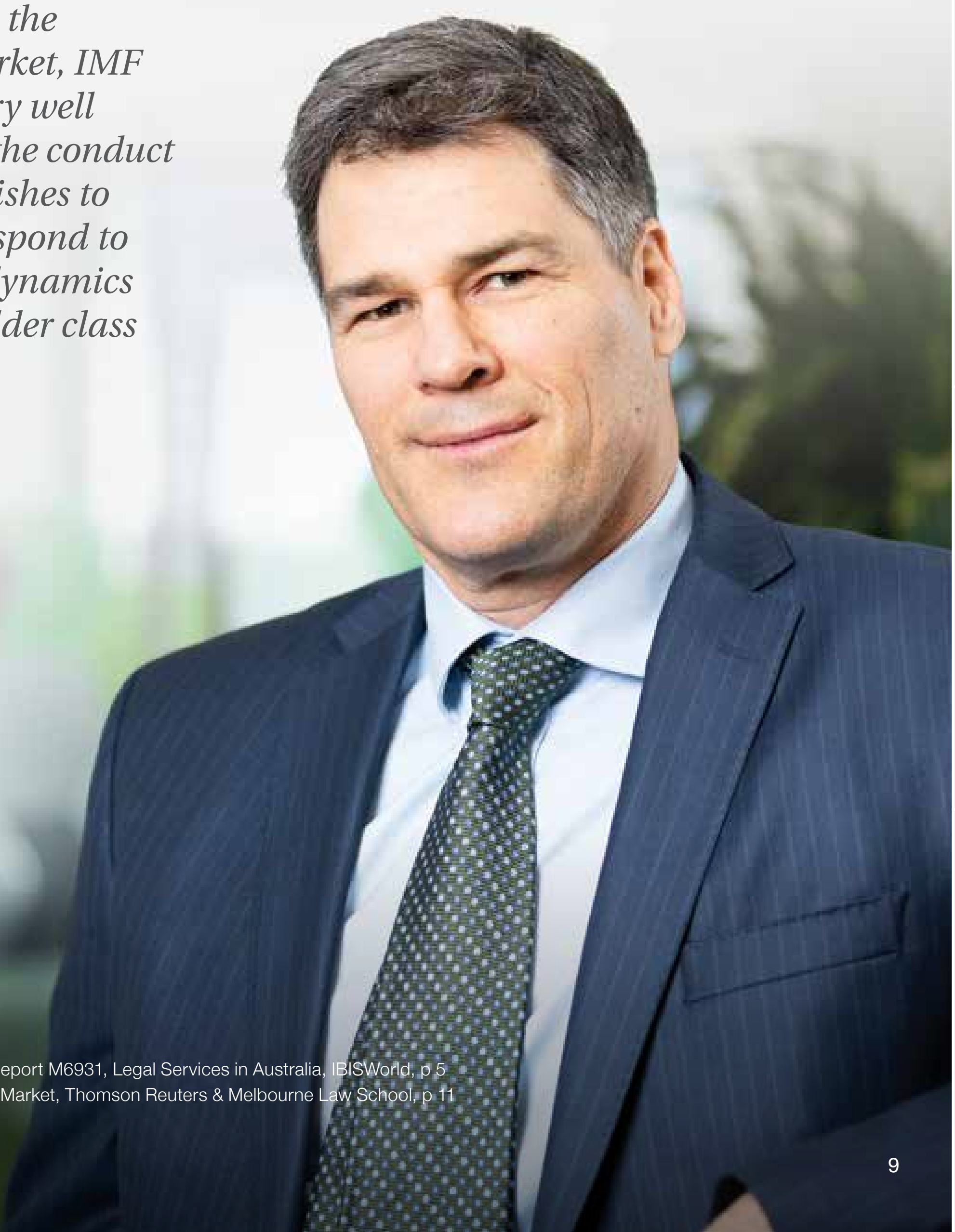
Estimated Litigation Portion of Total Legal Spend
Estimated Total Addressable Market as % of Total Legal Spend

To meet demand, our Australian team welcomed a new Investment Manager, Gavin Beardsell, who brings a wealth of expertise particularly in the insurance sector.

We are witnessing the internationalisation of the dispute finance industry in Australia. Domestic law firms are increasingly becoming part of larger international operations and off-shore funders and After-the-Event ("ATE") insurers (which typically provide coverage for adverse costs) are increasingly pursuing Australian-based opportunities. This can be interpreted as an endorsement of the potential in the Australian market. Australia's legal services market is estimated at $19.7 billion[2] per annum of which approximately 19%[3] is attributed to litigation and dispute resolution. On these figures, this translates into a potential plaintiff pool of almost $1.9 billion annually - an attractive potential market for funders given that estimated penetration rates are likely to be no more than 5%.

> *In spite of increased competition in the Australian market, IMF Bentham is very well placed to win the conduct of matters it wishes to fund and to respond to the changing dynamics in the shareholder class action space.*

Clive Bowman
CHIEF EXECUTIVE – AUSTRALIA AND ASIA



2. Do, K, 2017. IBISWorld Industry Report M6931, Legal Services in Australia, IBISWorld, p 5
3. 2017 Australia: State of the Legal Market, Thomson Reuters & Melbourne Law School, p 11

Chairman's and Managing Director's Report
continued

Asia

Since the launch of our regional head office in Singapore in early 2017, we have experienced increasing interest in dispute finance across Asia.

Demand is evident from a range of jurisdictions including China, Europe, Hong Kong, India, Japan, Korea, Malaysia, Thailand, the Philippines and Vietnam, as well as local Singaporean parties.

Singapore is a leading global hub for international dispute resolution (including international arbitration, insolvency and restructuring, as well as international commercial litigation). This year we financed our first international commercial arbitration in Singapore, one of the first known examples since the city-state passed new laws in 2017 allowing the use of third-party dispute finance. We have also signed our first Singapore insolvency funding agreement (subject to Court approval). As in other markets, we are increasingly working with solvent corporates to help manage the risk and costs associated with complex commercial disputes.

Building on the success of our Singapore experience, in January 2018 we opened an office in Hong Kong (another leading regional disputes hub) and welcomed new Associate Investment Manager Cheng-Yee Khong (formerly Director of Secretariat of the International Chamber of Commerce (ICC) International Court of Arbitration in Asia). We are currently the only significant dispute financier with resources permanently on the ground in Hong Kong. In recent years, we have had success in funding Hong Kong insolvency matters, and this continues to be a focus. This year, international arbitration financing has been expressly endorsed in Hong Kong under new legislation expected to come into force shortly. We have also been involved in the first known application for approval on access to justice grounds of a funding agreement in Hong Kong commercial litigation.

Led by Tom Glasgow in Singapore and supported by resources in Australia, our Asia team assesses and manages investments across Asia. They traverse the region to educate the market and forge relationships, regularly presenting on third-party dispute finance to law firms and at legal and industry conferences and publishing in respected journals and media outlets. Our Asia team is actively pursuing opportunities to fund commercial parties, law firms and insolvency practitioners, with a brief to build institutional relationships with global law firms and multinational corporations.

Having Investment Managers assessing investments on the ground in Singapore and Hong Kong means we can respond quickly to business opportunities across the region, build strong relationships through face to face interaction, and provide superior service to funding applicants and their legal advisers. This has helped us to quickly become one of the leading brand names for dispute finance in Asia.

It is particularly difficult to accurately assess the size of the potential market for dispute finance in Asia, as it is not a homogenous legal market. Perhaps one apposite measure for part of our Asia business is the volume of international arbitration cases appearing in the Singapore and Hong Kong arbitral institutions. In 2017 arbitral institutions in Singapore and Hong Kong managed arbitration cases with total claim value approximating $22.76 billion[4]. Adding China and India's potential demand for dispute finance would increase estimates for Asia significantly. China's legal services market is estimated to be growing at a compound annual growth rate of 8.5%[5] and liberalisation, and an appetite for international arbitration, make this a potentially fertile ground for our arbitration financing. India's legal services market has an estimated compound annual growth rate of 11.93%[6], mainly driven by foreign investments and cross-border transactions with foreign companies - also fertile ground, particularly for arbitration financing. We have cemented our position as a leading brand for international dispute finance in Hong Kong and Singapore, especially among law firms and insolvency practitioners, and we continue to build an understanding of our business model among corporates and key legal services contacts across the wider Asia region, including in developing markets such as India and China.

4. SIAC (Singapore International Arbitration Centre), HKIAC (Hong Kong International Arbitration Centre), ICC (International Chamber of Commerce International Court of Arbitration)
5. 2018, Legal Services Global Market Report, The Business Research Company, p 156
6. 2018, Legal Services Global Market Report, The Business Research Company, p 167

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This is an enormously exciting time to be part of the third-party finance industry in Asia. This is a very large and diverse market, where dispute finance is relatively new but the speed of growth is incredible. The potential opportunities for the business are immense.

Tom Glasgow
INVESTMENT MANAGER
HEAD OF IMF BENTHAM ASIA

Chairman's and Managing Director's Report

continued

Canada

We are enjoying the challenge of parlaying the lessons learned from Australia and other markets to the Canadian market, a jurisdiction which shares some similarities to the Australian justice system, language and culture.

We are applying decades of experience in dispute funding to develop our Canadian presence and have recruited a strong team to meet growing demand.

This year, the Canadian team welcomed three new members. In Montreal, seasoned litigator emeritus George Hendy, Ad.E, joined the team as a Senior Adviser, Nickolas Tzoulas joined our Toronto office as Legal Counsel and Geoff Moysa joined as an Investment Manager & Legal Counsel. At the start of FY19, we will also welcome senior litigation practitioner, Pierre-Jérôme Bouchard, as Investment Manager and Legal Counsel to head the Montreal office.

In addition to servicing our active investments and those in the pipeline, our newest team members have brought with them referral sources and new business opportunities. This year we received 127 applications for funding. Not only is the volume of referrals increasing, but they are also of higher quality, reflecting the refined understanding among law firms of the types of cases best suited to dispute finance.

The cases we funded during the year came from across the country and from diverse sources spanning leading national law firms (the 'Seven Sisters') to smaller litigation boutique practices. Most of the cases involve risk-sharing arrangements with clients and law firms. Amongst the funded cases is a claim against a global pharmaceutical company for alleged patent infringement. Two of the cases – a class action and an insolvency related mater – are funded on a conditional basis pending court approval. We currently have another 30 cases in various stages of due diligence.

It is fair to say the dispute finance industry in Canada is in the 'introduction' phase of its lifecycle. Accordingly, one of our team's priorities is to explain our products and services and their uses to clients and their legal advisors. Generating curiosity and demonstrating opportunity are important precursors to new business leads, and these activities are best done face to face.

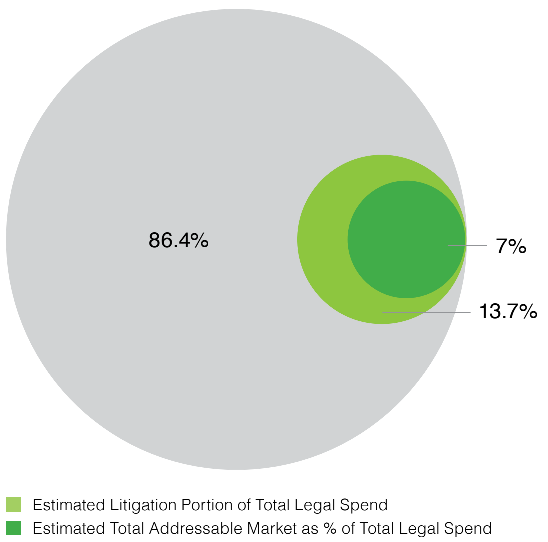
This year our team delivered presentations extensively to our target audience via bespoke events and broader industry conferences and gatherings. We are generating significant positive coverage in respected business and legal media - a reflection of the growing interest in dispute funding - and are establishing our brand in Canada as the pioneer in the market.

Having expanded our footprint this year to include Montreal, there are sound reasons to consider establishing a permanent presence in additional provinces across Canada in the coming years. Our business model is distinguished by Investment Managers being on-the-ground close to funded parties and their lawyers and we are exploring the merits of being more dispersed around Canada, as we have in our other geographic markets.

Analysts estimate the value of the Canadian legal services market at $25.72 billion[7] per annum, of which approximately $3.52 billion[8] annually is litigation, rendering an estimated $1.76 billion to plaintiff-side claims. While there continues to be ad-hoc dispute financing activity from US hedge funds, venture-capital firms and off-shore funders, there are few systemic competitors on the observable horizon and no other international funder has a physical presence in Canada.

Total Estimated Addressable Market for Canada

Total Estimated Annual Market Legal Spend: $25.72b



7. Morea, S, 2017, IBISWorld Industry Report 54111CA. Law Firms in Canada, IBISWorld, p 5
8. Morea, S, 2017, IBISWorld Industry Report 54111CA, Law Firms in Canada, IBISWorld, p 13

It is gratifying to see the germination of the seeds of the early work we have done educating the Canadian legal and corporate communities about litigation funding. I am proud of what our team has achieved in the two and a half short years that we have been operating in Canada. Clients and law firms are increasingly seeing the many and varied benefits of working with a litigation funder to deal with complex cost and risk mitigation issues. I am excited to continue the work we have started and to see Bentham's business and the industry mature in Canada.

Tania Sulan
CHIEF INVESTMENT OFFICER
CANADA

Chairman's and Managing Director's Report

continued

USA

Since commencing in 2011, our US business has expanded rapidly in a sophisticated dispute finance market.

We bring a methodology and corporate wisdom road-tested in Australia and we are one of the only funders offering a multi-office regional approach, with offices in New York, Houston, Los Angeles and San Francisco.

We have been building relationships across the legal industry for many years and are now a preferred funder for many leading law firms. We have active relationships with 114 of the 'AmLaw 1-200' firms (70 of which are in the AmLaw 100) and 113 of those 1-200 firms have approached us or met with us for funding opportunities (69 of those firms are in the AmLaw 100).

In May, the US team achieved a Tier 1 ranking from Chambers and Partners[9], reflecting the experience of our Investment Managers and Legal Counsel, who source and investigate investment opportunities through to funding.

This year we launched a new specialised bankruptcy dispute finance practice to assist stakeholders involved in insolvency-related matters and welcomed Investment Manager and Legal Counsel, Ken Epstein, to lead this practice. There are stresses appearing in numerous industry sectors and this is an appropriate time to devote more resources and capital to investment opportunities in this area.

Charlie Gollow
CHIEF EXECUTIVE – US

Our US team also welcomed Corporate Counsel Christopher Young who advises our US and international staff on US corporate legal issues. We also expanded the team with two new Legal Counsel appointments - Amy Geise in Houston and Sarah Jacobson in New York. As FY19 commences, we will be augmenting our Los Angeles team with new Legal Counsel, Connor Williams and a new Investment Manager.

At 30 June 2018 our US team is managing 42 investments comprising 219 separate cases constituting over $187.3 million in capital commitments. These investments (the details of which remain confidential) comprise law firm portfolios and direct investments in commercial disputes (with legal claims covering personal injury, consumer class actions, intellectual property, anti-trust, insurance, whistleblower and qui tam cases and anti-terrorism to name a few).

We are sometimes asked about the ideal balance for our business, between investing in single-party cases versus investing in portfolios of cases. Portfolio investing allows costs and risks to be collateralised across the cases within the portfolio, with a commensurate reduction in return. Investing in single-party cases generally involves greater risk, given the binary nature of the outcome, but concurrently delivers greater returns. Our Investment Managers and Legal Counsel in the US have the skill set to be able to identify single-party cases that meet our investment criteria, and with our robust IC process we will approve those single-party cases that satisfy our risk parameters. As such, we are comfortable in being able to continue to invest in single-party cases, where others may fear to tread, seeking those higher returns. However, we will continue to balance risk and returns for our shareholders by investing in both types of investment opportunities

The US is the largest market in the world for legal services and litigation, representing approximately 40%[10] of the global legal market. The US legal services market is estimated at $357.6 billion annually[11], of which approximately 36% is attributed to commercial litigation. Furthermore, US spending on litigation reportedly rose in 2017 and is expected to grow an additional 5.1% in 2018. The potential of this market is energising and with every addition to our team, we increase our capacity to harness this opportunity.

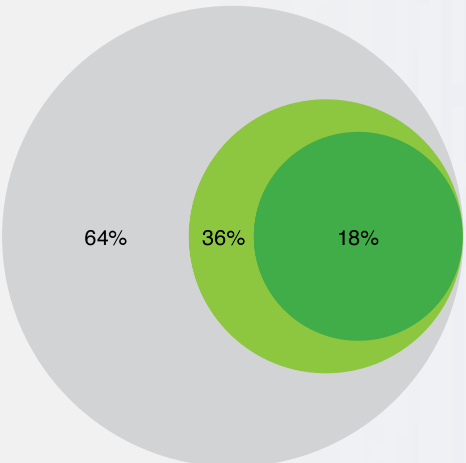
9. Independent global ranking Agency, benchmarking legal industry participants since 1990. Now covering 185 jurisdictions
10. 2018, Legal Services Global Market Report 2018, The Business Research Company, p 69
11. 2018, Report on the State of the Legal Market, Thomson Reuters Peer Monitor & Georgetown Law, p 15

> *Five or ten years ago this industry barely existed in the USA. Now it's thriving and Bentham is at the forefront of the industry.*

Allison Chock
CHIEF INVESTMENT OFFICER US
LEGAL COUNSEL

Total Estimated Addressable Market for United States

Total Estimated Annual Market Legal Spend: $357.6b



- Estimated Litigation Portion of Total Legal Spend
- Estimated Total Addressable Market as % of Total Legal Spend

Chairman's and Managing Director's Report
continued

United Kingdom and Europe

Following the dissolution of our joint venture arrangement in Europe and the expiry of our twelve-month restraint on operating in the region, we resumed activity in the UK and EU in July 2017.

This year Alistair Croft joined the company, and is based in London, to source and manage investment opportunities throughout the UK and Europe. In addition, US-based Noah Wortman joined our team as a Business Development Manager (Global Investor Recoveries) responsible for institutional investor relationships across Europe, as well as other parts of our international network.

Over recent years, high-profile, multi-party matters have become a prominent feature of the EU market. Examples include the Volkswagen emissions case in Germany, the Tesco accounting scandal and the shareholder litigation against Royal Bank of Scotland over its 2008 rights issue. Our objective is to apply our global expertise in multi-party matters to re-establish our brand and financing activity across the UK and Europe.

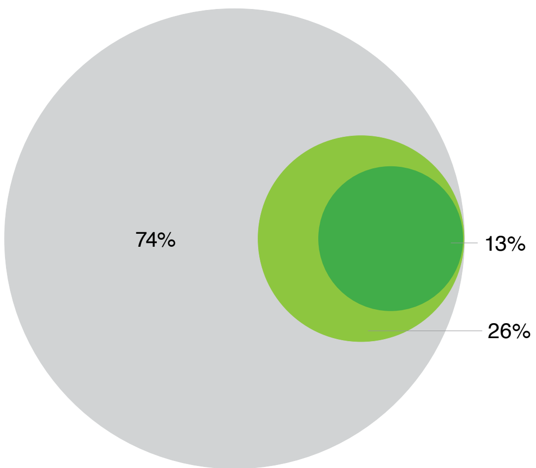
Another key element of our growth plan is to provide dispute finance for corporates (including for commercial and investment arbitration) and we are engaged in discussions with companies in sectors ranging from energy and telecommunications to insurance.

The UK legal services market is the second largest in the world, after the US, with an estimated value of $54.9 billion[12]. Approximately 26%[13] of this is attributed to areas of law relevant to our business, presenting a sizable addressable market for our products and services. Over the next five years, the legal services market is expected to grow at a compound annual rate of approximately 6.5%[14], largely due to the impact of Brexit, globalisation and increased M&A activity related to its large financial centre in London. Market size and potential for the wider EU is harder to quantify, but we believe that significant opportunities exist.

As we move into FY19, we look forward to expanding our continental footprint via organic growth and via strategic partnerships with businesses in civil law jurisdictions who offer the civil law expertise and cultural and linguistic capabilities necessary to succeed in those markets.

Total Estimated Addressable Market for United Kingdom

Total Estimated Annual Market Legal Spend: **$54.9b**



Estimated Litigation Portion of Total Legal Spend
Estimated Total Addressable Market as % of Total Legal Spend

12. Clutterbuck, E, 2017, IBISWorld Industry Report M69.10, Legal Activities in the UK, IBISWorld, p 4
13. Clutterbuck, E, 2017, IBISWorld Industry Report M69.10, Legal Activities in the UK, IBISWorld, p 13
14. 2018, Legal Services Global Market Report, The Business Research Company, p 95

FY18 has been a reboot for our European business, following the end of the joint venture arrangement. The UK funding market is becoming increasingly competitive, but we still see significant upside potential for our business in certain key sectors. FY19 should be an exciting year as we look to grow our portfolio and invest in personnel and strategic partnerships.

Oliver Gayner
INVESTMENT MANAGER

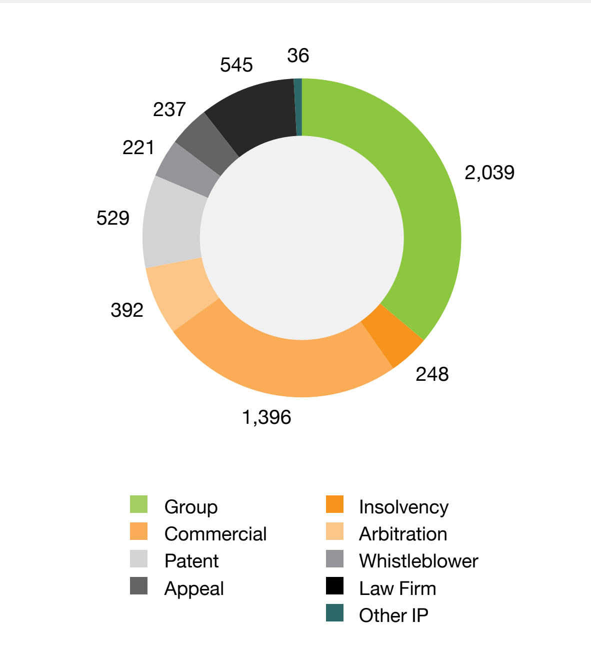
Investment Portfolio

We are encouraged by our experience of year-on-year growth in new funding applications across our investment categories and (conditional and unconditional) funding commitments, as evidenced in the accompanying diagrams.

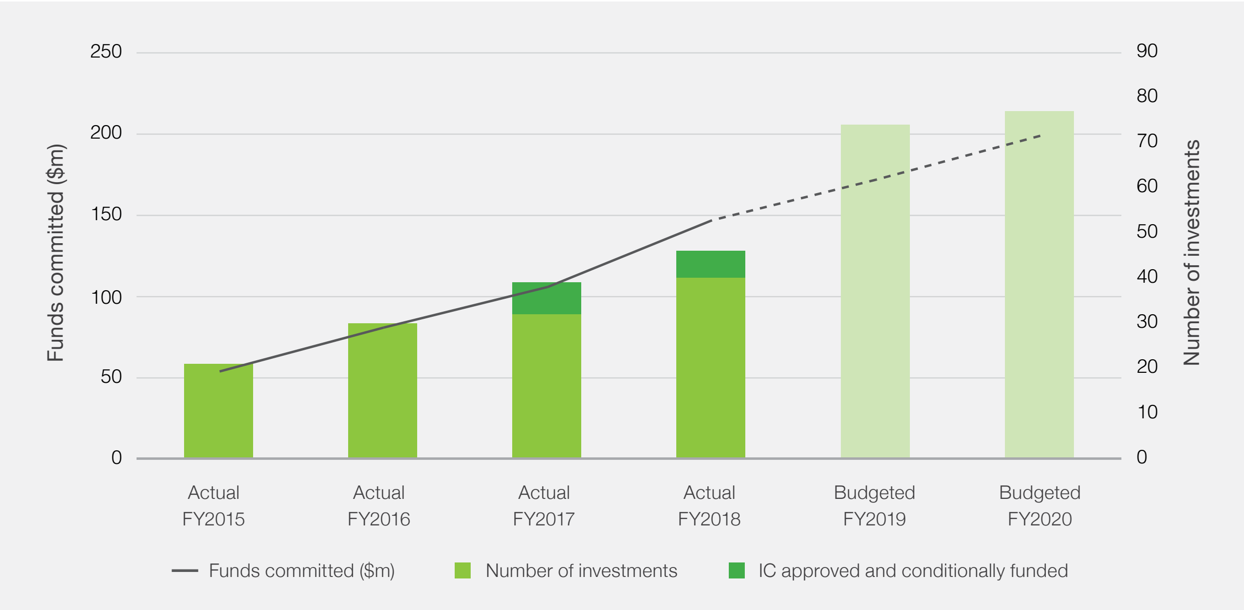
Our focus on transitioning away from idiosyncratic risk to the systemic risk of a portfolio, is reflected in the increased number of investments in our portfolio, across a broader range of case types, sizes and jurisdictions. As at 30 June 2018, our global investment portfolio comprised 75 active investments spread between balance sheet and fund structures. These investments (42 US and 33 RoW) total $229 million in capital commitments. We also have a strong pipeline with a further 5 matters conditionally approved for funding, and opportunities in all jurisdictions.

This year we set a target to invest in 64 new cases and deploy $138.0 million across our global portfolio. Whilst we did not meet the first metric with 26 new investments and funding extended on a further 14 investments, we surpassed the second, with the total dollar value of new investments including IC approved and conditionally funded investments exceeding $147.0 million. The cases in which we invest vary in size and overall, we are witnessing an increase in the average size of those cases. In the future, we propose to set a target for funds committed for deployment, as the fund structures in which we now operate impose concentration limits for individual and portfolio investments, meaning that the diversification targets we set in terms of case numbers is now less relevant.

EPV by Investment Type ($m)



Actual and Budgeted Investments and Commitments[15]



Since commencing the US Fund in February 2017, we have committed US$137.6 million in investments (86.2% of Fund 1), and already deployed US$110.5 million. Since commencing the RoW Funds in October 2017, we have committed $65.7 million in investments (53.4%) and deployed $7.3 million. We are ahead of schedule in terms of commitments, which has accelerated the need to commence the consideration of new funds to meet future investment opportunities.

When we embarked upon our new Strategic Plan three years ago, our investment commitments totalled $54.0 million per annum. In this short period of time we have grown our Estimated Portfolio Value[16] ("EPV", as defined in our quarterly portfolio announcements) from $2.0 billion to $5.6 billion - a compounded annual growth rate of 40.9%.

15. Invested and committed capital is equal to the total capital either invested or committed to investments, translated to Australian dollars at the foreign exchange spot rate prevailing on the reporting date. Actual and budgeted investments and commitments is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.

16. EPV is IMF's current best estimate (in Australian dollars) of a claim's recoverable amount, which takes into account the perceived capacity of the defendant to meet the claim. It is not necessarily the amount being claimed by the funded claimants in the investment and is not the estimated return to IMF from the investment if it is successful. An EPV is subject to change over time for a number of reasons, including changes in circumstances and knowledge relating to an investment, partial recovery and, where applicable, fluctuations in exchange rates between the applicable local currency and the Australian dollar. EPV is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.

Chairman's and Managing Director's Report

continued

Regulatory Landscape

The dispute financing industry is in the process of reform in many of the jurisdictions in which we operate.

We expect and embrace change and so we have welcomed the regulatory reviews and oversight that are taking place, and indeed have long called for appropriate regulation as our industry matures and expands to the mainstream.

Australia

In Australia, two regulatory reviews were underway during FY18.

The Victorian Law Reform Commission (VLRC) commenced an Inquiry into Litigation Funding and Group Proceedings in January 2017, delivered its report ('Access to Justice: Litigation Funding and Group Proceedings') to the Victorian State Attorney-General in April 2018 and published the report on 19 June 2018.

The VLRC Inquiry considered a number of issues related to the use of dispute financing, particularly in class actions (currently under consideration by the Australian Law Reform Commission (ALRC), discussed below). The VLRC recommended that Victorian lawyers be permitted to charge contingency fees in class actions and also recommended legislative amendments to provide the Court with power to review and vary legal costs, dispute finance fees and charges, and settlement distribution costs to ensure they are fair and reasonable. IMF Bentham has submitted to the VLRC that the Courts consider introducing a costs budgeting procedure, (similar to part of the UK Jackson civil procedure reforms) requiring claimant and defendant lawyers to file their estimated costs in court at an early stage. We will continue to participate in the debate surrounding this important industry development.

Finally, the VLRC recommended that the Victorian State Government should advocate for stronger national regulation and supervision of the third-party dispute finance industry (also currently under consideration by the ALRC, discussed below). The Victorian Government is presently considering all of the VLRC's recommendations.

In addition to the VLRC Inquiry, in December 2017 the ALRC commenced a Federal Inquiry into Class Action proceedings and third-party Litigation Funders. A Discussion Paper was published at the beginning of June 2018, stakeholder consultation followed and the ALRC invited submissions by 30 July 2018. The ALRC is due to report to the Commonwealth Attorney-General by 21 December 2018.

In its Discussion Paper, the ALRC proposed that litigation funders be licensed. We strongly support this proposal, which we have advocated for many years.

We are now seeing increasing competition for class action funding as new (mainly overseas) funders have entered the market. These funders often hold very few assets in Australia and, where they are unlisted private entities, their financial position is opaque.

It is important that dispute financiers can honour the financial promises they make, including to pay adverse costs if the litigation is lost. We believe that a proportionate and effective licensing regime could ensure these standards are met and reduce costs for litigants by minimising the need for bespoke management of funding arrangements by the courts. For many years IMF Bentham operated under the licensing regime of the Australian Securities and Investments Commission (ASIC) and previously endorsed the 2014 Productivity Commission's recommendation to introduce minimum capital adequacy requirements.

The ALRC also proposed that lawyers be permitted to charge contingency fees in class actions.

IMF Bentham contributed a detailed submission to the ALRC.

Asia

Demand for commercial financing of litigation, arbitration and insolvency cases is growing across Asia. In some jurisdictions, third-party dispute finance is neither expressly permitted nor expressly prohibited. As demand for litigation finance increases, we expect further judicial and legislative reforms to expand permission for funding.

Singapore expressly endorsed third party financing in international arbitration (and related proceedings) in March 2017. The Singapore arbitration funding market looks set to grow as a result and the Singapore International Arbitration Centre (SIAC) reports an ever-increasing caseload.

We recently provided feedback to the Singapore Ministry of Law as part of its industry feedback-gathering to assess the impact of the new legislation. The legal community is positive about the benefits of third-party dispute financing and we expect this to lead to further opportunities to fund commercial litigation cases as well as international arbitration and insolvency matters.

In Hong Kong, the Arbitration and Mediation Legislation (Third Party Funding) (Amendment) Bill 2016 was passed in June 2017, paving the way for third-party dispute finance of international arbitration in Hong Kong.

The Department of Justice is now preparing a Code of Practice, and once the Code is finalised, we anticipate the provisions permitting third-party dispute finance in international arbitration will come into effect in late 2018.

IMF Bentham participates actively, and respectfully, in discussions around regulatory reform and development in each of the Asian jurisdictions in which we operate. We also take a leadership position in the development of case law around dispute financing. In Hong Kong we have been involved in an application to the High Court, believed to be a market first, seeking approval for funding of a commercial proceeding on the grounds of access to justice.

Canada

The third-party dispute financing industry is unregulated in Canada with no proposed reform on the horizon. This reflects the nascent status of the industry. Consistent with our position in other jurisdictions, we would welcome appropriate and well-formulated regulation.

There have been a number of Canadian legal industry studies and consultations released this year relevant to our business, including the October 2017 British Columbia Law Institute Study Paper on Financing Litigation, the 2018 Law Society of Ontario Contingency Fee Reform Consultation Paper, the March 2018 Law Commission of Ontario Consultation Paper on Class Actions: Objectives, Experiences and Reform for which our company was interviewed and made a submission.

This year there have been four Canadian reported decisions on third-party dispute financing. These decisions all arise from cases we have funded. This new and evolving jurisprudence is shaping the landscape and will determine how funders conduct business in Canada in the future.

USA

In May 2018, a bill was introduced into the Senate (The Litigation Funding Transparency Act of 2018), proposing the disclosure of litigation funding arrangements (including the funding agreements themselves) in any federal class actions and federal multi-jurisdiction litigation. Without accompanying privilege protections, such disclosure would not be in the best interests of claimants. Our assessment is that the proposed legislation arguably imposes more barriers to entry for claimants who are trying to bring meritorious lawsuits against well-resourced opponents (often massive corporations) as it is likely that such disclosure will result in additional, and significant, interlocutory procedures resulting in further costs for plaintiffs, and a significant use of Court resources.

As the issue of litigation finance disclosure is already under examination by the Federal Advisory Committee on Rules of Civil Procedure, and there are existing ethical rules governing attorney-client relationships to avoid conflicts of interest, it remains to be seen whether the Senate will accede to the Advisory Committee in this instance.

We have contributed a submission to the Federal Advisory Committee on Rules of Civil Procedure on this issue and we continue to speak to and lobby parties with vested interests.

In a non-binding advisory opinion, the New York City Bar Association recently opined that non-recourse third party funding of law firm portfolios breaches the New York Rules of Professional Conduct Rule 5.4(a) (designed to preserve lawyers' independence and prevent lawyers sharing fees or forming partnerships with non-lawyers). The advice we have obtained from legal ethics experts and which is shared by others in the industry, is that this opinion is a very literal reading of the Rule which is incorrect and is contrary to various New York court decisions. Law firm portfolio funding also forms a minor part of Bentham's funding in New York.

United Kingdom and Europe

In the UK, third-party dispute finance is growing as investment capital flows into the sector. Under English law, a dispute finance agreement is generally not considered champertous, and whilst funders can be held liable to pay adverse costs, the so-called "Arkin Cap" (after Arkin v Borchard Lines & Others 2005 EWCA Civ 655) limits that exposure to the amount of the funder's investment. A voluntary code of conduct was introduced as part of the Jackson civil procedure reforms by the Association of Litigation Funders (ALF Code). A wide range of financing options are permitted under English law.

There were no material changes to the regulatory climate in the UK during this financial year.

In the context of international arbitration, a comprehensive report by the International Council for Commercial Arbitration and The School of Law at Queen Mary University of London embraced the use of third-party financing in arbitration and made a number of recommendations for arbitration tribunals to follow.

In continental Europe, third-party financing is permitted and growing in many civil law countries.

Competitive Landscape

In the 'emergence' phase of our industry's life cycle, we were rewarded with the high margins and low competition that came with being a first-mover. As our industry enters its next phase of growth, it is natural to expect increased competition and some price pressure.

However we do not expect significant price compression as returns promised by newly-launched competitor funds are high and they will strive to maintain the margins they have promised their investors. In addition, IMF Bentham has a differentiated business model - in addition to providing capital, we bring recognised value to each investment, enabling us to earn higher margins.

In some of our markets we are the pioneer and market leader and in others we are among an exclusive set of leading players. Competition has generally increased in each of the jurisdictions in which we operate. Our competitors include domestic and international funders as well as substitutes such as contingency law firms and hedge funds. Some fields, such as securities class actions in Australia, are experiencing healthy competition at present (for reasons covered earlier), while other domains, such as Canada, are still relatively unrecognised by potential competitors.

Competition will always emerge, but success in this industry requires the confluence of many factors, and some of the most critical (financial and human resources) are also the most challenging for competitors to master. It is a delicate recipe to invest wisely and profitably in litigation, and we have seen numerous market entrants come and go. New operators can be lured by the promise of a growth industry and attractive financial returns, but ultimately, they can become submerged by the significant challenges.

Over the years, only a coterie of legitimate competitors has risen to the top. Although we are never complacent or hubristic, we are very aware of the significant barriers to entry in this industry, as we have faced and surmounted each one. Our diversification strategy has involved deliberately and steadily developing defensive positions on each front.

- **Financial Capital:** Significant capital reserves are necessary to invest in large claims whose returns are potentially significant, but perhaps more importantly, a sizeable war chest is essential to achieve portfolio diversification. We believe that portfolio diversification is essential to off-setting the risks associated with dispute financing. In addition to the quantum of capital, the way we have structured our capital in funds enables us to be flexible in the way we deploy that capital.
- **Human Capital:** Evaluating and determining which disputes to invest in requires skills that are not easily replicable. It takes years to build a talented team and, once established, there is no facsimile. Not only is IMF Bentham home to one of the founders of the industry, but we have been amassing an entire team over 17 years, whose collective wisdom is now a comparative advantage.
- **Global Coverage:** In an increasingly global industry, having an expansive geographic footprint is essential. The diversification assists with risk mitigation and the local presence facilitates jurisdictional understanding and relationships which in turn drive new business. We have been assiduously expanding our global presence for a number of years and are now well-resourced on the ground in each of the important funding jurisdictions, with more to come in the growth markets.

- **Relationships:** Dispute financing requires relationships across commerce, finance, insurance, academia, government, media, and of course all layers of the legal industry (including private practice, the Bar and the judiciary). Good relationships take time, patience and commitment and we have been cultivating ours over a lifetime (individually and institutionally), forming a deep and broad global network of 'clients', referrers, expert advisers and suppliers.
- **Innovation and Product Development:** From our early days of insolvency funding, we have expanded our market offering to include financing for group/class actions, arbitration, law firm portfolios and all manner of commercial disputes and are now actively engaged in developing dispute financing solutions for corporates.
- **Technology and Systems:** We have developed our own proprietary technology platforms and business processes for case evaluation and management and leverage these every day, as well as continually improving them for future return.

Risk Management

We are in the business of risk assessment, management and mitigation, and we are comfortable with this mantle. Every day we navigate risk on behalf of others - balancing caution with entrepreneurialism to achieve commercial, legal and ethical objectives - and as a result, we have become an entrusted 'safe pair of hands' for many.

For our own organisation, we face some risks that are unique to our industry and some that are common across sectors. We have systems to identify and address each one.

Portfolio Concentration

There is always the risk that a case in which we invest may be lost. Despite the best case-selection, case strategy and execution, litigation is not a perfect science and is sometimes subject to the vagaries of economics, emotions, judicial proclivities and other influences. The first step of our risk mitigation here is to have a skilled Investment Management team and experienced Investment Committee who identify and select the cases in which to invest. We have achieved a 90% success rate, across 175 cases over our 17-year history because we understand the above ingredients in litigation and are good at identifying and accounting for the nuances of litigation. We minimise the risk of exposure to potential individual case losses through portfolio diversification - increasing the size and geographic spread of our global portfolio and varying the type of cases we fund.

Although we currently have portfolio concentration risk associated with investments in Wivenhoe and Westgem, our diversification strategy has reduced concentration risk for future periods. Our views on the prospects of those two cases have been communicated to investors throughout the year and have not changed. However, if one or both cases were to be lost, they would have a material impact on IMF Bentham's financial results and its cash position. We have taken steps, including co-funding and ACO insurance cover, to mitigate in part these impacts but IMF Bentham retains material adverse cost risk on these investments.

Our diversification strategy has sought to reduce portfolio concentration risk in future periods. We are mitigating the impact of potential case losses in the future by switching to funding vehicles to finance our investments.

We have robust internal risk management protocols which are reviewed and pressure-tested periodically by external independent consultants. From there we are able to make educated and calculated decisions of what insurable risks are deemed necessary to be transferred to insurance policies where available and what retentions are to be carried. Whether negotiating insurance for our global portfolio or other aspects of our operations, we team with the best in the business to achieve world-class cover. The collaboration and ongoing dialogue between our highly experienced team and our strategic insurance partners often results in innovative approaches and bespoke insurance solutions, not previously conceived or available to others on the market.

Competition

'If you build it they will come'…

When you conceive a new industry and demonstrate its viability, it is inevitable, almost flattering, that competition will follow. The proper response to competition is differentiation and innovation.

Fortunately, our business has many differentiators, including our track record, capital adequacy, adverse costs coverage and provision of security for costs, transparency through public listing, reputation for integrity and fairness (and the brand equity that follows), talented people who bring strategic insights and hands-on project management to each investment and our Perth-based Client Liaison Team who run class action administration.

Innovation is also a mindset we have exhibited since inception. Although what it meant to innovate seventeen years ago when we started is different to what it means to innovate today, it is in our corporate DNA to develop products, services and methodologies that never existed before and in so doing define the market and the industry.

We are not building a business, we are building an industry.

Hugh McLernon
EXECUTIVE DIRECTOR

Regulatory Reform

Reform and disruption are inevitable in every industry today and ours is no different. Regulation in our key markets may change in the future and impact our business model. Indeed there are proposed regulatory reforms in several of our markets right now. Common law developments can also alter the landscape.

Our best response to change is awareness, involvement and leadership - to keep abreast of potential changes, to have a seat at the table in any discussions and to continue to innovate. We are doing all of these.

Key-person dependency

We are privileged to have one of the industry's pioneers as an executive director and many senior executives whose skills and industry knowledge are unparalleled. We value the contribution of our executive directors, senior management and key personnel to oversee the day-to-day operations and the strategic management of the company and protect our corporate know-how.

We like to think of each of our people as a 'key person' as everyone plays a role in our business's overall success. Our business has now reached a size and sophistication that the whole is greater than the sum of its individual parts. Today it is our combined know-how and business processes that are key to our performance.

Of course, we protect ourselves with the usual non-compete, confidentiality and IP protection agreements for our people and we actively engage in coaching, mentoring, professional development and other measures to build, transfer and safe-guard our corporate knowledge, plus we have an attractive Long Term Incentive Plan ("LTIP") which rewards loyalty and engagement. We are fortunate to experience low turnover, high engagement and loyalty and our recipe stays within the family.

IT and Data Security

We invest in security hardware, software, systems and policies to remain abreast of constantly-evolving IT threats. We undergo audits by external security and IT providers and continuously adjust our approaches. We are also careful to protect the confidentiality of our IT security systems and consequently, provide only an outline here.

What we can say, is that IT and data security today focuses as much on threats from social engineering as it does on threats posed by external penetration or 'hacking'. Those who seek to illegally obtain or corrupt the confidential or competitive information of others, often now do so by inveigling themselves into the world of unsuspecting innocents (including customers, employees, suppliers and the like). Accordingly, in addition to the security measures taken by our IT team, everyone in our organisation is tasked with responsibility for protecting data and commercially-sensitive know-how. Vigilance cannot be delegated. From our Board of Directors to our newest recruit, all of our people are part of our armour and we conduct ongoing awareness and training campaigns to ensure our people are cognisant of potential threats and their role in protecting our organisation.

IT threats are ever-present in today's world and we are committed to doing everything we can to protect our organisation.

Fortunately, our business captures very limited information about claimants, so our obligations under privacy and data protection regulations are minimal. This year Europe's new Global Data Protection Regulations (GDPR) impacted many global businesses and, like others, we reviewed our procedures but as our EU footprint is presently confined, the new regulations had minimal impact for our business.

Brand and Reputation

Every business is exposed to the threat of damage to its reputation, name or brand, and ours is not immune. The sources can be multifarious but the impact is often homogenous - when an institution's reputation is sullied, stakeholder trust and loyalty is eroded and brand equity and financial value is usually compromised. The effects can be long-lasting - trust can be lost quickly but can take a lifetime to regain and will never be as robust.

Given the nature of some of the cases we fund, we regularly see the impact of institutional reputational damage and are acutely aware of the risk facing every business.

We have a strong risk management culture and numerous policies and practices in place to safe-guard our reputation including escalation procedures throughout our organisation structure and regular and clear communication with all stakeholders.

They're really diligent. They master their brief. Engage on a case in a way that's informed. [We] feel like partners.

PARTNER, AUSTRALIAN LAW FIRM

Corporate Governance and Compliance

As a publicly-traded company on the Australian Securities Exchange, and a business with experienced financiers and lawyers at the helm, we are acutely aware of our legal and regulatory obligations. Full details of our Corporate Governance program are available on our website.

Tax

Our business is predominantly tax-domiciled in Australia and the United States and contributes via taxes to the communities in which we live and work. Naturally, as a publicly-listed, for-profit organisation, we seek to meet our tax obligations while maximising the interests of our shareholders. Accordingly, we welcomed recent tax reform in the United States, which reduced our corporate tax rate there for the second half of the financial year.

Realised and Unrealised Gains

IMF's investments in litigation assets are recognised in our financial statements as intangible assets. This means our investments are recorded at cost as funds are outlaid on each investment, and do not include any movements in the embedded value of the assets. At an investment's conclusion, the associated intangible asset is derecognised and is offset by the proceeds (if any) from the investment, resulting in a profit or loss on the investment. Some litigation funders' accounting policies allows for fair value adjustments over the investment's life, resulting in unrealised gains and losses being recognised in the profit and loss statement and associated movements in the carrying value of the investment in the balance sheet.

Our People

Our business sits neatly on the continuum between finance and professional services. We provide a monetary product accompanied by a service which is delivered by sophisticated knowledge workers. And like all knowledge-based, service businesses, our people are our key asset and competitive advantage.

We are fortunate to be able to attract and retain talented people who are best-of-breed in their field. Our investment managers are typically graduates from leading universities, who then go on to develop successful careers at top-tier law firms, as in-house corporate counsel, barristers, business leaders and company directors. The role requires people who can straddle the unique skills of financier, legal strategist and portfolio manager, carrying significant accountability in doing so.

Investment mandates are determined by our Investment Committee, a formidable 'brains trust' comprising our most senior and seasoned executives as well as former members of the judiciary and legal profession.

Our investment team is supported by dedicated experts in finance, marketing and technology, including our market-leading Client Group who manage book-builds and settlement administrations for multi-party actions.

Overseeing the entire talent pool are Executive and Non-Executive Directors whose international careers span investment banking, finance and capital markets, insurance, law, education, human rights, public health, overseas aid and development, conservation, heritage and media.

We recognise and incentivise our people with a combination of extrinsic and intrinsic rewards that acknowledge team performance and individual contribution. These include competitive remuneration, long and short-term incentive plans (detailed later in our Directors' Report), investments in their learning and development and career progression. We also know that to sustain peak performance and retain talent requires an alignment of individual and organisational values so we work hard to foster a culture that reflects our values. We want our people to feel valued and inspired every day.

We recruit and promote on merit, while striving for inclusion and diversity (in its many forms). Women occupy many of our senior leadership positions, including two Board Directors, our Chief Financial Officer, our Chief Investment Officers for Canada and the USA, the heads of our Hong Kong and Adelaide offices, our two Chief Marketing Officers, the head of our Client Liaison Team, lawyers in our corporate in-house legal team, 35% of our Investment Managers and Legal Counsel, as well as Managers in our finance team.

One of the reasons I joined this company and continue to love this job is being part of an organisation that is ethically trying to create a sustainable dispute financing industry and making a positive difference in the world. I continue to be impressed with our senior people in terms of character, talent, and creativity. Being intellectually challenged every day is hugely rewarding. There's never a dull moment.

Allison Chock
CHIEF INVESTMENT OFFICER, USA

Chairman's and Managing Director's Report
continued

Corporate Social Responsibility

Across the jurisdictions in which we operate, we are actively involved in thought leadership and the advancement of the industry. We contribute to research initiatives about access to justice and the effective operation of civil litigation. We believe this is an important social investment as well as being good for our own business.

University of New South Wales, Sydney, Australia

In Australia, we have a strategic alliance with the University of New South Wales (UNSW) Class Action Research Initiative, which explores and solves key issues in class actions practice through academic research and analysis. During FY18 our alliance with the UNSW generated research and publications in relation to class actions settlement distributions and achieving finality in class actions. We collaborated on continuing education workshops for leading industry members (including the judiciary, private legal practice, academia and corporate counsel). At the end of FY17 we co-hosted with UNSW an industry Class Actions Conference and will do so again in FY19.

Monash University, Melbourne, Victoria, Australia

As we have done for several years, we also supported substantial, independent empirical research conducted by academics at Monash University in Victoria, Australia. Research conducted during FY18 explored the use of 'opt-in' devices for claimants in funded class actions in Australia. The research explored the proportion of claimants who fail to register as members in a funded action, and consequently impact the value of the overall claims pursued in the class action.

Civil Justice Research Initiative,
University of California, USA

In the US we are a founding supporter of the Civil Justice Research Initiative (CJRI), a 'think tank' chaired by Erwin Chemerinsky, Dean of Berkeley Law School and Founding Dean of the UC Irvine School of Law. The CJRI's goal is to ensure that leaders, legislators and courts have the factual research and data they need to set policy to ensure continued access to the courts, by systematically identifying and producing highly credible, unbiased research on critical issues concerning the civil justice system. Allison Chock, Chief Investment Officer-US, is a member of the CJRI's Advisory Board, which also includes prominent attorneys in private practice from around the United States as well as established legal scholars and researchers from prominent law schools around the country.

Public Counsel, Los Angeles, California, USA

We are also an ongoing supporter of Public Counsel, the United States' largest pro bono law firm. Public Counsel's activities are far-ranging and impact a wide spectrum of people, many of whom live at or below the poverty level. Allison Chock is a member of the Board of Directors.

Osgoode Hall Law School, York University,
Toronto, Ontario, Canada

Our team in Canada lectures to J.D. and LLM students at Osgoode Hall Law School (at York University), including students involved in the Investor Protection Clinic and also supports the University of Ottawa's 2018 career day for tomorrow's legal leaders.

Financing Cases which advance Public Interest

IMF Bentham also supports a number of cases which promote wider public interest. For example, we are funding cases seeking redress for property damage in the Australian towns of Williamtown, Oakey and Katherine, due to PFAS chemical contamination of water supplies.

> *It is intrinsically rewarding to finance claims which advance public interest and deliver recompense for aggrieved parties who are representative of the wider community.*

Laura Maytom
ASSOCIATE INVESTMENT MANAGER

Laura Maytom, Associate Investment Manager on funded case seeking redress for chemical contamination in Williamtown NSW Australia

FY18 Results

Our financial results this year are reflective of executing the final phases of our business transition strategy. This year we actioned key elements of that transition strategy and understandably, our actions had a financial impact for FY18. By selling assets into the newly-established Fund 1, any income to us from those investments will be deferred to future reporting periods. Had we retained those assets on our own balance sheet, the short-term scenario might look quite different. However, we anticipated and accept the immediate consequence of our long-term strategic approach.

Our FY18 financial results were also impacted by the loss of a US-funded case, 'Case 003', the deferred completion of a number of significant investments (including Wivenhoe) and a number of case completions whose returns were modest. The case prospects on one of our investments in Hong Kong changed, as can happen in the 'art' of litigation, and we were required to modify our financial expectations accordingly, salvaging a narrower margin than initially forecast. These case situations resulted in unusually high expenses for the period and also impacted our Return on Invested Capital (ROIC)[17]. Our ROIC for US matters decreased from 1.0x to 0.8x (reflecting the loss of 'Case 003' and a small sample of completions in US investments) and our ROIC for completions since 2011 of non-US investments has remained stable at 1.5x.

Some of the key investments in our portfolio are yet to achieve resolution and therefore the potential earnings have been deferred to future years. On average, the cases in which we invest typically have a gestation period of 2.6 years between the initial commitment of funds to the time of resolution and return on our investment. Our financial performance in any given year is therefore reflective of investment commitments made years earlier, and our most current investment decisions will not come to fruition for several years.

Our employee benefits expense increased this reporting period, compared to last, due to growing our team. On the other hand, these expenses were off-set by a corresponding decrease in corporate and office expenses.

This year we also incurred and booked an accounting adjustment for tax expense associated with a one-off adjustment in the US tax rate.

Although we reported a net loss in our P&L this year, our operating cash flows before new investments were the highest they have been in the past five years and we generated the second-best free cashflow after investments. This achievement reflects that we are also transitioning to a capital light position, as we can grow investments materially, without using all of our own capital.

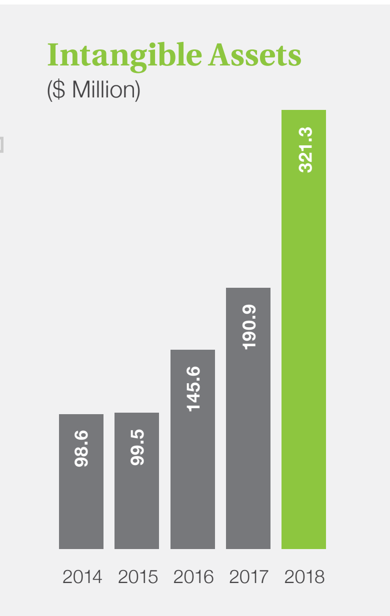
Free Cash Flow Reconciliation

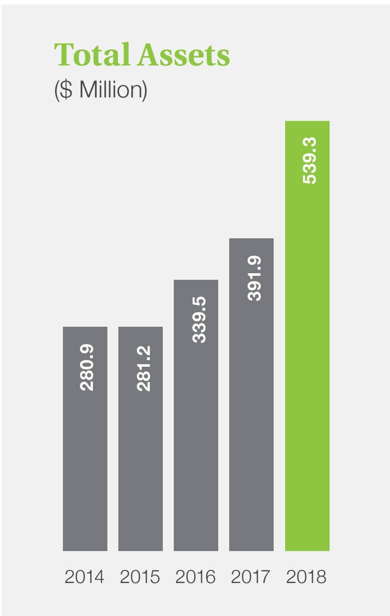
	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
Net profit after tax	9,868	8,580	20,760	15,440	(7,847)
Add litigation contracts - expenses	50,638	77,755	46,826	59,206	54,703
Add depreciation	223	228	451	591	621
Net cash increase from sale of US portfolio to US Fund 1	–	–	–	–	61,271
Distributions to non-controlling interests	–	–	–	–	(9,694)
Working capital	(27,317)	(6,133)	5,470	(9,861)	(16,209)
Operating Cash Flow, including receipts from litigation contracts, net of distributions to NCI	**33,412**	**80,430**	**73,507**	**65,376**	**82,845**
Net investments in litigation[18]	(57,085)	(49,199)	(82,605)	(84,240)	(59,834)
Capital expenditure	(171)	(406)	(1,109)	(979)	(236)
Free Cash Flow[19]	**(23,844)**	**30,825**	**(10,207)**	**(19,843)**	**22,775**

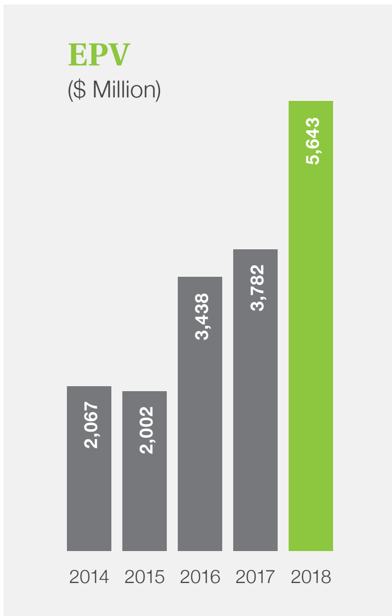
17. ROIC (return on invested capital) is calculated as gross income to IMF (litigation contracts – settlements and judgements) less all reimbursed costs, divided by total expenditure (excluding overheads but including any adverse costs on lost cases). ROIC is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.
18. Net investments in litigation is calculated as investments in litigation less receipts from non-controlling interests funding. Net investments in litigation is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.
19. Free cash flow represents our IFRS operating cash flow combined with our cash flows from litigation, non-controlling interests and capital expenditures. Movements in free cash flow highlight the increases and decreases in cash from our core operations that are attributable to ordinary shareholders. Our long term focus is to generate growth in free cash flow, which is primarily driven by growth in earnings, effective management of working capital and leveraging our transition to a funds management operation. Free cash flow is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.

We have experienced a significant increase in net assets during the period, reflecting a material increase in investments and a material decrease in deferred tax liability. Following the sale of assets into Fund 1, cash and net assets increased on a pro-forma basis to $193.5 million and $299 million respectively. As a result, the net asset backing per share increased by 76% during FY18.

Earnings versus free cash flow







Chairman's and Managing Director's Report

continued

As Managing Director, my focus is on setting and executing strategy. We have a truly wonderful, magnificent team. If we focus on executing our strategy to the best of our ability, the results will take care of themselves.

Andrew Saker
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

Future Initiatives

And now we turn our focus and energy to the year ahead.

New Funding Vehicles

FY19 will see us launch additional funding vehicles to facilitate the funding of new investments in the jurisdictions in which we operate. We expect to complete the roll out of these new funds by the end of FY19 in a continuation of our strategy to move from balance-sheet investing to investing via fund structures. For our new 'Fund 4' (for US investments), we are targeting a total of US$500 million in capital for deployment. Once Fund 4 is established, we will be targeting additional funding in a new RoW Fund (for non-US investments).

Geographic Expansion

We will continue to build our presence and strengthen our foothold in the developing markets of Asia and Canada, both of which provide extraordinary and exciting investment opportunities.

We are equally passionate about our return to the European market and are exploring options for growth via organic means, or mergers and acquisitions. FY19 will see us execute that strategy and round out the completion of our diversification agenda by filling our last points of geographic expansion.

Building on our existing strengths, we will actively be pursuing opportunities for investments in multi-party actions in jurisdictions such as Australia, Canada and Europe.

Proprietary Infrastructure

Over the years we have invested in creating proprietary IT, infrastructure and know-how for the cost-effective and efficient administration of multi-party group actions. Our infrastructure and business processes provide a cost advantage over other dispute financiers and also deliver time and expertise benefits to the law firms we team with. We will continue to refine and enhance this important business platform in FY19.

Corporate Financing

Today's high performing businesses are starting to explore new financing models. As the dispute finance industry continues to mature and transition from the fringe to the mainstream, corporate decision makers are increasingly aware of the utility of third-party dispute finance.

From our discussions with corporates and their legal advisers, a portrait is emerging of the type of business ideally suited to dispute financing and, for those businesses, the upside can be transformational. Our finance enables commercial enterprises to pursue legal claims while preserving their cash for business-as-usual or growth, helps them level the playing field against well-resourced opponents, enables them to finance their disputes without depressing their financial results or inhibiting their company's valuation, manage the risk associated with litigating, derive independent strategic input from our team and relieve the workload of their in-house legal teams.

Although the legal industry has a reputation for being conservative and slow to change, today's decision-makers are increasingly seeking innovation. We hope to work with today's corporate influencers and their legal advisers to help them pursue their legal rights, unlock the monetary value in their disputes and de-risk their balance sheets. We are working on building this part of our business in each of our markets.

Conclusion

On behalf of the Board, we would like to thank our shareholders for their continued support and endorsement and we would like to thank our dedicated team who work tirelessly to achieve our strategic objectives. FY19 will be another busy and demanding year for our team and we are excited and energised by the challenge. We look forward to the year ahead and the exciting opportunities FY19 presents.

Andrew Saker
Managing Director and Chief Executive Officer

Michael Kay
Non-Executive Chairman

Financial Report

Directors' Report

The directors of IMF Bentham Limited ("IMF" or "the Company" or "the Parent") submit their report for the year ended 30 June 2018.

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.

Mr Kay:

- is a non-executive director of RAC Insurance Pty Limited (appointed 20 February 2009);
- is chairman and non-executive director of Lovisa Holdings Limited (appointed 13 April 2016); and
- is chairman and executive director of ApplyDirect Limited (appointed 6 March 2015).

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 not served as a director of any listed company other than IMF Bentham Limited, Quintis 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.

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.

Michael Bowen

Non-Executive Director

Michael Bowen graduated from the University of Western Australia with Bachelors of Laws, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is a Certified Practicing Accountant of CPA Australia. Mr Bowen is a partner of the law firm DLA Piper 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, chair of the audit and risk committee and a member of the corporate governance committee and nomination committee.

Mr Bowen is also a non-executive director of Trek Metals Limited (appointed 22 February 2017). During the past three years he has not served as a director of any listed company other than IMF Bentham Limited and Trek Metals Limited.

Wendy McCarthy AO FAICDLIFE

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. From 2008 to 2016 she was chair of headspace, the National Youth Mental Health Foundation.

Ms McCarthy recently retired from her role as chair of Circus Oz., Australia's leading circus.

She is currently the deputy-chair of Goodstart Early Learning, 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.

In March 2017 the Australian Institute of Company Directors awarded her a life Fellow.

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

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

Karen Phin

Non-Executive Director – Appointed 25 August 2017

Karen Phin was appointed to the board as a non-executive director in August 2017. Ms Phin holds a Bachelor of Arts/Law (Honours) from the University of Sydney and is a graduate of the Australian Institute of Company Directors.

Ms Phin brings a vast array of experience in capital markets and the financial services industry, including experience with regulators and assessing regulatory frameworks, corporate advisory, and broad expertise in capital management.

Ms Phin has over 20 years' experience analysing and advising Australian listed companies on capital management, capital raisings and mergers and acquisitions. Until 2014, Karen was Managing Director and Head of Capital Management Advisory at Citigroup in Australia and New Zealand. From 1996 to 2009, she worked at UBS where she was also a Managing Director and established and led the Capital Management Group. Prior to joining Citigroup, Karen spent 12 months at ASIC as a Senior Specialist in the Corporations group.

Ms Phin is a member of IMF's audit and risk committee, remuneration committee, corporate governance committee and nomination committee.

Ms Phin is also a non-executive director of Magellan Financial Group Ltd (appointed 23 April 2014) and has been a member of the Takeovers Panel since 2015.

Alden Halse

Non-Executive Director – Retired 24 November 2017

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.

Mr Halse was appointed to the board as a non-executive director in December 2001 and until 24 November 2017 was 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.

Officers

Julia Yetsenga

Chief Financial Officer

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

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.

Directors' Report
continued

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	163,506	–	100	1,438,271
Hugh McLernon	5,299,045	7,500	–	1,356,276
Alden Halse	879,780	750	–	–
Michael Bowen	1,009,264	1,500	–	–
Wendy McCarthy	–	–	–	–
Karen Phin	23,256	–	–	–
Total	**7,682,543**	**9,750**	**100**	**2,794,547**

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

	Declared date	Record date	Payment date	Cents	$m
Dividends paid in the year:					
Interim for the year					
On ordinary shares	22/2/18	26/3/18	24/4/18	3.0	5.188
Final for 2017, as recommended in the 2017 financial report					
On ordinary shares	24/8/17	26/9/17	20/10/17	4.0	6.882

Shareholders were able to elect to participate in the dividend reinvestment plan in relation to these dividends.

The directors have determined they will consider, and where appropriate, implement, a regular semi-annual dividend which reflects the cash position 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, may arrange underwriting to reduce the impact a particular dividend might otherwise have on cash.

Operating and financial review

Principal activities

The principal activities of the entities within the consolidated 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 a fee from the recovery amount 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.

Nature of operations

The Group undertakes these activities through 14 offices in six countries around the world. Originating in Australia in 2001, the Group expanded into the USA opening an office in New York in 2011. Since that time, IMF has also opened offices in Los Angeles in 2014, San Francisco in 2015 and Houston in early 2017.

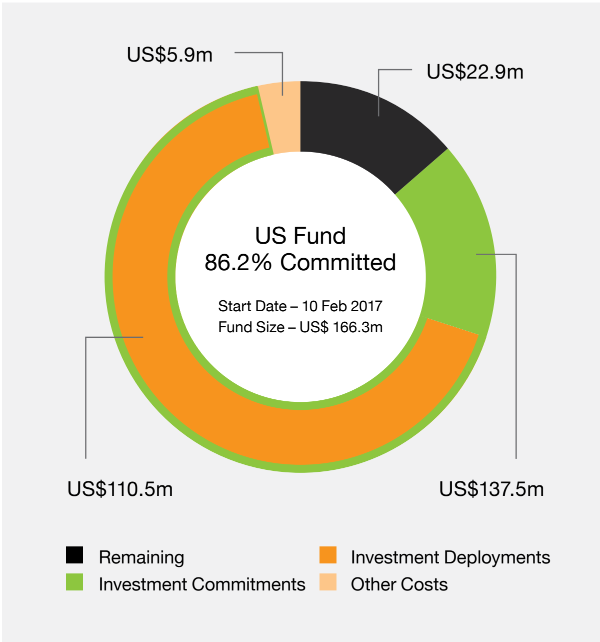
In January 2016, the Group expanded into Canada opening an office in Toronto followed by a presence in Quebec in early 2018. A Singapore branch was established early in 2017 following the introduction of legislation permitting litigation funding for international arbitration, and a Hong Kong office was added in early 2018.

The Group had a 50% interest in a jointly controlled entity principally involved in the funding of litigation through Europe but primarily in the United Kingdom and the Netherlands in which it sold its interest in June 2016. The 12 month restriction on operating in the region expired in July 2017 and the Group resumed activity there in July 2017.

In February 2017, the Group launched its first fund, Bentham Fund No 1 for US investments. The Group and affiliated entities of Fortress Credit Advisers LLC committed up to US$200.0 million to this Fund to be deployed on US cases over a three year period. US Fund 1 was initially sized at US$133.3 million with commitments of US$100.0 million from Fortress and US$33.3 million from IMF. While IMF retains control over the Fund's investments, Fortress is entitled to a priority return on invested capital and a further preferred return on committed but undrawn capital, after which IMF is entitled to a manager return.

The residual net cash flows are to be distributed 85% to IMF and 15% to Fortress. Benefits to IMF include diversification of risk through a larger investment portfolio while leveraging this portfolio with non-recourse capital and freeing up IMF capital for redeployment into other jurisdictions.

In February 2018, IMF sold the majority of existing cases funded by its US subsidiary into Fund 1, generating cash for the Group of $61.3 million. At the same time, the Fund was upsized from US$133.3 million to US$166.3 million. At 30 June 2018, the Fund was committed to 86.2% of available capacity as shown graphically below. As the rate of deployment is significantly ahead of the target three-year deployment, IMF is focused on establishing a new US fund in the 2019 financial year.

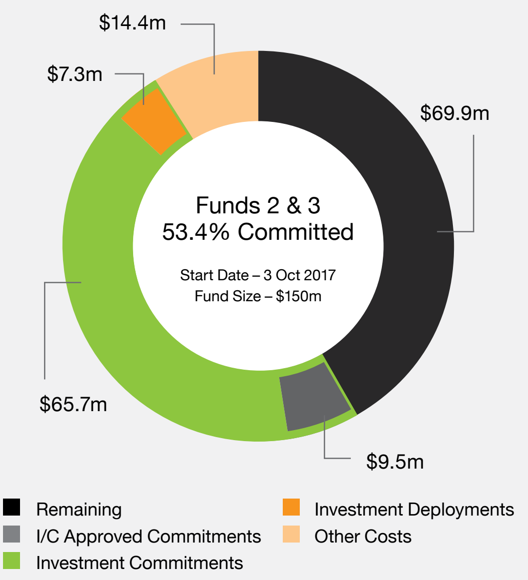


The RoW Funds were launched in October 2017. The RoW Funds' investment partners include Partners Capital Phoenix Fund II Limited, a fund managed by Partners Capital, and a special purpose vehicle advised and managed by Amitell Capital Pte Ltd, a Singapore based private investment firm. The RoW Funds will invest in litigation in Australia, Asia, Canada and Europe and have a combined capacity of $150.0 million. The Funds' return profile is similar to US Fund 1, but the residual net cash flows are distributed 80% to IMF and 20% to the investment partners.

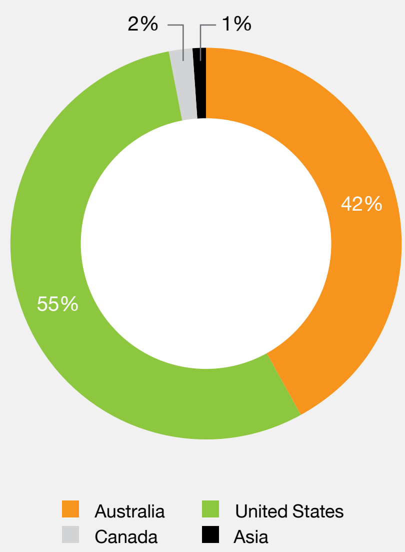
Directors' Report
continued

Operating and financial review (continued)

At 30 June 2018, the RoW Funds were committed to 53.4% of capacity as shown diagrammatically below:



Total Committed Amount by Region ($m)



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

The Group endeavours to have a mix of cases it is funding at any one time. These can broadly be categorised as law firm portfolios, patent and intellectual property claims, commercial, insolvency and arbitration claims, appeal and whistleblower claims and group actions. The expansion overseas also creates diversification across jurisdictions.

The Group discloses the material investments it funds to the ASX as those cases are funded and material settlements as they occur. The Group also provides, on a quarterly basis, an investment portfolio report providing information about the composition and structure of its investment portfolio and its Funds. For investments in the USA, IMF reports information based on committed and deployed capital as investments in that jurisdiction are generally for capped amounts and usually earn revenue by reference to a multiple of investment.

For investments in other jurisdictions, IMF reports on the EPV as investments are generally uncapped and revenues are based on a percentage of proceeds. The EPV is IMF's current best estimate of the claim's recoverable amount (or remaining recoverable amount if there has been partial recovery). It considers, where appropriate, the perceived capacity of the defendant to meet the claim. It is not necessarily the same as the amount being claimed by the funded claimants in the case and 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.

Operating and financial review (continued)

Investment portfolio report at 30 June 2018

Global	Number of investments	Estimated portfolio value $m	Percentage of total estimated portfolio value
Estimated Portfolio Value			
IMF Group (RoW), Fund 2 and Fund 3	33	2,832	50%
IMF Group (USA) and Fund 1	42	2,811	50%
Total portfolio	**75**	**5,643**	**100%**

IMF Group (RoW), Fund 2 and Fund 3	Number of investments	Estimated portfolio value $m	Percentage of total estimated portfolio value
Estimated Portfolio Value			
IMF Group (RoW)	24	1,520	54%
Fund 2 and Fund 3	9	1,312	46%
Total portfolio	**33**	**2,832**	**100%**

IMF Group (USA) and Fund 1	Number of investments	Estimated capital value $m	Percentage of total estimated capital value
Invested Capital			
IMF Group (USA)	5	8.5	5%
Fund 1	37	146.5	95%
Total	**42**	**155.0**	**100%**
Remaining Commitment to be deployed			
IMF Group (USA)	5	–	0%
Fund 1	37	32.3	100%
Total	**42**	**32.3**	**100%**
Total Invested and Committed Capital	**42**	**187.3**	

IMF commenced 26 new investments during the year and extended funding on a further 14 investments. The 15 new non-USA investments had a total Estimated Portfolio Value at 30 June 2018 of $1.4 billion. The 11 new USA investments had capital commitments of $60.1 million at 30 June 2018.

During the financial year, IMF concluded 16 investments (2017: 11). 11 were settled (2017: 10), there were no wins (2017: 1), two losses (2017: 0) and three withdrawals (2017: one withdrawn). Two investments are currently on appeal (2017: 3).

Operating and financial review (continued)

While the Group has implemented a risk mitigation and diversification strategy by expanding geographically and diversifying its product offering across jurisdictions, case updates to its two largest investments are below:

The trial in the **Wivenhoe Dam** class action commenced on 4 December 2017 and is continuing. The investment concerns the persons who suffered loss in the Brisbane floods of 2011, who allege the increased flooding was caused by the negligence of the Dam operators. 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 **Westgem** investment concerns a property developer alleging improper conduct in relation to loans for a property development by a bank. The trial commenced in April 2018 and concluded in July 2018. Judgment is reserved.

USA

The Group's US operations (Bentham) funded 11 new investments (2017: 13) in the US during the reporting period, all in the US Fund (2017: 8). Bentham has now funded a total of 64 investments since being established in August 2011, with 42 current investments.

Seven US investments were resolved during the year (2017: 2), one of which was a loss (2017: 0), and one withdrawn (2017: 0). There is currently one case in the US on appeal. Income was also received in relation to seven continuing investments (2017: 9 investments) involving funding law firms across a portfolio of investments. Gross income generated from these investments during the current financial year was $4.0 million (2017: $1.0 million).

The US business now has 18 staff including six investment managers and six legal counsel (2017: 15). 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 investments it funds, we can say that Bentham's US business now contains a diverse group of litigation and arbitration investments. These involve commercial, patent and multi-party cases across a variety of different jurisdictions. 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 2018, IMF employed 73 permanent staff (full time equivalents), including the two executive directors, providing investigative, information technology, accounting and management expertise (2017: 63 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 2018:

Shareholder Returns	2018	2017
Basic (loss)/earnings per share (cents per share)	(6.40)	9.04
Diluted (loss)/earnings per share (cents per share)	(6.40)	8.68
Return on assets (NPAT/average assets)	(1.7%)	4.2%
Return on equity (NPAT/average equity)	(2.7%)	7.6%
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)

Six investments (2017: six) generated income greater than $0.5 million during 2018. A summary of the investment completions is below:

Litigation contract investment name	Total litigation contract income	Total litigation contract expenses (including capitalised overheads)	Net gain/(loss) on disposal of intangible asset
	$'000	$'000	$'000
Treasury Wine Estates	22,479	(11,051)	11,428
Confidential settlement	4,151	(648)	3,503
USA Fund Case 006	3,652	(1,477)	2,175
Canada Case 001	2,776	(938)	1,838
USA Case 036	2,917	(1,180)	1,737
Confidential Hong Kong Matter	17,370	(16,580)	790
ROW Fund Case 006	152	(26)	126
ROW Fund Case 002	319	(198)	121
USA Case 028	–	(93)	(93)
USA Fund Case 022	2,100	(2,274)	(174)
USA Fund Case 037	2,228	(2,505)	(277)
USA Case 044	1,559	(2,027)	(468)
ASAS (Smith)	–	(1,834)	(1,834)
USA Fund Case 003	–	(4,036)	(4,036)
Other – 2 investments	–	(690)	(690)
Further recoveries on completed investments	3,650	(811)	2,839
Further recoveries on continuing investments	7,861	(7,643)	218
Other[1]	9	(905)	(896)
	71,223	**(54,916)**	**16,307**

The Group has finalised 175 (2017: 162) investments since listing, excluding withdrawals, with an average investment period of 2.6 years (2017: 2.6 years). The Group has generated a return of 1.47 times (excluding overheads) (2017: 1.55 times) on invested capital. MF has a target to complete cases within 2.5 years and to generate a return on every dollar invested of 2 times (excluding overheads).

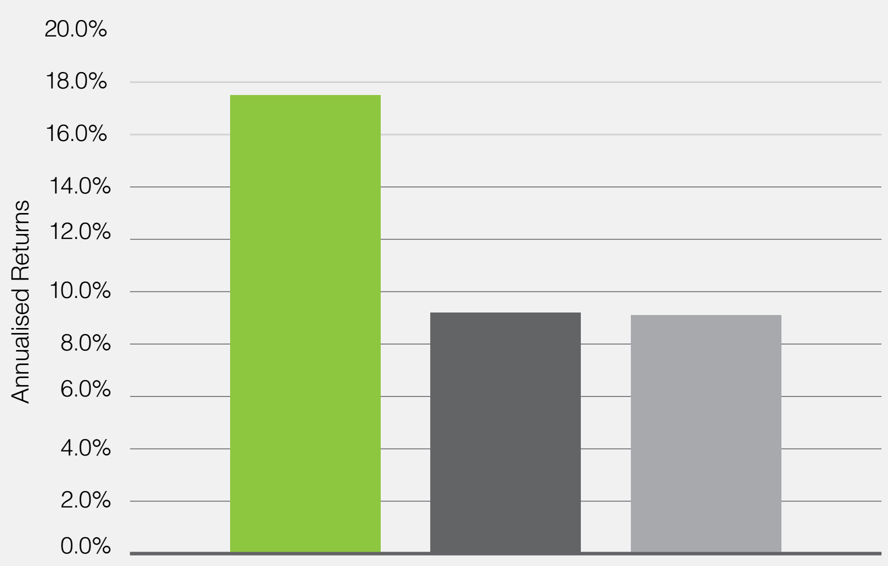
The investment portfolio as at 30 June 2018 has a mixture of both mature and new investments, with 44% of the investment portfolio estimated to finalise over the next 12 months (2017: 31%). IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols.

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

Operating and financial review (continued)

IMF's share price closed at $3.00 per share on 30 June 2018 (2017: $1.89). 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 2011 to 30 June 2018 as detailed below:

IMF, ASX200 and All Ordinaries Annualised Return 30 June 2011 – 30 June 2018



	Annualised Return with Dividend Reinvestment
IMF Share Price	17.5%
ASX 200 AXIO	9.2%
ASX All Ordinaries AORD	9.1%

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 2018 of $9.9 million (2017: increase of $4.4 million). Operating activities used $63.6 million of net cash outflows (2017: net cash outflow of $50.9 million), whilst cash flows used in investing activities were $23.5 million (2017: net cash inflow of $22.2 million), and financing activities raised $97.1 million (2017: $33.0 million) principally as a result of cash inflows from non-controlling interests in 2018 and the Fixed Rate Note capital raise in 2017.

Operating and financial review (continued)

Asset and capital structure

	2018 $'000	2017 $'000	Change %
Cash and short term deposits	160,231	144,891	11%
Total debt[1]	(120,462)	(119,469)	1%
Net debt	39,769	25,422	56%
Total equity	367,836	206,253	78%
Working Capital Ratio[2]	2.3:1	4.2:1	(44%)

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.

In April 2017, the Company issued 40,000 Fixed Rate Notes with a face value of $1,000 each raising $40.0m to form a single series with the Notes issued in the prior financial year. In April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of $1,000 each, raising $32.0m.

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.

Profile of debts

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

	2018 $'000	2017 $'000	Change %
Current			
IMF Bentham Bonds	49,553	–	100%
	49,553	–	100%
Non-current			
IMF Bentham Bonds	–	49,104	(100%)
Fixed Rate Notes	70,909	70,365	(41%)
	70,909	119,469	(41%)
Total debt[1]	120,462	119,469	1%

1. Total debt is $122.0 million. $50.0 million relates to the IMF Bentham Bonds issued in April 2014, while during the 2017 financial year, the Company issued Fixed Rate Notes to the value of $40.0 million to form a single series with $32.0 million issued in the prior financial year. The carrying value of the debt is net of $1.5 million of unamortised transaction costs and debt premium (See Note 12).

2. The working capital ratio is calculated by dividing current assets by current liabilities. The ratio is categorised as non-IFRS information prepared in accordance with *ASIC Regulatory Guidance 230 – Disclosing non-IFRS financial information*, issued in December 2011. This information has not been audited or reviewed.

Directors' Report
continued

Operating and financial review (continued)

Shares issued during the year

On 24 April 2018, the Company issued 916,449 shares at $2.3510 per share and on 20 October 2017, the Company issued 900,253 shares at $2.0239 per share under its Dividend Reinvestment Plan.

Capital expenditure

There has been a decrease in capital expenditure during the year ended 30 June 2018 to $0.2 million from $1.0 million in the year ended 30 June 2017. The capital expenditure in 2018 relates primarily to computer and office equipment while in the prior year, new offices in Sydney and New York were fitted out.

Risk management

The Group's major risk continues to be the choice of cases to be funded. The extent of the mitigation of that risk can best be identified by reference to the fact that in its 17 years of operation IMF has lost only 17 cases out of 175 investments funded and completed (excluding withdrawals). The Company has an investment protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with very good chances of success are accepted for funding. The Group also insures a portion of the adverse costs order exposure in relation to investments on its own balance sheet and all investments in the RoW Funds are covered by an After-The-Event insurance policy.

Another risk which requires constant management is liquidity. IMF's strategic plan addresses this risk through the introduction of innovative fund structures reducing IMF's direct capital exposure to potential investment losses. The board of directors has authorised management to identify options for raising capital to fund further expansion of IMF's business, as required.

Although there is currently portfolio concentration risk associated with the Wivenhoe and Westgem investments, the company's diversification strategy has reduced this risk for future periods.

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 Law Reform Commission (ALRC) is conducting an enquiry into class action proceedings and third-party litigation funders. IMF has provided a submission in the consultation phase. The ALRC is due to report by 21 December 2018. 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.

The Victorian Law Reform Commission (VLRC) also commenced an enquiry into Litigation Funding and Group Proceedings in January 2017. The Victorian State Government is currently considering the VLRC's recommendations which include; that Victorian lawyers be permitted to charge contingency fees in class actions and that the Court has the power to review and vary legal costs and dispute finance fees and charges and settlement distribution costs.

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. More recent activity in the US includes the introduction of a bill which was introduced into the Senate in May 2018 proposing the disclosure of litigation funding arrangements in any federal class actions and federal multi-jurisdiction litigation. We continue to speak with and lobby the relevant parties as IMF believes that such disclosure is not in the best interests of claimants.

Legislation introduced in Singapore in March 2017 abolished champerty and maintenance in relation to arbitration funding and similar legislation is being codified in Hong Kong.

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.

Significant changes in the state of affairs

Total equity increased 78% to $367.8 million from $206.3 million at 30 June 2017. There have been no significant changes in the Company's state of affairs during this reporting period other than as is disclosed in this report.

Significant events after reporting date

There have been no significant events after reporting date.

Likely developments and expected results

Approximately 44% of the investment portfolio at 30 June 2018 is expected to complete over the next 12 months. The estimated completion period is IMF's current best estimate of the period in which the case may be finalised. The case may finalise earlier or later than the identified period for various reasons. Completion means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded client. It may not follow that the financial result will be accounted for in the year of finalisation. Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.

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

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, Canada and Singapore 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 14,355,887 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 $456,000 during the current financial year (2017: $449,700).

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 2018 Remuneration Report.

Following the initiation of our five-year Strategic Business Plan in 2015, we implemented a new variable remuneration framework designed to align executive reward and shareholder value and to incentivise the achievement of our strategic vision over the longer term. This framework was outlined to shareholders in the 2015 annual report and approved as required by shareholders at our AGM in November 2015.

We have continued to monitor our remuneration structure and policies and while we remain comfortable with the overarching framework introduced in 2015, in light of the developments in our business the Remuneration Committee has fine-tuned the specific performance hurdles in the Short Term Incentive Plan ("STIP") for the coming financial year. Further detail is provided in the following report.

The 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") and executives are rewarded for delivering sustained Group performance.

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

– A Short Term Incentive Plan which provides for an annual cash payment, subject to the achievement of key financial and non-financial performance objectives. The target STIP payment has been amended for the 2019 financial year from 35% to 40% of an employee's Total Fixed Remuneration ("TFR"), but with the removal of the potential for stretch performance.
– An equity-based Long Term Incentive Plan ("LTIP") that provides for an annual grant of performance rights. Vesting of awards is contingent on performance against two metrics, positive relative Total Shareholder Return ("TSR") and Compound Annual Growth Rate ("CAGR") of the intangible asset balance ("Funds Deployed"), both measured over a three-year performance period.

The LTIP for Senior Staff, adjusted for FY2019 from 65% to 60% of TFR, is designed to complement the STIP as a form of 'at-risk' remuneration tied to long-term performance for the key contributors to the business. The LTIP directly aligns shareholders and participants interests. We are pleased to report that the metrics for the performance rights granted in the first year of the plan's rollout for FY2016, have been well exceeded and we anticipate 100% vesting will occur.

IMF's result for the 2018 financial year reflects our continuing commitment to the long term growth and development of our business and our position at the midpoint of our five year strategic plan. As a result of the financial loss, no STIP has been awarded to our Senior Staff for the current financial year, notwithstanding the achievement of some major strategic milestones.

The board is confident that IMF's remuneration policies support the Group's financial and strategic goals and we will continue to review the target metrics to ensure the consistent alignment of employees' and business focus with those of shareholders. We are committed to transparency and an ongoing dialogue with shareholders on remuneration.

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

Yours faithfully

Michael Bowen
Chairman of the Remuneration Committee

Remuneration Report (Audited)

This Remuneration Report outlines the director and 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
Andrew Saker	Managing Director and Chief Executive Officer
Hugh McLernon	Executive Director
Michael Bowen	Non-Executive Director
Alden Halse	Non-Executive Director (resigned 24 November 2017)
Wendy McCarthy	Non-Executive Director
Karen Phin	Non-Executive Director (appointed 25 August 2017)

(ii) Executives

Clive Bowman	Chief Executive – Australia and Asia
Charlie Gollow	Chief Executive – USA

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

The Group embodies the following principles in its remuneration framework:

- determination of appropriate market rates for the fixed remuneration component recognising that the majority of investment professionals are most comparable to partners in private practice professional services 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. In 2015, the Committee engaged 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 $517,500 (including superannuation), as disclosed in the following tables. At the 2016 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.

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

The 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.

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. There have been no changes in the fixed remuneration for the KMPs for this financial year.

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 applicable employees will be eligible to be considered by the Remuneration Committee to participate in the STIP, which will be delivered as an annual cash payment.
- Each participant will have their STIP opportunity expressed as a percentage of their total fixed remuneration.
- At the beginning of the financial year, financial and non-financial performance objectives will be set.
- 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 target STIP payment was initially set at 35% of TFR with the possibility of earning a further 10% if growth in global net profit before tax and bonus, exceeded 15%. The STIP metrics for the 3 years since the implementation of the Plan and including the year ended 30 June 2018 comprised 4 objectives 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,
- Target 4 – 20% of the STIP opportunity (or 7% of the employees' salary) will be awarded if they achieve their individual non-financial objectives,
- Target 1 attracted an additional outperformance stretch payment if growth in global net profit before tax (before bonus) exceeded 5%. This additional award was up to 10% of the employees' salary if growth in global net profit before tax (before bonus) exceeds 15%.

In light of the Group's continued geographic expansion into new markets and the initiation of Fund structures across geographic lines, the Remuneration Committee has simplified the targets and adjusted the maximum STIP incentive to 40% of TFR. The STIP metrics set for the 2019 financial year are:

- Target 1 – 50% of the STIP opportunity (or 20% 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 – 50% of the STIP opportunity (or 20% of the employees' salary) will be awarded if employees achieve their non-financial objectives (which are set individually).

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.

Remuneration Report (Audited) (continued)

Key features of the LTIP include:

- Only key senior employees are 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.
- The Remuneration Committee has adjusted the value of the LTIP opportunity from 65% to 60% applicable from the start of the 2019 financial year.
- Awards will vest subject to performance against two metrics over a three-year period, which are ascribed equal weighting:
  1. Relative TSR; and
  2. CAGR of the Funds Deployed

The LTIP metrics set for the performance rights granted during the 2018 financial year, which are unchanged from the 2017 and 2016 financial years, 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.
- For the first time, senior executives now have the option of foregoing their STIP allocation and electing to receive 100% of their at risk remuneration in performance rights, under the same terms as the existing LTIP structure.
- 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.

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 45 shows the performance of the Group as measured by its share price and compared to other shares listed on the ASX.

Remuneration Report (Audited) (continued)

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

	2014	2015	2016	2017	2018
IMF share price at 30 June	1.84	1.72	1.53	1.89	3.00
Earnings/(loss) per share (cents per share)	6.56	3.78	12.38	9.04	(6.40)
Diluted earnings/(loss) per share (cents per share)	6.56	3.78	12.38	8.68	(6.40)

Executive Employment Contracts

Andrew Saker, Managing Director and CEO:
- rolling 12 month 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 (excluding statutory entitlements) apply other than the notice periods specified above.

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 2018 review determining there should be a 0% increase in salary (2017: 0% increase);
- notice period is 12 months; and
- no other termination payment arrangements (excluding statutory entitlements) apply other than the notice period specified above.

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 2018 review determining there should be a 0% increase in salary (2017: 0% increase);
- notice period is 12 months; and
- no other termination payment arrangements (excluding statutory entitlements) apply other than the notice period specified above.

Charlie Gollow, Chief Executive - USA:
- contract commenced 22 April 2003;
- gross salary package of $600,000 pa including super;
- salary to be reviewed annually, with the 2018 review determining there should be a 0% increase in salary (2017: 0% 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.

Remuneration Report (Audited) (continued)

(a) Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2018

	Short-term benefits		Post-employment	Long term benefits	Share based payments			
2018	Salary & fees $	Cash bonus accrued[1] $	Super-annuation $	Long service leave $	Share performance rights $	Termination payments $	Total Remuneration $	Performance related %
Directors								
Michael Kay	205,384	–	19,616	–	–	–	225,000	0%
Andrew Saker	1,200,000	–	20,049	13,202	576,323	–	1,809,574	32%
Hugh McLernon	1,129,951	–	20,049	35,039	543,456	–	1,728,495	31%
Michael Bowen	82,192	–	7,808	–	–	–	90,000	0%
Alden Halse	36,426	–	3,460	–	–		39,886	0%
Wendy McCarthy	82,192	–	7,808	–	–	–	90,000	0%
Karen Phin	66,409	–	6,309	–	–	–	72,718	0%
Executives								
Clive Bowman	904,951	–	20,049	25,684	432,783	–	1,383,467	31%
Charlie Gollow	579,951	–	20,049	19,223	280,723	–	899,946	31%
Total	**4,287,456**	**–**	**125,197**	**93,148**	**1,833,285**	**–**	**6,339,086**	

1. No bonus in respect of the 2018 financial year has been accrued for key management personnel.

Table 2: Remuneration for the year ended 30 June 2017

	Short-term benefits		Post-employment	Long term benefits	Share based payments			
2017	Salary & fees $	Cash bonus accrued[2] $	Super-annuation $	Long service leave $	Share performance rights $	Termination payments $	Total Remuneration $	Performance related %
Directors								
Michael Kay	205,384	–	19,616	–	–	–	225,000	0%
Andrew Saker	1,200,000	170,746	19,616	7,460	389,517	–	1,787,339	31%
Hugh McLernon	1,130,384	161,000	19,616	17,211	367,375	–	1,695,586	31%
Michael Bowen	88,373	–	1,627	–	–	–	90,000	0%
Alden Halse	82,192	–	7,808	–	–	–	90,000	0%
Wendy McCarthy	82,192	–	7,808	–	–	–	90,000	0%
Executives								
Clive Bowman	905,384	129,500	19,616	15,771	291,152	–	1,361,423	31%
Charlie Gollow	580,384	78,000	19,616	9,952	188,855	–	876,807	30%
Total	**4,274,293**	**539,246**	**115,323**	**50,394**	**1,236,899**	–	**6,216,155**	

2. The accrued 2017 bonus was paid in the 2018 financial year.

Remuneration Report (Audited) (continued)

The following table outlines the proportion of maximum STIP earned by KMP in the 2018 financial year.

	Maximum STIP opportunity (% of TFR)	% of maximum earned
Andrew Saker	45%	0%
Hugh McLernon	45%	0%
Clive Bowman	45%	0%
Charlie Gollow	45%	0%

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

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

2018	Tranche 1 performance rights awarded during the year Number	Fair value of Tranche 1 performance rights at award date[1] $	Tranche 2 performance rights awarded during the year Number	Fair value of Tranche 2 performance rights at award date[1] $	Total performance rights awarded during the financial year Number	Award date	Vesting date	Expiry Date	Value of performance rights granted during the year $
Directors									
Michael Kay	–	–	–	–	–	–	–	–	–
Andrew Saker	210,052	0.948	210,052	1.720	420,104	24 Nov 2017	30 Jun 2020	1 Jul 2032	560,419
Hugh McLernon	197,992	0.948	197,992	1.720	395,984	24 Nov 2017	30 Jun 2020	1 Jul 2032	528,243
Michael Bowen	–	–	–	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–	–	–	–
Karen Phin	–	–	–	–	–	–	–	–	–
Executives									
Clive Bowman	159,255	0.948	159,255	1.720	318,510	24 Nov 2017	30 Jun 2020	1 Jul 2032	424,892
Charlie Gollow	103,300	0.948	103,300	1.720	206,600	24 Nov 2017	30 Jun 2020	1 Jul 2032	275,604
Total	**670,599**		**670,599**		**1,341,198**				**1,789,158**

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 22.

Remuneration Report (Audited) (continued)

2017	Tranche 1 performance rights awarded during the year Number	Fair value of Tranche 1 performance rights at award date [1] $	Tranche 2 performance rights awarded during the year Number	Fair value of Tranche 2 performance rights at award date [1] $	Total performance rights awarded during the financial year Number	Award date	Vesting date	Expiry Date	Value of performance rights granted during the year $
Directors									
Michael Kay	–	–	–	–	–	–	–	–	–
Andrew Saker	271,794	1.188	271,793	1.553	543,587	18 Nov 2016	30 Jun 2019	1 Jul 2031	744,987
Hugh McLernon	256,344	1.188	256,344	1.553	512,688	18 Nov 2016	30 Jun 2019	1 Jul 2031	702,639
Michael Bowen	–	–	–	–	–	–	–	–	–
Alden Halse	–	–	–	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–	–	–	–
Executives									
Clive Bowman	206,190	1.188	206,190	1.553	412,380	18 Nov 2016	30 Jun 2019	1 Jul 2031	565,167
Charlie Gollow	133,745	1.188	133,745	1.553	267,490	18 Nov 2016	30 Jun 2019	1 Jul 2031	366,595
Total	**868,073**		**868,072**		**1,736,145**				**2,379,388**

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

(c) Share performance rights holdings of Key Management Personnel

Performance rights holdings of KMP

2018	Balance 1 July 2017 Number	Granted as remuneration Number	Performance rights exercised Number	Balance 30 June 2018 Number	Exercisable Number	Not exercisable Number
Directors						
Michael Kay	–	–	–	–	–	–
Andrew Saker	1,018,167	420,104	–	1,438,271	474,580	963,691
Hugh McLernon	960,292	395,984	–	1,356,276	447,604	908,672
Michael Bowen	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–
Karen Phin	–	–	–	–	–	–
Executives						
Clive Bowman	772,410	318,510	–	1,090,920	360,030	730,890
Charlie Gollow	501,022	206,600	–	707,622	233,532	474,090
Total	**3,251,891**	**1,341,198**	**–**	**4,593,089**	**1,515,746**	**3,077,343**

Directors' Report
continued

Remuneration Report (Audited) (continued)

2017	Balance 1 July 2016 Number	Granted as remuneration Number	Performance rights exercised Number	Balance 30 June 2017 Number	Exercisable Number	Not exercisable Number
Directors						
Michael Kay	–	–	–	–	–	–
Andrew Saker	474,580	543,587	–	1,018,167	–	1,018,167
Hugh McLernon	447,604	512,688	–	960,292	–	960,292
Michael Bowen	–	–	–	–	–	–
Alden Halse	–	–	–	–	–	–
Wendy McCarthy	–	–	–	–	–	–
Executives						
Clive Bowman	360,030	412,380	–	772,410	–	772,410
Charlie Gollow	233,532	267,490	–	501,022	–	501,022
Total	**1,515,746**	**1,736,145**	**–**	**3,251,891**	**–**	**3,251,891**

(d) Shareholdings of Key Management Personnel

2018	Balance 1 July 2017	Received as remuneration	Share performance rights exercised	Net change other[1]	Balance 30 June 2018
Directors					
Michael Kay	307,692	–	–	–	307,692
Andrew Saker	158,317	–	–	5,189	163,506
Hugh McLernon	5,299,045	–	–	–	5,299,045
Michael Bowen	977,234	–	–	32,030	1,009,264
Alden Halse	879,780	–	–	–	879,780
Wendy McCarthy	–	–	–	–	–
Karen Phin	–	–	–	23,256	23,256
Executives	–				
Clive Bowman	533,172	–	–	–	533,172
Charlie Gollow	467,058	–	–	–	467,058
Total	**8,622,298**	**–**	**–**	**60,475**	**8,682,773**

Remuneration Report (Audited) (continued)

2017	Balance 1 July 2016	Received as remuneration	Share performance rights exercised	Net change other[1]	Balance 30 June 2017
Directors					
Michael Kay	307,692	–	–	–	307,692
Andrew Saker	149,254	–	–	9,063	158,317
Hugh McLernon	7,299,045	–	–	(2,000,000)	5,299,045
Michael Bowen	921,289	–	–	55,945	977,234
Alden Halse	879,780	–	–	–	879,780
Wendy McCarthy	–	–	–	–	–
Executives	–				
Clive Bowman	1,013,941	–	–	(480,769)[2]	533,172
Charlie Gollow	467,058	–	–	–	467,058
Total	**11,038,059**	**–**	**–**	**(2,415,761)**	**8,622,298**

1. Net changes relate to shares obtained or sold on market.
2. Adjusted in 2018 financial report to include associated holdings.

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 2018 (2017: 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 $470,272 (2017: $160,797). The legal advice was obtained at normal market prices. Refer to Note 26 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 and Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
M Bowen (Chair)[3]	M Bowen (Chair)	W McCarthy (Chair)[4]	W McCarthy (Chair)
M Kay	M Kay	M Kay	M Kay
W McCarthy	W McCarthy	M Bowen	M Bowen
K Phin[1]	K Phin[1]	K Phin[1]	K Phin[1]
A Halse[2]	A Halse[2]	A Saker	A Halse[2]
		A Halse[2]	

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 and Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
Total number of meetings held:	8	2	3	2	2
Meetings Attended:					
M Kay	8	2	3	2	2
A Saker	8	–	–	2	–
H McLernon	8	–	–	–	–
M Bowen	8	2	3	2	2
W McCarthy	6	2	2	2	2
K Phin[1]	7	1	2	2	1
A Halse[2]	3	1	3	–	1

1. Ms Phin was appointed as a director on 25 August 2017 and was appointed to the Audit & Risk Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee on the same date.
2. Mr Halse retired as director on 24 November 2017. Mr Halse retired as Chair of the Audit & Risk Committee and the Nomination Committee and as a member of the Remuneration Committee and Corporate Governance Committee on the same date.
3. Mr Bowen was appointed as Chair of the Audit & Risk Committee on 24 November 2017.
4. Ms McCarthy was appointed as Chair of the Nomination Committee on 24 November 2017.

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 2018. This Independence Declaration can be found at page 61.

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 $60,000 (2017: $149,000).

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. For further information on corporate governance policies and procedures adopted by the Company please refer to our website http://www.imf.com.au/shareholders/corporate-governance.

Signed in accordance with a resolution of the directors.

Michael Kay
Chairman

Andrew Saker
Managing Director

Perth, 22 August 2018

Auditor's Independence Declaration

Building a better working world

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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 2018, 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

Ernst & Young

Robert A Kirkby
Partner
22 August 2018

RK:DA:IMF:045

Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Continuing Operations			
Revenue	2	**6,610**	2,985
Other income	3	**16,520**	54,123
Total Income		**23,130**	**57,108**
Finance costs	4(a)	**86**	90
Depreciation expense	4(b)	**621**	591
Employee benefits expense	4(c)	**22,055**	20,968
Corporate and office expense	4(d)	**7,212**	8,646
Other expenses	4(e)	**1,516**	1,077
(Loss)/Profit Before Income Tax from Continuing Operations		**(8,360)**	**25,736**
Income tax (benefit)/expense	5	**(513)**	10,296
Net (Loss)/Profit from Continuing Operations		**(7,847)**	**15,440**
Attributable to:			
Equity holders of the parent		**(11,017)**	15,440
Non-controlling interests	24	**3,170**	–
Other Comprehensive Income			
Movement in foreign currency translation reserve	14(b)	**6,027**	(4,932)
Other comprehensive income net of tax		**6,027**	(4,932)
Total Comprehensive Income for the Year		**(1,820)**	**10,508**
Attributable to:			
Equity holders of the parent		**(4,990)**	10,508
Non-controlling interests	24	**3,170**	–
Earnings per share attributable to the ordinary equity holders of the Company (cents per share)			
Basic profit (cents per share)	6	**(6.40)**	9.04
Diluted profit (cents per share)	6	**(6.40)**	8.68
Earnings per share attributable for continuing operations (cents per share)			
Basic profit (cents per share)	6	**(6.40)**	9.04
Diluted profit (cents per share)	6	**(6.40)**	8.68

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

Statement of Financial Position

as at 30 June 2018

	Note	Consolidated 2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	11	**160,231**	144,891
Trade and other receivables	15	**25,690**	45,205
Other assets	16	**1,411**	1,260
Income tax receivable		**5,455**	–
Total Current Assets		**192,787**	**191,356**
Non-Current Assets			
Trade and other receivables	15	**–**	1,580
Plant and equipment	17	**1,332**	1,700
Intangible assets	9	**321,268**	190,876
Other assets	16	**11,509**	388
Deferred tax assets	5	**12,355**	6,037
Total Non-Current Assets		**346,464**	**200,581**
TOTAL ASSETS		**539,251**	**391,937**
LIABILITIES			
Current Liabilities			
Trade and other payables	18	**18,047**	22,141
Income tax payable		**–**	4,341
Provisions	19	**14,656**	18,672
Debt securities	12	**49,553**	–
Other liabilities		**658**	531
Total Current Liabilities		**82,914**	**45,685**
Non-Current Liabilities			
Provisions	19	**277**	240
Debt securities	12	**70,909**	119,469
Deferred income tax liabilities	5	**17,315**	20,290
Total Non-Current Liabilities		**88,501**	**139,999**
TOTAL LIABILITIES		**171,415**	**185,684**
NET ASSETS		**367,836**	**206,253**
EQUITY			
Contributed equity	13	**127,630**	123,654
Reserves	14(b)	**16,110**	8,554
Retained earnings	14(a)	**48,592**	71,679
Equity attributable to equity holders of the parent		**192,332**	**203,887**
Non-controlling interests	24	**175,504**	2,366
TOTAL EQUITY		**367,836**	**206,253**

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 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Payments to suppliers and employees		**(44,316)**	(35,136)
Interest income		**2,225**	2,742
Interest paid		**(8,303)**	(6,919)
Income tax paid		**(13,231)**	(11,567)
Net cash flows (used in) operating activities	8	**(63,625)**	**(50,880)**
Cash flows from investing activities			
Proceeds from litigation funding - settlements, fees and reimbursements		**94,893**	116,256
Payments for litigation funding - external costs		**(106,999)**	(85,540)
Payments for litigation funding - capitalised overhead and employee costs		**(6,419)**	(5,909)
Purchase of plant and equipment		**(236)**	(979)
Loans made to third parties		**(521)**	(9)
Fund establishment costs		**(4,226)**	(7,450)
Investment in joint venture		**–**	5,850
Net cash flows from/(used in) investing activities		**(23,508)**	**22,219**
Cash flows from financing activities			
Dividends paid		**(8,093)**	(13,311)
Notes proceeds		**–**	40,400
Cost of issuing notes		**–**	(1,253)
Distributions to non-controlling interests		**(9,694)**	–
Contributions from non-controlling interests		**114,855**	7,209
Net cash flows from financing activities		**97,068**	**33,045**
Net increase in cash and cash equivalents held		**9,935**	4,384
Net foreign exchange difference		**5,405**	(2,022)
Cash and cash equivalents at beginning of year		**144,891**	142,529
Cash and cash equivalents at end of year	11	**160,231**	**144,891**

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

Statement of Changes in Equity

for the year ended 30 June 2018

CONSOLIDATED	Issued capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Other capital reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
As at 1 July 2017	**123,654**	**5,962**	**(4,644)**	**7,236**	**71,679**	**203,887**	**2,366**	**206,253**
Profit for the year	–	–	–	–	(11,017)	(11,017)	3,170	(7,847)
Other comprehensive income	–	–	6,027	–	–	6,027	–	6,027
Total Comprehensive Income for the Year	**–**	**–**	**6,027**	**–**	**(11,017)**	**(4,990)**	**3,170**	**(1,820)**
Equity Transactions:								
Dividend paid	–	–	–	–	(12,070)	(12,070)	–	(12,070)
Share based payments	–	9,289	–	–	–	9,289	–	9,289
Shares issued under the Dividend Reinvestment Plan	3,976	–	–	–	–	3,976	–	3,976
Contributions from non-controlling interests	–	–	–	–	–	–	175,017	175,017
Distributions to non-controlling interests	–	–	–	–	–	–	(9,694)	(9,694)
Changes in the proportion of equity held by non-controlling interests	–	–	–	(7,760)	–	(7,760)	7,760	–
Transaction costs - disposal of non-controlling interest, net of tax	–	–	–	–	–	–	(3,115)	(3,115)
As at 30 June 2018	**127,630**	**15,251**	**1,383**	**(524)**	**48,592**	**192,332**	**175,504**	**367,836**
As at 1 July 2016	**119,122**	**658**	**288**	**7,236**	**74,084**	**201,388**	**–**	**201,388**
Profit for the year	–	–	–	–	15,440	15,440	–	15,440
Other comprehensive income	–	–	(4,932)	–	–	(4,932)	–	(4,932)
Total Comprehensive Income for the Year	**–**	**–**	**(4,932)**	**–**	**15,440**	**10,508**	**–**	**10,508**
Equity Transactions:								
Dividend paid	–	–	–	–	(17,845)	(17,845)	–	(17,845)
Share based payments	–	5,304	–	–	–	5,304	–	5,304
Shares issued under the Dividend Reinvestment Plan	4,532	–	–	–	–	4,532	–	4,532
Contributions from non-controlling interests	–	–	–	–	–	–	7,209	7,209
Transaction costs - disposal of non-controlling interest	–	–	–	–	–	–	(4,843)	(4,843)
As at 30 June 2017	**123,654**	**5,962**	**(4,644)**	**7,236**	**71,679**	**203,887**	**2,366**	**206,253**

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 2018

About this Report

The financial report of IMF Bentham Limited ("IMF", "the Company" or "the Parent") for the year ended 30 June 2018 and its subsidiaries ("the Group" or "consolidated entity") was authorised for issue in accordance with a resolution of the directors on 22 August 2018.

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).

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

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

a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has 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.

c. New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The following accounting standards relevant to the Company and/or the Group have been issued but are not yet effective and have not been applied in these financial statements.

AASB 9 Financial Instruments ('AASB 9')

The AASB issued the final version of AASB 9 in December 2014. When operative, this standard will replace AASB 139.

Financial Instruments: Recognition and Measurement. AASB 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. AASB 9 is not mandatorily effective for the Group until 1 July 2018. The Group has assessed the impact of AASB 9 and does not envisage it will have a material impact on the Group's current financial assets and liabilities as at 30 June 2018.

AASB 15 Revenue from Contracts with Customers ('AASB 15')

The AASB issued AASB 15 in October 2015. The standard is not mandatorily effective for the Group until 1 July 2018. AASB 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. AASB 138 Intangible Assets has been amended to ensure that for reporting periods beginning on or after 1 January 2018, the derecognition of intangible assets are subject to the principles of AASB 15. It is expected that this standard will not materially change the revenue recognition of the Group, except where cases have become under appeal. AASB 15 may disallow the recognition of revenue where cases are under appeal due to the more prescriptive requirements within the standard for recognition of revenue. Refer to Note 15 for details of revenue receivable at 30 June 2018 where cases are still under appeal.

AASB 16 Leases ('AASB 16')

The AASB issued the final version of AASB 16 in February 2016. The standard is not mandatorily effective for the Group until 1 July 2019. AASB 16 requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. The Group is in the process of assessing the impact of AASB 16 and is not yet able to reasonably estimate the impact on its financial statements.

AASB Interpretation 23 Uncertainty over Income Tax Treatments ("Interpretation 23")

Interpretation 23 is applicable for reporting periods beginning on or after 1 January 2019 and therefore will be effective for the Group for its reporting period beginning 1 July 2019. Interpretation 23 clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is uncertainty over income tax treatments. It requires assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position.

About this Report (continued)

Where it is not probable, the effect of the uncertainty will be reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates. The amount will be determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements will be reassessed as and when new facts and circumstances come to light. The Group is in the process of assessing the impact of Interpretation 23 and is not yet able to reasonably estimate the impact on its financial statements.

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. It was not mandatorily effective for the Group until 1 July 2018. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- 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.

The Group has reviewed the impact of the amendments and do not believe it will have a material impact on the current financial statements.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of IMF Bentham Limited and its subsidiaries as at 30 June 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group includes fund investment vehicles which invest in litigation over which IMF Bentham Ltd controls the related activities and has exposure to variable returns from the fund investment vehicles. See Note 23.

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

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

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

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.

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.

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 in the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

Intangible Assets - Litigation Contracts In Progress

Litigation Contracts in Progress are 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 asset.

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 9).

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 Black-Scholes model for Tranche 2 grants. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Long service leave provision

As discussed in Note 19, 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 an investment which it has funded. When an investment 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.

Measurement of non-controlling interests ("NCI")

Profits and losses are allocated to non-controlling interests in line with the allocation of profit distributions under the terms of the respective agreements. Therefore, at the end of each reporting period, the allocation of non-controlling interests will be represented by the Class B shareholders' share of net assets, as would be distributed under the agreements.

Notes to the Financial Statements
continued

A. RESULTS FOR THE YEAR

Note 1: Segment information

The Group provides only one service, being litigation funding. For management purposes, the Group is organised into operating segments comprising wholly owned operations and the Group's fund structures.

- The Group's wholly owned subsidiaries manage historical wholly owned investments and employ personnel who provide investment management services to the Group's fund structures in the following locations:
  - Australia
  - United States
  - Canada
  - Asia
  - Europe
- Funds – The Group's Fund investment vehicles include:
  - US Fund – This comprises the consolidated group of Bentham IMF 1 LLC, Security Finance 1 LLC and HC 1 LLC. The US Fund invests in litigation in the United States; and
  - ROW Funds – This comprises IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd. The two entities jointly invest in litigation in all jurisdictions IMF operates, except for the United States.

The funds comprise Class A and B stock. The non-controlling interest comprises Class B stock which carries an entitlement to receive a priority return on invested capital and a further preferred return on committed but undrawn capital. IMF retains control and ownership of the Funds via its interest in Class A stock. Upon satisfaction of the Class B priority returns, the Class A stock held by IMF is entitled to a manager return. After satisfaction of the priority return and the manager return residual net cash flows are to be distributed 85% to IMF and 15% to Class B for the US Fund and 80% to IMF and 20% to Class B for the RoW Funds.

	Wholly owned operations				Funds		Consolidation	
	Australia $'000	United States $'000	Canada $'000	Asia $'000	US Fund $'000	ROW Funds $'000	Adjustments and eliminations $'000	Consolidated $'000
Summarised statement of profit or loss for 2018								
Revenue	10,411	(309)	166	36	(1)	25	(3,718)	6,610
Other income	13,382	(3,232)	(62)	–	1,178	2,979	2,275	16,520
Total Income	23,793	(3,541)	104	36	1,177	3,004	(1,443)	23,130
Expenses	29,173	15,895	2,376	763	35	55	(16,807)	31,490
(Loss)/profit before tax	(5,380)	(19,436)	(2,272)	(727)	1,142	2,949	15,364	(8,360)
Income tax	1,948	1,820	501	133	(36)	(885)	(2,968)	513
Net (loss)/profit from Continuing Operations	(3,432)	(17,616)	(1,771)	(594)	1,106	2,064	12,396	(7,847)
Attributable to:								
Equity holders of the parent	(3,432)	(17,616)	(1,771)	(594)	–	–	12,396	(11,017)
Non-controlling interests	–	–	–	–	1,106	2,064	–	3,170

Note 1: Segment information (continued)

	Wholly owned operations				Funds		Consolidation	
	Australia $'000	United States $'000	Canada $'000	Asia $'000	US Fund $'000	ROW Funds $'000	Adjustments and eliminations $'000	Consolidated $'000
Summarised statement of financial position as at 30 June 2018								
Current assets	153,586	4,582	1,184	94	13,504	20,994	(1,157)	192,787
Non-current assets	224,838	49,465	1,431	1	193,744	19,205	(142,220)	346,464
Total assets	378,424	54,047	2,615	95	207,248	40,199	(143,377)	539,251
Current liabilities	78,145	1,264	273	58	1,000	3,331	(1,157)	82,914
Non-current liabilities	84,320	(1,738)	6,393	804	(1)	8	(1,285)	88,501
Total liabilities	162,465	(474)	6,666	862	999	3,339	(2,442)	171,415
Net assets	215,959	54,521	(4,051)	(767)	206,249	36,860	(140,935)	367,836
Equity attributable to:								
Equity holders of the parent	215,959	54,521	(4,051)	(767)	59,298	8,307	(140,935)	192,332
Non-controlling interest	–	–	–	–	146,951	28,553	–	175,504
Total equity	215,959	54,521	(4,051)	(767)	206,249	36,860	(140,935)	367,836

	Wholly owned operations				Funds		Consolidation	
	Australia $'000	United States $'000	Canada $'000	Asia $'000	US Fund $'000	ROW Funds $'000	Adjustments and eliminations $'000	Consolidated $'000
Summarised statement of profit or loss for 2017								
Revenue	6,180	2,154	(156)	–	–	–	(5,193)	2,985
Other income	53,173	942	(93)	–	155	–	(54)	54,123
Total Income	59,353	3,096	(249)	–	155	–	(5,247)	57,108
Expenses	26,926	16,259	2,419	249	34	–	(14,515)	31,372
Profit/(loss) before tax	32,427	(13,163)	(2,668)	(249)	121	–	9,268	25,736
Income tax	(9,317)	1,969	1,013	42	–	–	(4,003)	(10,296)
Net profit/(loss) from Continuing Operations	23,110	(11,194)	(1,655)	(207)	121	–	5,265	15,440
Attributable to:								
Equity holders of the parent	23,110	(11,194)	(1,655)	(207)	121	–	5,265	15,440
Non-controlling interests	–	–	–	–	–	–	–	–

Notes to the Financial Statements

continued

Note 1: Segment information (continued)

	Wholly owned operations				Funds		Consolidation	
	Australia $'000	United States $'000	Canada $'000	Asia $'000	US Fund $'000	ROW Funds $'000	Adjustments and eliminations $'000	Consolidated $'000
Summarised statement of financial position as at 30 June 2017								
Current assets	180,800	3,329	1,496	88	5,561	–	82	191,356
Non-current assets	218,220	92,401	330	–	10,332	–	(120,702)	200,581
Total assets	399,020	95,730	1,826	88	15,893	–	(120,620)	391,937
Current liabilities	39,897	3,841	427	–	1,438	–	82	45,685
Non-current liabilities	138,605	13,079	3,959	295	–	–	(15,939)	139,999
Total liabilities	178,502	16,920	4,386	295	1,438	–	(15,857)	185,684
Net assets	220,518	78,810	(2,560)	(207)	14,455	–	(104,763)	206,253
Equity attributable to:								
Equity holders of the parent	220,518	78,810	(2,560)	(207)	12,089	–	(104,763)	203,887
Non-controlling interest	–	–	–	–	2,366	–	–	2,366
Total equity	220,518	78,810	(2,560)	(207)	14,455	–	(104,763)	206,253

Geographically, other income can be represented geographically as follows:

	Consolidated	
	2018 $'000	2017 $'000
Australia	**14,185**	53,173
United States	**(342)**	1,043
Canada	**1,825**	(93)
Europe	**(18)**	–
Asia	**870**	–
Total other income	**16,520**	54,123

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

	Consolidated	
	2018 $'000	2017 $'000
Australia	**116,631**	94,744
United States	**211,776**	102,535
Canada	**5,717**	1,334
Europe	**48**	–
Asia	**783**	–
Net exposure	**334,955**	198,613

Note 2: Revenue

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.

Interest received from National Australia Bank Ltd of $473,453 (2017: $906,481), Bankwest of $339,473 (2017: $924,518), and Westpac Banking Group Ltd of $1,384,320 (2017: $909,658) contributed more than 99% of the Group's bank interest revenue (2017: 99%).

(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.

	Consolidated	
	2018 $'000	2017 $'000
Revenue		
Bank interest received and accrued	**2,299**	2,684
Foreign exchange gain	**4,311**	301
	6,610	2,985

Note 3: Other income

	Consolidated	
	2018 $'000	2017 $'000
Other income		
Litigation contracts - settlements and judgments	**71,223**	113,329
Litigation contracts - expenses	**(48,141)**	(51,073)
Litigation contracts - written-down[1]	**(769)**	(2,924)
Net gain on derecognition of intangible assets	**22,313**	59,332
Loss on derecognition of intangible assets/receivables as a result of losing an investment or appeal[2]	**(6,006)**	(5,233)
Other income	**213**	24
	16,520	54,123

1. This balance includes 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. This balance includes 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.

Notes to the Financial Statements
continued

Note 4: Expenses

	Consolidated	
	2018 $'000	2017 $'000
(a) Finance costs		
Other finance charges	86	90
	86	90
(b) Depreciation		
Depreciation expense	621	591
(c) Employee benefits expense		
Wages and salaries	14,758	15,200
Superannuation expense	1,305	1,123
Directors' fees	486	431
Payroll tax	1,346	1,324
Share based payments	4,134	2,775
Long service leave provision	26	115
	22,055	20,968
(d) Corporate and office expense		
Insurance expense	885	1,070
Network expense	592	619
Marketing expense	1,455	1,378
Occupancy expense	1,119	1,370
Professional fees expense	1,556	2,651
Recruitment expense	576	432
Telephone expense	153	130
Travel expense	876	996
	7,212	8,646
(e) Other expenses		
ASX listing fees	103	94
General expenses	435	324
Postage, printing and stationery	385	485
Repairs and maintenance	7	20
Share registry costs	95	111
Staff training, development and conferences	491	43
	1,516	1,077

Finance costs

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

Note 5: Income tax

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.

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.

Notes to the Financial Statements
continued

Note 5: Income tax (continued)

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

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

	Consolidated	
Consolidated statement of profit & loss	**2018 $'000**	**2017 $'000**
The major components of income tax expense are:		
Current income tax		
Current income tax charge	**(7,882)**	5,505
Adjustment in respect of current income tax expense of previous year	**2,598**	1,990
Refund of foreign state-based taxes	**(130)**	–
Current year losses moved to deferred tax asset	**9,993**	3,270
Deferred tax:		
Relating to origination and reversal of temporary differences	**3,217**	1,369
Other	**(83)**	265
Current year losses moved to deferred tax asset	**(9,993)**	(3,270)
Change in federal tax rate in United States	**4,000**	–
Adjustment in respect of deferred income tax of previous year	**(2,233)**	1,167
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(513)**	10,296

	Consolidated	
	2018 $'000	**2017 $'000**
Accounting (loss)/profit before income tax from continuing operations	**(8,360)**	25,736
At the Group's statutory income tax rate of 30% (2017: 30%)	**(2,508)**	7,720
Adjustment in respect of income and deferred tax of previous years	**365**	3,157
Expenditure not allowable for income tax purposes	**787**	1,588
Non-assessable income	**(400)**	(754)
Foreign tax rate adjustment	**(132)**	(63)
State income tax	**(1,241)**	(1,095)
Change in federal tax rate in United States	**4,000**	–
Relating to origination and reversal of temporary differences	**(1,262)**	(482)
Other	**(122)**	225
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	**(513)**	10,296

Note 5: Income tax (continued)

	Statement of Financial Position		Statement of Comprehensive Income	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities				
Intangibles	**32,880**	29,411	**(3,469)**	(3,642)
Accrued interest & unrealised foreign exchange differences	**87**	134	**46**	15
Other	**5**	–	**5**	–
Gross deferred income tax liabilities	**32,972**	29,545	**(3,418)**	(3,627)
Deferred income tax assets				
Intercompany loans	**4,575**	–	**4,575**	–
Accruals and provisions/bond raising costs	**4,467**	5,527	**(1,060)**	68
Share based payments	**4,275**	2,818	**–**	1,347
Expenditure deductible for income tax over time	**2,340**	910	**1,430**	(249)
Gross deferred income tax assets	**15,657**	9,255	**4,945**	1,166
Net deferred income tax liabilities	**17,315**	**20,290**		
Foreign deferred tax assets				
Accruals and provisions	**115**	79	**36**	79
Intercompany loans	**538**	568	**(30)**	568
Expenditure deductible for income tax over time	**–**	1,475	**(1,475)**	–
Share based payments	**2,700**	–	**2,700**	–
Deferred tax assets - Foreign net operating losses - federal and state	**9,002**	3,915	**5,087**	2,192
Deferred tax assets	**12,355**	6,037	**6,318**	2,839

Unrecognised temporary differences and tax losses
At 30 June 2018 the Group had no (2017: nil) unrecognised temporary differences and tax losses.

Note 6: 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;
- other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares; and
- divided by the weighted average number of shares and dilutive shares, adjusted for any bonus element.

At 30 June 2018, 14,355,887 performance rights (2017: 11,177,055) were on issue as detailed in Note 22. 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.

Notes to the Financial Statements
continued

Note 6: Earnings per share (continued)

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	
	2018 $'000	2017 $'000
For basic and diluted earnings per share		
Total net (loss)/profit attributable to ordinary equity holders of the Parent	**(11,017)**	15,440

	Consolidated	
	2018 $'000	2017 $'000
For basic and diluted earnings per share		
Total net (loss)/profit attributable to continuing operations	**(11,017)**	15,440

(b) Weighted average number of shares

	Number '000	
	2018	2017
Weighted average number of ordinary shares outstanding	**172,839**	170,818
Effect of dilution:		
Performance rights[1]	**–**	6,993
Weighted average number of ordinary shares	**172,839**	177,811

1. Performance rights granted under the Long Term Incentive Plan are only included in diluted earnings per ordinary share where the performance hurdles are met as at year end and they do not have an anti-dilutive effect. As at 30 June 2018 there were 12,126,000 performance rights calculated as meeting the performance criteria for inclusion in diluted earnings per share, however these were not included due to their anti-dilutive effect.

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

(c) Information on the classification of securities

(i) Options

As at 30 June 2018 there were no options issued over shares in the Company (2017: nil).

(ii) Bonds and Notes

The bonds and notes are not considered to be dilutive.

Note 7: Dividends paid and proposed

	Consolidated 2018 $'000	Consolidated 2017 $'000
(a) Cash dividends on ordinary shares declared and paid		
Final dividend for 2017: 4.0 cents per share (2016: 7.5 cents per share)	**6,882**	12,709
Interim dividend for 2018: 3.0 cents per share (2017: 3.0 cents per share)	**5,188**	5,136
	12,070	17,845
(b) Proposed dividends for ordinary shares:		
Final dividend for 2018: Nil cents per share (2017: 4.0 cents per share)	**–**	6,882

The Directors have determined not to pay a final dividend for the year ended 30 June 2018.

On 22 February 2018 the Directors declared a fully franked interim dividend of 3.0 cents per share totalling $5,188,000. The record date for this dividend was 26 March 2018 and the payment date was 24 April 2018. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 24 August 2017, the directors declared a final fully franked dividend of 4.0 cents per share for the 2017 financial year, totalling $6,882,000. The record date for this dividend was 26 September 2017 and the payment date was on 20 October 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

	IMF Bentham Limited 2018 $'000	IMF Bentham Limited 2017 $'000
(c) Franking credit balance		
The amount of franking credits for the subsequent financial year are:		
– Franking account balance as at the end of the previous financial year at 30%	**10,239**	6,732
– Franking debits arising from the payment of last year's final dividend	**(2,949)**	(5,447)
– Franking debits arising from the payment of current year's interim dividend	**(2,224)**	(2,201)
– Franking credits arising from the payment of income tax instalments paid during the financial year	**13,990**	11,155
	19,056	10,239
– Franking credits that will arise from the (refund)/payment of income tax (receivable)/ payable as at the end of the financial year	**(5,830)**	5,799
– Impact of franking debits that will arise from the payment of the final dividend	**–**	(2,949)
	13,226	13,089

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2017: 30%).

Notes to the Financial Statements
continued

Note 8: Statement of cash flows reconciliation

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Net (loss)/profit after tax from continuing operations	**(7,847)**	15,440
Adjustments for:		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows to/(from) investing activities	**12,106**	(24,806)
Depreciation	**621**	591
Share based payments	**5,525**	2,775
Unrealised foreign exchange loss/(gain)	**(4,311)**	(334)
Loss/(gain) on disposal of fixed assets	**–**	80
Lease incentive adjustments	**(182)**	159
Changes in assets and liabilities		
Decrease/(increase) in receivables	**21,094**	(6,049)
Decrease/(increase) in other current assets	**(151)**	(521)
Decrease/(increase) in intangibles, net of non-cash movements	**(72,000)**	(43,373)
Increase/(decrease) in trade creditors and accruals	**(4,094)**	6,891
Increase/(decrease) in provisions	**(3,979)**	(623)
Increase/(decrease) in deferred tax assets and liabilities	**(9,293)**	(378)
Increase/(decrease) in current income tax liability / (receivable)	**(1,114)**	(732)
Net cash (used in) operating activities	**(63,625)**	(50,880)

(b) Disclosure of financing facilities
Refer to Note 11 and Note 12.

(c) Significant non-cash transactions
During the year, an investment was made by one of the Group's subsidiaries, through a combination of cash and a $60,352,000 increase in the non-controlling interest of the subsidiary.

B. INTANGIBLE ASSETS

Note 9: Intangible assets

(a) Description of Group's 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:

(a) 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;

(b) demonstration that the asset will generate future economic benefits;

(c) demonstration that the Group intends to complete the litigation;

(d) demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and

(e) ability to measure reliably the expenditure attributable to the intangible asset during the life of the Litigation Contracts in Progress.

(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.

(D) 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.

Notes to the Financial Statements
continued

Note 9: Intangible assets (continued)

(b) Reconciliation of carrying amounts

	Consolidated 2018 $'000	Consolidated 2017 $'000
Balance at 1 July, net of accumulated amortisation and impairment	**190,876**	145,634
Additions - Litigation expenditure	**167,974**	85,151
Additions - Capitalised borrowing costs	**9,327**	6,940
Additions - Capitalised employee costs	**6,781**	6,670
Additions - Capitalised overheads	**1,090**	778
Disposals	**(48,141)**	(51,073)
Write-down of Litigation contracts	**(6,639)**	(3,224)
Balance at 30 June, net of accumulated amortisation and impairment	**321,268**	190,876

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 below. The capitalised wages in 2018 equated to approximately 26.4% of the total salary costs (2017: 26.8%). The other internal capitalised expenses equated to approximately 49.3% of related overhead costs (2017: 36.2%).

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Capitalised external costs	**276,575**	158,723
Capitalised internal costs	**25,268**	19,179
Capitalised borrowing costs	**19,425**	12,974
Balance at 30 June	**321,268**	190,876

(c) 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.

Based on the below assumptions, the value in use calculation of the Group's portfolio of intangible assets results in a net present value which has headroom of $530 million to $555 million over its carrying value. Headroom in a value in use analysis does not constitute a valuation, but is the output from a calculation in assessing the impairment of the intangible assets.

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

- The estimated cost to complete a Litigation Contract In Progress is budgeted based on estimates provided by the external legal advisors handling the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the successful conclusion and the resulting expected settlement or judgment amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital and other factors relevant to the particular Litigation Contracts In Progress. The discount rate applied ranged between 10.0% and 11.5% (2017: between 9.0% and 10.5%).

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

C. CAPITAL STRUCTURE

Note 10: Financial risk management objective and policies

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

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

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

Risk exposures and responses

Interest rate risk

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

– the Group's cash holdings with a floating interest rate; and
– the Group has a $50,000,000 variable rate bond debt outstanding as at 30 June 2018. 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 variable interest rate risk:

	Consolidated	
	2018 $'000	2017 $'000
Financial instruments		
Cash and cash equivalents	160,231	144,891
IMF Bentham Bonds	(49,553)	(49,104)
Net exposure	110,678	95,787

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.

Notes to the Financial Statements

continued

Note 10: Financial risk management objective and policies (continued)

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

At 30 June 2018, if interest rates had moved with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
+0.25% (25 basis points) (2017: +0.25%)	**194**	168	**194**	168
-0.25% (25 basis points) (2017: -0.25%)	**(194)**	(168)	**(194)**	(168)

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 investments funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Wherever possible the Group ensures that security for settlement sums is provided, or the settlement funds are placed into solicitors' trust accounts. 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
2018					
Financial Liabilities					
Trade and other payables	**18,047**	**–**	**–**	**–**	**18,047**
Bonds and Notes – principal	**–**	**50,000**	**72,000**	**–**	**122,000**
Bonds and Notes interest	**4,223**	**4,223**	**5,328**	**–**	**13,774**
	22,270	**54,223**	**77,328**	**–**	**153,821**
2017					
Financial Liabilities					
Trade and other payables	22,141	–	–	–	22,141
Bonds and Notes – principal	–	–	122,000	–	122,000
Bonds and Notes interest	4,202	4,202	13,733	–	22,137
	26,343	4,202	135,733	–	166,278

Note 10: Financial risk management objective and policies (continued)

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 2018, 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 2018:

	Carrying Value $'000	Principal $'000	Fair Value $'000
IMF Bentham Bonds	**49,553**	50,000	51,150
Fixed Rate Notes	**70,909**	72,000	74,745

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 intercompany receivables from its subsidiaries denominated in Australian Dollars which are eliminated on consolidation. The gains or losses on re-measurement of these intercompany receivables from foreign currencies to Australian Dollars are not eliminated on consolidation as the loans are not considered to be part of the net investment in the subsidiary.

2018	USD $'000	GBP $'000	Euro $'000	SGD $'000	CAD $'000	HKD $'000
Financial Assets						
Cash and cash equivalents	43,772	81	3,632	498	1,529	11,734
Trade and other receivables[1]	11,675	2	–	1,002	10,294	–
Total assets	55,447	83	3,632	1,500	11,823	11,734
Financial Liabilities						
Trade Payables	1,244	5	–	4	434	107
Total liabilities	1,244	5	–	4	434	107

Notes to the Financial Statements
continued

Note 10: Financial risk management objective and policies (continued)

2017	USD $'000	GBP $'000	Euro $'000	SGD $'000	CAD $'000	HKD $'000
Financial Assets						
Cash and cash equivalents	34,727	24	3,660	68	2,967	1,977
Trade and other receivables[1]	20,020	2	–	44	716	48,612
Total assets	54,747	26	3,660	112	3,683	50,589
Financial Liabilities						
Payables	2,842	6	–	–	99	15,840
Total liabilities	2,842	6	–	–	99	15,840

1. Trade and other receivables balance includes the intercompany loan receivable that IMF Bentham Limited has with Bentham Holdings Inc (USD), Bentham IMF Capital Limited (CAD) and IMF Bentham Pte Limited (SGD).

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 loans of $16,901,000 (2017: $23,370,000). The sensitivity is based on management's estimate of reasonably possible changes over the financial year.

		Impact on profit or loss before tax ($'000)					
		USD	GBP	Euro	SGD	CAD	HKD
2018	**+10%**	**(6,412)**	**(14)**	**(573)**	**(49)**	**(382)**	**2**
	-10%	**6,412**	**14**	**573**	**49**	**382**	**(2)**
2017	+10%	(6,763)	(3)	(545)	10	(359)	(580)
	-10%	6,763	3	545	(10)	359	580

Note 11: Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows 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.

Cash and cash equivalents comprise the following at 30 June:

	Consolidated	
	2018 $'000	2017 $'000
Cash at bank	58,449	38,583
Short-term deposits	101,782	106,308
	160,231	144,891

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 2018, all short term deposits are due to mature in less than 90 days from inception and earn interest at the respective short-term deposit rates.

Bank Guarantees

Bank guarantees have been issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for investments funded under litigation contracts. As at 30 June 2018 guarantees of $1,114,000 were outstanding (2017: $1,059,000). The Group has a total guarantee facility limit of $1,439,000 (2017: $1,433,000) that is secured by an offset arrangement with deposits of $1,639,000 (2017: $1,633,000).

Note 12: Debt Securities

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.

	Consolidated	
	2018 $'000	2017 $'000
Current		
IMF Bentham Bonds[1]	49,553	–
	49,553	–
Non-Current		
IMF Bentham Bonds[1]	–	49,104
Fixed Rate Notes[1]	70,909	70,365
	70,909	119,469

1. Includes net carrying value of transaction costs and debt premium of $1,538,000.

Notes to the Financial Statements
continued

Note 12: Debt Securities (continued)

On 18 April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of $1,000 each ("Tranche 1 Notes"). 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.

On 6 April 2017, the Company issued 40,000 Fixed Rate Notes with a face value of $1,000 each ("Tranche 2 Notes"). Tranche 2 Notes were consolidated and formed a single series with the existing Tranche 1 Notes. The terms and conditions of the Tranche 2 Notes are identical to the conditions on Tranche 1 Notes.

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 30 June 2019.

The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of $9,327,000 (2017: $6,940,000) 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 9).

Note 13: Contributed equity

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.

	Consolidated	
	2018 $'000	2017 $'000
Contributed equity		
Issued and fully paid ordinary shares	127,630	123,654

(a) Ordinary shares

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

	Number '000	$'000
Movement in ordinary shares		
As at 30 June 2016	169,456	119,122
Shares issued under the Dividend Reinvestment Plan	2,591	4,532
As at 30 June 2017	172,047	123,654
Shares issued under the Dividend Reinvestment Plan	1,816	3,976
As at 30 June 2018	173,863	127,630

On 24 April 2018, the Company issued 916,449 shares at $2.3510 per share, and on 20 October 2017 the company issued 900,253 shares at $2.0239 per share under its Dividend Reinvestment Plan.

On 21 April 2017, the Company issued 855,956 shares at $1.7398 per share, and on 21 October 2016 the company issued 1,734,555 shares at $1.7550 per share under its Dividend Reinvestment Plan.

(b) Share options

At 30 June 2018, there were 14,355,887 share performance rights over unissued ordinary shares (2017: 11,177,055).

Note 13: 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 while maintaining optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The earnings of the Group are lumpy and this is expected 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 IMF fall below 75% of the Group financial indebtedness or retained earnings are less than $52,000,000, 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 14: Retained earnings and reserves

(a) Movements in retained earnings were as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Balance 1 July	**71,679**	74,084
Net profit for the year	**(11,017)**	15,440
Dividend paid	**(12,070)**	(17,845)
Balance 30 June	**48,592**	71,679

(b) Movements in reserves were as follows:

	Share based payment reserve $'000	Foreign currency translation reserve $'000	Other capital reserves $'000	Total reserves $'000
At 1 July 2016	658	288	7,236	8,182
Movements in reserves during the period	5,304	(4,932)	–	372
At 30 June 2017	5,962	(4,644)	7,236	8,554
Movements in reserves during the period	9,289	6,027	(7,760)	7,556
At 30 June 2018	**15,251**	**1,383**	**(524)**	**16,110**

(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 22 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.

Note 14: Retained earnings and reserves (continued)

iii. Other capital reserves

Other capital reserves comprise:

a) 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.

b) 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.

c) Fund equity reserve

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

D. WORKING CAPITAL, OTHER ASSETS AND OTHER LIABILITIES

Note 15: Trade and other receivables

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

Collectability of 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.

	Consolidated	
	2018 $'000	2017 $'000
Current		
Trade receivables[1]	**21,529**	37,202
Other receivables[2]	**4,161**	8,003
	25,690	45,205
Non-current		
Trade receivables[3]	**–**	1,580
	–	1,580

1. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is $2,958,000 included in current trade receivables which is subject to appeal at 30 June 2018 (2017: $2,870,000), which was received in August 2018.
2. Other receivables comprise interest receivable upon the maturity of the Group's short term deposits (between 30 and 90 days), receivables from co-funders of litigation contracts in progress, short term loans and deposits receivable.
3. 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.

Note 15: Trade and other receivables (continued)

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 $'000	Total $'000
2018 Consolidated	**14,947**	**1,265**	**–**	**9,478**	**25,690**
2017 Consolidated	38,923	396	–	7,466	46,785

(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 is adjusted to reflect future cash flows 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.

(b) Loans and receivables

Loans and receivables 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.

Note 16: Other assets

	Consolidated	
	2018 $'000	2017 $'000
Current		
Prepayments	**694**	670
Rental deposits	**598**	661
Lease incentive receivable	**119**	(71)
	1,411	1,260
Non-current		
Prepayments	**11,242**	–
Lease incentive receivable	**267**	388
	11,509	388

Note 17: 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, that have been estimated between 2 to 9 years for both 2018 and 2017.

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.

Notes to the Financial Statements
continued

Note 17: Plant and equipment (continued)

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Cost	**3,119**	2,895
Accumulated depreciation	**(1,787)**	(1,195)
Net carrying amount	**1,332**	1,700

	Consolidated Plant and equipment $'000
Cost	
Balance as at 1 July 2016	3,967
Additions	961
Disposals	(2,033)
At 30 June 2017	2,895
Additions	259
Disposals	(35)
At 30 June 2018	**3,119**
Accumulated depreciation	
Balance as at 1 July 2016	2,561
Depreciation charge for the year	591
Disposals	(1,957)
At 30 June 2017	1,195
Depreciation charge for the year	621
Disposals	(29)
At 30 June 2018	**1,787**
Net book value	
At 30 June 2018	**1,332**
At 30 June 2017	1,700

Plant and Equipment of the Company is subject to a fixed charge to secure the Company's debt due to Bondholders. See Note 12 for further details.

Note 18: 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.

	Consolidated	
	2018 $'000	2017 $'000
Trade payables	16,100	20,335
Wage accruals	1,167	1,057
Interest accruals	780	749
	18,047	22,141

(a) Fair value

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

Note 19: Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date 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.

	Consolidated	
	2018 $'000	2017 $'000
Current		
Annual leave and long service leave	2,521	2,325
Adverse costs	12,135	14,500
Bonus	–	1,847
	14,656	18,672
Non-Current		
Make good	86	86
Long service leave	191	154
	277	240

Notes to the Financial Statements
continued

Note 19: Provisions (continued)

(a) Movement in provisions

	Adverse costs $'000	Annual leave $'000	Employee bonus/STIP $'000	Long service leave $'000	Make good $'000	Total $'000
As at 1 July 2017	14,500	1,265	1,847	1,214	86	18,912
Arising during the year	135	1,666	202	26	–	2,029
Utilised	(2,500)	(1,459)	(2,049)	–	–	(6,008)
As at 30 June 2018	**12,135**	**1,472**	**–**	**1,240**	**86**	**14,933**
Current 2018	12,135	1,472	–	1,049	–	14,656
Non-current 2018	–	–	–	191	86	277
	12,135	**1,472**	**–**	**1,240**	**86**	**14,933**
Current 2017	14,500	1,265	1,847	1,060	–	18,672
Non-current 2017	–	–	–	154	86	240
	14,500	1,265	1,847	1,214	86	18,912

(b) Nature and timing of provisions

Adverse costs

During the financial year 2018 the Group raised a further provision of $135,000 for estimated adverse costs obligations in relation to a withdrawn investment. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit. The adverse costs provision raised for the Bank of Queensland investment, recognised in 2015 was paid in the current year.

Employee benefits

(i) Wages, salaries, and annual 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 leave 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 exercises 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.

Make Good

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

Note 20: Commitments and contingencies

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.

(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 nine 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	
	2018 $'000	2017 $'000
Within one year	**1,794**	1,910
After one year but no more than five years	**4,118**	5,198
After more than five years	**2,192**	2,804
Total minimum lease payments	**8,104**	9,912

(b) Remuneration commitments

	Consolidated	
	2018 $'000	2017 $'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	**4,963**	4,390
After one year but no more than five years	**–**	–
	4,963	4,390

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.

Notes to the Financial Statements
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Note 20: Commitments and contingencies (continued)

(c) Contingencies

As at 30 June 2018, the Group has two cases under appeal (2017: three cases). No income has been recognised by the Group from the cases remaining on appeal in the current financial year (2017: $2,870,000). The total current and non-current receivables as at 30 June 2018 relating to the cases under appeal is nil (2017: $2,870,000).

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, including an after-the-event ("ATE") insurance policy that will respond to claims for adverse costs in excess of $7.5m for litigation in ROW Funds 2 and 3. In general terms, an award of adverse costs to a defendant will approximate 40% to 70% (depending on jurisdiction) of the amount paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant).

Accordingly, an estimate of the total potential adverse costs exposure of the Group which has accumulated from time to time may be made by assuming all cases are lost, that adverse costs equal 40% to 70% of the amount spent by the plaintiff and that there is only one defendant per case.

At 30 June 2018, the total amount spent on currently funded investments by the Company where undertakings to pay adverse costs have been provided was $88,702,000 (2017: $70,309,000) divided between those funded directly on IMF's balance sheet of $83,845,000 and those funded through the RoW Funds of $4,857,000. The potential adverse costs orders using the above methodology would amount to $68,709,000 for investments on IMF's balance sheet, and $2,483,000 for RoW Fund investments. The Company does not currently expect that any of the investments will be unsuccessful. The Company maintains a large cash holding in the event that one or more investments are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

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 25 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.

E. THE GROUP, MANAGEMENT AND RELATED PARTIES

Note 21: 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	
	2018 $'000	2017 $'000
Short-term employee benefits - salaries and wages	**4,288**	4,274
Short-term employee benefits - accrued and unpaid	**–**	540
Post-employment benefits	**125**	115
Long service leave accrued during the year	**93**	50
Share based payments	**1,833**	1,237
	6,339	6,216

Note 22: Share-based payment plan

Share-based payment transactions

(i) Equity-settled transactions

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

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of 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).

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.

Long Term Incentive Plan

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

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

Notes to the Financial Statements

continued

Note 22: Share-based payment plan (continued)

5,122,146 share performance rights were issued during 2018 (2017: 6,365,969). Specific assumptions are below:

Valuation Date	1 July 2017	18 November 2016	24 February 2016	20 November 2015
5-day Volume Weighted Average Price at commencement of measurement period	$1.89	$1.46	$1.67	$1.67
Expected Volatility (%)	20%	25%	32%	28%
Dividend yield (%)	3.20%	4.32%	5.00%	5.00%
Risk-free rate (%)	1.94%	1.86%	1.77%	2.10%
Performance period	3 years ending 30 June 2020	3 years ending 30 June 2019	3 years ending 30 June 2018	3 years ending 30 June 2018
Models used	Monte Carlo & Black Scholes	Monte Carlo & Black Scholes	Monte Carlo & Binomial	Monte Carlo & Binomial
Tranche1 - relative TSR (value per right $)	$0.95	$1.19	$0.33	$0.58
Tranche 2 - CAGR (value per right $)	$1.72	$1.55	$1.00	$1.21

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

	2018 Number	2018 WAEP	2017 Number	2017 WAEP
Movements during the year				
Outstanding at 1 July	**11,177,055**	**–**	4,811,086	–
Granted during the year	**5,122,146**	**–**	6,365,969	–
Forfeited during the year	**(1,943,314)**	**–**	–	–
Outstanding at 30 June	**14,355,887**	**–**	11,177,055	–
Exercisable at 30 June	**4,125,409**	**–**	–	–

Note 23: Parent entity information

	2018 $'000	2017 $'000
Information relating to IMF Bentham Limited:		
Current assets	147,673	180,789
Total assets	372,511	356,326
Current liabilities	(72,233)	(39,897)
Total liabilities	(156,552)	(178,501)
Net assets	215,959	177,825
Issued capital	127,630	123,654
Retained earnings	68,165	40,975
Reserves	20,164	13,196
Total shareholders' equity	215,959	177,825
Profit or loss of the Parent	39,261	23,104
Total comprehensive income of the Parent	39,261	23,104

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 20(c).

Details of the contractual commitments of the Parent are contained in Notes 20(a) and 20(b).

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

		Percentage owned	
Name	Country of Incorporation	2018 %	2017 %
Financial Redress Pty Ltd[1]	Australia	–	100
IMF Bentham (Fund 2) Pty Ltd[2]	Australia	20	–
IMF Bentham (Fund 3) Pty Ltd[2]	Australia	20	–
Bentham Holdings Inc	USA	100	100
Bentham Capital LLC	USA	100	100
Security Finance LLC	USA	100	100
Bentham IMF Holdings 1 LLC[3]	USA	100	100
Bentham IMF 1 LLC[3]	USA	27	50
Security Finance 1 LLC[3]	USA	27	50
HC 1 LLC[4]	USA	7	–
Bentham IMF Capital Limited	Canada	100	100
Lien Finance Canada Limited	Canada	100	100
IMF Bentham Pte. Limited[5]	Singapore	100	100

1. This entity was deregistered on 9 May 2018.
2. These entities were incorporated on 13 September 2017. 20% ownership became effective on 3 October 2017.
3. These entities were incorporated 3 November 2016. 50% ownership became effective on 13 February 2017. Ownership has decreased during the year to 27%.
4. This entity was incorporated on 30 May 2018.
5. This entity was incorporated on 8 March 2017.

Notes to the Financial Statements

continued

Note 24: Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

	Country of Incorporation	Non-controlling interest 2018 %	Non-controlling interest 2017 %
Proportion of equity interest held by non-controlling interests:			
Bentham IMF 1 LLC[1]	USA	**73**	50
Security Finance 1 LLC[1]	USA	**73**	50
HC 1 LLC[1]	USA	**93**	–
IMF Bentham (Fund 2) Pty Ltd[2]	AUS	**80**	–
IMF Bentham (Fund 3) Pty Ltd[2]	AUS	**80**	–

	2018 $'000	2017 $'000
Accumulated balances of material non-controlling interest:		
Bentham IMF 1 LLC[1]	**105,799**	7,209
HC 1 LLC[1]	**47,086**	–
IMF Bentham (Fund 2) Pty Ltd[2]	**22,933**	–
IMF Bentham (Fund 3) Pty Ltd[2]	**7,644**	–
Transaction costs, net of tax - disposal of non-controlling interest	**(7,958)**	(4,843)
	175,504	2,366
Profit/(loss) allocated to material non-controlling interest:		
Bentham IMF 1 LLC	**1,106**	–
IMF Bentham (Fund 2) Pty Ltd[2]	**1,548**	–
IMF Bentham (Fund 3) Pty Ltd[2]	**516**	–
	3,170	–

1. The results and non-controlling interest of these entities comprise the results of the US Fund, included in Note 1 Segment Information.
2. The results and non-controlling interest of these entities comprise the results of the ROW Funds, included in Note 1 Segment Information.

	Bentham IMF 1 LLC		HC 1 LLC		IMF Bentham (Fund 2) Pty Ltd		IMF Bentham (Fund 3) Pty Ltd		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at 1 July	**2,366**	–	**–**	–	**–**	–	**–**	–	**2,366**	–
Contributions	**100,096**	7,209	**47,086**	–	**20,877**	–	**6,958**	–	**175,017**	7,209
Distributions	**(9,694)**	–	**–**	–	**–**	–	**–**	–	**(9,694)**	–
Change in net assets attributable to NCI	**8,188**	–	**–**	–	**2,056**	–	**686**	–	**10,930**	–
Balance at 30 June	**(1,091)**	(4,843)	**–**	–	**(1,518)**	–	**(506)**	–	**(3,115)**	(4,843)
Total	**99,865**	2,366	**47,086**	–	**21,415**	–	**7,138**	–	**175,504**	2,366

Note 24: Material partly-owned subsidiaries (continued)

ROW Funds

On 13 September 2017 the Group established IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd (collectively the "ROW Funds").

On 3 October 2017, the Group undertook a transaction to dispose of a non-controlling interest in the ROW Funds. At date of disposal the change in equity of the Group was recorded as follows:

	2018 $'000	2017 $'000
Change in equity on disposal of non-controlling interest:		
IMF Bentham (Fund 2) Pty Ltd	**–**	–
IMF Bentham (Fund 3) Pty Ltd	**–**	–
Transaction costs net of tax - disposal of non-controlling interest	**(2,024)**	–
	(2,024)	–

US Fund

On 3 November 2016 IMF established Bentham IMF 1 LLC and its subsidiary Security Finance 1 LLC (collectively "the US Fund"). The Fund has been part of the Group and consolidated into the results since this time as it was controlled by IMF.

On 10 February 2017, the Group undertook a transaction to dispose of a non-controlling interest in the US Fund. The change in equity of the Group resulting from this disposal was recorded as follows:

	2018 $'000	2017 $'000
Change in equity on disposal of non-controlling interest:		
Bentham IMF 1 LLC	**–**	–
Security Finance 1 LLC	**–**	–
Transaction costs net of tax - disposal of non-controlling interest	**(1,091)**	(4,843)
	(1,091)	(4,843)

The summarised financial information provided below is based on amounts prior to intercompany eliminations:

	US Fund		ROW Funds	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Summarised statement of cash flows				
Operating	**(71)**	(1,648)	**(3)**	–
Investing	**(102,594)**	–	**(18,921)**	–
Financing	**104,570**	7,209	**34,796**	–
Net increase in cash and cash equivalents	**1,905**	5,561	**15,872**	–
Cash and cash equivalents at the beginning of the period	**5,561**	–	**–**	–
Foreign exchange	**–**	–	**17**	–
Cash and cash equivalents at the end of the period	**7,466**	5,561	**15,889**	–

Notes to the Financial Statements

continued

Note 25: 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.

IMF recognised $nil profit before tax on the sale at 30 June 2018 (30 June 2017: $nil). The impact on the Group's results from the discontinued operation is set out below:

	2018 $'000	2017 $'000
Summarised Statement of Cash Flows of Bentham Ventures B.V.		
Investing	–	5,850
Net cash (outflow)/inflow	–	5,850

Note 26: Related party disclosure

Transactions with director related entities

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

	Consolidated	
	2018 $'000	2017 $'000
Transactions with related parties[1]	470	161
	470	161

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.

Note 27: Auditor's remuneration

The auditor of IMF Bentham Limited is EY.

	Consolidated	
	2018 $'000	2017 $'000
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	276	235
Other services in relation to the Parent and any other entity in the consolidated Group:		
Tax compliance	–	118
Other	60	31
	336	384

Note 28: Events after the reporting date

Apart from that disclosed in this report, no other circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect the consolidated entities' operations, the results of those operations, or the consolidated entities state of affairs in the future financial years.

Directors' Declaration

In accordance with a resolution of the Directors of 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 2018 are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of its financial position as at 30 June 2018 and performance for the year ended on that date; and

   ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in the notes to the financial statements;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the board

Michael Kay
Non-Executive Director

Andrew Saker
Managing Director

Perth, 22 August 2018

Independent Auditor's Report

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Independent Auditor's Report to the Members of IMF Bentham Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of IMF Bentham Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

RK:DA:IMF:046

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Impairment assessment of intangible assets

Why significant	How our audit addressed the key audit matter
Litigation contracts in progress are recognised as intangible assets and assessed for impairment by the Group using cash flow forecasts. The carrying value of litigation contracts are contingent on future cash flows and there is a risk that if these cash flows do not meet the Group's expectations, or if significant judgments such as the discount rates change, the assets will be impaired. This was a key audit matter because it requires a high level of judgment and changes in these assumptions might lead to a significant change in the carrying values of the related assets. Refer to Note 9 of the financial report for the amounts recognised by the Group as at 30 June 2018 and related disclosures.	We evaluated the Group's assessment of the carrying value of intangible assets. Our audit procedures included the following: ▶ Assessed the effectiveness of the Group's controls in relation to the review of carrying values for intangible assets, including controls over the valuation model and assumptions applied. ▶ Examined the Group's impairment assessment model and tested the reasonableness of key assumptions including cash flow forecasts, estimated completion dates and discount rates, with the involvement of our valuation specialists. ▶ Conducted sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom. ▶ Discussed significant case matters with the Chief Executives of Australia and the USA and respective Case Investment Managers, with the involvement of our legal specialists, in order to assess related judgements made by the Group that impacted the impairment model. ▶ Considered the Group's intention and ability to continue to fund the relevant matters.

Income recognition

Why significant	How our audit addressed the key audit matter
During the year ended 30 June 2018, a number of cases were successfully resolved in the Group's favour and a net gain on de-recognition of intangible assets of $17.3 million was recorded in the consolidated statement of comprehensive income. The Group's accounting policies set out a number of strict guidelines as to the manner in which income can be recognised following outcomes on litigation matters funded by the Group. Given the magnitude and judgment involved in the timing of income recognition, income recognition was a key audit matter. Refer to Note 2 of the financial report for the amounts recognised by the Group as at 30 June 2018 and related disclosure.	We evaluated the Group's assessment of case outcomes and income recognised for the year. Our audit procedures included the following: ▶ Assessed the timing of income recognition based on settlement terms agreed with the counterparties including liquidators where applicable, court rulings and inquiries with legal representatives. ▶ Examined a sample of settlement agreements to determine whether criteria for recognition had been satisfied. ▶ Agreed a sample of income recognised to payments received.

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Independent Auditor's Report
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Existence and collectability of trade receivables

Why significant	How our audit addressed the key audit matter
At 30 June 2018, the Group had trade receivables of $20.4 million which were significant to the Group. The collectability of trade receivables is a key element of working capital management. Given the magnitude and judgment involved in the collectability assessment of trade receivables, existence and collectability of trade receivables was a key audit matter. Refer to Note 15 of the financial report for the amounts recognised by the Group as at 30 June 2018 and related disclosure.	We evaluated the Group's assessment of the carrying value of trade receivables at 30 June 2018. Our audit procedures included the following: ▶ Selected a sample of balances to determine based on settlement terms, if the right to record a receivable had been satisfied; ▶ Selected a sample of balances to assess whether there were indicators that a provision should be recognised; ▶ Considered collection timing assumptions to determine whether receivables were appropriately classified as current or non-current. ▶ Considered whether receivables had been collected subsequent to year end. ▶ Reviewed historical payment patterns and any correspondence with counterparties including liquidators where applicable.

Provision for adverse costs

Why significant	How our audit addressed the key audit matter
Adverse costs arise where the Group is instructed by the court to settle the costs incurred by the defendant in litigation matters. The Group records a provision for adverse costs when a matter which it has funded is lost and that matter was in a geographic location where adverse costs exist. We focused on this area because it requires a high level of judgment to determine the adverse cost likely to be incurred and changes in these assumptions might lead to a significant change in the amount of adverse costs the Group will be required to pay. Refer to Note 19 of the financial report for the amounts recognised by the Group as at 30 June 2018 and related disclosure.	We evaluated the Group's assessment of the provision for adverse costs. Our audit procedures included the following: ▶ Compared assumptions to evidence, including estimates provided by the Group's legal experts. ▶ Considered the consistency of the application of policy for recognising provisions with the prior year. Specifically we considered both the value of the prior years' provision utilised for payments of adverse costs during the current year and the value of prior year provision amounts not utilised and released.

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Recoverability of deferred tax assets

Why significant	How our audit addressed the key audit matter
At 30 June 2018, the Group had deferred tax assets including tax losses of $12.3 million recorded in the statement of financial position. The Group's accounting policies outline the requirements necessary to recognise a deferred tax asset. The recoverability of the deferred tax assets is reliant on taxable profits being earnt by Group subsidiaries. Given the magnitude and judgment involved in determining the recoverability of deferred tax assets, it was considered as a key audit matter. Refer to Note 5 of the financial report for the amounts recognised by the Group as at 30 June 2018 and related disclosure.	We evaluated the Group's assessment of the recoverability of recognised deferred tax assets. Our audit procedures included the following: ▶ Examined the Group's deferred tax asset recoverability assessment and evaluated the reasonableness of key assumptions including forecast taxable profits of Group subsidiaries.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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Independent Auditor's Report

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Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 50 to 58 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of IMF Bentham Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Robert A Kirkby
Partner
Perth
22 August 2018

RK:DA:IMF:046

Shareholder Information

The information set out below is current as at 31 July 2018.

(a) Distribution of Shareholders

Ordinary Share Capital
173,863,277 fully paid ordinary shares are held by 4,698 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 976 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
14,355,887 share performance rights were issued to 37 rights holders.

Fixed Rate Notes
There are 72,000 Fixed Rate Notes.

Distribution of Securities
The number of shareholders by size of holding, in each class are as at 31 July 2018:

	Number	Fully paid ordinary shares	Number	Bonds
1 – 1,000	1,005	463,791	934	129,856
1,001 – 5,000	1,621	4,615,304	34	69,757
5,001 – 10,000	857	6,449,911	3	22,825
10,001 – 100,000	1,129	28,987,915	4	163,674
100,001 and over	86	133,346,356	1	113,888
	4,698	173,863,277	976	500,000

Non-marketable Parcels
There were 275 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 2018 are:

Shareholder	Number of ordinary Shares '000	% of issued capital
Perpetual Investment Management	14,788	8.51
Eley Griffiths Group	11,115	6.39
Celeste Funds Management Limited	10,488	6.03
Kabouter Management, LLC	10,720	6.17
	47,111	27.10

(c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2018

Ordinary Shares	Number of ordinary Shares '000	% of issued capital
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	30,085	17.30
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	23,361	13.44
3. UBS NOMINEES PTY LTD	15,359	8.83
4. CITICORP NOMINEES PTY LIMITED	13,316	7.66
5. NATIONAL NOMINEES LIMITED	10,057	5.78
6. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	9,266	5.33
7. MCLERNON GROUP SUPERANNUATION PTY LTD	3,862	2.22
8. BNP PARIBAS NOMS PTY LTD	3,220	1.85
9. CITICORP NOMINEES PTY LIMITED	2,828	1.63
10. BNP PARIBAS NOMINEES PTY LTD	2,177	1.25
11. MR DENNIS JOHN BANKS	1,899	1.09
12. MR HUGH MCLERNON	1,201	0.69
13. BNP PARIBAS NOMINEES PTY LTD	929	0.53
14. BOUCHI PTY LTD	636	0.37
15. B F A PTY LTD	586	0.34
16. HALSE HOLDINGS PTY LTD	500	0.29
17. AUST EXECUTOR TRUSTEES LTD	473	0.27
18. LEBIKA PTY LTD	467	0.27
19. MR CLIVE NORMAN BOWMAN	443	0.25
20. MUTUAL TRUST PTY LTD	417	0.24
	121,082	**69.63**

(d) Options as at 31 July 2018 – unquoted

There are no options issued.

(e) Securities subject to escrow

There are no securities subject to escrow.

Shareholder Information

continued

(f) 20 Largest Holders of Quoted IMF Bentham Bonds as at 31 July 2018

Bond Holders	Number of Bonds '000	% of units
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	114	22.78
2. CITICORP NOMINEES PTY LIMITED	70	13.97
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	65	13.02
4. BNP PARIBAS NOMS PTY LTD	18	3.51
5. NETWEALTH INVESTMENTS LIMITED	11	2.23
6. NAMANGI PTY LIMITED	8	1.60
7. MCLERNON GROUP SUPERANNUATION PTY LTD	8	1.50
8. NATIONAL NOMINEES LIMITED	7	1.47
9. ST HEDWIG VILLAGE	5	1.00
10. MR SIMON PETER PRICE & MS RACHEL EMMA FERGUSON	5	1.00
11. BESSFAM PTY LTD	4	0.81
12. CONTEMPLATOR PTY LTD	4	0.81
13. FERNANE PTY LTD	4	0.81
14. FORETELLER PTY LTD	3	0.60
15. TWENTY SECOND NATRO PTY LTD	3	0.51
16. BJM INCOME INVESTMENTS PTY LTD	3	0.50
17. DYSPO PTY LTD	3	0.50
18. LEVIEN FOUNDATION PTY LTD	2	0.40
19. SPACE DOOR PTY LTD	2	0.40
20. CONTINENTAL HOLDINGS PTY LTD	2	0.40
	341	**67.82**

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. The Directors' Report is not part of the financial report.

Directors

Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director
Karen Phin	Non-Executive Director

Company Secretary

Jeremy Sambrook

Registered office and principal place of business in Australia

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Solicitors

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Level 31, Central Park
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Perth WA 6000

Share registry

LINK MARKET SERVICES
Locked Bag A14
Sydney South NSW 1235

Phone: 1300 554 474

Auditors

EY
The EY Building
11 Mounts Bay Road
Perth WA 6000

Bankers

NATIONAL AUSTRALIA BANK LIMITED
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Internet address

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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.

IMF BENTHAM
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