



## Appendix 4E - Final Report

**IMF (Australia) Ltd**  
**ABN 45 067 298 088**

**Financial year ended**  
**30 June 2012**

### Results for announcement to the market

Current reporting period: 30 June 2012  
 Previous reporting period: 30 June 2011

### Revenue and Net Profit

	Up/Down	Percentage Change	\$'000s
Revenues from ordinary activities (interest)	Down	(10%)	2,409
Total income	Up	80%	73,002
Profit from ordinary activities after tax attributable to members	Up	88%	42,966
Net profit for the period attributable to members	Up	88%	42,966

### Dividends

No interim dividend was declared.

The Directors have declared a final fully franked dividend on 29 June 2012. The record date for this dividend is 29 August 2012. The shares will trade ex-dividend on 23 August 2012.

**Cents per share**

0.0

10.0

### Net Tangible Asset Backing

	Consolidated	
	2012	2011
	\$	\$
Net tangible asset per ordinary share	\$0.37	\$0.22
Net asset per ordinary share	\$0.91	\$0.71

### Brief Explanation of Revenue and Net Profit

The principal activities of the Group during the financial year were investigation, management and funding litigation.

The Group resolved 9 cases in 2012 which is reflected in the Group's largest profit since inception. Also during the year the Group expanded into the United States by opening an office in New York.

The Group held \$62.4m in cash as at 30 June 2012 (2011:\$55.0m). During the year, \$6.1m was paid in dividends (2011: \$12.3m).

### Dividends Paid and Declared

	Consolidated	
	2012	2011
	\$'000s	\$'000s
No interim dividend was declared during the year (2011: 10.0 cents per share fully franked)	-	12,320
A final fully franked dividend of 10.0 cents per share was declared on 29 June 2012. The record date for this dividend is 29 August 2012. The shares will trade ex-dividend on 23 August 2012 (2011: A final fully franked dividend of 5.0 cents per share was paid on 7 October 2011.	12,321	6,160
	<u>12,321</u>	<u>18,480</u>

### Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2012, which are attached.

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**2012 ANNUAL REPORT**

Judge Michelle Gordon and the Centro case...  
What a shame they can't  
rent out one of the Centro  
properties...



## CONTENTS

Highlights	2
2012 Chairman's Review	4
2012 Managing Director's Report	5
2012 Directors' Report	6
Auditor's Independence Declaration	27
Statement of Comprehensive Income	28
Statement of Financial Position	29
Statement of Cash Flow	30
Statement of Changes in Equity	31
Notes to the Financial Statements	32
Directors' Declaration	74
Independent Auditor's Report	75
Corporate Governance Statement	77
Shareholder Information	85
Corporate Information	88

## HIGHLIGHTS

**IMF IS THE LEADING LITIGATION FUNDER IN AUSTRALIA. WE WERE THE FIRST TO LIST ON THE AUSTRALIAN SECURITIES EXCHANGE, AND HAVE NOW BEEN LISTED FOR 10 YEARS. WE HAVE BUILT UP AN EXPERIENCED TEAM TO ENSURE THE STRONGEST CASES RECEIVE FUNDING AND ARE MANAGED TO FACILITATE THEIR SUCCESSFUL RESOLUTION.**

**\$70.5  
MILLION**  
**NET INCOME  
FROM  
LITIGATION  
FUNDING**

**\$43.0  
MILLION**  
**NET PROFIT**

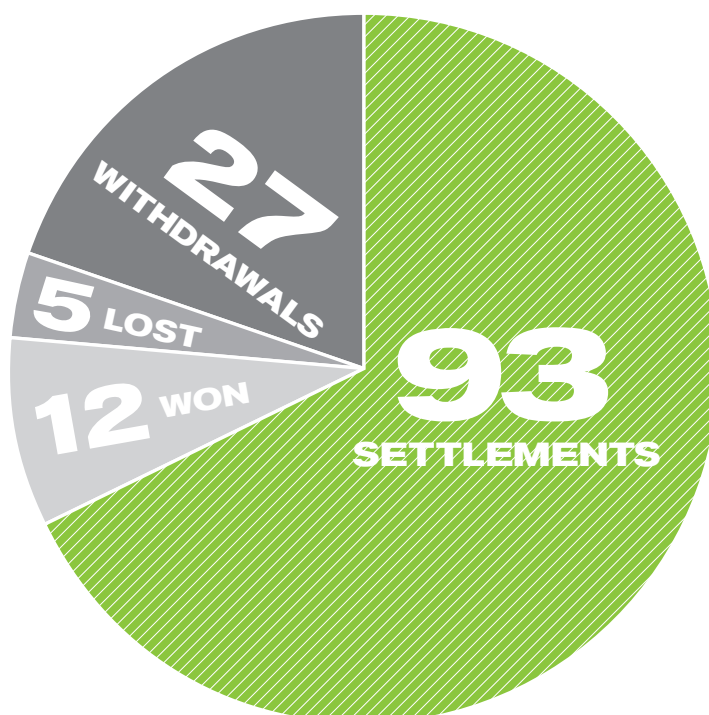
IMF's profit has improved significantly in 2012, with IMF recording its largest profit since inception. IMF is in a strong financial position moving forward and is capable of capitalising on opportunities to fund cases with larger potential returns.

**9**

**CASES  
RESOLVED  
IN 2012**

INCLUDING THE  
CLAIMS AGAINST  
THE CENTRO GROUP  
AND TRANSPACIFIC  
INDUSTRIES GROUP

**IMF'S TRACK RECORD**  
**137 CASES COMPLETED**



### EARNINGS

CENTS PER SHARE



### NET PROFIT

AFTER TAX (\$ MILLION)



### CASH

(\$ MILLION)



### INVESTMENTS

(\$ MILLION)



### NET ASSETS

(\$ MILLION)



## 2012 CHAIRMAN'S REVIEW

**THE YEAR HAS SEEN A RECORD PROFIT WITH \$43.0M AFTER TAX, WHICH FAR EXCEEDS OUR PREVIOUS BEST YEAR OF 2010/2011 OF \$22.9M AFTER TAX.**

Centro was the big success in 2012 with a profit of \$41.8m, by far our most rewarding matter ever in terms of net income. Other successful matters in the year included TPI, Babcock and Brown, Credit Corp, two very profitable matters from our Adelaide office and National Potato in South Africa. It should also be noted that we had a loss in the UK on our Collyer Bristow matter.

The outlook for the year under way is quite favourable given a number of matters where judgment is expected over the balance of the year.

As to the medium term future the issue of deal flow remains, as mentioned in my last report, the focus of us all. In Australia our new deal flow was disappointing this year in terms of additions to the book but we are very hopeful that the Wivenhoe Dam matter, which we have announced but not quantified in terms of amount, due to ongoing negotiations, will be a significant matter that will make a material contribution to our book.

Last year I talked about our new venture in the United States, Bentham Capital. Bentham formally launched in October 2011 with a dedicated web site and a New York office. We had immediate press recognition in the Wall Street Journal. In its 10 months of operation, Bentham has reviewed over 95 litigation matters, at the rate of over two a week. This is a far higher rate of gross deal flow than we see in Australia.

Bentham expects to report three funded investments by its one year anniversary. If this flow continues and we write business at the rate of 3–4% of flow (which has been our consistent experience in Australia) we expect to be able to build a good book. At present, we are debating ways to increase our manpower in the US. This is a telling measure of the importance of the US marketplace to us and our confidence in the Bentham team.



**ROB FERGUSON**

## 2012 MANAGING DIRECTOR'S REPORT

**THIS YEAR SAW THE TENTH ANNIVERSARY OF OUR LISTING ON THE AUSTRALIAN SECURITIES EXCHANGE. DURING THE COURSE OF THE PAST DECADE MUCH HAS HAPPENED TO LITIGATION FUNDING IN GENERAL AND TO IMF IN PARTICULAR.**

In 2001 IMF did not just start a new business, it started a new industry. I think it may now safely be said that the industry is established and, in Australia, IMF is a major part of the industry.

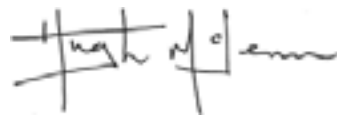
2012 has been a good year for us with a record net profit after tax. The finalisation of the cases producing that result also meant that the value of our cases under management dropped towards \$1.2bn. Settlement of those cases coincided with a decision by the management group to take particular care in the choice of cases to be funded. By way of example, we declined to fund a class action which settled recently for some \$40m. That conservative decision on our part demonstrates the inaccuracy of recent statements made by the American Chamber of Commerce that Australian litigation funders are likely to fund meritless cases in the hope of jaggging a settlement.

We are currently examining a number of major litigation funding opportunities including the Wivenhoe Dam case in Queensland and credit derivative cases in Australia, New Zealand and Europe. If and when final decisions are made to fund those actions, the value of cases under management should return to normal levels.

2013 is building towards being an interesting year. We are awaiting judgments in Lehman and Local Government Financial Services. The High Court heard the Bank Fees appeal in August and the case against the Bank of Queensland will commence in September. The appeal in the National Potato case in South Africa is likely to be heard in the second half of this financial year. In addition, we are assessing cases sourced through our US office. As in previous years, it is not possible to make a sensible forecast because of the well-known vagaries of litigation (best explained in the proposition that the only certainty in litigation is its uncertainty).

On the regulatory front, the Treasury has now issued regulations exempting class actions from the Managed Investment Scheme provisions of the Corporations Act and is also doing away with the necessity for litigation funders to be licensed in relation to class actions. The regulations do not exempt funders from being licensed for single party cases but it is likely that the current ASIC temporary exemption will be extended past September 2012 while the government determines whether it will require such licensing into the future.

IMF has, of course, been licensed since 2005 and continues to believe that all litigation funders operating in Australia should be the subject of a licensing regime. We will continue to put that point of view to government during the course of the coming year. It will be easier for IMF if licensing is not required but it seems to us that such a regime is necessary to ensure the longevity of the litigation funding industry in Australia.



**HUGH MCLERNON**



## 2012 DIRECTORS' REPORT



**Diane Jones**  
Chief Operating Officer

**Clive Bowman**  
Executive Director

**Hugh McLernon**  
Managing Director

**Rob Ferguson**  
Chairman

**Alden Halse**  
Non-Executive Director

**Michael Bowen**  
Non-Executive Director

**John Walker**  
Executive Director

The Directors of IMF (Australia) Ltd (“IMF” or “the Company” or “the Parent”) submit their report for the year ended 30 June 2012.

### **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

##### **ROBERT FERGUSON**

(NON-EXECUTIVE CHAIRMAN)

Robert Ferguson was appointed Non-Executive Director and Chairman on 1 December 2004 and was Executive Chairman and Chief Executive Officer between 18 June 2007 and 18 March 2009. On 19 March 2009 he resumed his role as Non-Executive Chairman.

Mr Ferguson graduated from Sydney University B.Ec (Hons). He commenced employment in 1971 with Bankers Trust Australia Ltd and was its CEO between 1985 and 1999 and Chairman from 1999 to 2001. He:

- a. was a director of Westfield Holdings Ltd from 1994 to 2004;
- b. was chairman and non-executive director of Vodafone Australia until November 2002;
- c. was a director of Racing NSW from 2004 to 2009;
- d. was chairman of MoneySwitch Limited from 14 November 2005 to 18 February 2010. He continues as a non-executive director since 18 February 2010;

**DIRECTORS (CONTINUED)**

- e. is deputy chair of the Sydney Institute, from April 1998;
- f. is a director of the Lowy Institute, from April 2003;
- g. has been chairman of GPT Group since 10 May 2010 and prior to this was a director and deputy chair from 25 May 2009; and
- h. has been chairman of Primary Health Care since 1 July 2009.

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

Mr Ferguson is a member of the audit committee and remuneration committee.

**HUGH MCLERNON**

(MANAGING 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 the litigation partner.

In 1988, Mr McLernon retired from legal practice and introduced the secondary life insurance market into Australia. He also pioneered the financing of large-scale litigation 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 became the Managing Director on 18 March 2009.

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

**JOHN WALKER**

(EXECUTIVE DIRECTOR – DIRECTOR OF MARKETING)

John Walker obtained a Bachelor of Commerce degree from Melbourne University in 1981, with qualifications as an accountant and economist.

He then practiced accountancy with Deloitte Haskins and Sells (as it then was) prior to completing a Bachelor of Laws degree at Sydney University in 1986. Between 1987 and 1998, Mr Walker practiced as a commercial litigator in Sydney.

In 1998, Mr Walker created Insolvency Litigation Fund Pty Ltd ("ILF") and was the inaugural Managing Director until the entity was purchased by IMF in 2001. Since then, Mr Walker has been an Executive Director of IMF and was its Managing Director between December 2004 and June 2007.

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

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## DIRECTORS (CONTINUED)

### CLIVE BOWMAN

(EXECUTIVE DIRECTOR – DIRECTOR OF OPERATIONS)

Clive Bowman has a degree in Economics and an honours degree in Law from the Australian National University. He also holds a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia and has completed the Insolvency Practitioners Association of Australia ("IPAA") Advanced Insolvency course.

Mr Bowman began his career at law firm Minter Ellison and then moved to Denton Hall (now SNR Denton) in London, where he continued to practice as a litigation lawyer. In 1997 Mr Bowman became involved in litigation funding and has been with IMF since its listing.

Mr Bowman became an Executive Director of IMF on 23 February 2011 and heads up IMF's case selection committee and investment managers committee.

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

### ALDEN HALSE

(NON-EXECUTIVE DIRECTOR)

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

Over the last 20 years he has lectured and written extensively in relation to directors' duties, corporate governance issues and corporate and personal insolvency issues. Mr Halse:

- a. is an associate member of the Institute of Chartered Accountants, the IPAA and the Australian Institute of Company Directors;
- b. is the immediate past president and current councillor and board member of the Royal Automobile Club of WA (Inc);
- c. was a non-executive director of Count Financial Ltd (resigned on 29 November 2011); and
- d. is chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer.

Mr Halse is the Chairman of the audit committee and a member of the remuneration committee.

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

### MICHAEL BOWEN

(NON-EXECUTIVE DIRECTOR)

Michael Bowen graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is an Associate and Certified Practising Accountant of the Australian Society of Accountants. Mr Bowen:

- a. is a partner of the law firm Hardy Bowen, practicing primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources; and
- b. supports the Managing Director on matters concerning the corporations law.

**DIRECTORS (CONTINUED)**

Mr Bowen is Chairman of the remuneration committee and a member of the audit committee.

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

- a. MOD Resources Ltd (formerly Medical Corporation Australasia Limited) (appointed 18 October 2004, resigned 13 April 2011); and
- b. Sherwin Iron Limited (formerly Batavia Mining Limited) (appointed on 28 November 2008, resigned 20 July 2011).

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

**DIANE JONES**

(COMPANY SECRETARY, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER)

Diane Jones has been the Company Secretary since 14 June 2006. She has been a member of the Institute of Chartered Accountants for over 20 years and holds a Masters of Business Administration degree and a Bachelor of Economics degree from the University of Sydney. After graduating Ms Jones spent ten years with a big four accounting firm before moving to a consulting and private equity firm as a consultant and their Chief Financial Officer. Ms Jones is IMF's Chief Operating Officer whilst retaining her previous roles as Chief Financial Officer and Company Secretary.

**INTERESTS IN SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report, the interests of the Directors in shares, convertible notes and options of the Company were:

	Number of ordinary shares	Number of convertible notes	Number of options over ordinary shares
Robert Ferguson	2,500,000	1,775,776	-
Hugh McLernon	8,301,846	612,035	-
John Walker	5,667,792	637,560	-
Clive Bowman	1,013,941	15,496	-
Alden Halse	876,251	87,626	-
Michael Bowen	813,751	121,213	-
<b>Total</b>	<b>19,173,581</b>	<b>3,249,706</b>	<b>-</b>

Further details of the interests of the Directors in the shares and options of the Company as at the date of this report are set out in the Directors' Report and note 25 to the financial statements.

## DIVIDENDS

On 29 June 2012 the Directors declared a final fully franked dividend for the 2012 financial year of 10.0 cents per share, totalling \$12,320,766. The record date for this dividend is 29 August 2012. No interim dividend for 2012 was declared.

For the 2011 financial year the Company paid an interim fully franked dividend of 10.0 cents per share, totalling \$12,320,170, which was paid on 13 April 2011. The final fully franked dividend was 5.0 cents per share, totalling \$6,160,086, which was paid on 7 October 2011.

The Directors have not declared a dividend policy. They have determined that the Company should distribute any surplus funds in excess of between \$70,000,000 and \$75,000,000, depending on the claim value of the portfolio, which has accumulated in the business and where the Directors do not form the view that there is a better use for IMF's cash.

## CORPORATE INFORMATION

### Corporate Structure

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

### Nature of Operations and Principal Activities

The principal activities of the Group during the financial year were the investigation, management and funding of litigation. The operations of the consolidated entity remain in accordance with IMF's business plan created in 2001. IMF endeavours to have a mix of cases at any one time. These can broadly be categorised as commercial claims, insolvency claims and group actions.

### Portfolio report at 30 June 2012 where the budgeted fee per case to IMF is greater than \$500,000 ('major cases')

	Number of claims	Claim value	Percentage of claims >\$500,000
Claims <\$10m	2	\$10,000,000	1%
Claims \$10M – \$50m	13	\$288,000,000	23%
Claims >\$50m	10	\$935,000,000	76%
<b>Total claims where IMF's budgeted fee is more than \$500,000</b>	<b>25</b>	<b>\$1,233,000,000</b>	<b>100%</b>

The maximum claim value of IMF's major cases decreased in the year to 30 June 2012 from \$1,778,500,000 to \$1,233,000,000. IMF commenced four new cases during the year, which have a maximum claim value at 30 June 2012 of \$58,000,000 (2011: eight new cases which had a maximum claim value of \$360,000,000). It should be noted that during 2012 a significant amount of due diligence has been undertaken on the Wivenhoe Dam case, and a significant number of clients have signed funding agreements with IMF. However, this matter has not been included in the portfolio as at 30 June 2012.

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**CORPORATE INFORMATION (CONTINUED)**

An update on IMF's principal investments is as follows:

After funding various examinations, IMF has now decided to fund the liquidator of **ABC Learning** in claims that allege that a floating charge granted to a syndicate of banks is void to the extent of certain monies received under the charge. Court approval is being sought to the entry by some companies in the ABC group into the funding agreement.

The **Air Cargo** case, which is a price fixing claim against various airlines under section 45 of the Trade Practices Act, continues through the courts. Substantial progress has been made in relation to discovery. In separate proceedings, the Australian Competition and Consumer Commission is suing several airlines in relation to the same or similar alleged conduct and its cases have been set down for hearing in October 2012.

The actions by **Great Southern** unitholders, funded by IMF, continue to advance through the courts. There is not yet a hearing date for these cases.

The Court has allowed amendments to the statement of claim in the case of **PIF Unitholders v KPMG** (a claim for alleged breaches of the Corporations Act by KPMG and 2 of the directors (the case against the other directors has been resolved subject to court approval). KPMG lost an appeal to the Court of Appeal in relation to that decision and has now sought leave to appeal to the High Court.

The trials in both the **Lehman** case and the case against **Local Government Financial Services (LGFS), ABN AMRO** and **Standard and Poors** by various councils have completed and we are waiting for judgments to be delivered in each of these cases.

In the **Bank Fees** case (an action by customers to recover unfair exception fees charged to their bank accounts and credit cards), proceedings have been issued against 8 banks. All have been stayed other than the appeal in the ANZ case from Justice Gordon's decision that no fees other than late fees on credit cards could amount to penalties at law. The High Court has given leave to the class representative to appeal directly to the High Court from this decision and the appeal was heard on 14 August 2012. The High Court decision is likely to be known by December 2012. The main ANZ hearing is likely to be heard in 2013.

In March 2012 there was a settlement in the United States of **Uniloc's claim** against Microsoft. This is one of a suite of cases by Uniloc (to whom IMF has provided funding), alleging infringement of its software activation patent. Those other cases are continuing.

IMF is still waiting on judgment in the application it funded in the **Westgem** case against Bankwest to remove receivers from Westgem.

Proceedings have now been filed in the **Rivercity** matter, which is a funded class action against Aecom and 2 Rivercity companies, by a representative on behalf of persons who purchased units under the product disclosure statement ("PDS"). The claim alleges that there was misleading and deceptive conduct and omissions in relation to the traffic forecast included in the PDS.

The case IMF is funding against the **Bank of Queensland ("BOQ")** by BOQ franchisees in New South Wales for alleged misleading and deceptive conduct, primarily concerning business that could or would be generated, is set down for hearing from 17 September 2012.

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## CORPORATE INFORMATION (CONTINUED)

IMF has conditionally funded persons who suffered loss due to the Brisbane floods last year (the **Wivenhoe Dam** case) and IMF expects that a decision whether or not to proceed with this claim will be made by 30 September 2012.

The class action IMF is funding by persons who bought shares in **Gunns**, alleging misleading and deceptive conduct and non disclosure of material information, continues through the Court and is in the discovery stage.

Bentham Capital LLC (IMF's wholly owned United States subsidiary) funded its first case in the United States in May 2012. It is a defamation matter in which Bentham's client was successful at first instance and which has now been appealed by the defendant to a State Court of Appeal. That appeal is likely to be concluded before or in the first half of calendar year 2013.

IMF withdrew from 2 investments during 2012. IMF continues to provide the ASX with a summary of the cases funded by IMF in which IMF's potential fee is greater than \$500,000 per case (IMF's Investment Portfolio Report). This Schedule is updated every three months. IMF also provides case updates on its website: [www.imf.com.au](http://www.imf.com.au).

### Employees

At 30 June 2012, IMF employed 26 permanent staff, including the three Executive Directors, providing investigative, computer, accounting and management expertise (2011: 24 permanent staff).



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## OPERATING AND FINANCIAL REVIEW

### Operating Results for the Financial Year

The following summary of operating results reflects the Group's performance for the year ended 30 June 2012:

#### Shareholder Returns

	2012	2011
Basic earnings per share (cents per share)	34.87	18.56
Diluted earnings per share (cents per share)	29.51	17.32
Return on assets % (NPAT/Total Assets)	20.11%	14.99%
Return on equity % (NPAT/Total Equity)	38.46%	26.22%
Net debt/equity ratio %*	nil	nil

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

Nine matters generated income greater than \$500,000 during 2012, including seven cases which were finalised, underpinning the Group's profitability and shareholder returns.

The following summarises the major cases finalised during 2012:

Date commenced	Litigation contract's matter name	Claim value included in investment portfolio report at 30 June 2011	Total litigation contracts' income	Total litigation contracts' expenses (including capitalised overheads)	Net gain/(loss) on disposal of intangible asset
		\$	\$	\$	\$
May-08	Centro	200,000,000	61,976,563	(20,197,283)	41,779,280
Jan-09	National Potato*	70,000,000	14,506,945	(4,799,000)	9,707,945
Sep-09	Transpacific Industries	65,000,000	13,004,397	(2,548,979)	10,455,418
Mar-10	Uniloc**	150,000,000	7,295,922	(3,647,961)	3,647,961
Aug-10	Babcock & Brown	50,000,000	7,265,000	(1,409,396)	5,855,604
Jun-11	Thomson Playford	10,000,000	4,593,529	(1,314,899)	3,278,630
Jul-08	Credit Corp	15,000,000	4,354,813	(2,928,186)	1,426,627
Jul-10	Centrex Limited	5,000,000	1,937,788	(499,870)	1,437,918
Sep-10	Collyer Bristow	60,000,000	-	(4,946,215)	(4,946,215)
		625,000,000	114,934,957	(42,291,789)	72,643,168
	Sons of Gwalia***	-	1,050,774	-	1,050,774
	Other matters	-	1,821,634	(4,948,530)	(3,126,896)
		625,000,000	117,807,365	(47,240,319)	70,567,046

\* The National Potato case is now the subject of an appeal in South Africa.

\*\* The Uniloc income relates to IMF's share of income generated by Uniloc during the period. This matter is not considered to be finalised as IMF expects to receive additional income from this matter in future financial years.

\*\*\* A further dividend was paid by the Administrators of Sons of Gwalia in this financial year. This income is in addition to income generated during the years ended 30 June 2010 and 30 June 2011.

The Group has finalised 137 investments since listing, with an average investment period of 2.3 years (2011: 2.3 years). The Group has generated a gross return on every dollar invested of 3.10 times (excluding overheads) (2011: 3.19 times). IMF has a target to complete cases within 2.5 years and to generate a gross return on every dollar invested of 3 times (excluding overheads).

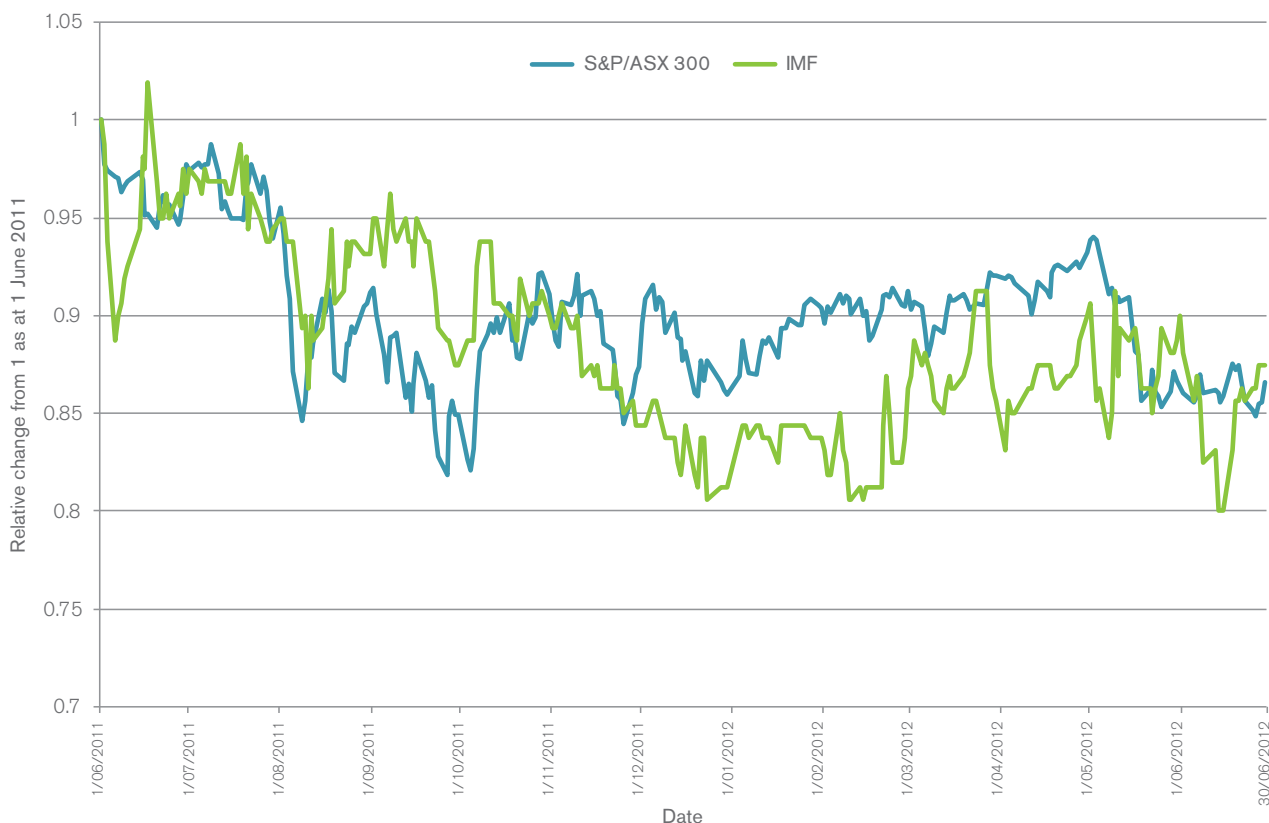


**OPERATING AND FINANCIAL REVIEW (CONTINUED)**

The investment portfolio as at 30 June 2012 has a mixture of both mature and new investments, with 48% of the investment portfolio expected to finalise over the next 12 months (2011: 36%). IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols. During the course of the year IMF again received numerous requests for litigation funding from outside Australia.

IMF's share price closed at \$1.40 per share on 30 June 2012 (2011: \$1.54), a 9% decrease over the 12-month period. IMF entered the ASX top 300 companies on 20 March 2009, when its share price was \$1.15. Since entering this index and up to 30 June 2012, IMF's share price has increased 22%, which exceeds the index movement of 16%. The share price decrease over the last 12 months has mirrored the ASX top 300 index over that period, as shown graphically below:

**Relative change in daily adjusted closing price of S&P/ASX 300 and IMF during 2012 Financial Year**



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**OPERATING AND FINANCIAL REVIEW (CONTINUED)****Liquidity and Capital Resources**

The consolidated Statement of Cash Flow illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2012 of \$7,412,574 (2011: increase of \$12,021,738). Operating activities used \$10,412,133 of net cash outflows (2011: net cash outflow of \$6,277,560), whilst investing cashflows generated \$23,984,792 of net cash inflows (2011: net cash outflow of \$7,646,678), and financing cashflows used \$6,160,085 of net cash outflows (2011: net cash inflow of \$25,945,976) principally as a result of the payment of the final dividend for 2011 (2011: convertible note capital raising totalling \$39,108,985).

**Asset and Capital Structure**

	2012 \$	2011 \$	Change %
Cash and short term deposits	62,424,566	55,011,992	13%
Total debt	(34,945,316)	(33,568,796)	4%
<b>Net cash</b>	<b>27,479,250</b>	<b>21,443,196</b>	<b>28%</b>
<b>Total equity</b>	<b>111,717,938</b>	<b>87,193,505</b>	<b>28%</b>
Gearing*	nil	nil	n/a

\* Net debt is positive as cash and short term deposits are greater than debt.

On 13 December 2010 the Board of Directors took the decision to issue 23,702,415 convertible notes raising total capital of \$39,108,985 (excluding costs). Each convertible note has a face value of \$1.65 and the right to convert into one ordinary share. The convertible notes are convertible at the option of the Noteholder on or before 31 December 2014. The Company has the ability to request the Noteholder to elect to either convert or be repaid after 31 December 2012.

The Company is required to pay the Noteholder interest of 10.25% per annum, payable quarterly in arrears. As at 30 June 2012 there were 23,225,095 convertible notes outstanding (2011: 23,231,041), with a redemption value of \$38,321,407 (2011: \$38,331,218). The Group has no other debts.

**Profile of Debts**

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

	2012 \$	2011 \$	Change %
<b>Current</b>			
Interest bearing loans and borrowings	-	-	-
<b>Non-current</b>			
Convertible notes	(34,945,316)	(33,568,796)	4%
<b>Total debt</b>	<b>(34,945,316)</b>	<b>(33,568,796)</b>	<b>4%</b>

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Shares Issued During the Year

During 2012 no options were converted into shares. (2011: 860,000 options were converted into shares, raising total capital of \$688,000). During the year 5,946 convertible notes were converted, raising \$9,161 (after apportioned costs) (2011: 471,374 convertible notes were converted, raising \$697,872 (after apportioned costs).

### Capital Expenditure

There has been an increase in capital expenditure during the year ended 30 June 2012 to \$652,262 from \$124,761 in the year ended 30 June 2011. The capital expenditure in 2012 mainly related to the fitout of the new Sydney office and the purchase of new computer equipment.

### Risk Management

The major risk for the Company continues to be the choice of cases to be funded. The extent of the mitigation of that risk can best be identified, from time to time, by reference to the fact that in the first 10 years of operation IMF has lost only five cases out of 137 matters funded and completed. The Company has an Investment Protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with very good chances of success are accepted for funding.

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased 28% to \$111,717,938 from \$87,193,505. This was mainly as a result of the Group's increasing return to shareholders during 2012. There have been no significant changes in the state of affairs during this reporting period other than disclosed in this report.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

### Intangible Assets

There have been no significant events between 30 June 2012 and the date of issuing this report.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, approximately 48% of the investment portfolio as at 30 June 2012 is expected to mature over the next 12 months. Accordingly, the Directors consider that the Company is likely to generate a strong level of profit in this period.

In addition, IMF expects there to be an increasing demand for its funding arising from the fallout from the recent tightening in credit and depressed worldwide economic cycle. The establishment of our first wholly owned subsidiary in the United States of America should also result in increased funding opportunities in that jurisdiction.

Competition, however, is expected to increase in the coming years as new entrants coming into the market, particularly from overseas, see litigation funding as an attractive counter-cyclical investment.

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## 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 no options on issue, other than the conversion rights attaching to the convertible notes.

### Shares Issued as a Result of the Exercise of Options

No shares were issued as a result of the exercise of employee options. (During 2011, employees exercised options to acquire 860,000 fully paid ordinary shares in IMF, with a weighted average exercise price (WAEP) of \$0.80.)

## 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:

- a. a wilful breach of duty; or
- b. a 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 and for professional indemnity cover was \$440,114 (2011: \$275,924). (Please note the premiums paid during the current financial year were for an 18 month period.)

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## REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel 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 Key Management Personnel are:

#### (i) Directors

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director – Director of Marketing
Clive Bowman	Executive Director – Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

#### (ii) Executives

Diane Jones	Chief Operating Officer, Chief Financial Officer and Company Secretary
Charlie Gollow	Investment Manager

There were no changes to 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 executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of the directors and executive team 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 executive team.

### Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. Accordingly, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- determination of appropriate market rates for the fixed remuneration component; and
- establishment of appropriate performance hurdles for the variable remuneration component.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. Historically, the Company obtained assistance from remuneration experts in relation to setting its remuneration structure. There were no consultations in relation to remuneration during the current year.

Details of the nature and amount of each element of the emoluments of each director and executive of the Company for the financial year are set out below.

### 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 \$260,000 (including superannuation), as disclosed in the following tables. At the 2009 Annual General Meeting shareholders approved payments up to \$300,000 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.

#### *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.

Compensation consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### **Fixed Remuneration**

#### *Objective*

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

#### *Structure*

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

### **Variable Remuneration**

#### *Objective*

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

#### *Structure*

The short term executive incentive plan ("STI") was designed and implemented with the assistance of external remuneration consultants, Mastertek Pty Limited, in 2009. This STI replaced the Employee Share Option Plan. All executives have the opportunity to qualify for participation in the STI when specified criteria are met. The Group has not implemented any long term incentive plans, although the Remuneration Committee may elect to make payments under the STI in the form of cash, options or shares.

The Group has pre-determined benchmarks that must be met in order to trigger payments under the STI. In summary, the benchmarks set by the Remuneration Committee for 2012 and 2011 were as follows:

- A minimum "hurdle" of net profit before tax ("NPBT") must be achieved prior to any incentive being paid. From 2008 this hurdle was set at 20% of weighted net assets of the prior year. From 2011 this hurdle was increased to 25% of weighted net assets of the prior year.
- A fixed percentage of NPBT above this hurdle may be allocated to the incentive pool. From 2008 this was set at 35% (i.e. 35% of any NPBT over the hurdle may be allocated to the incentive pool).
- The incentive pool is capped at the total salaries paid to those employees eligible to participate (there is no individual cap within the pool).
- Once the pool size is quantified, the Remuneration Committee determines the amount, if any, of the STI to be allocated to each executive following consideration of the individual employee's contribution. Since 2008 the Remuneration Committee has not distributed the full amount of the total incentive pool available. The Remuneration Committee has allocated 98% of the available incentive pool to be distributed under the STI in 2012 (2011: 91%). The unallocated portion of prior years' incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee.

**REMUNERATION REPORT (AUDITED) (CONTINUED)****Variable Remuneration (continued)**

- Payments of amounts awarded to employees under the STI will be paid in the following reporting period, if the employee remains employed by the Group during the loyalty service period under the STI, where 50% of each employee's bonus to be paid on 15 September 2012 and 50% on 15 March 2013.

The total allocation under the 2012 STI was \$6,877,300 (2011: \$4,813,500), which has been accrued in the current financial year. Details of allocations made under the STI to Key Management Personnel are set out in Table 1 on page 23.

**Group Performance**

The objectives and philosophy of the Remuneration Committee are based upon aligning the performance of the Group's executives with increasing shareholders' wealth. The following graph shows the performance of the Group as measured by its share price:



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

	2008	2009	2010	2011	2012
Earnings per share (cents per share)	15.04	17.35	9.77	18.56	34.87
Diluted earnings per share (cents per share)	14.70	16.93	9.70	17.32	29.51

**Employment Contracts**

## a. Hugh McLernon, Managing Director:

- new rolling 12-month contract commenced 1 July 2007;
- gross salary package of \$1,000,000 pa including super;
- salary to be reviewed annually, with the 2012 review determining there should be no increase in salary (2011: a 16% increase); and
- notice period is 12 months.



**REMUNERATION REPORT (AUDITED) (CONTINUED)**

**Employment Contracts (continued)**

- b. John Walker, Executive Director – Director of Marketing:
- new rolling 12-month contract commenced 1 July 2007;
  - gross salary package of \$800,000 pa including super;
  - salary to be reviewed annually, with the 2012 review determining there should be no increase in salary (2011: a 12% increase); and
  - notice period is 12 months.
- c. Clive Bowman, Executive Director – Director of Operations:
- new rolling 12 month contract commenced 1 July 2012;
  - gross salary package of \$800,000 pa including super;
  - contract to be reviewed annually with the 2012 review determining there should be an increase in salary of 23% (2011: a 15% increase); and
  - notice period is 12 months.
- d. Diane Jones, Chief Operating Officer, Chief Financial Officer & Company Secretary:
- contract commenced 5 June 2006;
  - gross salary package of \$410,000 pa including super;
  - contract to be reviewed annually with minimum CPI increases, with the 2012 review determining an increase in salary of 2.5% (2011: a 11% increase); and
  - notice period is 3 months.
- e. Charlie Gollow, Investment Manager:
- contract commenced 22 April 2003;
  - gross salary package of \$460,000 pa including super;
  - contract to be reviewed annually with minimum CPI increases, with the 2012 review determining an increase in salary of 2.2% (2011: a 13% increase); and
  - notice period by the employee is 3 months and 6 months' notice by the Company.

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## REMUNERATION REPORT (AUDITED) (CONTINUED)

## Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2012

2012	Salary & Fees	Short-term 2012 Bonus Accrued <sup>1</sup>	Post Employment Super	Total <sup>3</sup>	Performance Related	2011 Bonus Paid <sup>2</sup>	2012 Unpaid Bonus <sup>1</sup>
<i>Directors</i>							
Robert Ferguson	110,092	–	9,908	120,000	0%	–	–
Hugh McLernon	984,225	1,200,000	15,775	2,200,000	55%	1,000,000	1,200,000
John Walker	784,225	1,000,000	15,775	1,800,000	56%	750,000	1,000,000
Alden Halse	64,220	–	5,780	70,000	0%	–	–
Michael Bowen	70,000	–	–	70,000	0%	–	–
Clive Bowman	634,225	1,000,000	15,775	1,650,000	61%	750,000	1,000,000
<i>Executives</i>							
Charlie Gollow	434,225	375,000	15,775	825,000	45%	300,000	375,000
Diane Jones	384,225	350,000	15,775	750,000	47%	275,000	350,000
<b>Total</b>	<b>3,465,437</b>	<b>3,925,000</b>	<b>94,563</b>	<b>7,485,000</b>	<b>52%</b>	<b>3,075,000</b>	<b>3,925,000</b>

Table 2: Remuneration for the year ended 30 June 2011

2011	Salary & Fees	Short-term 2011 Bonus Accrued <sup>2</sup>	Post Employment Super	Total <sup>3</sup>	Performance Related	2010 Bonus Paid <sup>4</sup>	2011 Unpaid Bonus <sup>2</sup>
<i>Directors</i>							
Robert Ferguson	100,000	–	9,000	109,000	0%	–	–
Hugh McLernon	850,000	1,000,000	15,192	1,865,192	54%	–	1,000,000
John Walker	700,000	750,000	15,192	1,465,192	51%	–	750,000
Alden Halse	50,000	–	4,500	54,500	0%	–	–
Michael Bowen	55,000	–	–	55,000	0%	–	–
Clive Bowman	551,808	750,000	15,192	1,317,000	57%	–	750,000
<i>Executives</i>							
Charlie Gollow	384,808	300,000	15,192	700,000	43%	–	300,000
Diane Jones	344,808	275,000	15,192	635,000	43%	–	275,000
<b>Total</b>	<b>3,036,424</b>	<b>3,075,000</b>	<b>89,460</b>	<b>6,200,884</b>	<b>50%</b>	<b>–</b>	<b>3,075,000</b>

1. This bonus was awarded by the Remuneration Committee under the STI on 29 June 2012 and will be paid in the 2013 financial year so long as the employee remains in employment with the Company. The Group believes that a constructive obligation to pay the 2012 bonus under the STI arose during the year. Accordingly, the bonus was accrued in the 2012 financial year.
2. The Bonus awarded by the Remuneration Committee on 30 June 2011 was paid during the 2012 financial year. The Group believes that a constructive obligation to pay the 2011 bonus under the STI arose during the prior year.
3. Total Key Management Personnel Remuneration recognised in the Statement of Comprehensive Income. The professional indemnity insurance and insurance premiums for directors and officers totalled \$440,114 (2011: \$275,924) have not been allocated to specific individuals as the Directors do not believe there is a reasonable basis for allocation.
4. There was no bonus awarded by the Remuneration Committee under the STI for the 2010 financial year. Therefore there was no bonus paid during the 2011 financial year.

**REMUNERATION REPORT (AUDITED) (CONTINUED)****Compensation and Remuneration Options**

No options were granted to Key Management Personnel in 2012 or 2011.

There were no alterations to the terms and conditions attaching to options granted as remuneration since their grant date. There were no forfeitures during the period.

No options expired in 2012 or 2011.

**Table 3:** Shares issued on exercise of compensation options

	30 June 2012				30 June 2011			
	No. of shares issued	Paid per share	Unpaid per share	Value of options exercised*	No. of shares issued	Paid per share	Unpaid per share	Value of options exercised*
<i>Directors</i>								
Hugh McLernon	-	-	-	-	-	-	-	-
John Walker	-	-	-	-	-	-	-	-
Clive Bowman	-	-	-	-	500,000	\$0.80	-	850,000
<i>Executives</i>								
Charlie Gollow	-	-	-	-	250,000	\$0.80	-	425,000
<b>Total</b>	-	-	-	-	750,000	-	-	1,275,000

\* Calculation based on the IMF share price on the exercise date.

**END OF REMUNERATION REPORT**

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**DIRECTORS' MEETINGS**

The number of meetings of Directors held during the periods under review and the number of meetings attended by each Director were as follows:

	<b>Board Meetings</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
<b>Total number of meetings held:</b>	<b>5</b>	<b>2</b>	<b>3</b>
<b>Meetings attended:</b>			
R Ferguson	5	2	3
M Bowen	5	2	3
A J Halse	5	2	3
H McLernon	5	-	-
J F Walker	5	-	-
Clive Bowman	5	-	-

**Committee Membership**

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

<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nomination Committee</b>
A J Halse (Chairman)	M Bowen (Chairman)	R Ferguson (Chairman)
M Bowen	A J Halse	H McLernon
R Ferguson	R Ferguson	

**Rounding**

The amounts contained in this report have been rounded to the nearest \$1 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

**Auditor's Independence Declaration**

Ernst & Young, the Company's auditors, have provided a written declaration to the Directors in relation to their audit of the Financial Report for the year ended 30 June 2012. This Independence Declaration can be found at page 27.

**Non-Audit Services**

The Directors are satisfied that the provision of non-audit services 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.

Ernst & Young received or are due the following amounts for the provision of non-audit services:

Tax compliance services and other non audit services \$86,710 (2011: \$111,610).

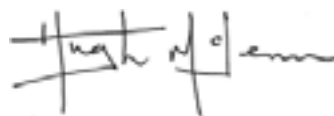
## CORPORATE GOVERNANCE

The Company has an extensive Corporate Governance Manual that includes a compliance program and complaint handling procedures which will enable the Company to interact with its clients and the public in a consistent and transparent manner. The Company's corporate governance statement is noted from page 77 of this Annual Report.

Signed in accordance with a resolution of the Directors.



ROBERT FERGUSON  
CHAIRMAN



HUGH MCLERNON  
MANAGING DIRECTOR

Sydney 22 August 2012

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# AUDITOR'S INDEPENDENCE DECLARATION



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27

## Auditor's Independence Declaration to the Directors of IMF (Australia) Ltd

In relation to our audit of the financial report of IMF (Australia) Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
22 August 2012

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# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

28

		<b>Consolidated</b>	
	<b>Note</b>	<b>2012 \$</b>	<b>2011 \$</b>
<b>Continuing Operations</b>			
Revenue	6	2,409,106	2,690,632
Other income	7	70,592,507	37,934,361
<b>Total Income</b>		<b>73,001,613</b>	<b>40,624,993</b>
Finance costs	8(a)	(416,495)	(1,065,363)
Bad debts written off	13	-	(174,239)
Depreciation expense	8(b)	(238,409)	(220,243)
Employee benefits expense	8(c)	(6,999,311)	(3,694,362)
Corporate and office expense	8(d)	(2,970,128)	(1,769,470)
Other expenses	8(e)	(965,818)	(940,257)
<b>Profit From Continuing Operations Before Income Tax</b>		<b>61,411,452</b>	<b>32,761,059</b>
Income tax expense	9	(18,445,660)	(9,900,909)
<b>Net Profit for the Period</b>		<b>42,965,792</b>	<b>22,860,150</b>
<b>Other Comprehensive Income</b>			
Net fair value gains/(loss) on available-for-sale financial assets		30,332	(333,646)
Impairment on available-for-sale investments transferred to other expenses		-	117,472
Income tax on items of other comprehensive income		-	100,094
Other comprehensive income for the period, net of tax		<b>30,332</b>	<b>(116,080)</b>
<b>Total Comprehensive Income for the Period</b>		<b>42,996,124</b>	<b>22,744,070</b>
<b>Earnings per share attributable to the ordinary equity holders of the company (cents per share)</b>			
Basic profit (cents per share)	11	34.87	18.56
Diluted profit (cents per share)	11	29.51	17.32

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

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# STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

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		<b>Consolidated</b>	
	<b>Note</b>	<b>2012 \$</b>	<b>2011 \$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	62,424,566	55,011,992
Trade and other receivables	13	67,227,799	36,075,176
Other assets	14	380,356	699,885
<b>Total Current Assets</b>		<b>130,032,721</b>	<b>91,787,053</b>
<b>Non-Current Assets</b>			
Trade and other receivables	13	16,330,417	264,371
Plant and equipment	15	798,667	440,500
Financial assets	16	476,158	430,104
Intangible assets	17	66,004,218	59,625,438
<b>Total Non-Current Assets</b>		<b>83,609,460</b>	<b>60,760,413</b>
<b>TOTAL ASSETS</b>		<b>213,642,181</b>	<b>152,547,466</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	24,532,246	7,233,234
Income tax payable	9	13,889,127	37,249
Provisions	19	8,118,689	6,029,525
<b>Total Current Liabilities</b>		<b>46,540,062</b>	<b>13,300,008</b>
<b>Non-Current Liabilities</b>			
Provisions	19	259,530	344,733
Convertible notes	20	34,945,316	33,568,796
Deferred income tax liabilities	9	20,179,335	18,140,424
<b>Total Non-Current Liabilities</b>		<b>55,384,181</b>	<b>52,053,953</b>
<b>TOTAL LIABILITIES</b>		<b>101,924,243</b>	<b>65,353,961</b>
<b>NET ASSETS</b>		<b>111,717,938</b>	<b>87,193,505</b>
<b>EQUITY</b>			
Contributed equity	21	41,909,483	41,900,322
Reserves	22(b)	7,266,268	7,235,936
Retained earnings	22(a)	62,542,187	38,057,247
<b>TOTAL EQUITY</b>		<b>111,717,938</b>	<b>87,193,505</b>

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



# STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2012

30

	<b>Consolidated</b>	
<b>Note</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows from operating activities</b>		
Payments to suppliers and employees	(6,180,414)	(3,654,069)
Interest income	2,262,965	2,452,390
Interest paid	(3,939,814)	(1,237,656)
Income tax paid	(2,554,870)	(3,838,225)
<b>Net cash flows (used in) operating activities</b>	<b>23 (10,412,133)</b>	<b>(6,277,560)</b>
<b>Cash flows from investing activities</b>		
Proceeds from litigation funding – settlements, fees and reimbursements	74,910,264	29,844,488
Payments for litigation funding and capitalised suppliers and employee costs	(49,488,862)	(37,366,405)
Loans to external parties	(800,000)	–
Purchase of plant and equipment	(652,262)	(124,761)
Proceeds from disposal of available-for-sale investments	15,652	–
<b>Net cash flows from/(used in) investing activities</b>	<b>23,984,792</b>	<b>(7,646,678)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	–	688,000
Dividends paid	(6,160,085)	(12,320,170)
Convertible note costs	–	(1,530,838)
Issue of convertible notes	–	39,108,984
<b>Net cash flows (used in)/from financing activities</b>	<b>(6,160,085)</b>	<b>25,945,976</b>
Net increase in cash and cash equivalents held	7,412,574	12,021,738
Cash and cash equivalents at beginning of year	55,011,992	42,990,254
<b>Cash and cash equivalents at end of year</b>	<b>12 62,424,566</b>	<b>55,011,992</b>

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

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

31

<b>CONSOLIDATED</b>	<b>Issued capital \$</b>	<b>Option premium reserve \$</b>	<b>Net unrealised gains reserve \$</b>	<b>Convertible notes reserve \$</b>	<b>Retained earnings \$</b>	<b>Total \$</b>
<b>As at 1 July 2011</b>	<b>41,900,322</b>	<b>3,403,720</b>	<b>-</b>	<b>3,832,216</b>	<b>38,057,247</b>	<b>87,193,505</b>
Profit for the period	-	-	-	-	42,965,792	42,965,792
Other comprehensive income	-	-	30,332	-	-	30,332
<b>Total Comprehensive Income for the Period</b>	<b>41,900,322</b>	<b>3,403,720</b>	<b>30,332</b>	<b>3,832,216</b>	<b>81,023,039</b>	<b>130,189,629</b>
<b>Equity Transactions:</b>						
Dividend paid	-	-	-	-	(6,160,086)	(6,160,086)
Dividend declared (unpaid)	-	-	-	-	(12,320,766)	(12,320,766)
Convertible notes converted	9,161	-	-	-	-	9,161
<b>As at 30 June 2012</b>	<b>41,909,483</b>	<b>3,403,720</b>	<b>30,332</b>	<b>3,832,216</b>	<b>62,542,187</b>	<b>111,717,938</b>
<b>As at 1 July 2010</b>						
<b>As at 1 July 2010</b>	<b>40,514,450</b>	<b>3,403,720</b>	<b>116,080</b>	<b>984,139</b>	<b>27,517,267</b>	<b>72,535,656</b>
Profit for the period	-	-	-	-	22,860,150	22,860,150
Other comprehensive income	-	-	(116,080)	-	-	(116,080)
<b>Total Comprehensive Income for the Period</b>	<b>40,514,450</b>	<b>3,403,720</b>	<b>-</b>	<b>984,139</b>	<b>50,377,417</b>	<b>95,279,726</b>
<b>Equity Transactions:</b>						
Dividend paid	-	-	-	-	(12,320,170)	(12,320,170)
Exercise of options	688,000	-	-	-	-	688,000
Convertible notes converted	697,872	-	-	-	-	697,872
Convertible note equity net of transaction costs	-	-	-	4,068,682	-	4,068,682
Deferred tax liability relating to convertible note	-	-	-	(1,220,605)	-	(1,220,605)
<b>As at 30 June 2011</b>	<b>41,900,322</b>	<b>3,403,720</b>	<b>-</b>	<b>3,832,216</b>	<b>38,057,247</b>	<b>87,193,505</b>

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 2012

## NOTE 1: CORPORATE INFORMATION

The financial report of IMF (Australia) Ltd ("IMF", "the Company" or "the Parent") for the year ended 30 June 2012 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the Directors on 22 August 2012.

IMF (Australia) Ltd (ABN 45 067 298 088) is a company incorporated and domiciled in Australia and limited by shares that are publicly traded on the Australian Securities Exchange (ASX code: IMF).

The nature of the operations and principal activities of the Group are described in note 5.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale and held for trading investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

The amounts contained within this report have been rounded to the nearest \$1 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100.

### b. Compliance with IFRS

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

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

### c. New accounting standards and interpretations

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

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

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 1 July 2011, including:

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

33

**c. New accounting standards and interpretations (continued)**

*(i) Changes in accounting policy and disclosures (continued)*

Reference	Title	Application date of standard	Application date for Group
AASB 124 (Revised)	<p>The revised AASB 124 <i>Related Party Disclosures (December 2009)</i> simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> <li>a. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</li> <li>b. Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>c. The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</li> </ul> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011
AASB 2009-12	<p>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 &amp; 1031 and Interpretations 2, 4, 16, 1039 &amp; 1052]</p> <p>Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p>	1 January 2011	1 July 2011
AASB 2010-4	<p>Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]</p> <p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. New accounting standards and interpretations (continued)**

(i) Changes in accounting policy and disclosures (continued)

Reference	Title	Application date of standard	Application date for Group
AASB 2010-5	<p>Amendments to Australian Accounting Standards</p> <p>[AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 &amp; 1038 and Interpretations 112, 115, 127, 132 &amp; 1042]</p> <p>This standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	1 July 2011
AASB 1054	<p>Australian Additional Disclosures</p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> <li>a. Compliance with Australian Accounting Standards</li> <li>b. The statutory basis or reporting framework for financial statements</li> <li>c. Whether the entity is a for-profit or not-for-profit entity</li> <li>d. Whether the financial statements are general purpose or special purpose</li> <li>e. Audit fees</li> <li>f. Imputation credits</li> </ul>	1 July 2011	1 July 2011
AASB 2010-6	<p>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</p> <p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets that are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.</p>	1 July 2011	1 July 2011

The adoption of the above amendments resulted in changes to accounting policies and disclosures, but had no impact on the financial position or financial performance of the Group.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. New accounting standards and interpretations (continued)**

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2012 are outlined in the table below. The impact of these new standards and interpretations has not been assessed.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2011-3	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.  Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	1 July 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income  [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. New accounting standards and interpretations (continued)**

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

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>The remaining change is presented in profit or loss</li> </ul>                     If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.                 </li> </ol> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2013*	1 July 2013

\* AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted. At the time of preparation, finalisation of ED 215 is still pending by the AASB. However, the IASB has deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, with early application permitted.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

37

**c. New accounting standards and interpretations (continued)**

(ii) *Accounting Standards and Interpretations issued but not yet effective (continued)*

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly controlled Entities – Non-monetary Contributions by Ventures</i>. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.</p>	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.</p>	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1 January 2013	1 July 2013

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c. New accounting standards and interpretations (continued)**

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

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 119	Employee Benefits	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <p>IFRS 1 First-time Adoption of International Financial Reporting Standards</p> <ul style="list-style-type: none"> <li>Repeated application of IFRS 1</li> <li>Borrowing costs</li> </ul> <p>IAS 1 Presentation of Financial Statements</p> <ul style="list-style-type: none"> <li>Clarification of the requirements for comparative information</li> </ul> <p>IAS 16 Property, Plant and Equipment</p> <ul style="list-style-type: none"> <li>Classification of servicing equipment</li> </ul> <p>IAS 32 Financial Instruments: Presentation</p> <ul style="list-style-type: none"> <li>Tax effect of distribution to holders of equity instruments</li> </ul> <p>IAS 34 Interim Financial Reporting</p> <ul style="list-style-type: none"> <li>Interim financial reporting and segment information for total assets and liabilities</li> </ul>	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	<p>This Amendment deletes from AASB 124 individual Key Management Personnel disclosure requirements for disclosing entities that are not companies.</p>	1 July 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

39

**c. New accounting standards and interpretations (continued)**

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

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a. Tier 1: Australian Accounting Standards</li> <li>b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</li> </ul> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a. For-profit entities in the private sector that have public accountability (as defined in this Standard)</li> <li>b. The Australian Government and State, Territory and Local Governments</li> </ul> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <ul style="list-style-type: none"> <li>a. For-profit private sector entities that do not have public accountability</li> <li>b. All not-for-profit private sector entities</li> <li>c. Public sector entities other than the Australian Government and State, Territory and Local Governments.</li> </ul> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.</p>	1 July 2013	1 July 2013

**d. Basis of consolidation**

The consolidated financial statements comprise the financial statements of IMF (Australia) Ltd (“IMF”, “the Company” or “the Parent”) and its subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc. and Bentham Capital LLC (“the Group”) as at 30 June each year.

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

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

The Parent's investment in the subsidiaries are measured at cost in the separate financial statements of the Parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the Statement of Comprehensive Income of the Parent and do not impact the recorded cost of the investment.

**e. Foreign currency**

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at the reporting date. Gains and losses arising from these transactions are recognised in the Statement of Comprehensive Income.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**f. Cash and cash equivalents**

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

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

**g. Trade and other receivables**

Trade receivables, which generally have 30–90 day terms, are recognised initially at fair value less an allowance for any uncollectable amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off when identified. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect the debt. Financial difficulties of the debtor and loss of cases on appeal are considered to be objective evidence of impairment.

**h. Investments and other financial assets**

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

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

***Recognition and derecognition***

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or been transferred.

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

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

***(ii) Loans and receivables***

Loans and receivables including loan notes and loans to Key Management Personnel 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 Statement of Comprehensive Income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**h. Investments and other financial assets (continued)**

*(iii) Available-for-sale securities*

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available for sale or are not classified as any of the preceding categories. After initial recognition available-for-sale are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Comprehensive Income.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

**i. Plant and equipment**

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

*Plant and equipment – over 5 to 15 years.*

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

*Derecognition*

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

**j. Leases**

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

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

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 Statement of Comprehensive Income 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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k. Intangible assets**

*Litigation Contracts In Progress*

Litigation Contracts In Progress represent future economic benefits controlled by the Group. As Litigation Contracts In Progress may be exchanged or sold, the Group is able to control the expected future economic benefit flowing from the Litigation Contracts In Progress. Accordingly, Litigation Contracts In Progress meets 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 Statement of Comprehensive Income 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 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 Company on the appeal are expensed as incurred.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**l. Trade and other payables**

Trade payables and other payables are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

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

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

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

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

**n. Provisions and employee benefits**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

**Employee leave benefits**

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**o. Share-based payment transactions**

*(i) Equity-settled transactions*

Previously, the Company had an Employee Share Option Plan ("ESOP"), which provided benefits to directors and employees in the form of share-based payments. During 2007 the Company implemented a short term incentive plan ("STI"), which replaced the ESOP, and which may also, at the discretion of the Remuneration Committee, provide benefits to employees in the form of share-based payments.

The cost of equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) 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 Black Scholes model.

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 equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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

The charge to the Statement of Comprehensive Income 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 (Australia) Ltd 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.

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**o. Share-based payment transactions (continued)**

*(ii) Cash-settled transactions*

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

**p. Convertible notes**

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs.

On issuance of the convertible notes, the fair value of the liability component is determined using an estimated market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on an amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. Interest on the liability component of the instruments is recognised as an expense in the Statement of Comprehensive Income.

The fair value of any derivative features embedded in the convertible notes, other than the equity component, are included in the liability component. Subsequent to initial recognition, these derivative features are measured at fair value with gains and losses recognised in the Statement of Comprehensive Income.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**q. 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.

**r. Revenue recognition**

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

*(i) Interest income*

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

*(ii) Dividends*

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**s. 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 equity are recognised in equity and not in the Statement of Comprehensive Income.

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

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

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**s. Income tax and other taxes (continued)**

Members of the tax consolidated group have not entered into a tax sharing/funding agreement. Under UIG 1052: *Tax Consolidation Accounting*, where a tax consolidated group has not entered into a tax sharing/funding agreement, the assumption of current tax liabilities and tax losses by the Parent entity is recognised as a contribution/distribution in the subsidiary's equity accounts. The Group has applied the group allocation approach in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group.

**Other taxes**

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

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

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

Cash flows are included in the Statement of Cash Flow 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.

**t. 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 and associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares,

divided by the weighted average number of shares and dilutive shares, adjusted for any bonus element.

**u. Borrowing costs**

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

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES**

The Group's principal financial instruments comprise cash and short-term deposits, receivables and payables and convertible 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, 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. The Group's convertible notes coupon payments are fixed at 10.25% per annum and are therefore not exposed to Australian variable interest rate risk.

At balance date the Group had the following financial assets exposed to Australian variable interest rate risk:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	62,424,566	55,011,992
<b>Net exposure</b>	<b>62,424,566</b>	<b>55,011,992</b>

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

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

At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgment of reasonably possible movements:

	<b>Post Tax Profit</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$	\$
+1.0% (100 basis points) (2011: +1.0%)	120,455	134,532	120,455	134,532
-1.0% (100 basis points) (2011: -1.0%)	(132,501)	(147,985)	(132,501)	(147,985)

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

49

**Risk Exposures and Responses (continued)**

*Credit Risk*

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents and receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Group's deposits are spread amongst a number of financial institutions to minimise the risk of default of counterparties, all of whom have been pre-approved by the Board, have AA credit ratings and are subject to the prudential regulation of the Reserve Bank of Australia.

The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding, and continues this assessment during the course of funding. Wherever possible the Group ensures that security for settlement sums is provided, or settlement funds are placed into solicitors' trust accounts. As at 30 June 2012, 19% of the Group's receivables were not under any such security. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

*Liquidity Risk*

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

Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels. All financial liabilities of the Group 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:

	<b>&lt;6 months \$</b>	<b>6-12 months \$</b>	<b>1-5 years \$</b>	<b>&gt;5 years \$</b>	<b>Total \$</b>
<b>2012</b>					
<b>Financial Liabilities</b>					
Trade and other payables	21,122,846	3,409,400	-	-	24,532,246
Convertible notes	-	-	38,321,407	-	38,321,407
Convertible notes interest	1,963,972	1,963,972	5,891,916	-	9,819,860
	<b>23,086,818</b>	<b>5,373,372</b>	<b>44,213,323</b>	<b>-</b>	<b>72,673,513</b>
<b>2011</b>					
<b>Financial Liabilities</b>					
Trade and other payables	4,826,484	2,406,750	-	-	7,233,234
Convertible notes	-	-	38,331,218	-	38,331,218
Convertible notes interest	1,964,475	1,964,475	9,822,375	-	13,751,325
	<b>6,790,959</b>	<b>4,371,225</b>	<b>48,153,593</b>	<b>-</b>	<b>59,315,777</b>

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**NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)**

**Risk Exposures and Responses (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.

*Foreign Currency Risk*

The Group is currently funding cases outside Australia. The investment in these cases and the subsequent income generated by these cases are subject to exchange rate movements. The Group has managed this risk by ensuring that it has sufficient levels of the foreign currency available to cover the total expected investment in each case. The exposure to foreign currency risk is not considered to be material.

*Equity Price Risk*

The Group has investments in companies which are listed on the Australian Securities Exchange and the London Stock Exchange. The value of these investments fluctuate with equity price movements. The Group manages this risk by monitoring its investments on a regular basis. The exposure to equity price risk is not considered to be material.

**NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the 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, estimates and assumptions are made. 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.

**(i) Significant accounting judgments**

*Classification of and valuation of investments*

The Group has decided to classify certain investments in listed securities as 'available-for-sale' or 'held for trading' investments and movements in fair value are recognised directly in equity or in the Statement of Comprehensive Income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

*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.

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**NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS  
(CONTINUED)**

**(i) Significant accounting judgments (continued)**

*Taxation (continued)*

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. Judgments and assumptions are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Statement of Financial Position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Statement of Comprehensive Income.

**(ii) Significant accounting estimates and assumptions**

*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 17).

*Impairment of intangibles with indefinite useful lives*

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of the recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 17.

*Long service leave provision*

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

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience for plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 8(b) and note 15(a).

*Provision for adverse costs*

The Group raises a provision for adverse costs when it has lost a matter which it has funded and no appeal from that decision is to be made. When a matter is lost and an appeal is lodged, the Group raises a provision if the judgment at first instance is not stayed pending the outcome of the appeal. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit following consultation with external advisers.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 5: SEGMENT INFORMATION**

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

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

Interest received from National Australia Bank Ltd of \$1,750,018 (2011: \$2,094,866) and Westpac Banking Group Ltd of \$605,945 (2011: \$500,000) contributed more than 97% of the Group's bank interest revenue.

**NOTE 6: REVENUE**

	Consolidated	
	2012 \$	2011 \$
<b>Revenue</b>		
Bank interest received and accrued	2,409,106	2,690,632
	2,409,106	2,690,632

**NOTE 7: OTHER INCOME**

	Consolidated	
	2012 \$	2011 \$
<b>Other income</b>		
Litigation Contracts In Progress – settlements	117,807,365	57,856,855
Litigation Contracts In Progress – expenses	(44,049,601)	(18,703,198)
Litigation Contracts In Progress – written-off <sup>1</sup>	(3,190,718)	(1,196,883)
Net gain on disposal of intangible assets	70,567,046	37,956,774
GST recoverable/(written-off) from prior periods <sup>2</sup>	5,605	(38,012)
Other income	19,856	15,599
	70,592,507	37,934,361

<sup>1</sup> Included in this balance are costs related to cases not pursued by the Group due to the cases not meeting the Group's required rate of return and any adverse costs provisions raised when a litigation contract in progress has been written-off due to it being lost.

<sup>2</sup> The GST recoverable/(written-off) from prior periods relates to an over/(under) accrual of GST payable from previous years.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 8: EXPENSES**

53

	<b>Consolidated</b>	
	<b>2012</b> \$	<b>2011</b> \$
<b>(a) Finance costs</b>		
Interest expense	(359,336)	(971,953)
Other finance charges	(57,159)	(93,410)
	<u>(416,495)</u>	<u>(1,065,363)</u>
<b>(b) Depreciation</b>		
Depreciation expense	(238,409)	(220,243)
<b>(c) Employee benefits expense</b>		
Wages and salaries	(5,219,659)	(2,425,392)
Superannuation expense	(676,841)	(539,163)
Directors' fees	(241,665)	(208,726)
Payroll tax	(686,270)	(337,841)
Long service leave provision	(174,876)	(183,240)
	<u>(6,999,311)</u>	<u>(3,694,362)</u>
<b>(d) Corporate and office expense</b>		
Insurance expense	(851,635)	(621,563)
Network expense	(115,579)	(200,039)
Marketing expense	(586,834)	(357,710)
Occupancy expense	(89,699)	(39,181)
Professional fee expense	(1,021,614)	(346,636)
Recruitment expense	(22,372)	(27,137)
Telephone expense	(115,232)	(91,856)
Travel expense	(167,163)	(85,348)
	<u>(2,970,128)</u>	<u>(1,769,470)</u>
<b>(e) Other expenses</b>		
ASX listing fees	(51,029)	(56,368)
General expenses	(660,394)	(354,954)
Postage, printing and stationery	(78,669)	(100,437)
Repairs and maintenance	(29,324)	(24,820)
Share registry costs	(56,152)	(53,389)
Software supplies	(21,493)	(32,264)
Unrealised foreign exchange loss	(32,140)	(110,128)
Net revaluation profit/(loss) on shares held for trading	19,069	(90,415)
Impairment of available-for-sale financial asset	-	(117,482)
Impairment of plant and equipment	(55,686)	-
	<u>(965,818)</u>	<u>(940,257)</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 9: INCOME TAX**

The major components of income tax expense are:

**Income statement**

*Current income tax*

Current income tax charge	16,774,885	4,213,327
Adjustment in respect of current income tax expense of previous year	(368,135)	56,976

*Deferred income tax*

Relating to origination and reversal of temporary differences	1,659,871	5,677,361
Other	3,925	(32,996)
Derecognition of unrealised capital losses	–	15,104
Adjustment in respect of deferred income tax of previous year	375,114	(28,863)

Income tax expense reported in the Statement of Comprehensive Income

18,445,660 9,900,909

**Statement of recognised income and expense**

*Deferred income tax related to items charged or credited directly to equity*

Convertible notes	–	1,220,605
Revaluation of listed investments	–	(64,852)

Income tax expense reported in equity

– 1,155,753

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

Accounting profit before income tax

61,411,452 32,761,059

At the Group's statutory income tax rate of 30% (2011: 30%)

18,423,435 9,828,319

Adjustment in respect of income tax of previous years	6,979	28,113
Income not assessable for income tax purposes	11,321	62,369
Derecognition of unrealised capital losses	–	15,104
Other	3,925	(32,996)

Income tax expense reported in the Statement of Comprehensive Income

18,445,660 9,900,909

**Consolidated**

2012 2011  
\$ \$

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 9: INCOME TAX (CONTINUED)**

55

**Deferred income tax**

	Statement of Financial Position		Statement of Comprehensive Income	
	2012 \$	2011 \$	2012 \$	2011 \$
Deferred income tax at 30 June relates to the following:				
<i>CONSOLIDATED</i>				
<i>Deferred income tax liabilities</i>				
Intangibles	19,801,266	17,754,793	2,046,472	5,608,561
Convertible notes	729,017	1,015,398	(286,381)	(205,207)
Financial instruments	–	–	–	15,104
Accrued interest	282,617	–	282,617	(164,083)
Gross deferred income tax liabilities	20,812,900	18,770,191		
<i>Deferred income tax assets</i>				
Depreciable assets	70,464	63,752	(6,712)	(5,728)
Accruals and provisions	557,615	557,786	171	390,187
Expenditure deductible for income tax over time	5,486	8,229	2,743	(8,229)
Gross deferred income tax assets	633,565	629,767		
Deferred income tax expense			2,038,910	5,630,605
Net deferred income tax liabilities	<b>20,179,335</b>	<b>18,140,424</b>		

**(f) Unrecognised temporary differences and tax losses**

At 30 June 2012 the Group had no unrecognised temporary differences and tax losses.

**NOTE 10: DIVIDENDS PAID AND PROPOSED**

	Consolidated	
	2012 \$	2011 \$
<b>(a) Recognised amounts:</b>		
<i>Declared and paid during the year</i>		
Dividends on ordinary shares		
2012: Final 10.0 cents per share	12,320,766	–
2011: Interim 10.0 cents per share	–	12,320,170
	12,320,766	12,320,170
<b>(b) Unrecognised amounts:</b>		
Dividends on ordinary shares		
2012: Nil unrecognised	–	–
2011: Final 5.0 cents per share	–	6,160,086
	–	6,160,086

On 29 June 2012 a final dividend of 10.0 cents per share was declared. The record date for this dividend is 29 August 2012 and the shares will trade ex-dividend on 23 August 2012. Payment for this dividend will be made on 13 September 2012. This dividend has been recognised in the financial statements as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 10: DIVIDENDS PAID AND PROPOSED (CONTINUED)**

On 24 August 2011 a final dividend of 5.0 cents per share was been declared in respect of the 2011 financial year. This dividend was not recognised in the financial statements as at 30 June 2011. This dividend was paid on 7 October 2011.

	<b>IMF (Australia) Ltd</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<b>(c) Franking credit balance</b>		
The amount of franking credits for the subsequent financial year are:		
– Franking account balance as at the end of the financial year at 30%	202,566	1,300,851
– Franking debits that arose from the payment of interim dividends during the year	–	(5,280,073)
– Franking debits that arose from the payment of last year's final dividend	(2,640,036)	–
– Franking credits that arose from the payment of income tax payable during the financial year	2,582,894	3,792,592
– Franking credits that will arise from the (refund)/payment of income tax (receivable)/payable as at the end of the financial year	13,889,127	389,196
	<b>14,034,551</b>	<b>202,566</b>
Impact of franking debits that will arise from the payment of the final dividend	(5,280,329)	(2,640,036)
	<b>8,754,222</b>	<b>(2,437,470)</b>

**(d) Tax rates**

The tax rate at which paid dividends have been franked is 30% (2011: 30%).

**NOTE 11: EARNINGS PER SHARE**

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent (after deducting interest on the convertible notes) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<i>For basic earnings per share</i>		
Net profit attributable to ordinary equity holders of the Parent	42,965,792	22,860,150
<i>For diluted earnings per share</i>		
Net profit from continuing operations attributable to ordinary equity holders of the Parent	42,965,792	22,860,150
Tax effected interest expense on convertible notes	251,535	680,367
Net profit attributable to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	<b>43,217,327</b>	<b>23,540,517</b>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 11: EARNINGS PER SHARE (CONTINUED)**

57

**(b) Weighted average number of shares**

	Number	
	2012	2011
<i>Weighted average number of ordinary shares outstanding for basic earnings per share</i>	123,207,662	123,201,716
Effect of dilution:		
Convertible notes	23,225,095	12,729,338
Weighted average number of ordinary shares adjusted for the effect of dilution	146,432,757	135,931,054

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

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 2012 there were no options issued over shares in the Company (2011: nil).

*(ii) Convertible notes*

The convertible notes as described in note 20 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. The convertible notes have not been included in the determination of basic earnings per share.

**NOTE 12: CURRENT ASSETS – CASH AND CASH EQUIVALENTS**

	2012 \$	2011 \$
Cash at bank	24,393,740	13,010,392
Short-term deposits	38,030,826	42,001,600
	62,424,566	55,011,992

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 of between one day and twenty-four months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group's 24 month term deposit can be withdrawn with one day's notice without penalty, hence it has been included as a current asset.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 12: CURRENT ASSETS – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Reconciliation to Statement of Cash Flow**

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Cash at bank	24,393,740	13,010,392
Short-term deposits	38,030,826	42,001,600
	62,424,566	55,011,992

*Bank Guarantees*

Bank guarantees have been issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for matters funded under litigation contracts. As at 30 June 2012 guarantees of \$1,776,558 were outstanding (2011: \$2,049,762). The guarantees are secured by an offset arrangement with a term deposit of \$5,000,000 (2011: \$5,000,000).

*Set off of assets and liabilities*

The Group has established a legal right of set off with two banks enabling it to set off certain deposits with the banks against bank guarantees issued totalling \$1,776,558 (2011: \$2,049,762). The total of the bank guarantee facilities is \$5,000,000 (2011: \$5,000,000). The guarantee facility is secured by an offset arrangement against term deposits of \$5,000,000 (2011: \$5,000,000).

**NOTE 13: TRADE AND OTHER RECEIVABLES**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Current</b>		
Trade receivables	65,485,741	35,231,257
Interest receivable	942,058	795,919
Short term loan	800,000	–
Other	–	48,000
	67,227,799	36,075,176

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Non-current</b>		
Trade receivables	16,330,417	264,371
	16,330,417	264,371

- i. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is no amount included in current trade receivables which is subject to appeal (2011: nil).
- ii. Interest receivable is payable upon the maturity of the Group's short term deposits (between 30 and 90 days).
- iii. Non-current trade receivables are non-interest bearing and occur either as a result of settlements with a repayment plan greater than 12 months or where a judgement is subject to an appeal and the appeal is not expected to be heard within the next 12 months. A total of \$14,399,200 is included in the non-current trade receivable balance which is subject to appeal (2011: nil).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 13: TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

	0-30 days \$	31-90 days \$	91-180 days <sup>1</sup> \$	+180 days <sup>1</sup> \$	Total \$
2012 Consolidated	65,191,121	1,933,096	–	16,433,999	83,558,216
2011 Consolidated	18,975,202	94,056	163,769	17,106,520	36,339,547

<sup>1</sup> These amounts are not due and therefore not impaired.

During the year the Group did not write off any receivable balances (2011: \$174,239).

**(a) Fair value and credit risk**

Due to the nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables. Current receivables greater than 180 days are expected to be received within the following twelve months.

**NOTE 14: CURRENT ASSETS – OTHER ASSETS**

	Consolidated	
	2012 \$	2011 \$
Prepayments	380,356	695,458
Other	–	4,427
	380,356	699,885

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 15: NON-CURRENT ASSETS – PLANT AND EQUIPMENT**

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Cost</b>		
Accumulated depreciation	2,212,718	1,694,950
Net carrying amount	(1,414,051)	(1,254,450)
	<b>798,667</b>	<b>440,500</b>
		<b>Consolidated</b>
		<b>Plant and</b>
		<b>Equipment</b>
		<b>\$</b>
<b>Cost</b>		
Balance as at 1 July 2010		1,570,189
Additions		124,761
Disposals		–
At 30 June 2011		1,694,950
Additions		652,262
Disposals		(134,494)
At 30 June 2012		<b>2,212,718</b>
<b>Depreciation</b>		
Balance as at 1 July 2010		1,034,207
Depreciation charge for the year		220,243
Disposals		–
At 30 June 2011		1,254,450
Depreciation charge for the year		238,409
Disposals		(78,808)
At 30 June 2012		<b>1,414,051</b>
<b>Net book value</b>		
At 30 June 2012		<b>798,667</b>
At 30 June 2011		440,500

The useful life of the assets was estimated between 5 to 15 years for both 2011 and 2012.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 16: NON-CURRENT ASSETS – FINANCIAL ASSETS**

61

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
At fair value		
Shares – Australian listed – available-for-sale	455,012	424,680
Shares – United Kingdom listed – held for trading	21,146	5,424
<b>Closing balance as at 30 June</b>	<b>476,158</b>	<b>430,104</b>

**(a) Listed shares**

The fair value of listed financial assets has been determined based on quoted market prices (Level 1). Quoted market price represents the fair value based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

**NOTE 17: INTANGIBLE ASSETS**

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

	<b>Consolidated</b>
	<b>\$</b>
<b>Balance as at 1 July 2011</b>	
Cost (gross carrying amount)	59,625,438
Accumulated amortisation and impairment	–
Net carrying amount	<u>59,625,438</u>
<b>Year ended 30 June 2012</b>	
Balance as at 1 July 2011, net of accumulated amortisation and impairment	59,625,438
Additions	53,955,208
Disposals	(44,049,601)
Write-down of Litigation Contracts In Progress	(3,526,827)
At 30 June 2012, net of accumulated amortisation and impairment	<u>66,004,218</u>
<b>Balance as at 1 July 2010</b>	
Cost (gross carrying amount)	40,487,439
Accumulated amortisation and impairment	–
Net carrying amount	<u>40,487,439</u>
<b>Year ended 30 June 2011</b>	
Balance as at 1 July 2010, net of accumulated amortisation and impairment	40,487,439
Additions	40,717,906
Disposals	(18,825,174)
Write-down of Litigation Contracts In Progress	(2,754,733)
At 30 June 2011, net of accumulated amortisation and impairment	<u>59,625,438</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 17: INTANGIBLE ASSETS (CONTINUED)**

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

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, as well as the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs and other out of pocket expenses. The capitalised wages in 2012 equated to approximately 49% of the total salary costs (2011: 67%). The other internal capitalised expenses equated to approximately 23% of overhead costs (2011: 26%).

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Capitalised external costs	46,324,595	43,642,918
Capitalised internal costs	14,883,061	14,132,020
Capitalised borrowing costs	4,796,562	1,850,500
Balance at 30 June	<b>66,004,218</b>	<b>59,625,438</b>

**(c) Write off of intangible assets**

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

**(d) Impairment testing of intangible assets**

The recoverable amount of each of the Litigation Contracts In Progress is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management.

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 advisers handling the litigation and the plaintiff in the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement 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, which resulted in a discount rate of 13.5% (2011: 13.5%).

Any reasonable changes in the key assumptions to the cash flow projections would not result in the carrying value of intangible assets exceeding its recoverable amount.

**(e) Capitalised borrowing costs**

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying asset. The amount of borrowing costs capitalised during the year ended 30 June 2012 was \$2,946,062 (2011: \$1,850,500). The rate used to determine the borrowing costs eligible for capitalisation was 13.5%, which is the effective interest rate.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 18: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES**

	Consolidated	
	2012 \$	2011 \$
Trade payables <sup>1</sup>	10,944,955	5,998,450
Convertible note interest accrual	944,536	979,654
Wage accruals	321,989	255,130
Dividend payable	12,320,766	–
	24,532,246	7,233,234

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

**(a) Fair value**

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

**NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS**

	Consolidated	
	2012 \$	2011 \$
<b>Current</b>		
Annual leave and long service leave	1,241,389	879,915
Adverse costs	–	336,110
Bonus	6,877,300	4,813,500
	8,118,689	6,029,525
<b>Non-Current</b>		
Long service leave	259,530	344,733
	259,530	344,733

**(a) Movement in provisions**

	Adverse costs \$	Annual leave \$	Employee bonus \$	Long service leave \$	Total \$
As at 1 July 2011	336,110	496,825	4,813,500	727,823	6,374,258
Arising during the year	–	514,331	6,808,800	179,387	7,502,518
Utilised	(336,110)	(412,936)	(4,745,000)	(4,511)	(5,498,557)
As at 30 June 2012	–	598,220	6,877,300	902,699	8,378,219
Current 2012	–	598,220	6,877,300	643,169	8,118,689
Non-current 2012	–	–	–	259,530	259,530
	–	598,220	6,877,300	902,699	8,378,219
Current 2011	336,110	496,825	4,813,500	383,090	6,029,525
Non-current 2011	–	–	–	344,733	344,733
	336,110	496,825	4,813,500	727,823	6,374,258

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS (CONTINUED)**

**(b) Nature and timing of provisions**

*Adverse costs*

There is no provision for adverse costs as at 30 June 2012 as the Group does not have any unpaid outstanding adverse costs orders.

At 30 June 2010 the Group raised a provision of \$2,006,487 in respect of its estimated adverse costs obligation incurred in respect of the Kingstream matter, which was overturned on appeal. As at 30 June 2011 this balance had reduced to \$336,110 as a result of adverse and other costs paid in the Kingstream matter during the period.

*Annual leave and long service leave*

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

**NOTE 20: NON-CURRENT LIABILITIES**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Convertible notes <sup>1</sup>	34,945,316	33,568,796

<sup>1</sup> Includes transaction costs of \$1,366,366.

On 13 December 2010 the Company issued 23,702,415 convertible notes raising total capital of \$39,108,985 (excluding costs). Each convertible note has a face value of \$1.65 and has the right to convert into one ordinary share. The Noteholders have been granted security over the Company's assets.

The convertible notes are convertible at the option of the Noteholder by 31 December 2014. The Company has the ability to request the Noteholder to elect to either convert or be repaid after 31 December 2012. During the period 5,946 Noteholders elected to convert their convertible notes into shares (2011: 471,374 converted). Accordingly as at 30 June 2012, there were 23,225,095 convertible notes on issue with a face value of \$38,321,407 (2011: 23,231,041 convertible notes on issue with a face value of \$38,331,218).

The Company is required to pay the Noteholders interest of 10.25% per annum, payable quarterly in arrears, with the first interest quarter being 31 December 2010. The application of AASB 123 *Borrowing Costs (revised 2007)* has resulted in the capitalisation of \$4,796,562 (2011: \$1,850,500) as part of the Litigation Contracts in Progress intangible assets deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009 (refer to note 17).

At 30 June 2012, the carrying amount of the convertible notes approximate their fair values.

The application of AASB 132 *Financial Instruments: Disclosure and Presentation* has resulted in \$4,068,682 (net of transaction costs before tax) of these convertible notes being classified as equity (refer to note 22).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 21: CONTRIBUTED EQUITY**

65

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<i>Contributed equity</i>		
Issued and fully paid ordinary shares	41,909,483	41,900,322

**(a) Ordinary shares**

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued capital.

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

	<b>Number</b>	<b>\$</b>
<b>Movement in ordinary shares</b>		
As at 30 June 2010	121,870,342	40,514,450
Exercise of employee options	860,000	688,000
Convertible notes converted	471,374	697,872
As at 30 June 2011	123,201,716	41,900,322
Convertible notes converted	5,946	9,161
As at 30 June 2012	123,207,662	41,909,483

**(b) Share options**

At 30 June 2012, there were no unissued ordinary shares in respect of which options were outstanding (2011: nil).

**(c) Capital management**

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

The earnings of the Group are lumpy and this is forecast to continue into the future. Management's policy is to pay dividends to shareholders from earnings where there is capital surplus to the needs of the business. The present view of Management is that the business requires a cash balance of between \$70 million and \$75 million.

At 30 June 2012 the cash balance of the Group was below its preferred optimum level of between \$70 million to \$75 million. However, Management expects the cash balance to be excess of this level as trade receivables are collected (refer to note 13).

The Group has undertaken to the convertible note holders that it will not pay its shareholders a dividend if its cash balance falls below \$40 million. The Group is not subject to any externally imposed capital requirements.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 22: RETAINED EARNINGS AND RESERVES**

**(a) Movement in retained earnings were as follows:**

	Consolidated	
	2012 \$	2011 \$
Balance 1 July	38,057,247	27,517,267
Net profit for the year	42,965,792	22,860,150
Dividend paid	(6,160,086)	(12,320,170)
Dividend payable	(12,320,766)	–
Balance 30 June	62,542,187	38,057,247

**(b) Movement in reserves were as follows:**

	Option premium reserve \$	Net unrealised gains reserve \$	Convertible notes reserve \$	Total reserves \$
At 1 July 2010	3,403,720	116,080	984,139	4,503,939
Share revaluation	–	(116,080)	–	(116,080)
Deferred tax liability relating to share revaluation	–	–	–	–
Equity component – convertible notes <sup>1</sup>	–	–	4,068,682	4,068,682
Deferred tax liability relating to convertible notes	–	–	(1,220,605)	(1,220,605)
At 30 June 2011	3,403,720	–	3,832,216	7,235,936
Share revaluation	–	30,332	–	30,332
Deferred tax liability relating to share revaluation	–	–	–	–
Equity component – convertible notes <sup>1</sup>	–	–	–	–
Deferred tax liability relating to convertible notes	–	–	–	–
At 30 June 2012	3,403,720	30,332	3,832,216	7,266,268

<sup>1</sup> Includes transaction costs of \$166,059.

**(c) Nature and purpose of reserves**

*(i) 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. Refer to note 26 for further details of these payments.

*(ii) Net unrealised gains reserve*

This reserve is used to record the unrealised gain on available-for-sale investments.

*(iii) Convertible note reserve*

This reserve is used to record the equity portion of the convertible notes.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 23: STATEMENT OF CASH FLOW RECONCILIATION**

67

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Net profit attributable to members of the Parent	42,965,792	22,860,150
<i>Adjustments for:</i>		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows from investing activities	(25,421,402)	7,521,917
Depreciation	238,409	220,243
Loss recognised on remeasurement to fair value	(19,069)	90,425
Convertible note accretion	1,385,678	727,120
Profit on sale of shares	(12,303)	-
Revaluation loss on sale of shares	-	117,472
Other	55,686	30,084
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in receivables	(46,418,669)	(29,224,515)
Decrease/(Increase) in other current assets	319,529	(388,584)
Decrease/(Increase) in intangible assets	(6,378,780)	(19,137,999)
Increase/(Decrease) in trade creditors and accruals	5,013,364	419,889
Increase/(Decrease) in interest accruals	(35,118)	979,654
Increase/(Decrease) in provisions	2,003,961	3,443,898
Increase/(Decrease) in deferred tax liabilities	2,038,911	5,615,503
Increase/(Decrease) in current income tax liability	13,851,878	447,183
Net cash (used in) operating activities	(10,412,133)	(6,277,560)

**(b) Disclosure of financing facilities**

Refer to note 12.

**NOTE 24: 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.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Transactions with related parties	3,204	550

During the year the Group obtained legal advice from Hardy Bowen, a legal firm associated with Director Michael Bowen. The legal advice was obtained at normal market prices.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 25: 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	
	2012 \$	2011 \$
Short-term employee benefits – salaries and wages	3,465,437	3,036,424
Short-term employee benefits – accrued and unpaid <sup>1</sup>	3,925,000	3,075,000
Post-employment benefits	94,563	89,460
	7,485,000	6,200,884

<sup>1</sup> As at 30 June 2012 and 30 June 2011 bonuses had been declared to be payable during the following nine-month period.

**(c) Option holdings of Key Management Personnel (Consolidated)**

There were no options held by Key Management Personnel at 30 June 2012 or 30 June 2011. During the year ended 30 June 2011, 750,000 options were exercised:

	Balance	Granted as	Options	Balance	Vested at 30 June 2011		Not vested/
	01-Jul-10	remuneration	exercised	30-Jun-11	Total	Exercisable	exercisable
<i>Directors</i>							
Robert Ferguson	–	–	–	–	–	–	–
Hugh McLernon	–	–	–	–	–	–	–
John Walker	–	–	–	–	–	–	–
Alden Halse	–	–	–	–	–	–	–
Michael Bowen	–	–	–	–	–	–	–
Clive Bowman	500,000	–	(500,000)	–	–	–	–
<i>Executives</i>							
Charlie Gollow	250,000	–	(250,000)	–	–	–	–
Diane Jones	–	–	–	–	–	–	–
<b>Total</b>	750,000	–	(750,000)	–	–	–	–

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 25: KEY MANAGEMENT PERSONNEL (CONTINUED)**

69

**(d) Shareholdings of Key Management Personnel**

	<b>Balance 01-Jul-11</b>	<b>Received as remuneration</b>	<b>Options exercised</b>	<b>Net change other</b>	<b>Balance 30-Jun-12</b>
<i>Directors</i>					
Robert Ferguson	2,500,000	-	-	-	2,500,000
Hugh McLernon	9,518,975	-	-	(1,217,129)	8,301,846
John Walker	6,884,920	-	-	(1,217,128)	5,667,792
Alden Halse	876,251	-	-	-	876,251
Michael Bowen	813,751	-	-	-	813,751
Clive Bowman	1,013,941	-	-	-	1,013,941
<i>Executives</i>					
Charlie Gollow	460,000	-	-	-	460,000
Diane Jones	20,000	-	-	-	20,000
	<b>22,087,838</b>	<b>-</b>	<b>-</b>	<b>(2,434,257)</b>	<b>19,653,581</b>

	<b>Balance 01-Jul-10</b>	<b>Received as remuneration</b>	<b>Options exercised</b>	<b>Net change other</b>	<b>Balance 30-Jun-11</b>
<i>Directors</i>					
Robert Ferguson	2,500,000	-	-	-	2,500,000
Hugh McLernon	9,708,592	-	-	(189,617)	9,518,975
John Walker	7,074,537	-	-	(189,617)	6,884,920
Alden Halse	876,251	-	-	-	876,251
Michael Bowen	813,751	-	-	-	813,751
Clive Bowman	704,960	-	500,000	(191,019)	1,013,941
<i>Executives</i>					
Charlie Gollow	210,000	-	250,000	-	460,000
Diane Jones	20,000	-	-	-	20,000
	<b>21,908,091</b>	<b>-</b>	<b>750,000</b>	<b>(570,253)</b>	<b>22,087,838</b>

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options 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 2012 (2011: nil).

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 26: SHARE-BASED PAYMENT PLAN**

**(a) Recognised share-based payment expenses**

There were no options issued to employees during the year, and the last time options were issued to employees was 1 July 2006.

**(b) Types of share-based payment plans**

In 2007 the Company implemented a STI, which replaced the ESOP, and which may also, at the discretion of the Remuneration Committee, provide benefits to employees in the form of share-based payments. STI payments to date have been settled in cash.

Previously, the Company had an ESOP, which provided benefits to directors and employees in the form of share-based payments. The options were not quoted on the ASX and the granting of the options under the ESOP does not entitle any option holder to any dividend or voting rights or any other rights held by a shareholder, until exercise of the options. Each option entitles the option holder to one ordinary share in the Parent on exercise. There are no cash settlement alternatives.

**(c) Summaries of options**

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options issued during the year.

The outstanding balance as at 30 June is represented by:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at the beginning of the year	-	-	830,000	\$0.80
Employee options reinstated <sup>1</sup>	-	-	30,000	-
Exercised during the year	-	-	(860,000)	(\$0.80)
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-

<sup>1</sup> These options were incorrectly classified as expired when an employee was on maternity leave. They were subsequently reinstated when the error was discovered.

**(d) Weighted average remaining contractual life**

There are no options outstanding at 30 June 2012 or 30 June 2011.

**(e) Range of exercise prices**

There are no options outstanding at 30 June 2012 or 30 June 2011.

**(f) Weighted average fair value**

No options were granted during 2012 or 2011.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 27: COMMITMENTS AND CONTINGENCIES**

71

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

The Group has entered into commercial leases for its premises. These leases have a life of between one and five years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Within one year	671,597	471,811
After one year but no more than five years	1,743,464	590,292
After more than five years	–	–
<b>Total minimum lease payments</b>	<b>2,415,061</b>	<b>1,062,103</b>

**(b) Remuneration commitments**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
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	3,386,831	3,293,361
After one year but no more than five years	–	–
	<b>3,386,831</b>	<b>3,293,361</b>

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

**(c) Contingencies**

It has been agreed between the parties that the defamation proceedings against IMF and Mr McLernon will be discontinued.

**NOTE 28: ECONOMIC DEPENDENCY**

IMF (Australia) Ltd is not economically dependent on any other entity.

**NOTE 29: EVENTS AFTER THE BALANCE SHEET DATE**

There have been no significant events between 30 June 2012 and the date of issuing this report.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 30: AUDITORS' REMUNERATION**

The auditor of IMF (Australia) Ltd is Ernst & Young.

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the Parent and any other entity in the consolidated group	233,750	223,190
Other services in relation to the Parent and any other entity in the consolidated group		
Tax compliance	86,710	111,610
	<b>320,460</b>	<b>334,800</b>

**NOTE 31: PARENT ENTITY INFORMATION**

<b>Information relating to IMF (Australia) Ltd:</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Current assets	129,880,386	91,597,437
Total assets	226,292,198	167,607,288
Current liabilities	(69,098,050)	(39,477,709)
Total liabilities	(124,482,231)	(91,531,662)
<b>Net assets</b>	<b>101,809,967</b>	<b>76,075,626</b>
Issued capital	41,909,483	41,900,322
Retained earnings	52,634,216	26,939,367
Option premium reserve	3,403,720	3,403,720
Convertible note reserve	3,832,216	3,832,217
Unrealised gains reserve	30,332	-
<b>Total shareholders' equity</b>	<b>101,809,967</b>	<b>76,075,626</b>
Profit or loss of the Parent entity	44,175,669	22,732,451
<b>Total comprehensive income of the Parent entity</b>	<b>44,216,031</b>	<b>22,616,371</b>

The Parent entity has not entered into any guarantees with its subsidiary.

Details of the contingent liabilities of the Parent entity are contained in note 27(c). There are no contingent liabilities in relation to the subsidiary.

Details of the contractual commitments of the Parent entity are contained in note 27(b). There are no contractual commitments in relation to the subsidiary.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2012 (continued)

**NOTE 31: PARENT ENTITY INFORMATION (CONTINUED)**

**Tax consolidation**

*(i) Members of the tax consolidated group*

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

*(ii) Tax effect accounting by members of the tax consolidated group*

Members of the tax consolidated group have not entered into a tax sharing/funding agreement. Under UIG 1052: *Tax Consolidation Accounting*, where a tax consolidated group has not entered into a tax sharing/funding agreement, the assumption of current tax liabilities and tax losses by the Parent is recognised as a contribution/distribution of the subsidiary's equity accounts. The Group has applied the group allocation tax payer approach in determining the appropriate amount of current and deferred taxes to allocate to the members of the tax consolidated group.

*Tax consolidation contributions/(distributions)*

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

	<b>IMF (Australia) Ltd</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Total increase in tax liability and cost of investment in subsidiary of IMF (Australia) Ltd	(27,024)	1,366,956

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

Name	Country of incorporation	Percentage owned		Investment	
		2012 %	2011 %	2012 \$	2011 \$
Financial Redress Pty Ltd <sup>1</sup>	Australia	100	100	16,364,441	16,391,466
Bentham Holdings Inc.	USA	100	Not incorporated	1	-
Bentham Capital LLC	USA	100	Not incorporated	-	-

<sup>1</sup> The movement in the investment reflects a tax consolidation adjustment to the Parent's investment in the subsidiary as a result of the transfer of the subsidiary's income tax liability to the Parent.

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## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of IMF (Australia) Ltd, I state that:

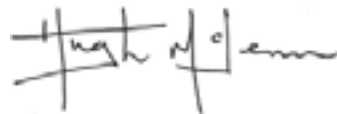
In the opinion of the Directors:

- a. the financial statements and notes of IMF (Australia) Ltd for the financial year ended 30 June 2012 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of its financial position as at 30 June 2012 and performance for the year ended on that date; and
  - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- d. this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012.

On behalf of the Board



**ROBERT FERGUSON**  
Non-Executive Chairman



**HUGH MCLERNON**  
Managing Director

Dated this 22nd day of August 2012

# INDEPENDENT AUDITOR'S REPORT



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75

## Independent auditor's report to the members of IMF (Australia) Limited

### Report on the financial report

We have audited the accompanying financial report of IMF (Australia) Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### *Auditor's responsibility*

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

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

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

### *Independence*

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

# INDEPENDENT AUDITOR'S REPORT



## Opinion

In our opinion:

- a. the financial report of IMF (Australia) Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 24 of the Directors' Report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of IMF (Australia) Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', written over a faint, larger version of the company logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', written over a faint, larger version of the company logo.

G H Meyerowitz  
Partner  
Perth  
22 August 2012

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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of IMF (Australia) Ltd ("IMF") is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of IMF on behalf of the shareholders by whom they are elected and to whom they are accountable. The following table is a summary of the ASX Corporate Governance Principles and Recommendations and the Group's compliance with these guidelines and should be read in conjunction with the further details and rationale of the Company's corporate governance practices in this report.

77

Recommendation	Comply Yes / No
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1	Yes
2.1 A majority of the Board should be independent directors.	Yes
2.2 The chair should be an independent director.	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4 The Board should establish a nomination committee.	Yes
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	
• the practices necessary to maintain confidence in the Company's integrity;	Yes
• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and	Yes
• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1 The Board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it:	
• consists of only non-executive directors:	Yes
• consists of a majority of independent directors;	Yes
• is chaired by an independent chair, who is not chair of the Board; and	Yes
• has at least three members.	Yes



## CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation	Comply Yes / No
4.3 The audit committee should have a formal charter.	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting risks.	Yes
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
8.1 The Company should establish a remuneration committee.	Yes
8.2 The remunerations committee should be structured so that it:	
• consists of a majority of independent directors;	Yes
• is chaired by an independent chair; and	Yes
• has at least three members.	Yes
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of directors and senior executives.	Yes
8.4 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes

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The Company's corporate governance practices were in place throughout the year ended 30 June 2012, with the exception of the Company's Trading Policy and Diversity Policy, which were updated during the year.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company refer to our website [www.imf.com.au](http://www.imf.com.au).

### **Board Functions**

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

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility for the operation and administration of the Company is delegated, by the Board, to the Managing Director and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

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

To this end the Board has established the following committees:

- Audit;
- Remuneration; and
- Nomination.

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

The Board is responsible for ensuring that Management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including:

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

Other functions reserved to the Board include:

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

### Structure of the Board

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

The composition of the Board consists of three executive directors and three independent non-executive directors. The Board believes that the majority of the individuals on the Board can, and do, make independent judgements in the best interests of the Group on all relevant issues, notwithstanding that the Board comprises three independent directors and three non-independent directors.

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

- the Chairman is an independent director and has a casting vote at Board meetings where the votes of the directors are tied;
- the Chairman has been appointed for a fixed term ending on 4 November 2014;
- the directors are able to obtain independent professional advice at the expense of the Group;
- Directors who have a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and
- at least half of the Board consists of independent directors.

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

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

<b>Name</b>	<b>Position</b>
Rob Ferguson	Chairman
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

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**Structure of the Board (continued)**

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

<b>Name</b>	<b>Position</b>
Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director – Director of Marketing
Clive Bowman	Executive Director – Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

For additional details regarding Board appointments, please refer to the Group's website.

**Trading Policy**

The Company updated its trading policy on 31 December 2010. Under the Company's Securities Trading Policy, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

The policy allows dealing in the Company's securities during defined Trading Windows, being the four weeks after:

- one day following the announcement of the half-yearly and full year results as the case may be;
- one day following the holding of the Annual General Meeting;
- one day after any other form of profit guidance announcement is given to the market; and
- a period commencing on the day after the issue of a prospectus offering the Company's securities (or a document containing equivalent information) and ending on the day the offer closes.

Only in exceptional circumstances will approval be forthcoming outside of the Trading Windows.

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

**Audit Committee**

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

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

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**Audit Committee (continued)**

The members of the Audit Committee during the year were:

Alden Halse (Chairman)  
Michael Bowen  
Robert Ferguson

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

**Risk**

The Board determines the Group's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

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

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

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

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

**Managing Director and Chief Financial Officer Certification**

The Managing Director and Chief Financial Officer have provided a written statement to the Board that:

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

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### Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Group.

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of directors is to be reviewed annually by the chairperson.

The Board of Directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to shareholders through:

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

### Remuneration

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

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

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

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

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were:

Michael Bowen (Chairman)  
Alden Halse  
Robert Ferguson

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

**Diversity**

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

The Company has implemented policies that promote the following:

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

The Board receives a report on an annual basis that provides the following information:

- total female employees: 10 (2011: 10); total employees: 26 (2011: 24);
- total female investment managers: 2 (2011: 2); total investment managers: 12 (2011: 11); and
- total female Key Management Personnel: 1 (2011: 1); total Key Management Personnel: 5 (2011: 5).

The IMF Nomination Committee will endeavour to improve the diversity of the Board at any time nominations are required to fill a Board position.

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## SHAREHOLDER INFORMATION

**Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 July 2012.**

85

### (a) Distribution of Shareholders

#### *Ordinary Share Capital*

123,207,662 fully paid ordinary shares are held by 3,360 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

#### *Convertible Notes*

There are 23,207,662 convertible notes issued held by 760 individual Noteholders. Each convertible note has a right to convert to one ordinary share, however, until the convertible note is converted, the Noteholder does not have a right to vote and the convertible notes do not carry the right to dividends.

#### *Options*

There are no options issued over ordinary shares.

The number of shareholders by size of holding, in each class are:

	Number	Fully paid ordinary shares	Number	Convertible notes
1 – 1,000	597	330,915	272	121,981
1,001 – 5,000	1,077	3,214,154	176	416,244
5,001 – 10,000	638	5,040,834	110	870,134
10,001 – 100,000	931	26,638,318	171	4,664,514
100,001 and over	117	87,983,441	31	17,152,222
	3,360	123,207,662	760	23,225,095

### (b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at **31 July 2012** are:

Shareholder	No. of ordinary shares	% of issued capital
Acorn Capital Limited	16,527,553	13.41%
Hugh McLernon, McLernon Group Superannuation Pty Limited, Christine McLernon, Toronto Holdings Pty Limited and Capital Consulting Pty Limited	8,301,846	6.74%
Warrakirri Asset Management Pty Limited	7,707,545	6.26%
John Walker, Legal Precedents Pty Limited, Namagi Pty Limited, Mary Walker, Don Walker, Margaret Walker and Caroline Walker	5,667,792	4.60%
	38,204,736	31.02%

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## SHAREHOLDER INFORMATION (continued)

### (c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2012

Ordinary shares		Number of ordinary shares	% of issued capital
1	National Nominees Limited	10,199,764	8.28%
2	JP Morgan Nominees Australia Limited	8,882,501	7.21%
3	JP Morgan Nominees Australia Limited <Cash Income A/C>	8,167,404	6.63%
4	Mclernon Group Superannuation Pty Ltd	4,855,081	3.94%
5	Thorney Holdings Pty Ltd	4,345,114	3.53%
6	Redsummer Pty Ltd	4,342,600	3.52%
7	HSBC Custody Nominees (Australia) Limited	4,028,847	3.27%
8	Legal Precedents Pty Limited <Walker Investment A/C>	3,505,530	2.85%
9	HSBC Custody Nominees (Australia) Limited – A/C 2	2,661,451	2.16%
10	Mr Robert Alexander Ferguson	2,500,000	2.03%
11	Mr Hugh Mclernon	2,176,125	1.77%
12	Mr John Walker	1,677,633	1.36%
13	Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	1,540,903	1.25%
14	Mr Graham Paul Ellis & Mrs Eternalina Ellis	1,000,000	0.81%
15	Mr Dennis John Banks + Mrs Janine Anne Banks <The Banks Super Fund A/C>	933,769	0.76%
16	Mr Clive Norman Bowman	858,981	0.70%
17	Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	832,576	0.68%
18	HSBC Custody Nominees (Australia) Limited – GSCO ECA	782,962	0.64%
19	Mr Dennis John Banks + Mrs Janine Anne Banks <The Banks Super Fund A/C>	715,098	0.58%
20	Mr Hugh Mclernon	710,379	0.58%
		<b>64,716,718</b>	<b>52.55%</b>

### (d) Options as at 31 July 2012 – unquoted

There are no options issued.

### (e) Securities subject to escrow

There are no securities subject to escrow.

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## SHAREHOLDER INFORMATION (continued)

### (f) 20 Largest Holders of Quoted Convertible Notes as at 31 July 2012

Convertible Note holders	Number of convertible notes	% of issued capital
1 HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,617,862	11.27%
2 HSBC Custody Nominees (Australia) Limited	1,769,550	7.62%
3 RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	1,542,571	6.64%
4 HSBC Custody Nominees (Australia) Limited – A/C 2	1,530,763	6.59%
5 Pan Australian Nominees Pty Limited	1,404,132	6.05%
6 J P Morgan Nominees Australia Limited	1,159,663	4.99%
7 Robert Ferguson, Jennifer Ferguson & Rachel Ferguson <Torryburn S/F A/C>	606,060	2.61%
8 Robert Ferguson, Jennifer Ferguson & Rachel Ferguson <Torryburn S/F A/C>	591,716	2.55%
9 Robert Ferguson, Jennifer Ferguson & Rachel Ferguson <Torryburn S/F A/C>	578,000	2.49%
10 Elixir Enterprises Pty Ltd	500,000	2.15%
11 Mclernon Group Superannuation Pty Ltd	485,509	2.09%
12 Perpetual Trustees Consolidated Limited <Clime Asset Management A/C>	420,574	1.81%
13 Contemplator Pty Ltd <Arg Pension Fund A/C>	380,120	1.64%
14 Farallon Capital Pty Ltd <Nunn Investment A/C>	305,721	1.32%
15 Legal Precedents Pty Limited <Walker Investment A/C>	303,030	1.30%
16 Namangi Pty Limited	303,030	1.30%
17 Moore Family Nominee Pty Ltd <M F T A/C>	299,814	1.29%
18 Charanda Nominee Company Pty Ltd <Greycliffe Superfund A/C>	264,214	1.14%
19 National Nominee Ltd	224,363	0.97%
20 Ms Yukari Burgess	187,208	0.81%
	15,473,900	66.63%

## CORPORATE INFORMATION

This annual report covers both IMF (Australia) Ltd as an individual entity and the consolidated entity comprising IMF (Australia) Ltd and its subsidiaries. The Group's functional and presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 6 to 26. The Directors' Report is not part of the financial report.

### DIRECTORS

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director – Director of Marketing
Clive Bowman	Executive Director – Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

### COMPANY SECRETARY

Diane Jones

### PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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Sydney NSW 2000  
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[www.imf.com.au](http://www.imf.com.au)

### SOLICITORS

HARDY BOWEN  
Level 1, 28 Ord Street  
West Perth WA 6005

### SHARE REGISTRY

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

### AUDITORS

ERNST & YOUNG  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000

### BANKERS

NATIONAL AUSTRALIA BANK LIMITED  
255 George Street  
Sydney NSW 2000

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.

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