Appendix 4E - Final Report

IMF (Australia) Ltd
ABN 45 067 298 088

Financial year ended
30 June 2011

Results for announcement to the market

Current reporting period:	30 June 2011
Previous reporting period:	30 June 2010

Revenue and Net Profit	**Up/Down**	**Percentage Change**	**$'000s**
Revenues from ordinary activities (interest)	Up	40%	2,691
Total income	Up	88%	40,625
Profit from ordinary activities after tax attributable to members	Up	92%	22,860
Net profit for the period attributable to members	Up	92%	22,860

Dividends	**Cents per share**
An interim dividend (fully franked) was paid on 13 April 2011	10.0
The Directors have today declared a final fully franked dividend. The record date for this dividend is 30 September 2011. The shares will trade ex-dividend on 26 September 2011.	5.0

Net Tangible Asset Backing	**Consolidated**	
	2011	**2010**
	$	**$**
Net tangible asset per ordinary share	$0.22	$0.26
Net asset per ordinary share	$0.71	$0.60

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 7 cases in 2011 which is reflected in the Group's largest profit since inception. The Group's portfolio of cases under management continued to grow during the course of the year, the group's portfolio grew by 27% from $1.404B to $1.779B.

The Group held $55.0m cash as at 30 June 2011 (2010:$43.0m). During the year, $12.3m was paid in dividends (2010: $6.1m).

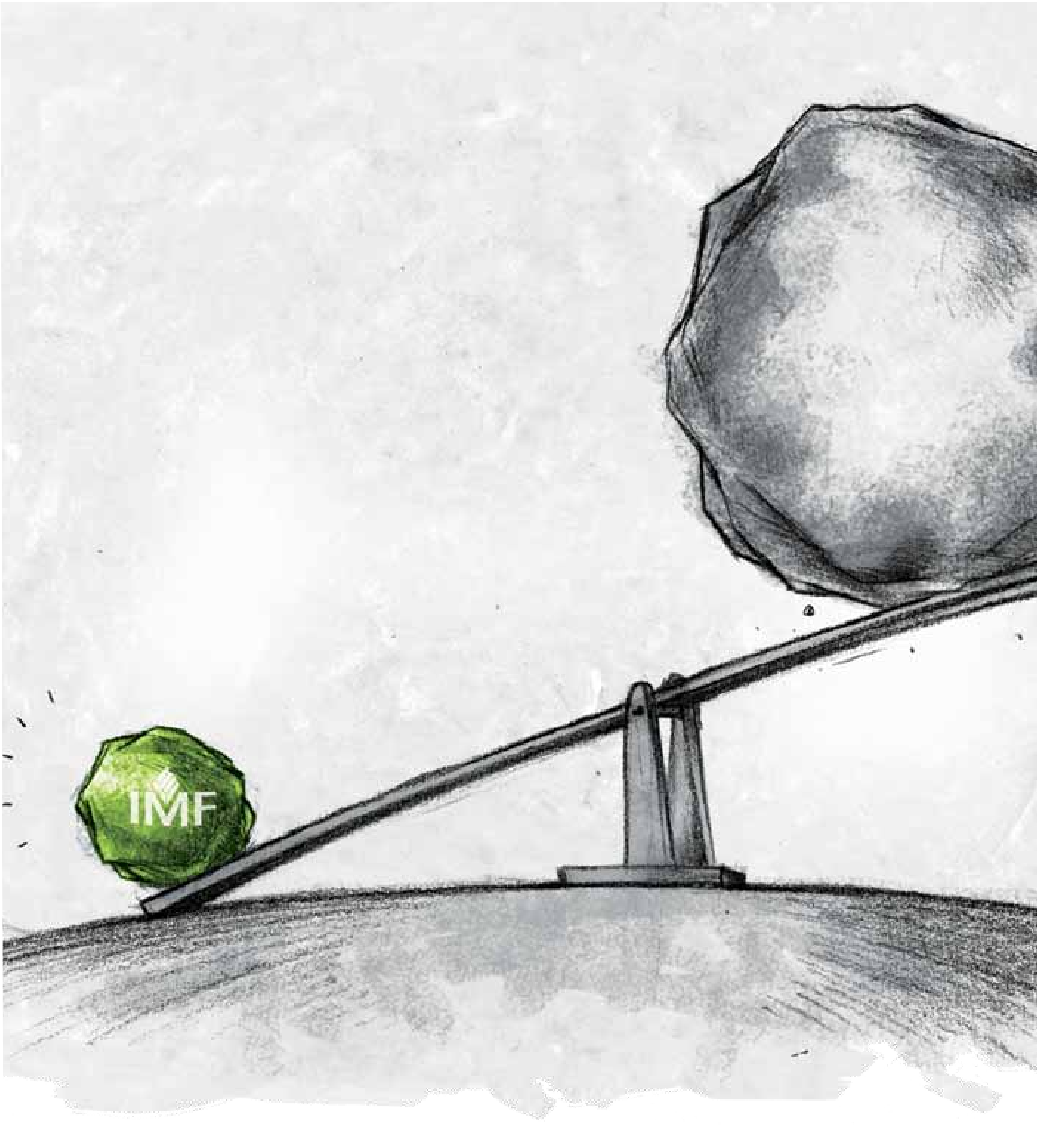
Dividends Paid and Declared

	Consolidated	
	2011 $'000s	**2010 $'000s**
Interim fully franked dividend of 10.0 cents per share for the year ended 30 June 2011 was paid on 13 April 2011 (2010: 5.0 cents per share fully franked)	12,320	6,102
Final fully franked dividend of 5.0 cents per share. The record date for this dividend is 30 September 2011. The shares will trade ex-dividend on 26 September 2011.	6,160	-
	18,480	6,102

Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2011, which are attached.

IMF
(AUSTRALIA) LTD



2011 ANNUAL REPORT

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HIGHLIGHTS

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

IN 2010
9.77
EARNINGS
CENTS PER SHARE

IN 2011
18.56
EARNINGS
CENTS PER SHARE

IN 2010
$16.8
MILLION
NET PROFIT BEFORE TAX

IN 2011
$32.8
MILLION
NET PROFIT BEFORE TAX

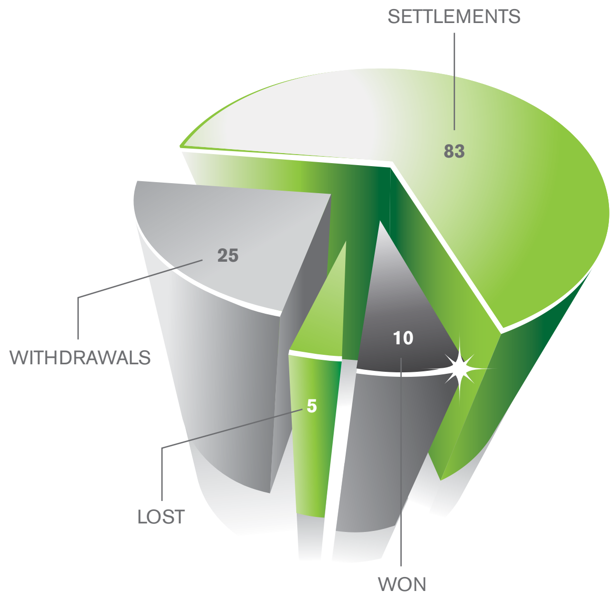
NUMBER OF MAJOR CASES RESOLVED:

We resolved 7 cases in 2011 including the major claims against the Commonwealth of Australia (the Pan case) and Oz Minerals. Net income from litigation funding was $37,956,774.

NET PROFIT

IMF's profit has improved significantly in 2011, 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.

IMF's pipeline of cases remains strong and this has been augmented with the establishment of a US subsidiary and New York office in August 2011.



IMF'S TRACK RECORD - 123 CASES COMPLETED

2010
$40.5 MILLION
IN INVESTMENTS

2011
$59.6 MILLION
IN INVESTMENTS

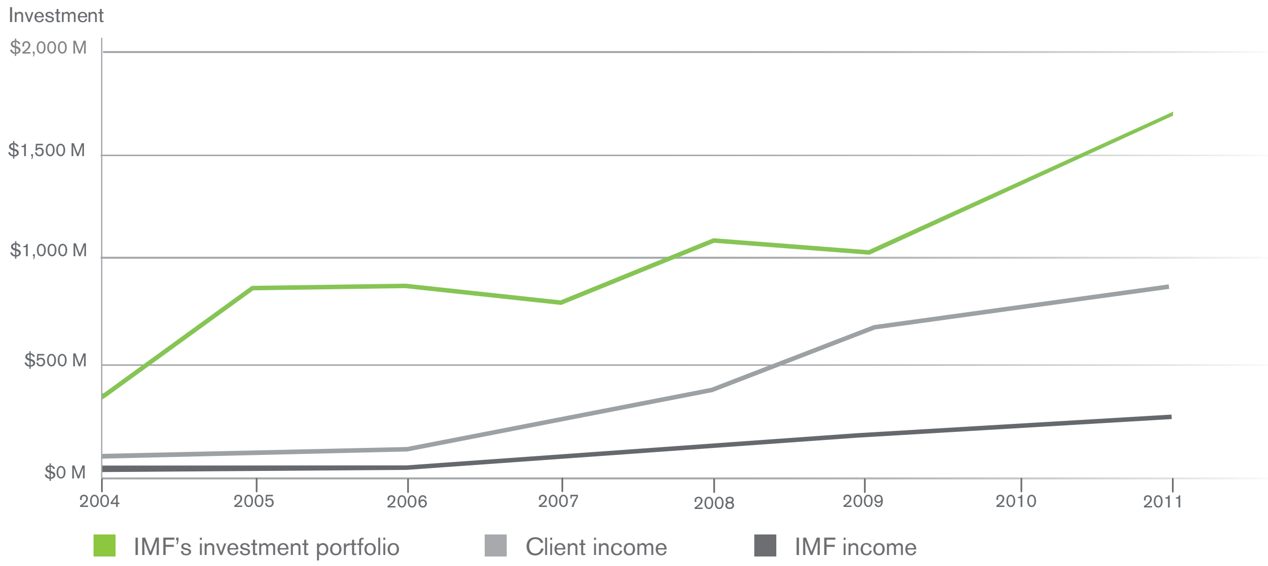
2010
$43.0 MILLION
IN CASH

2011
$55.0 MILLION
IN CASH

I2010
$72.5 MILLION
IN NET ASSETS

2011
$87.2 MILLION
IN NET ASSETS

INVESTMENT PORTFOLIO GROWTH PROFILE



IMF's investment portfolio grew by 27% during 2011, from to $1.404B to $1.779B.

2011 CHAIRMAN'S REVIEW

I THOUGHT IT MIGHT BE WORTHWHILE FOR ME TO SHARE WITH YOU THE REASONS BEHIND OUR DECISION TO EXPAND IMF'S INVESTMENT ACTIVITIES IN THE UNITED STATES.

When I am asked about IMF by our investors, I find they often put words in my mouth like "it's going well" and "good case results." I readily agree with them, but typically add, "We worry about deal flow, and wish we had a more predictable deal pipeline".

In 2008, to create more predictable deal flow we established a European joint venture based in Dublin, Ireland. We encountered several significant hurdles in Dublin that eventually led us to withdraw from the venture. First, we found the cost of litigating in one of the major European markets, the UK, to be much more expensive than anticipated. Second, we found the cartel deal flow less robust than we had projected, and instead of the odd pockets of resistance to litigation funding we find in Australia, we encountered a less favourable environment in Europe. To make matters worse, the GFC caused the Australian dollar to collapse against the Euro, increasing our operating costs dramatically. Finally, we discovered that IMF is genetically unsuited to being in a joint venture.

To summarise, we learned some rather valuable lessons for future expansion: avoid joint ventures, enter only markets with proven receptivity to litigation funding, preferably in the geographic heart of the market, and focus on a wide variety of litigation claims in which IMF has deep underwriting experience.

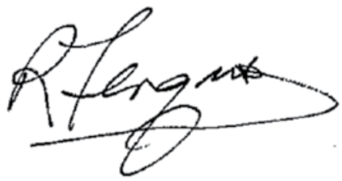
So how does IMF's planned expansion to the US litigation funding market reflect the lessons we learned in Ireland?

First, IMF's arm in the US will be a wholly owned subsidiary in New York, led by one of the most experienced commercial litigation funders in the US, Ralph Sutton. Ralph helped create, then manage, Credit Suisse's litigation finance group for over four years. The group was the first of its kind at a global investment bank and invested capital in commercial, intellectual property and international disputes. In addition to acquiring an immediate set of contacts and valuable strategic partners in the US, IMF now has the in-house expertise to navigate the regulatory regimes of all 50 state jurisdictions, as well as the federal system there. We will have an excellent sense of the states that are receptive to litigation funding (New York, California, Texas and others), and those that are antagonistic, and why.

Two important factors distinguish the US legal market from the UK or Australian legal markets and are worth mentioning here: the absence of adverse cost risk, and the widespread use of contingency fee arrangements. Both factors reduce IMF's risks in different ways. The absence of adverse costs lowers the cost of adverse litigation results because we are never responsible for defendants' attorney's fees. The increasing use of contingency fee agreements by commercial and intellectual property litigators means that the law firm's incentives will be more closely aligned with our own than in hourly fee cases. In addition, the GFC has led many clients and law firms to seek alternative fee arrangements, a need that is increasingly being met by litigation finance, among other means.

Of course, the US litigation market is far and away the largest in the world. With only a few dedicated litigation finance entities operating in the US, this is a particularly opportune moment to enter and establish our presence there. IMF's enviable track record of success and extensive experience funding a wide variety of disputes in Australia and around the world cannot be matched by any existing US competitor, I am told. Finally, because our US operation will be based in New York, arguably the capital of the US litigation market, with the highest concentration of top law firms and investment opportunities in the country, we will be well positioned to secure a steady flow of deals right from the start.

As we have reported, we have done well in our past matters in the US, and we expect our US expansion to assist us to build a more predictable and robust deal flow, our strategic obsession.



ROB FERGUSON

Rob Ferguson
Chairman

2011 MANAGING DIRECTOR'S REPORT

THIS YEAR HAS BEEN A BUSY ONE WITH A REASONABLE RESULT IMPACTED BY OUR DECISION NOT TO ACCOUNT, DURING THIS PERIOD, FOR THE RESULT IN THE NATIONAL POTATO CASE.

Ongoing debate regarding the precise level of damages to be awarded to the Plaintiff and the likelihood of an appeal in any event lead the Board to adopt a conservative approach to revenue recognition in that matter.

During the last three years we have averaged $30m in pre-tax profits from our Australian operations. We have also determined that, in order to move beyond that level, we must further develop our case investment in foreign jurisdictions and especially in the US and, eventually, the UK markets. At $1.78bn we fell short of our 30 June 2011 $2bn target for our case portfolio. This result and our determination to uphold the quality of our case selection criteria has reinforced the conclusion that we must expand into the US litigation funding market.

We have identified the structure, personnel and operating procedures which will enable one third to one half of our future cases to be sourced in the US market within the next three years or so. We will operate in that market with the same model which has brought us success in Australia. We will pursue an open and transparent approach to funding which will honour local rules and regulations.

We have continued to support regulation of the local litigation funding market but have run into the most unusual barrier of a government determined not to regulate funding in order to promote competition within the funding industry. Our view is that appropriate regulation will not (in fact cannot) inhibit competition in any way but that is not the prevailing view so it is likely that licensing will remain optional for the foreseeable future.

Our business model is now proven in Australia and we do not need to spend any material time, money or effort to enhance it. We have implemented a new two year marketing campaign which will take advantage of that model by delivering an appropriate flow of cases into our case assessment system. In conjunction with our efforts in the US we can then establish and announce a new target for cases under management beyond the $2bn level we set for ourselves as at 30 June 2011.

HUGH MCLERNON

Hugh McLernon
Managing Director

2011 DIRECTORS' REPORT

The Directors of IMF (Australia) Ltd (IMF or the Company or the Parent) submit their report for the year ended 30 June 2011.

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;

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.

DIRECTORS (CONTINUED)

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.

Clive Bowman
Executive Director

John Walker
Executive Director

DIRECTORS (CONTINUED)

CLIVE BOWMAN
(EXECUTIVE DIRECTOR - DIRECTOR OF OPERATIONS)

Clive Bowman has a degree in Economics and an honors 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 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 practise 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 manager's 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:

Alden Halse
Non-Executive Director

Michael Bowen
Non-Executive Director

Diane Jones
Chief Operating Officer

DIRECTORS (CONTINUED)

a. is an associate member of the Institute of Chartered Accountants, the Insolvency Practitioners Association of Australia 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. is a non-executive director of Count Financial Ltd; 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 Practicing 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.

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. Vietnam Industrial Investments Limited (appointed 18 October 2004, resigned 9 November 2007);

b. Medical Corporation Australasia Limited (appointed 18 October 2004, resigned 13 April 2011);

c. TNG Limited (appointed 8 January 2004, resigned 11 November 2008); and

d. 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	606,060	-
Hugh McLernon	9,518,975	612,035	-
John Walker	6,884,920	637,560	-
Clive Bowman	1,013,941	15,496	
Alden Halse	876,251	87,626	-
Michael Bowen	813,751	121,213	-
Total	**21,607,838**	**2,079,990**	**-**

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 26 to the financial statements.

DIVIDENDS

The Directors have declared a final fully franked dividend for the 2011 financial year of 5.0 cents per share, totalling $6,160,086. The record date for this dividend is 30 September 2011. Pursuant to the Convertible Note Trust Deed, Noteholders who wish to convert in order to receive this dividend must do so by 3 September 2011. The conversion notice is available from the IMF website at www.imf.com.au. An interim fully franked dividend for 2011 of 10.0 cents per share, totalling $12,320,171 was paid on 13 April 2011.

For the 2010 financial year the Company paid an interim fully franked dividend of 5.0 cents per share, totalling $6,102,000, which was paid on 24 March 2010. There was no final dividend declared for 2010.

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, where franking credits are available 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 entity that it controlled during the financial year, being Financial Redress Pty Ltd (formerly Insolvency Litigation Fund Pty Ltd) (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 into commercial claims, insolvency claims and group actions.

CORPORATE INFORMATION (CONTINUED)

Portfolio report at 30 June 2011 where the budgeted fee per case to IMF is greater than $500,000

	Number of claims	Claim value	Percentage of claims > $500,000
Claims <$10M	4	$18,500,000	1%
Claims $10M – $50M	15	$330,000,000	19%
Claims >$50M	14	$1,430,000,000	80%
Total claims where IMF's budgeted fee is more than $500,000	33	$1,778,500,000	100%

The maximum claim value of IMF's major cases increased in the year to 30 June 2011 from $1,403,500,000 to $1,778,500,000. IMF commenced 8 new cases during the year, which have a maximum claim value at 30 June 2011 of $360,000,000 (2010: 16 new cases which had a maximum claim value of $531,500,000).

An update on IMF's principal investments (with a claim value at or above $50,000,000 each) is as follows:

- The **ABC Learning** claim alleges that ABC Learning failed to disclose to the ASX information concerning its financial position. Leave to proceed against ABC Learning has been obtained. IMF is also funding the Liquidators' 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 directors and auditors of ABC Learning. Further examinations of various banking personnel have occurred during the year ending 30 June 2011.

- 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. These proceedings are currently at the discovery stage.

- Proceedings against **Centro Retail Limited ("CER") and Centro Properties Ltd ("CNP")** allege the companies misled the market and failed to keep it informed of information material to the price of their publicly traded securities. Claims against PricewaterhouseCoopers ("PwC") and against PricewaterhouseCoopers Securities Ltd are also included in proceedings in the Federal Court. PwC was the auditor of the Centro group during the relevant period. The trial is expected to commence in early March 2012.

- In the **Great Southern** matter leave to proceed against Great Southern was given and the proceedings have commenced. The case is at the discovery stage.

- In the **National Potato** case judgment has been given in favour of IMF's client, with the quantum of loss still to be determined. It is expected that there will be appeals from the judgment.

- 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 (2001). The Court refused leave to amend the claim. A further amended claim has been submitted to the Court and the Court's decision is reserved.

- The **Lehman** trial has now been completed and the decision of the trial judge is reserved.

CORPORATE INFORMATION (CONTINUED)

- The **Bank Fees** case (an action by bank customers to recover unfair exception fees deducted from their bank and credit card accounts over the last six years) is proceeding against ANZ with a preliminary hearing to commence in October 2011.

- The **Uniloc** matter involves a series of cases that are being funded in the USA arising out of the infringement of Uniloc's software activation patent. The main case involves a jury award of US$388M that Uniloc won against Microsoft and which was subsequently overturned by the trial judge. Uniloc then succeeded in reinstating the verdict in its favour for infringement against Microsoft but a re-trial on damages was ordered. The re-trial on damages will occur in January 2012.

- The proposed class action against Transpacific Industries Group Ltd ("**TPI**") involves a claim that TPI misled the market and failed to disclose material information when required. A statement of claim has been prepared and TPI has been invited to engage in pre-proceedings discussions prior to any filing.

- The **Westgem** matter involves, initially, an action to remove the receiver appointed over the property of Westgem with a subsequent claim for damages. The former action has been heard and the Court's decision is reserved.

- The **Rivercity** matter involves a proposed class action against Aecom for misleading and deceptive conduct and omissions in relation to the traffic forecast included in the Rivercity prospectus. The proceedings have not yet been commenced.

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 Schedule). This Schedule is updated every three months. IMF did not withdraw from any investments during 2011. IMF also provides case updates on its website: www.imf.com.au.

Employees

At 30 June 2011, IMF employed 24 permanent staff, including the 3 Executive Directors, providing investigative, computer, accounting and management expertise (2010: 23 permanent staff).

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 2011:

	2011 $	2010 $	Change %
Total Income	40,624,993	21,655,041	88%
Operating profit after income tax	22,860,150	11,906,342	92%
Total shareholders' equity	87,193,505	72,535,656	20%

Shareholder Returns

	2011	2010
Basic earnings per share (cents per share)	18.56	9.77
Diluted earnings per share (cents per share)	17.32	9.70
Return on assets % (NPAT/Total Assets)	14.99%	12.90%
Return on equity % (NPAT/Total Equity)	26.22%	16.41%
Net debt/equity ratio %	nil	nil

Nine matters generated income greater than $500,000 during 2011, including 7 cases which were finalised, underpinning the Group's profitability and shareholder returns.

The following summarises the major cases finalised during 2011:

Date commenced	Litigation contract's matter name	Claim value included in investment portfolio report at 30 June 2010	Total litigation contracts' income	Total litigation contracts' expenses (including capitalised overheads)	Net gain on disposal of intangible asset
		$	$	$	
Nov-03	AM Corp	-	4,000,000	(4,000,000)	-
Mar-09	Ceramic Fuels	25,000,000	2,464,350	(688,532)	1,775,818
Jun-10	PCI	6,000,000	1,370,767	(298,973)	1,071,794
Aug-09	Commonwealth of Aust (Pan)	150,000,000	24,380,230	(6,290,795)	18,089,435
Oct-09	Babcock & Brown - US	9,000,000	1,555,475	(744,490)	810,985
Feb-05	ION***	10,000,000	1,507,858	(643,293)	864,565
Dec-08	Oz Minerals	60,000,000	15,598,579	(2,797,396)	12,801,183
		260,000,000	50,877,259	(15,463,479)	35,413,780
	Sons of Gwalia*	-	2,635,665	(41,596)	2,594,069
	Uniloc**	-	1,114,381	(640,840)	473,541
	Other matters	10,000,000	3,229,550	(3,754,166)	(524,616)
		270,000,000	57,856,855	(19,900,081)	37,956,774

* A further dividend was paid by the Administrators of Sons of Gwalia in this financial year, and a small final dividend is anticipated next year. This income is in addition to income generated during the year ended 30 June 2010 on this litigation contract.

** The Uniloc income relates to IMF's share of income generated by Uniloc during the period. This matter is not considered to be finalised in this financial year.

*** Further income is expected to be received from this matter in future years.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

The Group has finalised 123 investments since listing, with an average investment period of 2.3 years (2010: 2.3 years). The Group has generated a gross return on every dollar invested of 3.19 times (excluding overheads) (2010: 2.85 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).

The investment portfolio as at 30 June 2011 has a mixture of both mature and new investments, with 36% of the investment portfolio expected to finalise over the next 12 months (2010: 37%). 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 is funding one case in South Africa (which is expected to be appealed), one case in the United States and one case in the United Kingdom.

IMF's share price closed at $1.54 per share on 30 June 2011 (2010: $1.58), a 3% decrease over the twelve 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 2011, IMF's share price has increased 34%, which is the same as the index movement of 34%.

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2011 of $12,021,738 (2010: decrease of $18,247,552). Operating activities used $6,277,560 of net cash outflows (2010: net cash outflows of $9,190,062), whilst investing cashflows used $7,646,678 of net cash outflows (2010: net cash inflows $7,451,129), whilst financing cashflow generated $25,945,976 (2010: net cash outflows of $16,508,619) principally as a result of the convertible note capital raising (2010: payment of dividends totalling $18,351,682).

Asset and Capital Structure

	2011 $	2010 $	Change %
Cash and short term deposits	55,011,992	42,990,254	28%
Total debt	(33,568,796)	-	100%
Net cash	**21,443,196**	**42,990,254**	**-50%**
Total equity	**87,193,505**	**72,535,656**	**20%**
Gearing	38%	Nil	38%

On 13 December 2010 the Board of Directors took the decision to issue 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 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 2011 there were 23,231,041 convertible notes outstanding, with a face value of $38,331,218. The Group has no other debts.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Profile of Debts

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

	2011 $	2010 $	Change %
Current			
Interest bearing loans and borrowings	-	-	-
Non current			
Convertible notes	(33,568,796)	-	100%
Total debt	(33,568,796)	-	100%

The Group's total debt has increased as a result of the issue of the convertible notes (see note 21 for further details).

Shares Issued During the Year

During 2011 a total of 860,000 options were converted into shares, raising total capital of $688,000. (2010: During 2010 a total of 2,180,000 options were converted into shares, raising total capital of $2,844,000). Also during the year 471,374 convertible notes were converted, raising total capital of $697,872 (after apportioned costs). (2010: nil).

Capital Expenditure

There has been an increase in capital expenditure during the year ended 30 June 2011 to $124,761 from $76,991 in the year ended 30 June 2010. The capital expenditure in 2011 mainly related to 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 nine years of operation IMF has lost only five cases out of 123 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 20% to $87,193,505 from $72,535,656. This was mainly as a result of the Group's increasing return to shareholders during 2011. 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

On 19 August 2011 the **Credit Corp** litigation funded by the Group was conditionally settled.

SIGNIFICANT EVENTS AFTER BALANCE DATE (CONTINUED)

New Subsidiary

On 1 August 2011 the Group hired its first employee in the United States. A new fully owned subsidiary to be known as **Bentham Capital LLC** has been established to fund litigation in the United States of America.

Share Buy Back

On 11 August 2011 the Company announced an on market share buy-back of up to 12,320,171 shares.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, approximately 36% of the investment portfolio as at 30 June 2011 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 fully 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.

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

During the financial year, employees have exercised options to acquire 860,000 fully paid ordinary shares in IMF, with a weighted average exercise price (WAP) of $0.80 (2010: 180,000 with a WAP of $0.80).

Indemnification and Insurance of Directors and Officers

During the financial year the Company has paid premiums in respect of a 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. 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 $275,924 (2010: $247,107).

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 Group, and includes the five executives in the Parent and the Group receiving the highest remuneration.

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. The Company obtains assistance from remuneration experts in relation to setting its remuneration structure.

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 $218,500 (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 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.

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Fixed Remuneration (Continued)

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. 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 2011 and 2010 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. In 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 91% of the available incentive pool to be distributed under the STI in 2011 (2010: nil). The unallocated portion of prior years' incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee.
- 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 will be paid on 15 September 2011 and 15 March 2012.

The total allocation under the 2011 STI was $4,813,500 (2010: $nil), 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 25.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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.

	2007	2008	2009	2010	2011
Earnings per share (cents per share)	5.24	15.04	17.35	9.77	18.56
Diluted earnings per share (cents per share)	5.24	14.70	16.93	9.70	17.32

Employment Contracts

a. Hugh McLernon, Managing Director:

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of $1,000,000 pa plus super;
- salary to be reviewed annually, with the 2011 review determining a salary increase of 16%; and
- notice period is 12 months.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Employment Contracts (continued)

c. John Walker, Executive Director – Director of Marketing:

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of $800,000 pa plus super;
- salary to be reviewed annually, with the 2011 review determining a salary increase of 12%; and
- notice period is 12 months.

d. Clive Bowman, Executive Director – Director of Operations:

- contract commenced 1 July 2001 and a new contract of employment is currently being negotiated;
- gross salary package of $650,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2010 review determining an increase in salary of 15%; and
- notice period by the employee is 3 months and 6 months' notice by the Company.

e. Diane Jones, Chief Operating Officer, Chief Financial Officer & Company Secretary:

- contract commenced 5 June 2006;
- gross salary package of $400,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2010 review determining an increase in salary of 11%; and
- notice period is 3 months.

f. Charlie Gollow, Investment Manager:

- contract commenced 22 April 2003;
- gross salary package of $450,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2010 review determining an increase of 13%; and
- notice period by the employee is 3 months and 6 months' notice by the Company.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2011

		Short-term					
2011	Salary & Fees	Bonus Paid[1]	Bonus Accrued[2]	Post Employment Super	Total[3]	Performance Related	2011 Unpaid Bonus[2]
Directors							
Robert Ferguson	100,000	-	-	9,000	109,000	0%	-
Hugh McLernon	850,000	-	1,000,000	15,192	1,865,192	46%	1,000,000
John Walker	700,000	-	750,000	15,192	1,465,192	49%	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	43%	750,000
Executives							
Charlie Gollow	384,808	-	300,000	15,192	700,000	57%	300,000
Diane Jones	344,808	-	275,000	15,192	635,000	57%	275,000
Total	3,036,424	-	3,075,000	89,460	6,200,884	50%	3,075,000

Table 2: Remuneration for the year ended 30 June 2010

		Short-term					
2010	Salary & Fees	Bonus Paid[1]	Bonus Accrued[1]	Post Employment Super	Total[3]	Performance Related	2010 Unpaid Bonus[1]
Directors							
Robert Ferguson	100,000	-	-	9,000	109,000	0%	-
Hugh McLernon	850,000	-	-	14,462	864,462	0%	-
John Walker	700,000	-	-	14,462	714,462	0%	-
Alden Halse	50,000	-	-	4,500	54,500	0%	-
Michael Bowen	55,000	-	-	0	55,000	0%	-
Clive Bowman	535,538	-	-	14,462	550,000	0%	-
Executives							
Charlie Gollow	335,538	-	-	14,462	350,000	0%	-
Diane Jones	310,538	-	-	14,462	325,000	0%	-
Total	2,936,614	-	-	85,810	3,022,424	0%	-

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel (continued)

1. There was no bonus awarded by the Remuneration Committee under the STI for the 2010 financial year.
2. This bonus was awarded by the Remuneration Committee under the STI on 30 June 2011 and will be paid in the 2012 financial year so long as the employee remains in employment with the Company. The Group believes that a constructive obligation to pay the 2011 bonus under the STI arose during the year. Accordingly, the bonus was accrued in the 2011 financial year.
3. The professional indemnity insurance and insurance premiums for directors and officers totalled $275,924 (2010: $247,107) have not been allocated to specific individuals as the Directors do not believe there is a reasonable basis for allocation.

Compensation and Remuneration Options

No options were granted to key management personnel in 2011 or 2010.

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 2011 or 2010.

Table 3: Shares issued on exercise of compensation options

	30 June 2011				30 June 2010			
	No of shares issued	**Paid per share**	**Unpaid per share**	**Value of options excercised***	**No of shares issued**	**Paid per share**	**Unpaid per share**	**Value of options excercised***
Directors								
Hugh McLernon	-	-	-	-	1,000,000	$1.35	-	1,800,000
John Walker	-	-	-	-	1,000,000	$1.35	-	1,800,000
Clive Bowman	500,000	$0.80	-	850,000	100,000	$0.80	-	180,000
								180,915
Executives								30,360
Charlie Gollow	250,000	$0.80	-	425,000	-	-	-	-
Total	750,000	-	-	1,275,000	2,100,000	-	-	3,780,000

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

END OF REMUNERATION REPORT

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:

	Board Meetings	Audit Committee	Remuneration Committee
Total number of meetings held:	**6**	**2**	**2**
Meetings Attended:			
R Ferguson	6	2	2
M Bowen	6	2	2
A J Halse	5	2	2
H McLernon	5	-	-
J F Walker	6	-	-
Clive Bowman*	1	-	-

* Only one meeting of Directors has been held since appointment.

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:

Audit Committee	Remuneration Committee	Nomination Commitee
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 review of the Financial Report for the year ended 30 June 2011. This independence declaration can be found at page 29.

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 $111,610 (2010: $74,189).

CORPORATE GOVERNANCE

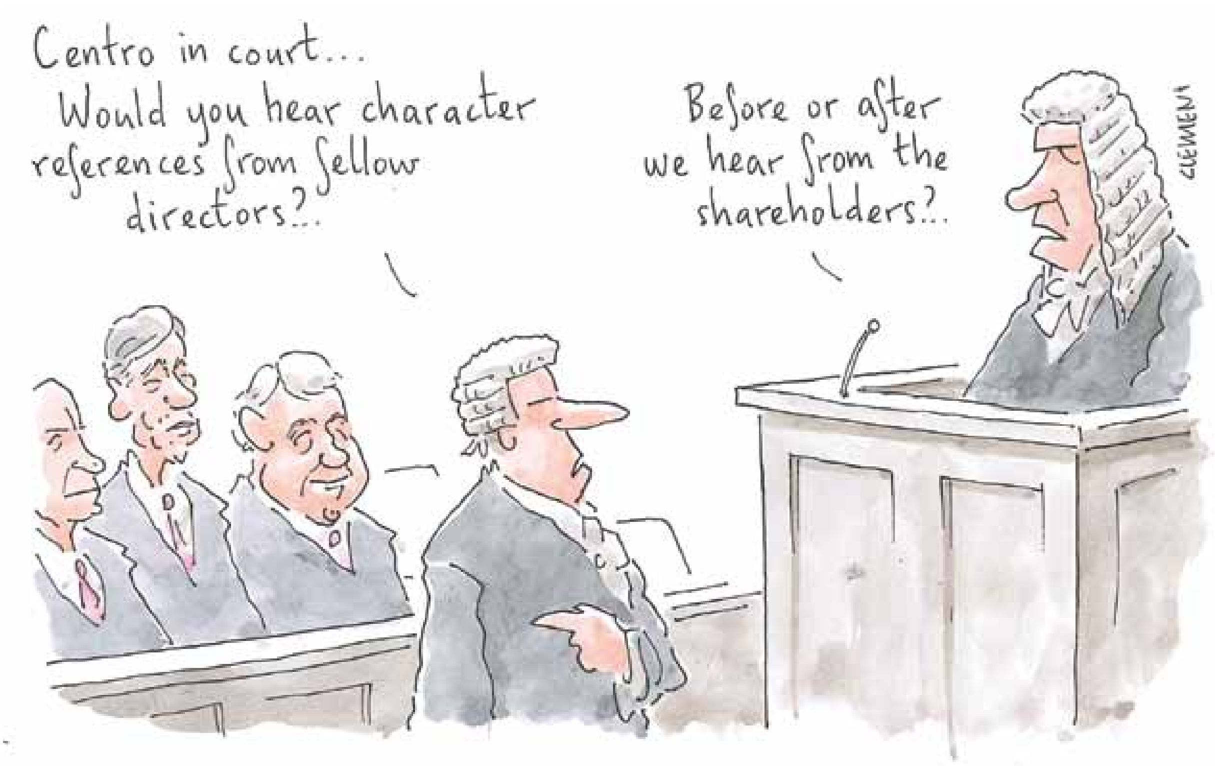
The Company has an extensive Corporate Governance Manual which includes a compliance program and complaint handling procedures which will enable the Company to interact with its clients and the public in a consistent and transparent manner. The Company's corporate governance statement is noted from page 81 of this Annual Report.

Signed in accordance with a resolution of the Directors.

ROBERT FERGUSON
CHAIRMAN

HUGH MCLERNON
MANAGING DIRECTOR

Sydney 24 August 2011



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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 2011, 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.

[redacted]

Ernst & Young

[redacted]

G H Meyerowitz
Partner
24 August 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

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	Note	2011 $	2010 $
		Consolidated	
Continuing Operations			
Revenue	6	2,690,632	1,919,379
Other income	7	37,934,361	19,735,662
Total Income		**40,624,993**	**21,655,041**
Finance costs	8(a)	(1,065,363)	(117,568)
Bad debts written off	13	(174,239)	(128,387)
Depreciation expense	8(b)	(220,243)	(217,194)
Employee benefits expense	8(c)	(3,694,362)	(1,875,535)
Corporate and office expense	8(d)	(1,769,470)	(1,928,482)
Other expenses	8(e)	(940,257)	(560,977)
Profit From Continuing Operations Before Income Tax		**32,761,059**	**16,826,898**
Income tax expense	9	(9,900,909)	(4,920,556)
Net Profit for the Period		**22,860,150**	**11,906,342**
Other Comprehensive Income			
Net fair value gains/(loss) on available for sale financial assets		(333,646)	165,828
Impairment on available for sale investments transferred to other expenses		117,472	-
Income tax on items of other comprehensive income		100,094	(49,748)
Other comprehensive income for the period, net of tax		(116,080)	116,080
Total Comprehensive Income for the Period		**22,744,070**	**12,022,422**
Earnings per share attributable to the ordinary equity holders of the company (cents per share)			
Basic profit (cents per share)	11	18.56	9.77
Diluted profit (cents per share)	11	17.32	9.70

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		Consolidated	
	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	12	55,011,992	42,990,254
Trade and other receivables	13	36,075,176	5,995,032
Other assets	14	699,885	311,301
Total Current Assets		**91,787,053**	**49,296,587**
Non-Current Assets			
Trade and other receivables	15	264,371	1,120,000
Plant and equipment	16	440,500	535,982
Financial assets	17	430,104	854,175
Intangible assets	18	59,625,438	40,487,439
Total Non-Current Assets		**60,760,413**	**42,997,596**
TOTAL ASSETS		**152,547,466**	**92,294,183**
LIABILITIES			
Current Liabilities			
Trade and other payables	19	7,233,234	5,833,691
Income tax (receivable)/payable		37,249	(359,590)
Provisions	20	6,029,525	2,385,777
Total Current Liabilities		**13,300,008**	**7,859,878**
Non-Current Liabilities			
Provisions	20	344,733	544,583
Convertible notes	21	33,568,796	-
Deferred income tax liabilities	9	18,140,424	11,354,066
Total Non-Current Liabilities		**52,053,953**	**11,898,649**
TOTAL LIABILITIES		**65,353,961**	**19,758,527**
NET ASSETS		**87,193,505**	**72,535,656**
EQUITY			
Contributed equity	22	41,900,322	40,514,450
Reserves	23(a)	7,235,936	4,503,939
Retained earnings	23(b)	38,057,247	27,517,267
TOTAL EQUITY		**87,193,505**	**72,535,656**

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

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2011 $	2010 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(3,654,069)	(3,472,672)
Interest income		2,452,390	1,584,766
Interest paid		(1,237,656)	-
Income tax paid		(3,838,225)	(7,302,156)
Net Cash Flows from/(used in) Operating Activities	24	**(6,277,560)**	**(9,190,062)**
Cash Flows from Investing Activities			
Proceeds from litigation funding - settlements, fees and reimbursements		29,844,488	48,718,381
Payments for litigation funding and capitalised suppliers and employee costs		(37,366,405)	(41,761,686)
Purchase of plant and equipment		(124,761)	(76,991)
Purchase of financial asset		-	(554,693)
Receipts from available for sale investments		-	1,126,118
Net Cash Flows used in Investing Activities		**(7,646,678)**	**7,451,129**
Cash Flows from Financing Activities			
Proceeds from issue of shares		688,000	2,844,000
Dividends paid		(12,320,170)	(18,351,682)
Share buy-back		-	(1,000,937)
Convertible note costs		(1,530,838)	-
Issue of convertible notes		39,108,984	-
Net Cash Flows from/(used in) Financing Activities		**25,945,976**	**(16,508,619)**
Net increase/(decrease) in cash and cash equivalents held		12,021,738	(18,247,552)
Cash and cash equivalents at beginning of year		42,990,254	61,237,806
Cash and Cash Equivalents at end of year	12	**55,011,992**	**42,990,254**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

CONSOLIDATED	**Issued Capital $**	**Option premium reserve $**	**Net unrealised gains reserve $**	**Convertible notes reserve $**	**Retained earnings $**	**Total $**
As at 1 July 2010	**40,514,450**	**3,403,720**	**116,080**	**984,139**	**27,517,267**	**72,535,656**
Profit for the period	-	-	-	-	22,860,150	22,860,150
Other comprehensive income	-	-	(116,080)	-	-	(116,080)
Total Comprehensive Income for the Period	**40,514,450**	**3,403,720**	**0**	**984,139**	**50,377,417**	**95,279,726**
Equity Transactions:	-	-	-	-	-	-
Dividend paid	-	-	-	-	(12,320,170)	(12,320,170)
Dividend declared (unpaid)	-	-	-	-	-	-
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)
As at 30 June 2011	**41,900,322**	**3,403,720**	**0**	**3,832,216**	**38,057,247**	**87,193,505**
As at 1 July 2009	**38,671,387**	**3,403,720**	**3,953**	**984,139**	**21,712,925**	**64,776,124**
Profit for the period	-	-	-	-	11,906,342	11,906,342
Other comprehensive income	-	-	116,080	-	-	116,080
Total Comprehensive Income for the Period	**38,671,387**	**3,403,720**	**120,033**	**984,139**	**33,619,267**	**76,798,546**
Equity Transactions:						
Dividend paid	-	-	-	-	(6,102,000)	(6,102,000)
Dividend declared (unpaid)	-	-	-	-	-	-
Exercise of options	2,844,000	-	-	-	-	2,844,000
Share buy-back	(1,000,937)	-	-	-	-	(1,000,937)
Transfer of reserve upon sale of asset	-	-	(3,953)	-	-	(3,953)
As at 30 June 2010	**40,514,450**	**3,403,720**	**116,080**	**984,139**	**27,517,267**	**72,535,656**

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 2011

NOTE 1: CORPORATE INFORMATION

The financial report of IMF (Australia) Ltd (IMF, the Company or the Parent) for the year ended 30 June 2011 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the directors on 24 August 2011.

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.

c. New accounting standards and interpretations

(i) Changes in accounting policy and disclosures.

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010 including:

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]* effective 1 January 2010.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

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

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective 1 January 2010.

The following describes the specific amendments within AASB 2009-5 that had an impact on the Group's disclosure:

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The adoption of this amendment has resulted in the Group classifying the convertible notes financial liability arising during the year as non-current.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The adoption of this amendment has resulted in the Group disclosing 'Proceeds from litigation funding – settlements, fees and reimbursements' and 'Payments for litigation funding, suppliers and employees' as cash flows from investing activities. As a result of adopting this amendment, 'Proceeds from litigation funding – settlements, fees and reimbursements' of $29,844,488 and 'Payments for litigation funding, suppliers and employees' of $37,366,405 was reclassified as cash flows from investing activities. The corresponding amounts in the comparative period of $48,718,381 and $41,761,686 were also reclassified as cash flows from investing activities as a result of this amendment.

- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]*

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 2011 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 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. a. Financial assets are 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. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. b. AASB 9 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. c. 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.	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement 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.	1 January 2011	1 July 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: a. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; 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; 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. 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.	1 January 2011	1 July 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: a. Tier 1: Australian Accounting Standards; and b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a. for-profit entities in the private sector that have public accountability (as defined in this Standard); and b. the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a. for-profit private sector entities that do not have public accountability; b. all not-for-profit private sector entities; and c. public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: a. compliance with Australian Accounting Standards; b. the statutory basis or reporting framework for financial statements; c. whether the financial statements are general purpose or special purpose; d. audit fees; e. imputation credits.	1 July 2011	1 July 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 January 2013	1 July 2013
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB's 1, 7, 101, 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. 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. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. 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.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB's 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	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. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB's 1 & 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in AASB 7 where an asset is transferred but is 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.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); • The remaining change is presented in profit or loss. 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.	1 January 2013	1 July 2013
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB's 101, 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.	1 July 2013	1 July 2013

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
IFRS10*	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. 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 right may give control.	1 January 2013	1 July 2013
IFRS12*	Disclosure of Interests in Other Entities	IFRS 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 judgements made by management to determine whether control exists, and to require summarised information about any joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
IFRS13*	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 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.	1 January 2013	1 July 2011

* Australian equivalents have not been issued.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of IMF (Australia) Ltd ("IMF", "the Company" or "Parent") and its subsidiary Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited) ("the Group") as at 30 June each year.

The financial statements of the subsidiary 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 profit and losses resulting from intra-group transactions have been eliminated in full.

The Parent's investment in the subsidiary is measured at cost in the separate financial statements of the Parent entity 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 retranslated at the exchange rate ruling at the balance sheet date. Gains and losses arising from these transactions are recognised in the Statement of Comprehensive Income.

f. Cash and cash equivalents

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

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

g. Trade and other receivables

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Designation is re-evaluated at the end of each financial year end, but there are restrictions on reclassifying to other categories.

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 profit or loss and the related assets are classified as current assets in the balance sheet.

(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.

(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 arms 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 judgemental inputs to a minimum.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or loss as incurred.

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

Plant and equipment - over 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Intangible assets (continued)

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 profit or loss when the asset is derecognised.

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

(A) Actions still outstanding:

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

i. 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;

ii. Demonstration that the asset will generate future economic benefits;

iii. Demonstration that the Group intends to complete the litigation;

iv. Demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and

v. 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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Provisions and employee benefits (continued)

(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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Share-based payment transactions (continued)

(i) Equity-settled transactions (continued)

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

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

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

(ii) Cash-settled transactions

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

p. 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 profit and loss.

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:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Revenue recognition (continued)

(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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Income tax and other taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

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

	Consolidated	
	2011 $	2010 $
Financial Assets		
Cash and cash equivalent	55,011,992	42,990,254
Debt	-	-
Net exposure	**55,011,992**	**42,990,254**

The Group constantly 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 balance sheet date.

At 30 June 2011, 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:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $	2010 $	2011 $	2010 $
+1.0% (100 basis points) (2010: +1.5%)	134,532	95,969	134,532	95,969
-1.0% (100 basis points) (2010: -1.5%)	(147,985)	(105,566)	(147,985)	(105,566)

The change to the sensitivity from 2010 reflects the decrease in the volatility of interest rates during the year.

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 balance date is addressed in each applicable note.

There are no significant concentrations of credit risk within the Group. 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. Wherever possible the Group ensures that security for settlement sums is provided.

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

Risk Exposures and Responses (continued)

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 maintain appropriate liquidity levels. All financial liabilities of the Group are current and within 30 days.

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

	< 6 months $	6-12 months $	1-5 years $	>5 years $	Total $
2011					
Financial Liabilities					
Trade and other payables	7,233,234	-	-	-	7,233,234
Convertible notes	-	-	33,568,796	-	33,568,796
Convertible notes interest	1,964,475	1,964,475	9,822,375	-	13,751,324
	9,197,709	**1,964,475**	**43,391,171**	**-**	**54,553,354**
2010					
Financial Liabilities					
Trade and other payables	5,833,691	-	-	-	5,833,691
Convertible notes	-	-	-	-	-
Convertible notes interest	-	-	-	-	-
	5,833,691	**-**	**-**	**-**	**5,833,691**

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 Exchange Risk

The Group is funding 3 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 exchange 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 statement 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

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 18).

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 judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. 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.

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 balance sheet 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.

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 advisors.

(ii) Significant accounting estimates and assumptions

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 18.

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 and note 16.

NOTE 5: SEGMENT INFORMATION

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2. The Group has identified its operating segments based upon the internal management reporting that is used by the executive management team (the chief operating decision maker) in assessing performance and allocating 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.

As the Group provides only one service, being litigation funding, it has one operating segment.

Geographically, the Group operates in Australia only. During the year the Group funded one matter in South Africa, two matters in the United States, one matter in the United Kingdom and 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, Singapore, Hong Kong, Canada, South Africa and New Zealand.

Interest received from National Australia Bank Ltd ($2,094,866) and Westpac Banking Group Ltd ($500,000) contributed more than 10% of the Group's bank interest revenue.

NOTE 6: REVENUE

	Consolidated	
	2011 $	2010 $
Revenue		
Bank interest received and accrued	2,690,632	1,919,379
	2,690,632	1,919,379

NOTE 7: OTHER INCOME

	Consolidated	
	2011 $	2010 $
Other income		
Litigation contracts in progress - settlements	57,856,855	46,071,603
Litigation contracts in progress expenses	(18,703,198)	(22,678,799)
Litigation contracts in progress - written-off[1]	(1,196,883)	(4,674,528)
Net gain on disposal of intangible assets	37,956,774	18,718,276
GST recoverable/(written-off) from prior periods[2]	(38,012)	680,713
Profit on sale of shares	-	296,870
Other income	15,599	39,803
	37,934,361	19,736,662

[1] 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.

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

NOTE 8: EXPENSES

	Consolidated 2011 $	Consolidated 2010 $
(a) Finance costs		
Interest expense	(971,953)	-
Other finance charges	(93,410)	(117,568)
	(1,065,363)	(117,568)
(b) Depreciation included in the income statement		
Depreciation expense	(220,243)	(217,194)
(c) Employee benefits expense		
Wages and salaries	(2,425,392)	(616,217)
Superannuation expense	(539,163)	(545,047)
Directors' fees	(208,726)	(205,000)
Payroll tax	(337,841)	(475,797)
Long service leave provision	(183,240)	(33,474)
Total employee benefits expense	(3,694,362)	(1,875,535)
(d) Corporate and office expense		
Insurance expense	(621,563)	(836,957)
Network expense	(200,039)	(198,814)
Marketing expense	(357,710)	(277,587)
Occupancy expense	(39,181)	(21,509)
Professional fee expense	(346,636)	(407,520)
Recruitment expense	(27,137)	(15,774)
Telephone expense	(91,856)	(94,651)
Travel expense	(85,348)	(75,670)
	(1,769,470)	(1,928,482)
(e) Other expenses		
ASX listing fees	(56,368)	(63,204)
General expenses	(354,954)	(205,037)
Postage, printing and stationery	(100,437)	(43,006)
Repairs and maintenance	(24,820)	(25,455)
Share registry costs	(53,389)	(69,861)
Software supplies	(32,264)	(10,456)
Unrealised foreign exchange loss	(110,128)	(145,977)
Net fair value profit/(loss) on shares held for trading	(207,897)	2,019
	(940,257)	(560,977)

NOTE 9: INCOME TAX

	Consolidated 2011 $	2010 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	4,213,327	2,929,309
Adjustment in respect of current income tax expense of previous year	56,976	(13,624)
Deferred income tax		
Relating to origination and reversal of temporary differences	5,677,361	2,029,094
Deferred income tax benefit on conversion of notes	(32,996)	-
Derecognition of unrealised capital losses	15,104	-
Adjustment in respect of deferred income tax of previous year	(28,863)	(24,223)
Income tax expense reported in the Statement of Comprehensive Income	9,900,909	4,920,556
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)	49,748
Income tax expense reported in equity	1,155,753	49,748
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	32,761,059	16,826,898
At the Group's statutory income tax rate of 30% (2010: 30%)	9,828,319	5,048,070
Adjustment in respect of income tax of previous years	28,113	(37,847)
Income not assessable for income tax purposes	62,369	(89,667)
Derecognition of unrealised capital losses	15,104	-
Deferred income tax benefit on conversion of notes	(32,996)	-
Income tax expense reported in the Statement of Comprehensive Income	9,900,909	4,920,556

NOTE 9: INCOME TAX (CONTINUED)

	Statement of comprehensive income		Statement of financial position	
	2011 $	2010 $	2011 $	2010 $
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred income tax liabilities				
Intangibles	17,754,793	12,146,232	5,608,561	2,445,876
Convertible notes	1,015,398	-	(205,207)	-
Available for sale assets	-	49,748	15,104	-
Accrued interest	-	164,083	(164,083)	100,384
Gross deferred income tax liabilities	18,770,191	12,360,063		
Deferred income tax assets				
Depreciable assets	63,752	58,024	(5,728)	(6,654)
Accruals and provisions	557,786	947,973	390,187	(562,556)
Expenditure deductible for income tax over time	8,229	-	(8,229)	27,821
Gross deferred income tax assets	629,767	1,005,997		
Deferred income tax expense			5,630,605	2,004,871
Net deferred income tax liabilities	**18,140,424**	**11,354,066**		

(e) Unrecognised temporary differences

At 30 June 2011 the Group had no unrecognised temporary differences and tax losses.

NOTE 10: DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2011 $	2010 $
(a) Recognised amounts:		
Declared and paid during the year		
Dividends on ordinary shares		
2011: Interim 10.0 cents per share (2010: Interim 5.0 cents per share)	12,320,170	6,102,000
2011: Final Nil (2010: Final Nil)	-	-
	12,320,170	6,102,000
(b) Unrecognised amounts:		
Dividends on ordinary shares		
2011: Final 5.0 cents per share	6,160,086	-
2010: Nil unrecognised	-	-
	6,160,086	-

On 24 August 2011 a final dividend of 5.0 cents per share has been declared in respect of the current financial year. The record date for this dividend is 30 September 2011 and the shares will trade ex-dividend on 26 September 2011. Payment of this dividend will be made on 7 October 2011. In 2010 no final dividend was declared.

NOTE 10: DIVIDENDS PAID AND PROPOSED (CONTINUED)

	IMF (Australia) Ltd	
(c) Franking credit balance	**2011 $**	**2010 $**
The amount of franking credits for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	1,300,851	1,000,311
- Franking debits that will arise from the payment of interim dividends during the year	(5,280,073)	(2,615,142)
- Franking credits that arose from the payment of income tax payable during the financial year	3,792,592	3,275,272
- Franking credits that will arise from the (refund)/payment of income tax (receivable)/ payable as at the end of the financial year	389,196	(359,590)
	259,623	1,300,851
Impact of franking debits that will arise from the payment of recommended final dividend	2,640,036	-
	(2,437,470)	1,300,851

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2010: 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

	Consolidated	
	2011 $	**2010 $**
For basic earnings per share		
Net profit attributable to ordinary equity holders of the Parent	22,860,150	11,906,342
For diluted earnings per share		
Net profit from continuing operations attributable to ordinary equity holders of the Parent	22,860,150	11,906,342
Tax effected interest expense on convertible notes	680,367	-
Net profit attributable to ordinary equity holders	23,540,517	11,906,342

NOTE 11: EARNINGS PER SHARE (CONTINUED)

(b) Weighted average number of shares

	Number	
	2011	2010
Weighted average number of ordinary shares outstanding for basic earnings per share	123,201,716	121,870,342
Effect of dilution:		
Share options	-	830,000
Convertible notes	12,729,338	-
Weighted average number of ordinary shares adjusted for the effect of dilution	135,931,054	122,700,342

There are no instruments (eg. 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

Options granted to employees (including key management personnel) as described in note 22, note 23 and note 26, 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. These options have not been included in the determination of basic earnings per share. As at 30 June 2011 there were no options issued over shares in the Company.

(ii) Convertible notes

The convertible notes as described in note 21 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

	Consolidated	
	2011 $	2010 $
Cash at bank	13,010,392	9,463,598
Short-term deposits	42,001,600	33,526,656
	55,011,992	42,990,254

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 days notice without penalty, hence it has been included as a current asset.

NOTE 12: CURRENT ASSETS - CASH AND CASH EQUIVALENTS (CONTINUED)

Reconciliation to Statement of Cash Flows

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

	Consolidated	
	2011 $	**2010 $**
Cash at bank	13,010,392	9,463,598
Short-term deposits	42,001,600	33,526,656
	55,011,992	42,990,254

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 2011 guarantees of $2,049,762 were outstanding (2010: $1,173,996). The guarantees are secured by an offset arrangement with a term deposit of $5,000,000 (2010: $7,092,156).

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 $2,049,762 (2010: $1,173,996). The total of the bank guarantee facilities is $5,000,000 (2010: $6,785,000). The guarantee facility is secured by an offset arrangement against term deposits of $5,000,000 (2010: $7,092,156).

NOTE 13: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

		Consolidated	
		2011 $	**2010 $**
Trade receivables	(i)	35,231,257	5,448,089
Interest receivable	(ii)	795,919	546,943
Other		48,000	-
		36,075,176	5,995,032

i. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is no amount included in trade receivables which is subject to appeal (2010: nil).

ii. Interest receivable is payable upon the maturity of the Group's short term deposits (between 30 and 90 days)

NOTE 13: CURRENT ASSETS - 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[1] $	+180 days[1] $	Total $
2011 Consolidated	18,975,202	94,056	163,769	16,842,149	36,075,176
2010 Consolidated	4,983,144	-	-	1,011,888	5,995,032

[1] These amounts are past due but not impaired.

During the year the Group wrote-off receivables totalling $174,239 (2010: $128,387).

(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. Receivables greater than 180 days are expected to be received within the following six months.

NOTE 14: CURRENT ASSETS - OTHER ASSETS

	Consolidated	
	2011 $	2010 $
Prepayments	695,458	306,874
Other	4,427	4,427
	699,885	311,301

NOTE 15: NON CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

		Consolidated	
		2011 $	2009 $
Trade receivables	(i)	264,371	1,120,000
		264,371	1,120,000

i. Non-current trade receivables are non-interest bearing and occur as a result of settlements with a repayment plan greater than 12 months. There is no amount included in trade receivables which is subject to appeal (2010: nil).

NOTE 16: NON CURRENT ASSETS - PLANT AND EQUIPMENT

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

	Consolidated Plant and Equipment $
Year ended 30 June 2011	
Balance as at 1 July 2010, net of accumulated depreciation	535,982
Additions	124,761
Depreciation charge for the year	(220,243)
At 30 June 2011, net of accumulated depreciation	440,500
Balance as at 1 July 2010, net of accumulated depreciation	
Cost	1,570,189
Accumulated depreciation	(1,034,207)
Net carrying amount	535,982
Balance as at 30 June 2011, net of accumulated depreciation	
Cost	1,694,950
Accumulated depreciation	(1,254,450)
Net carrying amount	440,500
Year ended 30 June 2010	
Balance as at 1 July 2009, net of accumulated depreciation	676,187
Additions	76,989
Depreciation charge for the year	(217,194)
At 30 June 2010, net of accumulated depreciation	535,982
Balance as at 1 July 2009	
Cost	1,493,200
Accumulated depreciation	(817,013)
Net carrying amount	676,187
Balance as at 30 June 2010, net of accumulated depreciation	
Cost	1,570,189
Accumulated depreciation	(1,034,207)
Net carrying amount	535,982

The useful life of the assets was estimated between 5 to 15 years for both 2010 and 2011.

NOTE 17: NON-CURRENT ASSETS – FINANCIAL ASSETS

	Consolidated 2011 $	Consolidated 2010 $
At fair value		
Shares - Australian listed - available-for-sale	424,680	758,326
Shares - United Kingdom listed - held for trading	5,424	95,849
Closing balance as at 30 June	430,104	854,175

(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 18: INTANGIBLE ASSETS

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

	Consolidated $
Balance as at 1 July 2010	
Cost (gross carrying amount)	40,487,439
Accumulated amortisation and impairment	-
Net carrying amount	40,487,439
Year ended 30 June 2011	
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	59,625,438
Balance as at 1 July 2009	
Cost (gross carrying amount)	32,275,955
Accumulated amortisation and impairment	-
Net carrying amount	32,275,955
Year ended 30 June 2010	
Balance as at 1 July 2009, net of accumulated amortisation and impairment	32,275,955
Additions	33,959,270
Disposals	(22,678,798)
Write-down of Litigation Contracts In Progress	(3,068,988)
At 30 June 2010, net of accumulated amortisation and impairment	40,487,439

NOTE 18: 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 2011 equated to approximately 67% of the total salary costs (2010: 81%). The other internal capitalised expenses equated to approximately 26% of overhead costs (2010: 27%).

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

	Consolidated	
	2011 $	2010 $
Capitalised External Costs	43,642,918	31,641,501
Capitalised Internal Costs	14,132,020	8,845,938
Capitalised Borrowing Costs	1,850,500	-
Balance at 30 June	59,625,438	40,487,439

(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 advisors 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% (2010: 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.

NOTE 19: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2011 $	Consolidated 2010 $
Trade payables[1]	5,998,450	5,589,108
Convertible note interest accrual	979,654	-
Wage accruals	255,130	244,583
Carrying amount of trade and other payables	7,233,234	5,833,691

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

NOTE 20: CURRENT AND NON-CURRENT LIABILITIES - PROVISONS

	Consolidated 2011 $	Consolidated 2010 $
Current		
Annual leave and long service leave	879,915	379,290
Adverse costs	336,110	2,006,487
Bonus	4,813,500	-
	6,029,525	2,385,777
Non-Current		
Long service leave	344,733	544,583
	344,733	544,583

(a) Movement in provisions

Consolidated	Adverse costs $	Annual leave $	Employee bonus $	Long service leave $	Total $
At 1 July 2010	2,006,487	379,290	-	544,583	2,930,360
Arising during the year	-	483,663	4,813,500	183,240	5,480,403
Utilised	(1,670,377)	(366,128)	-	-	(2,036,505)
At 30 June 2011	336,110	496,825	4,813,500	727,823	6,374,258
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
Current 2010	2,006,487	379,290	-	-	2,385,777
Non-current 2010	-	-	-	544,583	544,583
	2,006,487	379,290	-	544,583	2,930,360

NOTE 20: CURRENT AND NON-CURRENT LIABILITIES - PROVISONS (CONTINUED)

(b) Nature and timing of provisions

Adverse costs

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 is being appealed. 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 21: NON-CURRENT LIABILITIES

	Consolidated	
	2011	**2010**
	$	**$**
Convertible notes[1]	33,568,796	-

[1] Net of transaction costs of $1,363,114.

On 13 December 2010 the Company issued 23,702,415 convertible notes raising total capital of $39,908,165 (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 471,374 Noteholders elected to convert their convertible notes into shares. Accordingly as at 30 June 2011, there were 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 $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 18). At 30 June 2011, 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 23).

NOTE 22: CONTRIBUTED EQUITY

	Consolidated	
	2011	**2010**
Contributed equity	**$**	**$**
Issued and fully paid ordinary shares	41,900,322	40,514,450

(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 carry the right to dividends.

	Number	**$**
Movements in ordinary shares on issue		
As at 30 June 2009	120,386,819	38,671,387
Exercise of employee options	2,180,000	2,844,000
Share buy-back	(696,477)	(1,000,937)
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

(b) Share options

At 30 June 2011, there were no unissued ordinary shares in respect of which options were outstanding (2010: 830,000), as follows:

	2011	**2010**
Director Options (see note 27)	-	-
Employee options (see note 28)	-	830,000
Options issued as at 30 June	-	830,000

(c) Capital management

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 if they can be fully franked and 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.

Management reduced the Group's surplus cash between 2009 and 2010 through a mixture of paying fully franked dividends and through implementing an on-market buy-back.

At 30 June 2011 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.

NOTE 23: RETAINED EARNINGS AND RESERVES

(a) Movement in retained earnings were as follows:

	Consolidated 2011 $	Consolidated 2010 $
Balance 1 July	27,517,267	21,712,925
Net profit for the year	22,860,150	11,906,342
Dividend paid	(12,320,170)	(6,102,000)
Balance 30 June	38,057,247	27,517,267

(b) Movement in reserves were as follows:

	Option premium reserve $	Net unrealised gains reserve $	Convertible notes reserve $	Total reserves $
At 1 July 2009	3,403,720	3,953	984,139	4,391,812
Share revaluation	-	112,127	-	112,127
At 30 June 2010	3,403,720	116,080	984,139	4,503,939
Share revaluation	-	(116,080)	-	(116,080)
Equity component -convertible notes[1]	-	-	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

[1] Includes transaction costs of $1,363,114.

(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 27 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.

NOTE 24: CASH FLOW STATEMENT RECONCILIATION

	Consolidated 2011 $	Consolidated 2010 $
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss) attributable to members of the parent	22,860,150	11,906,342
Adjustments for:		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows from investing activities	7,521,917	(6,956,695)
Depreciation	220,243	217,194
Dividend from financial asset investment (non-cash)	-	(37,764)
Loss recognised on remeasurement to fair value	90,425	(2,019)
Convertible note accretion	727,120	-
Profit on sale of shares	-	(296,870)
Revaluation loss on sale of shares	117,472	-
Other	30,084	643
Changes in assets and liabilities		
Decrease/(Increase) in receivables	(29,224,515)	1,213,952
Decrease/(Increase) in other current assets	(388,584)	(112,543)
Decrease/(Increase) in intangible assets	(19,137,999)	(8,211,484)
Increase/(Decrease) in trade creditors and accruals	419,889	(2,817,377)
Increase/(Decrease) in interest accruals	979,654	-
Increase/(Decrease) in provisions	3,443,898	(1,702,706)
Increase/(Decrease) in deferred tax liabilities	5,615,503	2,004,871
Increase/(Decrease) in current income tax liability	447,183	(4,395,606)
Net cash from/(used in) operating activities	(6,277,560)	(9,190,062)

(b) Disclosure of financing facilities

Refer to note 12

NOTE 25: RELATED PARTY DISCLOSURE

Transactions with director related entities

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

	Consolidated 2011 $	Consolidated 2010 $
Transactions with related parties	550	15,057

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.

NOTE 26: 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	
	2011 $	2010 $
Short-term employee benefits - salaries and wages	3,036,424	2,936,614
Short-term employee benefits - bonuses[1]	3,075,000	-
Post-employment benefits	89,460	85,810
	6,200,884	3,022,424

[1] There were no bonuses accrued for the year ended 30 June 2010.

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

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

NOTE 26: KEY MANAGEMENT PERSONNEL (CONTINUED)

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

	Balance 01-Jul-09	Granted as Remuneration	Options Exercised	Balance 30-Jun-10	Vested at 30 June 2010 Total	Exercisable	Not Vested/ Exercisable
Directors							
Robert Ferguson	-	-	-	-	-	-	-
Hugh McLernon	1,000,000	-	(1,000,000)	-	-	-	-
John Walker	1,000,000	-	(1,000,000)	-	-	-	-
Alden Halse	-	-	-	-	-	-	-
Michael Bowen	-	-	-	-	-	-	-
Clive Bowman	600,000	-	(100,000)	500,000	-	500,000	-
Executives							
Charlie Gollow	250,000	-	-	250,000	-	250,000	-
Diane Jones	-	-	-	-	-	-	-
Total	2,850,000	-	(2,100,000)	750,000	-	750,000	-

(d) Shareholdings of Key Management Personnel

	Balance 30-Jun-10	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-11
Directors					
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
	-				
Executives	-				
Charlie Gollow	210,000	-	250,000	-	460,000
Diane Jones	20,000	-	-	-	20,000
Total	21,908,091	-	750,000	(570,253)	22,087,838

NOTE 26: KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Shareholdings of Key Management Personnel (continued)

	Balance 30-Jun-09	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-10
Directors					
Robert Ferguson	2,500,000	-	-	-	2,500,000
Hugh McLernon	10,713,798	-	1,000,000	(2,005,206)	9,708,592
John Walker	6,966,831	-	1,000,000	(892,294)	7,074,537
Alden Halse	876,251	-	-	-	876,251
Michael Bowen	813,751	-	-	-	813,751
Clive Bowman	753,307	-	100,000	(148,347)	704,960
Executives					
Charlie Gollow	210,000	-	-	-	210,000
Diane Jones	20,000	-	-	-	20,000
Total	22,853,938	-	2,100,000	(3,045,847)	21,908,091

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 2011 (2010: nil).

NOTE 27: 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.

NOTE 27: SHARE-BASED PAYMENT PLAN (CONTINUED)

(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:

	2011 Number	2011 WAEP	2010 Number	2010 WAEP
Outstanding at the beginning of the year	830,000	$0.80	3,010,000	$1.16
Employee options reinstated[1]	30,000	-	-	-
Exercised during the year	(860,000)	$0.80	(2,180,000)	$1.30
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	$0.00	830,000	$0.80

[1] 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 2011. At 30 June 2010 the weighted average remaining contractual life for the share options outstanding under the previous ESOP at 30 June 2010 was 1 year.

(e) Range of exercise prices

There are no options outstanding at 30 June 2011. At 30 June 2010 the exercise price for options outstanding at the end of the year was $0.80.

(f) Weighted average fair value

No options were granted during 2010 or 2011.

NOTE 28: COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases for its premises. These leases have a life of between 1 and 4 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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

	Consolidated	
	2011 $	2010 $
Within one year	471,811	503,687
After one year but no more than five years	590,292	941,437
After more than five years	-	-
Total minimum lease payments	1,062,103	1,445,124

NOTE 28: COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Remuneration commitments

	Consolidated	
	2011 $	2010 $
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	3,293,361	2,889,704
After one year but no more than five years	-	-
	3,293,361	2,889,704

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

In late May 2011, a person contacted IMF and, at or around the same time, several major media outlets and regulators, questioning IMF's corporate governance, compliance with its continuous disclosure obligations, trading by two directors of IMF shares and statements made to clients of the Bank Fees case funded by IMF about the number of clients who had signed up to that action. IMF's managing director, Hugh McLernon, responded to the author, media outlets and regulators on IMF's behalf. IMF has not received further contact from the media outlets or regulators in relation to the questions asked. IMF is not aware of any publication by any media outlet of material that was based either on the original letter or IMF's response. The author of the original correspondence has now issued defamation proceedings against IMF and Mr McLernon. IMF has instructed solicitors to defend the proceedings. IMF does not expect any material financial or other impact on the Company or its officers as a result of these proceedings.

NOTE 29: ECONOMIC DEPENDENCY

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

NOTE 30: EVENTS AFTER THE BALANCE SHEET DATE

On 19 August 2011 the **Credit Corp** litigation funded by the Group was conditionally settled.

New Subsidiary

In August 2011 the Group hired its first employee in the United States. A new fully owned subsidiary to be known as **Bentham Capital LLC** has been established to fund litigation in the United States of America.

Share Buy Back

On 11 August 2011 the Company announced an on market share buy-back of up to 12,320,171 shares.

NOTE 31: AUDITORS' REMUNERATION

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

	Consolidated 2011 $	Consolidated 2010 $
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	223,190	158,807
Other services in relation to the Parent and any other entity in the consolidated group		
Tax compliance	111,610	74,189
	334,800	232,996

NOTE 32: PARENT ENTITY INFORMATION

	2011 $	2010 $
Information relating to IMF (Australia) Ltd:		
Current assets	91,597,437	48,482,476
Total assets	167,607,288	102,106,068
Current liabilities	(39,477,709)	(29,981,487)
Total liabilities	(91,531,662)	(40,560,592)
Net assets	**76,075,626**	**61,545,476**
Issued capital	41,900,322	40,514,450
Retained earnings	26,939,367	16,527,087
Option premium reserve	3,403,720	3,403,720
Convertible note reserve	3,832,217	984,139
Net unrealised gains reserve	-	116,080
Total shareholders' equity	**76,075,626**	**61,545,476**
Profit or loss of the parent entity	22,732,451	12,282,891
Total comprehensive income of the parent entity	22,616,371	12,398,971

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 28(a). There are no contingent liabilities in relation to the subsidiary.

Details of the contractual commitments of the Parent entity are contained in note 28(b). There are no contractual commitments in relation to the subsidiary.

NOTE 32: 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:

	IMF (Australia) Ltd	
	2011 $	2010 $
Total increase in tax liability and cost of investment in subsidiary of IMF (Australia) Ltd	1,366,956	320,366

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

Name	Country of Incorporation	Percentage Owned 2011 %	2010 %	Investment 2011 $	2010 $
Financial Redress Pty Ltd	Australia	100	100	16,391,466	15,024,510

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.

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*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii. complying with Australian 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;

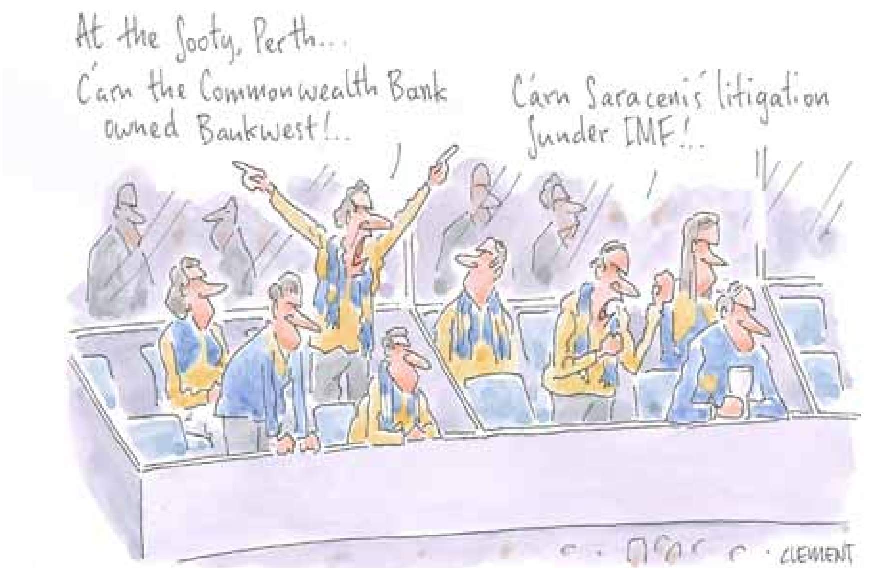
c. there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

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 2011.

ROBERT FERGUSON
Non-Executive Chairman

HUGH MCLERNON
Managing Director

Dated this 24th day of August 2011



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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 2011, 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.

ERNST & YOUNG

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 2011 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 20 to 26 of the directors' report for the year ended 30 June 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

[redacted]

[redacted]

Partner
Perth
24 August 2011

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.

	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.	No
2.2	The chair should be an independent director.	No
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;	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;	Yes
	• has at least three members.	Yes

CORPORATE GOVERNANCE STATEMENT

	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

The Company's corporate governance practices were in place throughout the year ended 30 June 2011, 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 IMF (Australia) Ltd refer to our website **www.imf.com.au**.

CORPORATE GOVERNANCE STATEMENT

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 of other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

From 18 June 2007 to 18 March 2009 the Chairperson was not independent and there was not a majority of independent directors, following the appointment of Rob Ferguson as Executive Chairman and Chief Executive Officer. Although Rob Ferguson has now reverted to his former role of Chairman and Hugh McLernon has become the Company's Managing Director, the ASX Corporate Governance Principles and Recommendations indicates that Mr Ferguson is not independent until 18 March 2012. On 23 February 2011, Clive Bowman was appointed an Executive Director.

The Board believes that 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 Chairperson is not an independent director and a majority of the Board are not independent directors. Further, the directors are able to obtain independent advice at the expense of the Group.

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

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

Name	Position
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.

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

Name	Position
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 Groups'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.

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
- that the Group's risk management and internal compliance and control system is operating effectively in all material respects.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors 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.

Performance (continued)

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 (2010: 10); total employees: 24 (2010:23);
- total female investment managers: 2 (2010: 2); total investment managers: 11; (2010: 11); and
- total female key management personnel: 1 (2010: 1); total key management personnel: 5 (2010: 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.

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 9 August 2011.

(a) Distribution of Shareholders

Ordinary Share Capital

123,201,716 fully paid ordinary shares are held by 2,708 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

Convertible Notes

There are 23,231,041 convertible notes issued held by 757 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	Options
1-1,000	510	271,595	311	138,886	-
1,001 - 5,000	829	2,475,600	190	433,636	-
5,001 -10,000	511	4,005,310	79	670,245	-
10,001 - 100,000	745	21,579,044	147	4,314,418	-
100,001 - and over	113	94,870,167	30	17,673,856	-
	2708	123,201,716	757	23,231,041	-

(b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 9 August 2011 are:

Shareholder	No. of Ordinary Shares	% of issued capital
Acorn Capital Limited	17,379,080	14.11%
Hugh McLernon, McLernon Group Superannuation Pty Limited, Christine McLernon, Toronto Holdings Pty Limited and Capital Consulting Pty Limited	9,518,975	7.73%
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	6,884,920	5.59%
	41,490,520	33.69%

(c) 20 Largest Holders of Quoted Equity Securities as at 9 August 2011

Ordinary Shares		Number of ordinary shares	% of issued capital
1	National Nominees Limited	16,077,928	13.05%
2	JP Morgan Nominees Australia Limited <Cash Income A/C>	11,795,816	9.57%
3	JP Morgan Nominees Australia Limited	8,563,318	6.95%
4	McLernon Group Superannuation Pty Ltd	4,855,081	3.94%
5	Legal Precedents Pty Limited <Walker Investment A/C>	4,814,287	3.91%
6	Redsummer Pty Ltd	4,342,600	3.52%
7	Mr Robert Alexander Ferguson	2,500,000	2.03%
8	Cogent Nominees Pty Limited <SMP Accounts>	2,298,216	1.87%
9	HSBC Custody Nominees (Australia) Limited - A/C 2	2,230,609	1.81%
10	Mr Hugh McLernon	2,176,125	1.77%
11	Bond Street Custodians Ltd <Macquarie Smaller Co's A/C>	1,999,102	1.62%
12	Mr Hugh McLernon	1,927,508	1.56%
13	Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	1,721,764	1.40%
14	HSBC Custody Nominees (Australia) Limited	1,720,806	1.40%
15	Mr John Walker	1,677,633	1.36%
16	Citicorp Nominees Pty Limited	943,628	0.77%
17	Mr Dennis John Banks <The Banks Family A/C>	933,769	0.76%
18	Mr Clive Norman Bowman	858,981	0.70%
19	Botanibay Pty Ltd	850,000	0.69%
20	Mr Dennis John Banks + Mrs Janine Anne Banks <The Banks Super Fund A/C>	715,098	0.58%
		73,002,269	59.26%

(d) Options as at 9 August 2011 – unquoted

There are no options issued.

(e) Securities subject to escrow

There are no securities subject to escrow.

f) 20 Largest Holders of Quoted Convertible Notes as at 9 August 2011

Ordinary Shares		Number of convertible notes	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	2,617,862	11.27%
2	Pan Australian Nominees Pty Limited	2,403,259	10.35%
3	HSBC Custody Nominees (Australia) Limited	1,769,550	7.62%
4	RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/C>	1,568,181	6.75%
5	HSBC Custody Nominees (Australia) Limited - A/C 2	1,530,763	6.59%
6	JP Morgan Nominees Australia Limited	1,167,386	5.03%
7	JP Morgan Nominees Australia Limited <Cash Income A/C>	768,864	3.31%
8	RBC Dexia Investor Services Australia Nominees Pty Limited <Mlci A/C>	637,081	2.74%
9	Elixir Enterprises Pty Ltd	500,000	2.15%
10	McLernon Group Superannuation Pty Ltd	485,509	2.09%
11	Contemplator Pty Ltd <Arg Pension Fund A/C>	380,120	1.64%
12	Moat Investments Pty Ltd <Moat Investment A/C>	339,888	1.46%
13	Perpetual Trustees Consolidated Limited <Clime Asset Management A/C>	330,482	1.42%
14	Sandini Pty Ltd <Karratha Rigging Unit A/C>	303,060	1.30%
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	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	249,442	1.07%
19	Ms Margaret Elizabeth Guy	186,060	0.80%
20	Mrs Sherene Sriyani Guy	185,000	0.80%
		16,328,381	70.28%

CORPORATE INFORMATION

This annual 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 ($).

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 9 to 28. 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

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SHARE REGISTRY

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

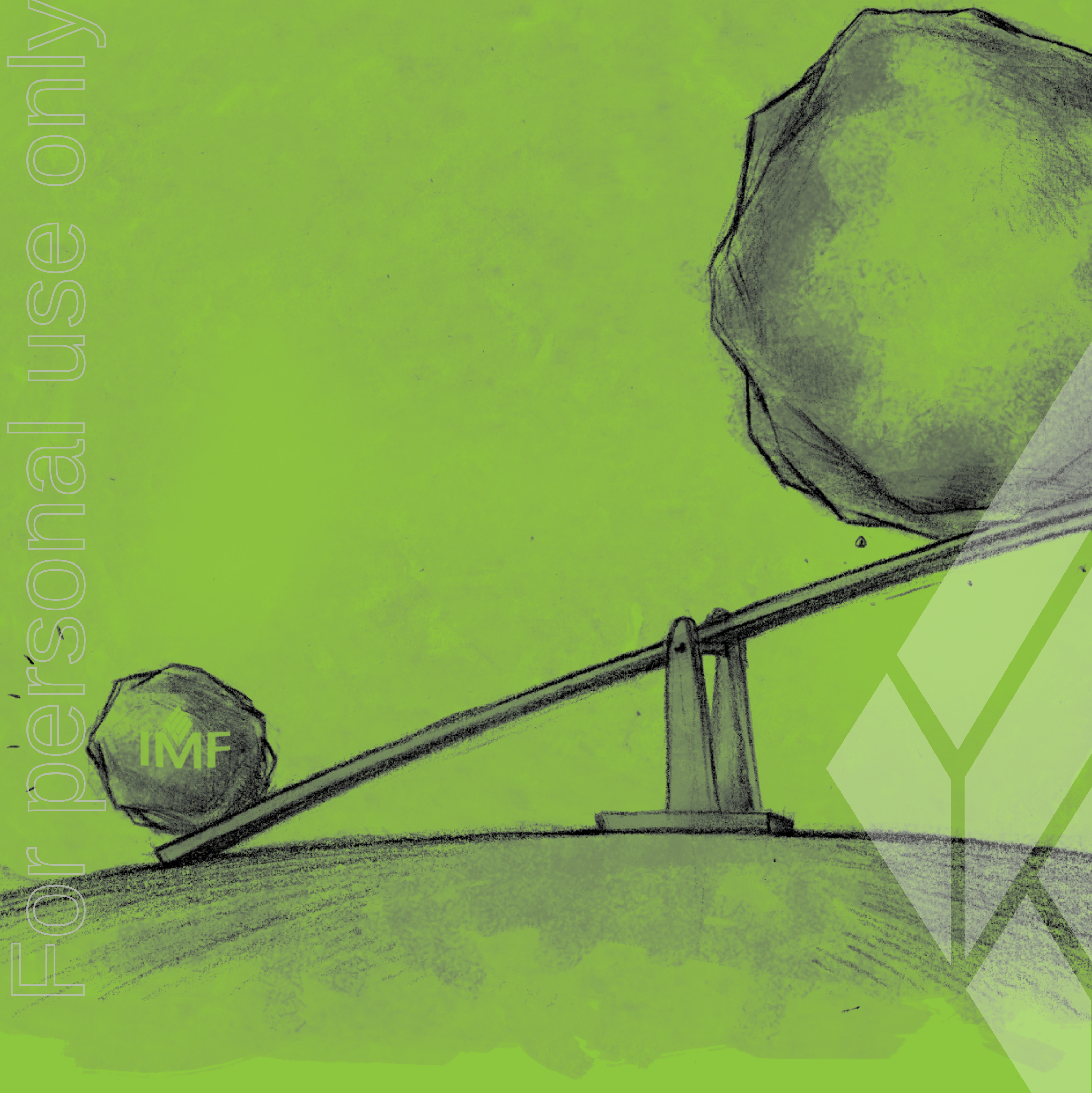
AUDITORS

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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