

For personal use only



Half-Yearly Results

Incorporating Appendix 4D
Half-Year Ended 31 December 2010

Appendix 4D Results for announcement to the market

Current reporting period: Half-year ended 31 December 2010
Previous reporting period: Half-year ended 31 December 2009

			\$A'000
Total income from continuing operations	Up	76%	24,435
Earnings from continuing operations before interest, taxation, depreciation and amortisation	Up	90%	21,989
Profit from continuing operations after tax attributable to members	Up	89%	15,102
Net profit for the period attributable to members	Up	89%	15,102

Dividends

The directors have today determined that an interim fully franked dividend of 10 cents per share will be paid to shareholders for the year ended 30 June 2011. The record date for this dividend is 30 March 2011. Pursuant to the Convertible Note Trust Deed, Noteholders who wish to convert in order to receive this dividend must do so within 10 days of the date of this announcement. The conversion notice is available on the IMF website at www.imf.com.au.

An interim dividend of 5.0 cents per share was declared for the period ended 30 June 2010. The record date for this dividend was 10 March 2010 and the payment date was 24 March 2010. No final dividend was declared for the year ended 30 June 2010.

Net tangible assets per ordinary share

	31-Dec-10 cents/share	31-Dec-09 cents/share
Basic net tangible asset per ordinary share (cents per share)	38.81	31.95

Earnings per share (EPS)

	31-Dec-10 cents/share	31-Dec-09 cents/share
Basic EPS (cents per share)	12.39	6.56
Diluted EPS (cents per share)	12.31	6.51

Entities over which control was gained or lost during the period

IMF did not gain or lose control over any entities during the period.

Explanation of Results

The attached Financial Report for the half-year ended 31 December 2010 forms part of this document. This interim financial report is to be read in conjunction with the most recent annual financial report. A copy of the 2010 annual financial report and other documents are available on the Group's website at www.imf.com.au or on the ASX website at www.asx.com.au.

Review Statement

The unqualified review statement of the company's auditors, Ernst & Young, is attached to this document and does not highlight any areas of dispute.



Diane Jones
Company Secretary
and Chief Operating Officer

Date: 22 February 2011

Contents

Directors' Report.....	4
Auditor's Independence Declaration	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Cash Flow	10
Consolidated Statement of Changes in Equity	11
Notes to the Consolidated Financial Statements.....	12
Directors' Declaration	19
Independent Review Statement	20
Corporate Information.....	22

For personal use only

Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period.

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

Review and results of operations

The Group experienced a substantial increase in income and a strengthening of profitability during the half-year. A total of 5 major cases concluded during the half-year, representing an increase in total income from continuing operations of 76% over the corresponding period last year. Consolidated net profit from continuing operations after tax for the half-year was \$15,102,010 representing a 89% improvement over the corresponding period last year. The Group's cash position was \$69,181,617 whilst its investments in cases was \$42,952,456 at 31 December 2010.

The following summarises the cases finalised during the period:

Litigation contract's matter name	Total Litigation contracts income \$	Litigation contracts expenses (including capitalised overheads) \$	Net gain on disposal of intangible asset \$
Commonwealth of Australia (Pan Pharmaceuticals)	24,380,230	(6,273,779)	18,106,451
Sons of Gwalia	2,635,665	(12,681)	2,622,984
Ceramic Fuels	2,464,350	(688,532)	1,775,818
Perrin & Ors	1,328,267	(245,316)	1,082,951
AM Corp	4,000,000	(4,000,000)	-
Others	1,439,671	(1,594,388)	(154,717)
	36,248,183	(12,814,696)	23,433,487

The claim against the Commonwealth of Australia and others was settled on 22 November 2010. It is expected this settlement will be sanctioned by the Court in March 2011.

Outlook

On 24 January 2011 the High Court of South Africa (Transvaal Provincial Division) found in favour of IMF's client National Potato Co-Operative Ltd against its former auditors PricewaterhouseCoopers Inc and earlier partnerships of that firm. It is estimated the Company will receive \$16.5 million from this matter and generate a profit of approximately \$13 million after capitalised costs (before tax) which will be recognised in the second half of the 2011 financial year, subject to the usual possibility of any appeal which may be lodged.

The Company will continue to update shareholders on the matters it has funded on a regular basis. An update on IMF's principal investments is as follows:

The **ABC Learning** claim alleges that ABC Learning failed to disclose to the ASX information concerning its financial position. IMF also funded the administrators' examinations to determine whether the charge granted to the banking syndicate can be set aside and whether funding should be provided for proceedings against the ABC Learning directors and auditors. The disclosure claim is now the subject of a leave to proceed application and a decision as to whether to fund the claim to set aside the charge is expected this financial year.

Directors' Report (continued)

Outlook (continued)

The **Air Cargo** case is a price fixing claim against various airlines under section 45 of the Trade Practices Act. An appeal against a decision to strike out the claim was successful and this case is proceeding in the Federal Court.

Proceedings against **Centro Retail Ltd** ("CER") and **Centro Properties Ltd** ("CNP") were filed on 9 May 2008. It is alleged that, between 7 and 9 August 2007 and 15 February 2008, CER and CNP misled the market and failed to keep it informed of information material to the price of their publicly traded securities. The representative, Mr Kirby, has amended his claims in the CER and CNP proceedings to include claims against PricewaterhouseCoopers ("PwC") and a new class action for additional claims has been brought against PricewaterhouseCoopers Securities Ltd ("PwCS"). PwC was the auditor of the Centro group during the relevant period. PwCS was the investigating accountant, and gave a report, in relation to the October 2007 merger of Centro Shopping America Trust and CER. All proceedings are continuing in the Federal Court.

The **Great Southern** unitholders, funded by IMF, have been successful in obtaining Court orders for the production and inspection of insurance policies held by Great Southern for the relevant period. After an inspection of the policies a decision was made to pursue the application for leave to litigate against the company despite the fact that it is in liquidation. The Court has given leave to proceed and the writs have been served. All defendants have now lodged their defences and the litigation is proceeding on track, on time and on budget.

The **Oz Minerals** shareholder claim was filed in late calendar 2009 and is presently the subject of a settlement process which may or may not succeed. If it does not, Oz Minerals has confirmed it will cross claim against its auditors.

The **PIF Unitholders v KPMG** claim is against directors of the responsible entity of the MFS Premium Income Fund and partners of KPMG (auditors of the compliance plan) for alleged breaches of the Corporations Act. The unitholders are presently awaiting a decision on whether the Court will grant leave to amend the claim.

The **Lehman** claim was initially an application to set aside Lehman Australia's Deed of Company Arrangement which was finally successful in the High Court of Australia in 2010. The substantive proceeding has now been commenced by way of a class action with a mediation to be held in February/March 2011 and a trial in March 2011 if the claim does not settle.

On 12 May 2010 IMF announced its intention to fund claims from bank customers to recover unfair exception fees deducted from their bank and credit card accounts over the last six years (the **Bank Fees** case). The claim involves up to twelve local and foreign banks. So far, the holders of over 210,000 bank and credit card accounts have registered with IMF's subsidiary Financial Redress to join these class actions. The first class action against ANZ was launched on 22 September 2010 in the Federal Court in Victoria. Further cases against a number of the other major banks will likely follow in the coming months.

The **Uniloc** matter involves a series of cases that are being funded in the U.S.A. for the infringement of Uniloc's software activation patent. The main case involves a jury award of US\$388M that Uniloc won against Microsoft which was subsequently overturned by the trial judge. An appeal against the judge's decision found in favour of Uniloc on 4 January 2011. The amount of damages arising from the infringement by Microsoft Corporation will be subject to a further hearing. Other cases are also currently proceeding against a number of other defendants in Texas.

Returns to shareholders

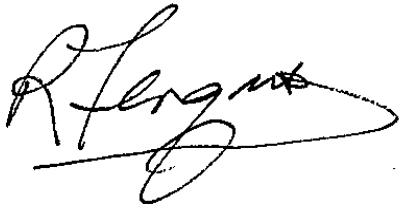
The directors have today determined that an interim fully franked dividend of 10 cents per share will be paid to shareholders for the year ended 30 June 2011. The record date for this dividend is 30 March 2011. Pursuant to the Convertible Note Trust Deed, Noteholders who wish to convert in order to receive this dividend must do so within 10 days of the date of this announcement. The conversion notice is available on the IMF website at www.imf.com.au.

Directors' Report (continued)

Auditor's independence declaration

We have obtained the following independence declaration from our auditors, Ernst & Young, which is contained on page 6 of this report.

Signed in accordance with a resolution of the directors.



Rob Ferguson
Chairman

Date: 22 February 2011



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

In relation to our review of the financial report of IMF (Australia) Limited for the half-year ended 31 December 2010, 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
Perth
22 February 2011

For personal use only

**Consolidated Statement of Comprehensive Income
 for the half-year ended 31 December 2010**

Income Statement	Notes	Consolidated	
		Half-year ended 31-Dec-10 \$	Half-year ended 31-Dec-09 \$
Continuing operations			
Revenue	4	1,024,706	1,015,482
Other income	5	23,410,630	12,895,184
Total income		24,435,336	13,910,666
Finance costs	6(a)	(471,436)	(95,495)
Depreciation expense	6(b)	(107,410)	(105,601)
Employee benefits expense	6(c)	(922,917)	(939,727)
Corporate and office expense	6(d)	(814,769)	(899,878)
Other expenses	6(e)	(446,091)	(412,914)
Profit from continuing operations before income tax		21,672,713	11,457,051
Income tax expense		(6,570,703)	(3,456,219)
Net Profit for the period		15,102,010	8,000,832
Other comprehensive income			
Net fair value gains/(loss) on available for sale financial assets		(333,646)	165,828
Income tax on items of other comprehensive income		100,094	(49,748)
Other comprehensive income for the period, net of tax		(233,552)	116,080
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		14,868,458	8,116,912
Earnings per share (cents per share)			
Basic earnings per share (cents per share)		12.39	6.56
Diluted earnings per share (cents per share)		12.31	6.51

**Consolidated Statement of Financial Position
As at 31 December 2010**

Balance Sheet	Notes	Consolidated	
		At 31-Dec-10 \$	At 30-Jun-10 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	69,181,617	42,990,254
Trade and other receivables	8	31,219,878	5,995,032
Other assets		210,293	311,301
Total Current Assets		100,611,788	49,296,587
Non-Current Assets			
Trade and other receivables		600,000	1,120,000
Plant and equipment		501,314	535,982
Financial assets		492,088	854,175
Intangible assets		42,952,456	40,487,439
Total Non-Current Assets		44,545,858	42,997,596
TOTAL ASSETS		145,157,646	92,294,183
LIABILITIES			
Current Liabilities			
Trade and other payables		5,305,483	5,833,691
Income tax payable		844,250	(359,590)
Provisions		695,941	2,385,777
Total Current Liabilities		6,845,674	7,859,878
Non-Current Liabilities			
Convertible notes	9	33,749,739	-
Provisions		583,380	544,583
Deferred income tax liabilities		13,726,662	11,354,066
Total Non-Current Liabilities		48,059,781	11,898,649
TOTAL LIABILITIES		54,905,455	19,758,527
NET ASSETS		90,252,191	72,535,656
EQUITY			
Contributed equity	10	40,514,450	40,514,450
Reserves	11	7,118,464	4,503,939
Retained earnings	11	42,619,277	27,517,267
TOTAL EQUITY		90,252,191	72,535,656

**Consolidated Statement of Cash Flow
for the half-year ended 31 December 2010**

Cash Flow Statement	Notes	Consolidated	
		Half-year ended 31-Dec-10 \$	Half-year ended 31-Dec-09 \$
Cash flows from operating activities			
Proceeds from litigation funding - settlements, fees and reimbursements		12,070,387	24,814,457
Payments for litigation funding; suppliers and employees		(20,319,480)	(18,075,975)
Interest income		1,049,830	777,198
Tax paid		(4,114,779)	(4,530,822)
Net cash flows from/(used in) operating activities		(11,314,042)	2,984,858
Cash flows from investing activities			
Purchase of plant and equipment		(72,742)	(24,281)
Sale of available for sale financial assets		-	571,425
Net cash flows from/(used in) investing activities		(72,742)	547,144
Cash flows from financing activities			
Proceeds from issue of shares		-	2,788,000
Payments for share buy-back		-	(322,699)
Dividend paid		-	(12,249,682)
Proceeds from issue of convertible notes		39,108,984	-
Costs associated with issue of convertible notes		(1,530,837)	-
Net cash flows from/(used in) financing activities		37,578,147	(9,784,381)
Net increase/(decrease) in cash and cash equivalents held		26,191,363	(6,252,379)
Cash and cash equivalents at beginning of period		42,990,254	61,237,806
Cash and cash equivalents at end of period	7	69,181,617	54,985,427

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2010**

CONSOLIDATED	Option Premium Reserve \$	Net unrealised gains reserve \$	Convertible Notes Reserve \$	Issued Capital \$	Retained earnings \$	Total \$
As at 1 July 2010	3,403,720	116,080	984,139	40,514,450	27,517,267	72,535,656
Profit for the period	-	-	-	-	15,102,010	15,102,010
Other comprehensive income	-	(233,552)	-	-	-	(233,552)
Total comprehensive income for the period	-	(233,552)	-	-	15,102,010	14,868,458
Equity transactions						
Dividend paid	-	-	-	-	-	-
Exercise of Options	-	-	-	-	-	-
Share buy-back	-	-	-	-	-	-
Convertible Note Equity	-	-	4,068,682	-	-	4,068,682
Deferred tax liability relating to convertible notes	-	-	(1,220,605)	-	-	(1,220,605)
As at 31 December 2010	3,403,720	(117,472)	3,832,216	40,514,450	42,619,277	90,252,191
As at 1 July 2009	3,403,720	3,953	984,139	38,671,387	21,712,925	64,776,124
Profit for the period	-	-	-	-	8,000,832	8,000,832
Other comprehensive income	-	112,127	-	-	-	112,127
Total comprehensive income for the period	-	112,127	-	-	8,000,832	8,112,959
Equity transactions						
Dividend paid	-	-	-	-	-	-
Exercise of Options	-	-	-	2,788,000	-	2,788,000
Share buy-back	-	-	-	(322,699)	-	(322,699)
As at 31 December 2009	3,403,720	116,080	984,139	41,136,688	29,713,757	75,354,384

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2010

NOTE 1: CORPORATE INFORMATION

The half-year financial report of IMF (Australia) Ltd (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 22 February 2011.

IMF (Australia) Ltd is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX code: IMF).

The nature of the operations and principal activities of the Company and its subsidiaries ("the Group") are described in note 3.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

The half-year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by the Company during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the ASX listing rules.

b. Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as those applied for the year ended 30 June 2010. The consolidated entity has adopted all accounting standards and interpretations applicable from 1 July 2010. The adoption of accounting standards and interpretations applicable from 1 July 2010 did not have an impact on the financial position or performance of the consolidated entity.

Australian accounting standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half-year ended 31 December 2010.

c. Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of IMF (Australia) Ltd and its subsidiary Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited) as at 31 December 2010.



Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2010

NOTE 3: SEGMENT INFORMATION

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2b.

The Group has identified its operating segments based upon the internal management reporting that is used by the managing director and the executive management team in assessing performance and in determining the allocation of resources. The Group's operating segments have been identified based on how the financial and operating results of the Group are monitored and presented internally.

The Group operates in one reportable segment, being the provision of litigation funding, including investigation and management services relating to litigation funding.

Geographically, the Group operates in Australia only. However the Group has agreed to fund one matter in South Africa, two matters in the United States of America, one matter in the United Kingdom and it has funded one matter in New Zealand. None of these investments have generated any material income to date. The Group continues to investigate other markets and has identified the following markets outside of Australia as being favourable to litigation funding: the United Kingdom, the United States, Hong Kong, Singapore, Canada, South Africa and New Zealand.

The Group does not have any single external customer that accounted for 10% or more of the Group's revenue.

NOTE 4: REVENUE

	Consolidated	
	Half-year ended 31-Dec-10	Half-year ended 31-Dec-09
Finance revenue	\$	\$
Bank interest received and accrued	1,009,107	977,717
Dividends received	15,599	37,765
	<u>1,024,706</u>	<u>1,015,482</u>

NOTE 5: OTHER INCOME

	Consolidated	
	Half-year ended 31-Dec-10	Half-year ended 31-Dec-09
Other income	\$	\$
Litigation contracts in progress - settlements	36,248,183	22,494,746
Litigation contracts in progress - expenses	(10,189,594)	(9,335,036)
Litigation contracts in progress - written-down	(2,625,102)	(561,396)
Net gain on derecognition of intangible assets	23,433,487	12,598,314
GST recoverable/(written-off) from prior periods	(22,857)	-
Profit on sale of shares	-	296,870
	<u>23,410,630</u>	<u>12,895,184</u>

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2010**

NOTE 6: EXPENSES

	Consolidated	
	Half-year ended 31-Dec-10	Half-year ended 31-Dec-09
	\$	\$
(a) Finance costs		
Interest on convertible notes	(208,581)	-
Interest accretion on convertible notes	(240,274)	-
Other finance charges	(22,581)	(95,495)
	<u>(471,436)</u>	<u>(95,495)</u>
(b) Depreciation included in the income statement		
Depreciation	(107,410)	(105,601)
	<u>(107,410)</u>	<u>(105,601)</u>
(c) Employee benefits expense		
Wages and salaries	(325,577)	(291,318)
Superannuation expense	(288,595)	(298,644)
Directors' fees	(104,868)	(60,321)
Payroll tax	(165,078)	(228,460)
Long service leave provision	(38,799)	(60,984)
	<u>(922,917)</u>	<u>(939,727)</u>
(d) Corporate and office expense		
Insurance expense	(279,181)	(369,226)
Network expense	(116,863)	(98,620)
Marketing expense	(180,727)	(146,014)
Occupancy expense	(16,241)	(10,130)
Professional fee expense	(109,464)	(182,008)
Recruitment expense	(16,517)	(15,773)
Telephone expense	(46,564)	(38,910)
Travel expense	(49,212)	(39,197)
	<u>(814,769)</u>	<u>(899,878)</u>
(e) Other expenses		
ASX listing fees	(46,274)	(39,460)
General expenses	(138,250)	(151,833)
Postage, printing and stationary	(62,170)	(17,585)
Repairs and maintenance	(13,332)	(16,486)
Share registry costs	(22,380)	(38,342)
Software supplies	(10,581)	(3,964)
Foreign exchange loss	(124,662)	(176,264)
Net profit/(loss) on shares held for trading	(28,442)	31,020
	<u>(446,091)</u>	<u>(412,914)</u>

**Notes to the Consolidated Financial Statements
 For the Half-Year Ended 31 December 2010**

NOTE 7: CASH AND CASH EQUIVALENTS

For the purpose of the half-year condensed cash flow statement, cash and cash equivalents comprise the following:

	Consolidated	
	At 31-Dec-10	At 30-Jun-10
	\$	\$
Cash at bank	4,618,442	9,463,598
Short-term deposits	64,563,175	33,526,656
	69,181,617	42,990,254

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents 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 twenty-four month term deposit can be withdrawn with one day's notice without penalty, hence it has been included as a current asset.

Bank Guarantee

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 funding agreements. As at 31 December 2010, guarantees of \$2,049,762 were outstanding (30 June 2010: \$1,663,180). The guarantees are secured by an offset agreement with a term deposit of \$5,000,000 (30 June 2010: \$1,014,929).

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated	
	At 31-Dec-10	At 30-Jun-10
	\$	\$
Trade receivables	(i) 30,713,698	5,448,089
Interest receivable	(ii) 506,180	546,943
	31,219,878	5,995,032

- (i) Trade receivables are non-interest bearing and generally on 30-90 day terms. There is no amount included in trade debtors which is subject to appeal (2009: nil). An amount of \$24,538,358 is included in this balance which relates to the settlement of the matter against the Commonwealth of Australia (refer to the Directors' Report).
- (ii) Interest receivable relates to interest earned but not yet received on the Company's short term deposits.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2010

NOTE 9: NON - CURRENT LIABILITIES

	Consolidated	
	At 31-Dec-10 \$	At 30-Jun-10 \$
Convertible notes	(i) 33,749,739	-

(i) Net of transaction costs of \$1,363,114.

On 13 December 2010 the Company issued 23,702,415 convertible notes raising total capital of \$39,908,185 (excluding costs). Each convertible note has a face value of \$1.65 and has the right to convert into one ordinary share.

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.

The Company is required to pay the Noteholders interest of 10.25% per annum, payable quarterly in arrears, with the first interest quarter being on 31 December 2010.

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 11).

NOTE 10: CONTRIBUTED EQUITY

	Consolidated	
	At 31-Dec-10 \$	At 30-Jun-10 \$
Issued and fully paid ordinary shares	40,514,450	40,514,450

(a) Ordinary shares amounts:

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

Movement in ordinary shares	Consolidated	
	Number	\$
As at 1 July 2010	121,870,342	40,514,450
Movement in ordinary shares	-	-
As at 31 December 2010	121,870,342	40,514,450

(b) Share Options:

As at 31 December 2010 there were 890,000 (30 June 2010: 890,000) unissued ordinary shares in total in respect of which options were outstanding, as follows:

	Consolidated	
	At 31-Dec-10	At 30-Jun-10
Employee options	830,000	830,000
Total options issued	830,000	830,000

No options lapsed in the period.

**Notes to the Consolidated Financial Statements
For the Half-Year Ended 31 December 2010**

NOTE 11: RETAINED EARNINGS AND RESERVES

(a) Movement in retained earnings were as follows:

	Consolidated	
	At 31-Dec-10 \$	At 30-Jun-10 \$
Balance 1 July	27,517,267	21,712,925
Net profit for the period	15,102,010	11,906,342
Dividend paid	-	(6,102,000)
Balance at period end	42,619,277	27,517,267

(b) Movement in reserves were as follows:

	Option Premium Reserve \$	Net Unrealised Gains Reserve \$	Convertible Notes Reserve \$	Total Reserves \$
Balance 1 July 2009	3,403,720	3,953	984,139	4,391,812
Share revaluation	-	112,127	-	112,127
Balance at 30 June 2010	3,403,720	116,080	984,139	4,503,939
Share revaluation	-	(333,646)	-	(333,646)
Deferred tax liability relating to share revaluation	-	100,094	-	100,094
Equity component - convertible notes (i)	-	-	4,068,682	4,068,682
Deferred tax liability relating to convertible notes	-	-	(1,220,605)	(1,220,605)
Balance at 31 December 2010	3,403,720	(117,472)	3,832,216	7,118,464

(i) Net of transaction costs of \$169,310

NOTE 12: DIVIDENDS PAID AND PROPOSED

The directors have today determined that an interim fully franked dividend of 10 cents per share will be paid to shareholders for the year ended 30 June 2011. The record date for this dividend is 30 March 2011. Pursuant to the Convertible Note Trust Deed, Noteholders who wish to convert in order to receive this dividend must do so within 10 days of the date of this announcement. The conversion notice is available on the IMF website at www.imf.com.au.

During the year ended 30 June 2010 an interim fully franked dividend of 5.0 cents per share was paid on 24 March 2010.

(a) Recognised amounts:

	Consolidated	
	At 31-Dec-10 \$	At 30-Jun-10 \$
Declared and paid during the period		
Dividends on ordinary shares		
Interim fully franked dividend for 2011: Nil; 2010: 5.0 cents per share	-	6,102,000

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2010

NOTE 12: DIVIDENDS PAID AND PROPOSED (CONTINUED)

(b) Unrecognised amounts:

	Consolidated	
	At 31-Dec-10	At 30-Jun-10
	\$	\$
Dividends on ordinary shares		
Financial year 2011: Interim dividend declared 22 February 2011 - unrecognised	12,187,034	-
Financial year 2010: Nil unrecognised	-	-

NOTE 13: RELATED PARTY DISCLOSURES

	Consolidated	
	At 31-Dec-10	At 30-Jun-10
	\$	\$
Transactions with related parties	550	15,057

During the year ended 30 June 2010, and during the half-year ended 31 December 2010, the Group obtained legal advice from Hardy Bowen, a legal firm associated with director Michael Bowen. The legal advice was obtained at normal market rates.

NOTE 14 EVENTS AFTER THE BALANCE SHEET DATE

(a) Declaration of an Interim Dividend

The directors have today determined that an interim fully franked dividend of 10 cents per share will be paid to shareholders for the year ended 30 June 2011. The record date for this dividend is 30 March 2011. Pursuant to the Convertible Note Trust Deed, Noteholders who wish to convert in order to receive this dividend must do so within 10 days of the date of this announcement. The conversion notice is available on the IMF website at www.imf.com.au.

(b) Intangible Assets

On 4 January 2011 the US Court of Appeals for the Federal Circuit upheld the appeal by IMF's client **Uniloc USA** against Microsoft Corporation. The amount of damages arising from the infringement by Microsoft Corporation will be the subject of a further hearing. Without agreement between the parties it is more likely than not that any payment from Microsoft will occur in the 2012 financial year, or later.

On 24 January 2011 the High Court of South Africa (Transvaal Provincial Division) found in favour of IMF's client National Potato Co-Operative Ltd against its former auditors PricewaterhouseCoopers Inc and earlier partnerships of that firm. It is estimated the Company will receive \$16.5 million from this matter and generate a profit of approximately \$13 million after capitalised costs (before tax) which will be recognised in the second half of the 2011 financial year, subject to the usual possibility of any appeal which may be lodged.

On 18 January 2011 the claim against Babcock and Brown International Pty Limited in California, USA, was conditionally settled. If the conditions are satisfied, IMF expects to generate revenue of \$1.45 million and a profit of approximately \$0.9 million after capitalised costs (before tax).

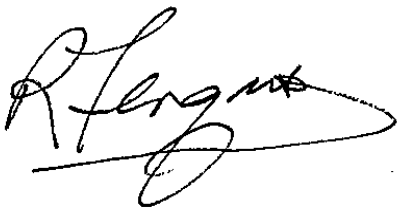
Directors' Declaration

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 the consolidated entity are in accordance with the Corporations Act 2001 (Cth), including
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001 (Cth);
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert Ferguson
Non-Executive Chairman

Dated this 22th day of February 2011

To the members of IMF (Australia) Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IMF (Australia) Limited, which comprises the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001* and the ASX Listing Rules as they relate to Appendix 4D. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of the company and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IMF (Australia) Limited is not in accordance with:

- a. the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. the ASX Listing Rules as they relate to Appendix 4D.



Ernst & Young



G H Meyerowitz
Partner
Perth
22 February 2011

Corporate Information

ABN 45 067 298 088

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

Directors

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

Company Secretary

Diane Jones

Principal Registered Office in Australia

Level 5, 32 Martin Place
Sydney NSW 2000
Phone: (02) 8223 3567
Fax: (02) 8223 3555

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

Macquarie Bank Limited
Bond Street
Sydney NSW 2000

Internet Address

www.imf.com.au

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