



Appendix 4E - Final Report

IMF (Australia) Ltd
ABN 45 067 298 088

Financial year ended
30 June 2013

Results for announcement to the market

Current reporting period: 30 June 2013
 Previous reporting period: 30 June 2012

Revenue and Net Profit	Up/Down	Percentage Change	\$'000s
Revenues from ordinary activities (interest)	Up	23%	2,972
Total income	Down	62%	27,597
Profit from ordinary activities after tax attributable to members	Down	68%	13,814
Net profit for the period attributable to members	Down	68%	13,814

Dividends

Today the Directors have declared a final fully franked dividend. No interim dividend was declared. **Cents per share** 5.0

In the previous reporting period the Directors declared a final fully franked dividend on 29 June 2012. The record date for this dividend is 29 August 2012. 10.0

Net Tangible Asset Backing

	Consolidated	
	2013	2012
	\$	\$
Net tangible asset per ordinary share	\$0.32	\$0.37
Net asset per ordinary share	\$1.02	\$0.91

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 generated income from 6 cases in 2013 including the Group's first result from its wholly owned subsidiary in the United States.

The Group held \$68.0m in cash as at 30 June 2013 (2012:\$62.4m). During the year, \$12.3m was paid in dividends (2012: \$6.1m).

Dividends Paid and Declared

	Consolidated	
	2013	2012
	\$'000s	\$'000s
No interim dividend was declared during the year (2012: nil)	-	-
A final fully franked dividend of 5.0 cents per share was declared today. The record date for this dividend is 18 October 2013. The shares will trade ex-dividend on 14 October 2013. (2012: A final fully franked dividend of 10.0 cents per share was declared on 29 June 2012)	6,160	12,321
	6,160	12,321

Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2013, which are attached.



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Standard & Poor's HQ ...

We lost the case!

Weird, we gave ourselves a AAA chance of success...



CLEMENT

HIGHLIGHTS

IMF IS THE LEADING LITIGATION FUNDER IN AUSTRALIA. WE WERE THE FIRST TO LIST ON THE AUSTRALIAN SECURITIES EXCHANGE, AND HAVE NOW BEEN LISTED FOR OVER 10 YEARS.

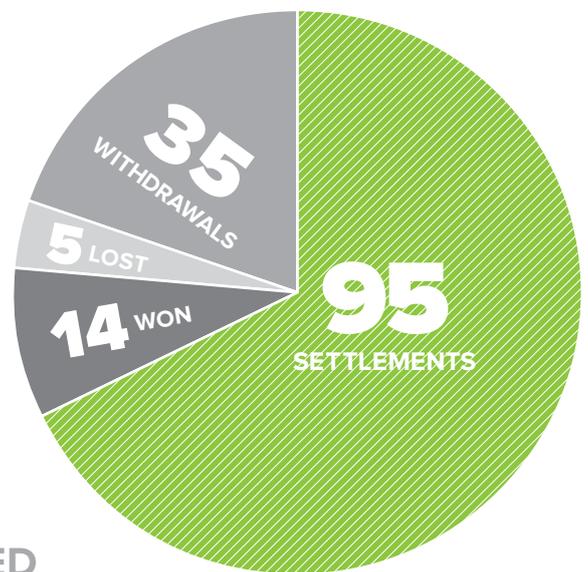
WE HAVE BUILT UP AN EXPERIENCED TEAM TO ENSURE THE STRONGEST CASES RECEIVE FUNDING AND ARE MANAGED TO FACILITATE THEIR SUCCESSFUL RESOLUTION.

\$13.8 MILLION NET PROFIT

IMF is in a strong financial position moving forward and is capable of capitalising on opportunities to fund cases with larger potential returns.

\$23.8 MILLION NET INCOME FROM LITIGATION FUNDING

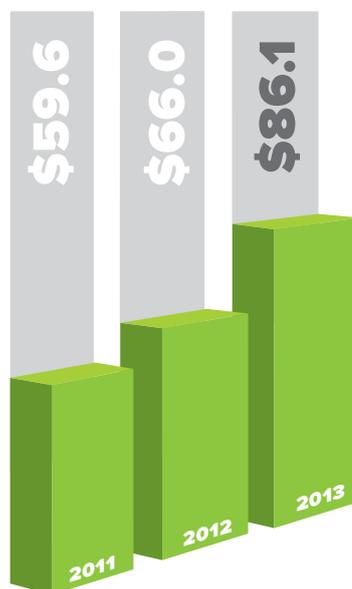
IMF'S TRACK RECORD
149 CASES COMPLETED



CASH (\$ MILLION)



INVESTMENTS (\$ MILLION)



NET ASSETS (\$ MILLION)



2013 MANAGING DIRECTOR'S REPORT

2013 HAS BEEN A VERY EVENTFUL YEAR. NOT QUITE A ROLLER-COASTER AS DEPICTED ON THE FRONT PAGE OF THIS REPORT, BUT ONE IN WHICH A NUMBER OF VERY IMPORTANT DECISIONS WERE AWARDED IN FAVOUR OF OUR CLIENTS.

Firstly the case against Local Government Financial Services, ABN Amro and Standard & Poor's was successful. This was the first major decision awarded against a ratings agency anywhere in the world that resulted in a rating agency being held accountable. As a consequence of this decision we have launched similar actions in Australia and the Netherlands. We are also investigating launching a further action in the United Kingdom.

Secondly the case against Lehman Bros Australia was also found in favour of the three applicants. We still have some work to do in applying this decision to the rest of our clients, although we are hopeful that this case will resolve successfully for the balance of our clients in FY2014.

Thirdly the High Court overturned those parts we appealed in the Bank Fees case. It found that certain fees charged by ANZ could amount to penalties. This decision was significant as the doctrine of penalties may have potential application to many other fees and charges imposed on everyday Australians. The main case against ANZ will now be heard in December 2013.

In terms of operations, our team has never been busier. Our thorough, forensic examination in the Wivenhoe Dam case continues, and a decision on whether or not to proceed with this case will be made within the next three months. Our people in the USA have now funded six cases and have a win under their belt after only 18 months. The increase in the value of the portfolio from \$1.2B to \$1.6B, a figure that excludes Wivenhoe Dam and Brisconnections, indicates that we are on the right path to achieve our portfolio goal of \$2B.

On the regulatory front, changes were made to the Corporations Act exempting funders from requiring a financial services licence so long as they have an acceptable conflicts management policy. IMF has such a policy and we have therefore given up our licence. However, we remain of the view that a licensing regime offers necessary protection to funded clients and will continue to lobby future governments for regulation of funders to be placed back on the agenda.

Competition remains fairly benign in Australia. Of perhaps more import, there appears to be more awareness of funding as a way of managing litigation in overseas jurisdictions. We have watched with interest recent changes in the legal market in the United Kingdom where contingency fees have been implemented. This presents an opportunity for IMF to further expand internationally. Again, a thorough analysis of this opportunity is presently underway, with a decision expected by the end of the year.



HUGH MCLERNON

2013 DIRECTORS' REPORT

The Directors of IMF (Australia) Ltd ("IMF" or "the Company" or "the Parent") submit their report for the year ended 30 June 2013.

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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 with a Bachelor of Economics (Honours) degree. 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. was deputy chair of the Sydney Institute, from April 1998 to February 2013;
- 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;
- h. has been chairman of Primary Health Care since 1 July 2009; and
- i. is a non-executive director of Watermark Market Neutral Fund Limited from May 2013.

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 its 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 – DIRECTOR OF OPERATIONS)



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

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

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

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

DIRECTORS (CONTINUED)

ALDEN HALSE

(NON-EXECUTIVE DIRECTOR)



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

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

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

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

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

MICHAEL BOWEN

(NON-EXECUTIVE DIRECTOR)



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

- a. is a partner of the law firm Hardy Bowen, practising 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. MOD Resources Ltd (formerly Medical Corporation Australasia Limited) (appointed 18 October 2004, resigned 13 April 2011); and
- b. Sherwin Iron Limited (formerly Batavia Mining Limited) (appointed on 28 November 2008, resigned 20 July 2011).

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

SENIOR MANAGEMENT

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 its 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	1,853,000	1,775,776	–
Hugh McLernon	7,738,346	612,035	–
John Walker	4,958,292	637,560	–
Clive Bowman	1,013,941	15,496	–
Alden Halse	876,251	87,626	–
Michael Bowen	813,751	121,213	–
Total	17,253,581	3,249,706	–

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 note 25 to the financial statements.

DIVIDENDS

The Directors have today declared a fully franked dividend of 5.0 cents per share for the 2013 financial year totalling \$6,160,470. The record date for this dividend is 18 October 2013 and the payment date will be 31 October 2013. No interim dividend for 2013 was declared.

For the 2012 financial year the Directors declared a final fully franked dividend of 10.0 cents per share on 29 June 2012, totalling \$12,320,766. The record date for this dividend was 29 August 2012 and the payment date was on 13 September 2012. No interim dividend for 2012 was declared.

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

CORPORATE INFORMATION

Corporate Structure

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

Nature of Operations and Principal Activities

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

Investment portfolio report at 30 June 2013

	Number of claims	Estimated claim value	Percentage of total estimated claim value
Claims <\$10M	4	\$20,000,000	1%
Claims \$10M – \$50M	14	\$300,000,000	18%
Claims >\$50M	11	\$1,315,000,000	81%
Total portfolio	29	\$1,635,000,000	100%

The maximum claim value of IMF's major cases increased in the year to 30 June 2013 from \$1,233,000,000 to \$1,635,000,000. IMF commenced nine new cases during the year, which have a maximum claim value at 30 June 2013 of \$465,000,000 (2012: four new cases which had a maximum claim value of \$58,000,000). It should be noted that during 2013 a significant amount of due diligence has been undertaken on the Wivenhoe Dam case, and a significant number of clients have signed funding agreements with IMF. However, this matter has not been included in the portfolio as at 30 June 2013.

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

In the **Lehman Bros Australia** case, judgment was given on 21 September 2012 in favour of the three representatives and final orders were made on 18 March 2013. The liquidator has filed an appeal. At the same time the liquidator sought to promote a Scheme of Arrangement that would have seen our clients' claims subject to a resolution process outside of the Court process. However, the creditors' meeting to consider the Scheme has been adjourned. The applicants continue to seek a resolution to their claims which may include a possible application to the Court for approval of a settlement of the class action in terms substantially the same as those proposed in the Scheme of Arrangement.

After funding various examinations, IMF has now decided to fund the liquidator of ZYX Learning Centres (formerly **ABC Learning Centres Ltd**) in claims that allege that a floating charge granted to a syndicate of banks is void to the extent of certain monies received under the charge. The banks have now filed their defence and the matter is progressing through the court system.

The **Air Cargo** case, which is a price fixing claim against various airlines under section 45 of the Trade Practices Act, continues through the courts. Substantial progress has been made in relation to discovery. The separate proceedings in which the Australian Competition and Consumer Commission ("ACCC") sued several airlines in relation to similar alleged conduct have been concluded, with the decision reserved (although most cases the ACCC brought have settled).



CORPORATE INFORMATION (CONTINUED)

The actions by **Great Southern** unitholders, funded by IMF, continue to advance through the courts. During the year IMF funded a separate action on whether section 6 of the Law Reform (Miscellaneous Provisions) Act (1946) (NSW) applies to give our clients a charge over insurance proceeds. The judgment is to the effect that our clients do not have a charge. Special leave to appeal is to be sought from the High Court. There is not yet a hearing date for the main cases.

In the case of **PIF Unitholders v KPMG**, IMF is funding unitholders and the new Responsible Entity in their claims for alleged breaches of the Corporations Act by KPMG and two of the directors. Agreement was reached with some of the directors to release them from the action with no order as to costs, which will simplify the claim and reduce costs. Orders were made on 21 June 2013 for the future conduct of the proceedings with a 12-week hearing commencing on 7 October 2014 (for both cases).

In the **Bank Fees** case (an action by customers to recover unfair exception fees charged to their bank accounts and credit cards) proceedings have been issued against a number of banks. All have been stayed other than the ANZ case. The High Court has now clarified that a number of fees charged by the Banks could amount to penalties at law. The matter has returned to the Federal Court where the case is set down for trial starting on 2 December 2013.

The action to remove the receiver in the **Westgem** matter was lost. New proceedings for damages against Bankwest have now been filed. The Bank has applied to the Court to strike out parts of the claim but no date has yet been set for the hearing. The case is presently at the discovery stage.

The **Rivercity** claim against Aecom and two Rivercity companies, alleging misleading and deceptive conduct and omissions in relation to the traffic forecast included in the product disclosure statement ("PDS"), is in the discovery phase.

The case IMF is funding against the **Bank of Queensland** ("BOQ") by BOQ franchisees in New South Wales for alleged misleading and deceptive conduct, primarily concerning business that could or would be generated by the franchisees, is substantially complete. Final written and oral submissions are expected to be made in September 2013.

The class action IMF is funding by persons who bought shares in **Gunns**, alleging misleading and deceptive conduct and non disclosure of material information, continues to be assessed by the lawyers to determine whether the claim should proceed against others given that Gunns is now in Administration.

A Foundation has been incorporated in the Netherlands called "**Stitching Ratings Redress**" to pursue claims in the Netherlands in respect of losses suffered by investors in CPDOs, arranged by ABN Amro and rated by Standard & Poor's. Stitching Ratings Redress has entered into a funding agreement with IMF pursuant to which IMF will fund claims assigned to it by CPDO purchasers. A claim has been drafted and proceedings are expected to commence in the near future.

Bentham Capital LLC (IMF's wholly owned United States subsidiary) has now funded six cases since being established in August 2011 with one being completed in the current financial year. IMF has taken the policy position not to disclose specific details about Bentham's investments until after the resolution of the cases and all appeal avenues have been finalised.

IMF has conditionally funded persons who suffered loss due to the Brisbane floods in 2011 (the **Wivenhoe Dam** case) and IMF expects that a decision whether or not to proceed with this claim will be made within the next six months.

IMF withdrew from two investments during 2013 (2012: two cases). IMF continues to provide the ASX with a summary of the cases funded by IMF in which IMF's potential fee is greater than \$500,000 per case (IMF's Investment Portfolio Report). This Schedule is updated every three months. IMF also provides case updates on its website: www.imf.com.au.

Employees

At 30 June 2013, IMF employed 28 permanent staff, including the three Executive Directors, providing investigative, computer, accounting and management expertise (2012: 26 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 2013:

Shareholder Returns	2013	2012
Basic earnings per share (cents per share)	11.21	34.87
Diluted earnings per share (cents per share)	9.78	29.84
Return on assets % (NPAT/Total Assets)	7.12%	20.11%
Return on equity % (NPAT/Total Equity)	11.01%	38.46%
Net debt/equity ratio % *	nil	nil

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

Six matters generated income greater than \$500,000 during 2013, including four cases which were finalised, underpinning the Group's profitability and shareholder returns.

The following summarises the major cases finalised during 2013:

Date commenced	Litigation contract's matter name	Claim value included in investment portfolio report at 30 June 2012	Total litigation contract's income	Total litigation contract's expenses (including capitalised overheads)	Net gain/(loss) on disposal of intangible asset
		\$	\$	\$	\$
Jun-10	Local Government Financial Services, ABN Amro and Standard & Poor's ("LGFS")*	20,000,000	17,447,346	(8,629,942)	8,817,404
Apr-09	Lehman Bros Australia**	70,000,000	10,960,217	(3,236,224)	7,723,993
May-12	Confidential USA Matter*	28,000,000	5,111,891	(2,871,783)	2,240,108
Sep-10	Confidential	10,000,000	2,782,500	(891,237)	1,891,263
Jun-10	Collyer Bristow	–	1,802,749	(169,685)	1,633,064
Mar-10	Uniloc***	75,000,000	4,004,546	(2,521,619)	1,482,927
	Other matters	40,000,000	1,797,151	(1,822,202)	(25,051)
		243,000,000	43,906,400	(20,142,692)	23,763,708

* The LGFS case and the confidential USA matter are being appealed by the defendants.

** The Lehman Bros Australia income relates to IMF's share of income generated by the three applicants during the period. The corresponding costs relating to the three applicants have been derecognised. This matter is not finalised as IMF expects to receive additional income from this matter in future years.

*** The Uniloc income relates to IMF's share of income generated by Uniloc during the period. Total gross revenue generated from this matter to IMF was \$12,582,150, whilst the total gain on disposal was \$5,771,741.

The Group has finalised 149 investments since listing, with an average investment period of 2.3 years (2012: 2.3 years). The Group has generated a gross return on every dollar invested of 2.90 times (excluding overheads) (2012: 3.10 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 2013 has a mixture of both mature and new investments, with 45% of the investment portfolio expected to finalise over the next 12 months (2012: 48%). 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.

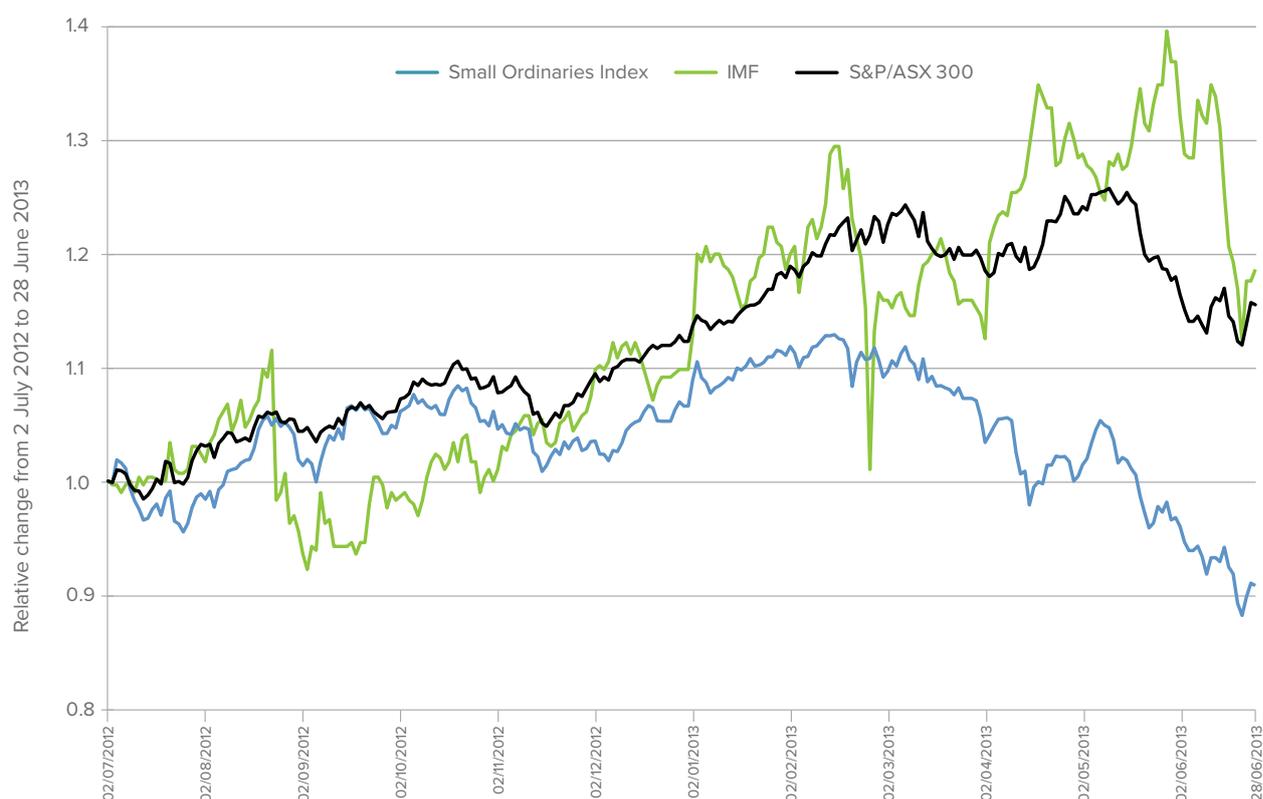
OPERATING AND FINANCIAL REVIEW (CONTINUED)

IMF's share price closed at \$1.76 per share on 30 June 2013 (2012: \$1.40), a 26% increase over the 12 month period. IMF entered the ASX top 300 companies on 20 March 2009, when its share price was \$1.15. Since entering this index and up to 30 June 2013, IMF's share price has increased 53%, which exceeds the index movement of 38%. IMF's share price has outperformed the major indices as detailed below:

	IMF Share Price	S&P200 AXJO	S&P300 AXKO	Small Ords AXSO	All Ords AORD
Change in 12 months to 30 June 2013	26%	17%	15%	-9%	15%
Change since 20 March 2009	53%	37%	38%	25%	39%

The share price increase over the last 12 months is shown graphically below:

Relative change in Small Ordinaries Index, S&P/ASX and IMF during 2013 Financial Year



Liquidity and Capital Resources

The consolidated Statement of Cash Flows illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2013 of \$5,559,717 (2012: increase of \$7,412,574). Operating activities used \$26,805,154 of net cash outflows (2012: net cash outflow of \$10,379,993), whilst investing cashflows generated \$43,794,777 of net cash inflows (2012: net cash inflow of \$23,984,792), and financing cashflows used \$12,320,766 of net cash outflows (2012: net cash outflow of \$6,160,085) principally as a result of the payment of the final dividend for 2012 of \$12,320,766.

OPERATING AND FINANCIAL REVIEW (CONTINUED)**Asset and Capital Structure**

	2013 \$	2012 \$	Change %
Cash and short term deposits	67,984,284	62,424,566	9%
Total debt	(36,324,499)	(34,945,316)	4%
Net debt	31,659,785	27,479,250	15%
Total equity	125,504,384	111,717,938	12%
Gearing *	nil	nil	n/a

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

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

The Company is required to pay the Noteholder interest of 10.25% per annum, payable quarterly in arrears. As at 30 June 2013 there were 23,223,385 convertible notes outstanding (2012: 23,225,095), with a redemption value of \$38,318,585 (2012: \$38,321,407). The Group has no other debts.

Profile of Debts

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

	2013 \$	2012 \$	Change %
Current			
Interest bearing loans and borrowings	-	-	-
Non current			
Convertible notes	(36,324,499)	(34,945,316)	4%
Total debt	(36,324,499)	(34,945,316)	4%

Shares Issued During the Year

During the year 1,710 convertible notes were converted at \$2,712 (after apportioned costs) (2012: 5,946 convertible notes were converted at \$9,161 (after apportioned costs)).

Capital Expenditure

There has been a decrease in capital expenditure during the year ended 30 June 2013 to \$70,120 from \$652,262 in the year ended 30 June 2012. The capital expenditure in 2013 mainly related to the purchase of new computer equipment, whilst in 2012 it mainly related to the fitout of the new Sydney office.

Risk Management

The major risk for the Company continues to be the choice of cases to be funded. The extent of the mitigation of that risk can best be identified, from time to time, by reference to the fact that in the first 10 years of operation IMF has lost only four cases out of 149 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 12% to \$125,504,384 from \$111,717,937. This was mainly as a result of the Group's net profit for the period. There have been no significant changes in the state of affairs during this reporting period other than disclosed in this report.

SIGNIFICANT EVENTS AFTER REPORTING DATE

Intangible Assets

On 20 August 2013 a piece of litigation funded by the Group was settled.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, approximately 45% of the investment portfolio as at 30 June 2013 is expected to mature over the next 12 months. Accordingly, the Directors consider that the Company is likely to generate a strong level of profit in this period.

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

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

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year the Company has paid premiums in respect of an insurance contract insuring all the Directors and Officers of the Group against any legal costs incurred in defending proceedings for conduct other than:

- a. a wilful breach of duty; or
- b. a contravention of sections 182 or 183 of the Corporations Act 2001, as may be permitted by section 199B of the Corporations Act (2001).

The total amount of premiums paid under the insurance contract referred to above and for professional indemnity cover was nil during the year ending 30 June 2013 as the previous payments were for an 18 month period. (2012: \$440,114).

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

KEY MANAGEMENT PERSONNEL

Details of IMF's 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	Managing Director, Bentham Capital LLC

There were no changes to IMF's key management personnel after the reporting date and before the financial report was authorised for issue.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and 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 Structure

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



REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Non-Executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors. Non-executive directors' fees and payments totalled \$260,000 (including superannuation), as disclosed in the following tables. At the 2009 Annual General Meeting shareholders approved payments up to \$300,000 to non-executive directors.

There are no retirement allowances for non-executive directors, nor do they participate in any incentive programs. Non-executive directors may, however, elect to have a portion of their remuneration paid into their personal superannuation plans.

Executive Remuneration

Objective

The Company aims to reward executives with a level and mix of compensation elements commensurate with their position and responsibilities, within the following framework:

- reward executives for company and individual performance against targets set to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the internal strategic goals of the Company; and
- ensure total compensation is competitive by market standards.

Structure

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

Compensation consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

Fixed Remuneration

Objective

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

Structure

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

Variable Remuneration

Objective

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure

The short term executive incentive plan ("STI") was designed and implemented with the assistance of external remuneration consultants, Mastertek Pty Limited, in 2007. 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.

From time to time remuneration consultants are engaged by, and report directly to, the Remuneration Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Group's key management personnel and other executives as part of their terms of engagement. No remuneration consultants were engaged in the current or prior periods.

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 2013 and 2012 were as follows:

- A minimum "hurdle" of net profit before tax ("NPBT") must be achieved prior to any incentive being paid. From 2008 this hurdle was set at 20% of weighted net assets of the prior year. From 2011 this hurdle was increased to 25% of weighted net assets of the prior year. This hurdle was not met in the current financial year and therefore there was no bonus pool generated in the year ended 30 June 2013.
- 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. In 2012 the Remuneration Committee allocated 98% of the available incentive pool to be distributed under the STI in 2012. The unallocated portion of prior years' incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee. The unallocated portion carried forward into 2013 was not distributed by 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 and on 15 March in the following financial year.

The total allocation under the 2013 STI was nil. In 2012 the total amount allocated under the STI was \$6,877,300, which was accrued in the prior financial year and paid during the current financial year. Details of allocations made under the STI to Key Management Personnel are set out in Table 1 on page 19.

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 graph on page 12 shows the performance of the Group as measured by its share price and compared to other shares listed on the ASX.



REMUNERATION REPORT (AUDITED) (CONTINUED)

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

	2009	2010	2011	2012	2013
Earnings per share (cents per share)	17.35	9.77	18.56	34.87	11.21
Diluted earnings per share (cents per share)	16.93	9.70	17.32	29.84	9.78

Employment Contracts

a. Hugh McLernon, Managing Director:

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of \$1,040,000 pa including super;
- salary to be reviewed annually, with the 2013 review determining there should be a 4% increase in salary (2012: no increase); and
- notice period is 12 months.

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

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of \$832,000 pa including super;
- salary to be reviewed annually, with the 2013 review determining there should be a 4% increase in salary (2012: no increase); and
- notice period is 12 months.

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

- new rolling 12 month contract commenced 1 July 2012;
- gross salary package of \$832,000 pa including super;
- contract to be reviewed annually with the 2013 review determining there should be a 4% increase in salary (2012: a 23% increase); and
- notice period is 12 months.

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

- contract commenced 5 June 2006;
- gross salary package of \$426,400 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2013 review determining an increase in salary of 4% (2012: a 2.5% increase); and
- notice period is 3 months.

e. Charlie Gollow, Managing Director of Bentham Capital LLC:

- contract commenced 22 April 2003;
- gross salary package of \$478,400 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2013 review determining an increase in salary of 4% (2012: a 2.2% increase); 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 2013

2013	Short-term		Post Employment Super	Total ³	Perform- ance Related	2012 Bonus Paid ²	2013 Unpaid Bonus ¹
	Salary & Fees	2013 Bonus Accrued ¹					
<i>Directors</i>							
Robert Ferguson	110,092	–	9,908	120,000	0%	–	–
Hugh McLernon	983,530	–	16,470	1,000,000	0%	1,200,000	–
John Walker	783,530	–	16,470	800,000	0%	1,000,000	–
Alden Halse	64,220	–	5,780	70,000	0%	–	–
Michael Bowen	70,000	–	–	70,000	0%	–	–
Clive Bowman	783,530	–	16,470	800,000	0%	1,000,000	–
<i>Executives</i>							
Charlie Gollow	443,530	–	16,470	460,000	0%	375,000	–
Diane Jones	393,530	–	16,470	410,000	0%	350,000	–
Total	3,631,962	–	98,038	3,730,000	0%	3,925,000	–

Table 2: Remuneration for the year ended 30 June 2012

2012	Short-term		Post Employment Super	Total ³	Perform- ance Related	2011 Bonus Paid ⁴	2012 Unpaid Bonus ¹
	Salary & Fees	2012 Bonus Accrued ²					
<i>Directors</i>							
Robert Ferguson	110,092	–	9,908	120,000	0%	–	–
Hugh McLernon	984,225	1,200,000	15,775	2,200,000	55%	1,000,000	1,200,000
John Walker	784,225	1,000,000	15,775	1,800,000	56%	750,000	1,000,000
Alden Halse	64,220	–	5,780	70,000	0%	–	–
Michael Bowen	70,000	–	–	70,000	0%	–	–
Clive Bowman	634,225	1,000,000	15,775	1,650,000	61%	750,000	1,000,000
<i>Executives</i>							
Charlie Gollow	434,225	375,000	15,775	825,000	45%	300,000	375,000
Diane Jones	384,225	350,000	15,775	750,000	47%	275,000	350,000
Total	3,465,437	3,925,000	94,563	7,485,000	52%	3,075,000	3,925,000

1. There was no bonus awarded by the Remuneration Committee under the STI in the current financial year.
2. This Bonus was awarded by the Remuneration Committee under the STI on 29 June 2012 and was paid in the 2013 financial year. This bonus was accrued in the 2012 financial year as the Group believed that a constructive obligation to pay the 2012 bonus under the STI arose during that year.
3. Total Key Management Personnel remuneration recognised in the Statement of Comprehensive Income. The professional indemnity insurance and insurance premiums for directors and officers was \$nil in the current period as the previous period included insurance for an 18 month period (2012: \$440,114). These insurances have not been allocated to specific individuals as the Directors do not believe there is a reasonable basis for allocation.
4. The bonus awarded by the Remuneration Committee on 30 June 2011 was paid during the 2012 financial year. This bonus was accrued in the 2011 financial year as the Group believed that a constructive obligation to pay the 2011 bonus under the STI arose during that year.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Compensation and Remuneration Options

No options were granted to Key Management Personnel in 2013 or 2012. No options expired in 2013 or 2012.

END OF REMUNERATION REPORT

DIRECTORS' MEETINGS

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

	Board Meetings	Audit Committee	Remuneration Committee
Total number of meetings held:	4	3	1
Meetings Attended:			
R Ferguson	4	3	1
M Bowen	4	3	1
A J Halse	4	3	1
H McLernon	4	–	–
J F Walker	4	–	–
C Bowman	4	–	–

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 Committee
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

EY, the Company's auditors, have provided a written declaration to the Directors in relation to their audit of the Financial Report for the year ended 30 June 2013. This Independence Declaration can be found at page 22.

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.

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

Tax compliance services and other non audit services \$109,301 (2012: \$86,710).

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 66 of this Annual Report.

Signed in accordance with a resolution of the Directors.



ROBERT FERGUSON
CHAIRMAN

Sydney 21 August 2013



HUGH MCLERNON
MANAGING DIRECTOR



AUDITOR'S INDEPENDENCE DECLARATION



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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) Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
21 August 2013

GHM:MM:IMF:140

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 \$	2012 \$
Continuing Operations			
Revenue	6	2,971,843	2,409,106
Other income	7	24,625,335	70,592,507
Total Income		27,597,178	73,001,613
Finance costs	8(a)	(146,508)	(416,495)
Depreciation expense	8(b)	(246,362)	(238,409)
Employee benefits expense	8(c)	(4,692,615)	(6,999,311)
Corporate and office expense	8(d)	(1,647,113)	(2,970,128)
Other expenses	8(e)	(723,697)	(965,818)
Profit From Continuing Operations Before Income Tax		20,140,883	61,411,452
Income tax expense	9	(6,326,816)	(18,445,660)
Net Profit for the Year		13,814,067	42,965,792
Other Comprehensive Income			
Items that may be subsequently reclassified to profit and loss:			
Net fair value gains/(loss) on available-for-sale financial assets		–	30,332
Transfer from net unrealised gains reserve to profit and loss upon disposal of available-for-sale assets		(30,332)	–
Other comprehensive income for the year, net of tax		(30,332)	30,332
Total Comprehensive Income for the Year		13,783,735	42,996,124

Earnings per share attributable to the ordinary equity holders of the Company (cents per share)

Basic profit (cents per share)	11	11.21	34.87
Diluted profit (cents per share)	11	9.78	29.84

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013



		Consolidated	
	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	12	67,984,284	62,424,566
Trade and other receivables	13	23,927,978	67,227,799
Other assets	14	94,015	380,355
Total Current Assets		92,006,277	130,032,720
Non-Current Assets			
Trade and other receivables	13	15,252,854	16,330,417
Plant and equipment	15	622,425	798,667
Financial assets	16	18,890	476,158
Intangible assets	17	86,127,315	66,004,218
Total Non-Current Assets		102,021,484	83,609,460
TOTAL ASSETS		194,027,761	213,642,180
LIABILITIES			
Current Liabilities			
Trade and other payables	18	7,833,156	24,532,246
Income tax (receivable)/payable		(1,540,364)	13,889,127
Provisions	19	1,644,718	8,118,689
Other liabilities		74,555	–
Total Current Liabilities		8,012,065	46,540,062
Non-Current Liabilities			
Provisions	19	229,026	259,530
Convertible notes	20	36,324,499	34,945,316
Other liabilities		205,026	–
Deferred income tax liabilities	9	23,752,761	20,179,335
Total Non-Current Liabilities		60,511,312	55,384,181
TOTAL LIABILITIES		68,523,377	101,924,243
NET ASSETS		125,504,384	111,717,937
EQUITY			
Contributed equity	21	41,912,195	41,909,483
Reserves	22(b)	7,235,936	7,266,268
Retained earnings	22(a)	76,356,253	62,542,186
TOTAL EQUITY		125,504,384	111,717,937

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
Note	2013	2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(8,095,009)	(6,148,274)
Interest income	3,360,448	2,262,965
Interest paid	(3,887,712)	(3,939,814)
Income tax paid	(18,182,881)	(2,554,870)
Net cash flows (used in) operating activities	23 (26,805,154)	(10,379,993)
Cash flows from investing activities		
Proceeds from litigation funding – settlements, fees and reimbursements	87,030,664	74,910,264
Payments for litigation funding and capitalised suppliers and employee costs	(44,382,824)	(49,488,862)
Proceeds from/(advances for) loans to external parties	800,000	(800,000)
Purchase of plant and equipment	(70,120)	(652,262)
Proceeds from disposal of available-for-sale investments	417,057	15,652
Net cash flows from/(used in) investing activities	43,794,777	23,984,792
Cash flows from financing activities		
Dividends paid	(12,320,766)	(6,160,085)
Net cash flows (used in)/from financing activities	(12,320,766)	(6,160,085)
Net increase in cash and cash equivalents held	4,668,857	7,444,714
Net foreign exchange difference	890,861	(32,140)
Cash and cash equivalents at beginning of year	62,424,566	55,011,992
Cash and cash equivalents at end of year	12 62,984,284	64,424,566

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013



	Issued capital \$	Option premium reserve \$	Net unrealised gains reserve \$	Convertible notes reserve \$	Retained earnings \$	Total \$
CONSOLIDATED						
As at 1 July 2012	41,909,483	3,403,720	30,332	3,832,216	62,542,186	111,717,937
Profit for the year	–	–	–	–	13,814,067	13,814,067
Other comprehensive income	–	–	(30,332)	–	–	(30,332)
Total Comprehensive Income for the Year	41,909,483	3,403,720	–	3,832,216	76,356,253	125,501,672
Equity Transactions:						
Dividend paid	–	–	–	–	–	–
Dividend declared (unpaid)	–	–	–	–	–	–
Convertible notes converted	2,712	–	–	–	–	2,712
As at 30 June 2013	41,912,195	3,403,720	–	3,832,216	76,356,253	125,504,384
As at 1 July 2011	41,900,322	3,403,720	–	3,832,216	38,057,246	87,193,504
Profit for the year	–	–	–	–	42,965,792	42,965,792
Other comprehensive income	–	–	30,332	–	–	30,332
Total Comprehensive Income for the Year	41,900,322	3,403,720	30,332	3,832,216	81,023,038	130,189,628
Equity Transactions:						
Dividend paid	–	–	–	–	(6,160,086)	(6,160,086)
Dividend declared (unpaid)	–	–	–	–	(12,320,766)	(12,320,766)
Convertible notes converted	9,161	–	–	–	–	9,161
As at 30 June 2012	41,909,483	3,403,720	30,332	3,832,216	62,542,186	111,717,937

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 2013

NOTE 1: CORPORATE INFORMATION

The financial report of IMF (Australia) Ltd (IMF, the Company or the Parent) for the year ended 30 June 2013 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the Directors on 21 August 2013.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

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

The financial report is presented in Australian dollars.

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

b. Compliance with IFRS

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

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

c. New accounting standards and interpretations

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

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

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 30 June 2013, including:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2013 are outlined in the table below. The impact of these new standards and interpretations has not been assessed, except for those otherwise outlined below.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 12	<i>Disclosure of Interests in Other Entities</i>	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. There will be no impact on the Group from this standard other than certain disclosure requirements.	1 January 2013	1 July 2013
AASB 13	<i>Fair Value Measurement</i>	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8. There will be no impact to the Group from this standard as it does not change the way the Group estimates the fair value of its assets and liabilities.	1 January 2013	1 July 2013
AASB 119	<i>Employee Benefits</i>	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: <ul style="list-style-type: none"> • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>). 	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <p>a. Tier 1: Australian Accounting Standards</p> <p>b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>a. For-profit entities in the private sector that have public accountability (as defined in this standard)</p> <p>b. The Australian Government and State, Territory and Local governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>a. For-profit private sector entities that do not have public accountability</p> <p>b. All not-for-profit private sector entities</p> <p>c. Public sector entities other than the Australian Government and State, Territory and Local governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.</p>	1 July 2013	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i>.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.</p> <p>There will be no impact to the Group from this standard as the Group’s subsidiaries are wholly owned and there is no change to the way they are consolidated.</p>	1 Jan 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 11	<i>Joint Arrangements</i>	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i>.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.</p> <p>There will be no impact to the Group from this standard as the Group does not have any joint arrangements.</p>	1 Jan 2013	1 July 2013
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. 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. 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. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss <p>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.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 Jan 2015	1 July 2015

* Designates the beginning of the applicable annual reporting period unless otherwise stated

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 subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc., Bentham Capital LLC and Security Finance LLC (“the Group”) as at 30 June each year.

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

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

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

e. Foreign currency

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

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.

h. Investments and other financial assets

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

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

Recognition and derecognition

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Investments and other financial assets (continued)

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale securities

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

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

i. Plant and equipment

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

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

Plant and equipment – over 5 to 15 years

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

Derecognition

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

j. Leases

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Leases (continued)

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.

Litigation Contracts In Progress are measured at cost on initial recognition. Litigation Contracts In Progress are not amortised as the assets are not available for use until the determination of a successful judgment or settlement, at which point the assets are realised.

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

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

(A) Actions still outstanding:

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

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

(B) Successful Judgment:

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

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

(C) Unsuccessful Judgment:

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Trade and other payables

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

m. Interest-bearing loans and borrowings

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

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

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

n. Provisions and employee benefits

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

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

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

Employee leave benefits

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

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

(ii) Long service leave

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

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o. Share-based payment transactions (continued)

(i) Equity-settled transactions (continued)

The cost of equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of IMF (i.e. market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Equity-settled awards granted by IMF to employees of subsidiaries are recognised in the Parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. These amounts are eliminated through consolidation. As a result, the expenses recognised by IMF (Australia) Ltd in relation to equity-settled awards only represents the expense associated with grants to employees of the Parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

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

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

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

(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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Convertible notes (continued)

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

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

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

q. Contributed equity

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

r. Revenue recognition

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

(i) Interest income

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

(ii) Dividends

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

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 statement of financial position 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:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Income tax and other taxes (continued)

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

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

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

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 cash flows from operating activities.

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.

u. Borrowing costs

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

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

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

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash holdings with a floating interest rate. The Group's convertible notes coupon payments are fixed at 10.25% per annum and are therefore not exposed to Australian variable interest rate risk.

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

	2013 \$	2012 \$
Financial Assets		
Cash and cash equivalents	67,984,284	62,424,566
Net exposure	67,984,284	62,424,566

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

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

Risk Exposures and Responses (continued)

At 30 June 2013, if interest rates had moved, as illustrated in the following table, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgment of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2013 \$	2012 \$	2013 \$	2012 \$
+1.0% (100 basis points) (2012: +1.0%)	297,184	240,911	297,184	240,911
-1.0% (100 basis points) (2012: -1.0%)	(297,184)	(240,911)	(297,184)	(240,911)

Credit Risk

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

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

The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Wherever possible the Group ensures that security for settlement sums is provided, or the settlement funds are placed into solicitors' trust accounts. As at 30 June 2013, a significant portion of the Group's receivables were not under any such security. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

Liquidity Risk

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

Management continually reviews the Group's liquidity position, including the preparation of cash flow forecasts, to determine the forecast liquidity position and to maintain appropriate liquidity levels. All financial liabilities of the Group are current and payable within 30 days.

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

	<6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
2013					
Financial Liabilities					
Trade and other payables	7,833,156	—	—	—	7,833,156
Convertible notes	—	—	38,318,585	—	38,318,585
Convertible notes interest	1,963,827	1,963,827	1,963,827	—	5,891,481
	9,796,983	1,963,827	40,282,412	—	52,043,222
2012					
Financial Liabilities					
Trade and other payables	21,122,846	3,409,400	—	—	24,532,246
Convertible notes	—	—	38,321,407	—	38,321,407
Convertible notes interest	1,963,972	1,963,972	5,891,916	—	9,819,860
	23,086,818	5,373,372	44,213,323	—	72,673,513

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

Risk Exposures and Responses (continued)

Fair Value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group approximate their fair values, except for the convertible note liabilities (refer to note 20).

Foreign Currency Risk

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

Equity Price Risk

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

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

(i) Significant accounting judgments

Classification of and valuation of investments

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

Taxation

The Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

(ii) Significant accounting estimates and assumptions

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual Litigation Contract In Progress as to whether it is likely to be successful, the cost and timing to completion and the ability of the defendant to pay upon completion. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions (refer to note 17).

Impairment of intangibles with indefinite useful lives

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

Long service leave provision

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

Estimation of useful lives of assets

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

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.

NOTE 5: SEGMENT INFORMATION

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

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

Interest received from National Australia Bank Ltd of \$2,313,111 (2012: \$1,750,018) and Westpac Banking Group Ltd of \$461,499 (2012: \$605,945) contributed more than 93% of the Group's bank interest revenue (2012: 97%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 5: SEGMENT INFORMATION (CONTINUED)

Other income can be represented geographically as follows:

	Consolidated	
	2013 \$	2012 \$
Australia	21,020,545	66,979,557
United States	3,604,790	3,612,950
Total other income	24,625,335	70,592,507

Non-Current assets can be represented geographically as follows:

	Consolidated	
	2013 \$	2012 \$
Australia	97,097,604	81,300,509
United States	4,923,880	2,308,951
Net exposure	102,021,484	83,609,460

NOTE 6: REVENUE

	Consolidated	
	2013 \$	2012 \$
Revenue		
Bank interest received and accrued	2,971,843	2,409,106
	2,971,843	2,409,106

NOTE 7: OTHER INCOME

	Consolidated	
	2013 \$	2012 \$
Other income		
Litigation contracts in progress – settlements	43,906,400	117,807,365
Litigation contracts in progress – expenses	(18,783,625)	(44,049,601)
Litigation contracts in progress – written-off ¹	(1,359,067)	(3,190,718)
Net gain on disposal of intangible assets	23,763,708	70,567,046
GST recoverable/(written-off) from prior periods ²	7,973	5,605
Gain on receivable measured at amortised cost	853,654	–
Other income/(loss)	–	19,856
	24,625,335	70,592,507

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 8: EXPENSES

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	Consolidated	
	2013	2012
	\$	\$
(a) Finance costs		
Interest expense and convertible note accretion	–	(320,951)
Other finance charges	(146,508)	(95,544)
	(146,508)	(416,495)
(b) Depreciation		
Depreciation expense	(246,362)	(238,409)
(c) Employee benefits expense		
Wages and salaries	(3,022,955)	(5,219,659)
Superannuation expense	(619,661)	(676,841)
Directors' fees	(242,136)	(241,665)
Payroll tax	(790,125)	(686,270)
Long service leave provision	(17,738)	(174,876)
	(4,692,615)	(6,999,311)
(d) Corporate and office expense		
Insurance expense	(305,956)	(851,635)
Network expense	(112,657)	(115,579)
Marketing expense	(414,322)	(586,834)
Occupancy expense	(106,556)	(89,699)
Professional fee expense	(370,663)	(1,021,614)
Recruitment expense	(8,117)	(22,372)
Telephone expense	(86,077)	(115,232)
Travel expense	(242,765)	(167,163)
	(1,647,113)	(2,970,128)
(e) Other expenses		
ASX listing fees	(63,058)	(51,029)
General expenses	(328,814)	(660,394)
Postage, printing and stationery	(97,773)	(78,669)
Repairs and maintenance	(30,786)	(29,324)
Share registry costs	(112,124)	(56,152)
Software supplies	(14,961)	(21,493)
Unrealised foreign exchange gain/(loss)	890,861	(32,140)
Net revaluation gain/(loss) on shares held for trading	(2,296)	19,069
Impairment of receivables	(957,224)	–
Loss on derecognition of available for sale investments	(7,522)	–
Impairment of plant and equipment	–	(55,686)
	(723,697)	(965,818)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 9: INCOME TAX

The major components of income tax expense are:

Income statement

Current income tax

Current income tax charge	1,663,025	16,774,885
Adjustment in respect of current income tax expense of previous year	1,080,365	(368,135)

Deferred income tax

Relating to origination and reversal of temporary differences	4,317,300	1,659,871
Other	(16,741)	3,925
Derecognition of unrealised capital losses	–	–
Adjustment in respect of deferred income tax of previous year	(717,133)	375,114
Income tax expense reported in the Statement of Comprehensive Income	6,326,816	18,445,660

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	20,140,883	61,411,452
At the Group's statutory income tax rate of 30% (2012: 30%)	6,042,265	18,423,435
Adjustment in respect of income tax of previous years	363,232	6,979
Income not assessable for income tax purposes	–	11,321
Derecognition of unrealised capital losses	–	–
Other	(78,681)	3,925
Income tax expense reported in the Statement of Comprehensive Income	6,326,816	18,445,660

Consolidated

2013
\$

2012
\$

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 9: INCOME TAX (CONTINUED)

Deferred income tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2013 \$	2012 \$	2013 \$	2012 \$
Deferred income tax at 30 June relates to the following:				
<i>CONSOLIDATED</i>				
<i>Deferred income tax liabilities</i>				
Intangibles	24,364,388	19,801,266	4,563,122	2,046,472
Convertible notes	427,754	729,017	(301,263)	(286,381)
Financial instruments	–	–	–	–
Receivables	(325,686)	282,617	(608,302)	282,617
Gross deferred income tax liabilities	24,466,456	20,812,900	3,653,557	2,042,708
<i>Deferred income tax assets</i>				
Depreciable assets	73,066	70,464	(2,602)	(6,712)
Accruals and provisions	637,886	557,615	(80,271)	171
Expenditure deductible for income tax over time	2,743	5,486	2,743	2,743
Gross deferred income tax assets	713,695	633,565	80,130	2,038,910
Net deferred income tax liabilities	23,752,761	20,179,335		

Unrecognised temporary differences and tax losses

At 30 June 2013 the Group had no unrecognised temporary differences and tax losses.

NOTE 10: DIVIDENDS PAID AND PROPOSED

	Consolidated	
	2013 \$	2012 \$
(a) Recognised amounts:		
<i>Declared and paid during the year</i>		
Dividends on ordinary shares		
2013: Nil recognised	–	–
2012: Final 10.0 cents per share	–	12,320,766
	–	12,320,766
(b) Unrecognised amounts:		
Dividends on ordinary shares		
2013: Final 5.0 cents per share unrecognised	6,160,470	–
2012: Nil unrecognised	–	–
	6,160,470	–

On 21 August 2013 a final fully franked dividend of 5.0 cents per share was declared in respect of the 2013 financial year. The record date for this dividend is 18 October 2013 and the payment date will be 31 October 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 10: DIVIDENDS PAID AND PROPOSED (CONTINUED)

On 29 June 2012 a final dividend of 10.0 cents per share was declared in respect of the 2012 financial year. The record date for this dividend was 29 August 2012 and payment was made on 13 September 2012. This dividend was recognised in the financial statements as at 30 June 2012.

	IMF (Australia) Ltd	
	2013	2012
	\$	\$
(c) Franking credit balance		
The amount of franking credits for the subsequent financial year are:		
– Franking account balance as at the end of the financial year at 30%	14,034,551	202,566
– Franking debits that arose from the payment of last year's final dividend	(5,280,329)	(2,640,036)
– Franking credits that arose from the payment of income tax payable during the financial year	4,293,754	2,582,894
– Franking credits that will arise from the (refund)/payment of income tax (receivable)/payable as at the end of the financial year	(1,540,364)	13,889,127
	11,507,612	14,034,551
Impact of franking debits that will arise from the payment of the final dividend	(2,640,201)	(5,280,329)
	8,867,411	8,754,222

(d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2012: 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	
	2013	2012
	\$	\$
<i>For basic earnings per share</i>		
Net profit attributable to ordinary equity holders of the Parent	13,814,067	42,965,792
<i>For diluted earnings per share</i>		
Net profit from continuing operations attributable to ordinary equity holders of the Parent	13,814,067	42,965,792
Tax effected interest expense on convertible notes	506,919	730,013
Net profit attributable to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	14,320,986	43,695,805

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 11: EARNINGS PER SHARE (CONTINUED)

(b) Weighted average number of shares

	Number	
	2013	2012
Weighted average number of ordinary shares outstanding for basic earnings per share	123,209,372	123,207,662
Effect of dilution:		
Convertible notes	23,223,385	23,225,095
Weighted average number of ordinary shares adjusted for the effect of dilution	146,432,757	146,432,757

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

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

(c) Information on the classification of securities

(i) Options

As at 30 June 2013 there were no options issued over shares in the Company (2012: nil).

(ii) Convertible notes

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

NOTE 12: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2013	2012
	\$	\$
Cash at bank	16,982,685	24,393,740
Short-term deposits	51,001,599	38,030,826
	67,984,284	62,424,566

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 six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group's short-term deposits beyond three months can be withdrawn with one day's notice without penalty.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

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

Reconciliation to Statement of Cash Flows

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

	Consolidated	
	2013	2012
	\$	\$
Cash at bank	16,982,685	24,393,740
Short-term deposits	51,001,599	38,030,826
	67,984,284	62,424,566

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 2013 guarantees of \$1,650,819 were outstanding (2012: \$1,776,558). The guarantees are secured by an offset arrangement with a term deposit of \$5,000,000 (2012: \$5,000,000).

Set off of assets and liabilities

The Group has established a legal right of set off with two banks enabling it to set off certain deposits with the banks against bank guarantees issued totalling \$1,650,819 (2012: \$1,776,558). The total of the bank guarantee facilities is \$5,000,000 (2012: \$5,000,000). The guarantee facility is secured by an offset arrangement against term deposits of \$5,000,000 (2012: \$5,000,000).

NOTE 13: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	2012
	\$	\$
Current		
Trade receivables	23,374,525	65,485,741
Interest receivable	553,453	942,058
	23,927,978	67,227,799

	Consolidated	
	\$	\$
Non current		
Trade receivables	15,252,854	16,330,417
	15,252,854	16,330,417

- i. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is \$19,979,327 included in current trade receivables which is subject to appeal (2012: nil).
- ii. Interest receivable is payable upon the maturity of the Group's short term deposits (between 30 and 90 days).
- iii. Non-current trade receivables are non-interest bearing and occur as a result of settlements with a repayment plan greater than 12 months or where a judgment is subject to an appeal and the appeal is not expected to be heard within the next 12 months. A total of \$15,252,854 is included in the non-current trade receivable balance in 2013 which is subject to appeal (2012: \$14,399,200).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 13: TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	0-30 days \$	31-90 days \$	91-180 days ¹ \$	+180 days ¹ \$	Total \$
2013 Consolidated	1,485,626	5,111,891	3,627,455	28,955,860	39,180,832
2012 Consolidated	65,191,121	1,933,096	–	16,433,999	83,558,216

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

During the year the Group wrote off receivable balances totalling \$957,224 (2012: \$Nil).

(a) Fair value and credit risk

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

NOTE 14: CURRENT ASSETS – OTHER ASSETS

	Consolidated	
	2013 \$	2012 \$
Prepayments	94,015	380,355
	94,015	380,355

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 15: NON CURRENT ASSETS – PLANT AND EQUIPMENT

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

	Consolidated	
	2013	2012
	\$	\$
Cost		
Accumulated depreciation	2,282,838	2,212,718
Net carrying amount	(1,660,413)	(1,414,051)
	622,425	798,667

	Consolidated	
	Plant and Equipment	
	\$	
Cost		
Balance as at 1 July 2011		1,694,950
Additions		652,262
Disposals		(134,494)
At 30 June 2012		2,212,718
Additions		70,120
Disposals		–
At 30 June 2013		2,282,838
Accumulated depreciation		
Balance as at 1 July 2011		1,254,450
Depreciation charge for the year		238,409
Disposals		(78,808)
At 30 June 2012		1,414,051
Depreciation charge for the year		246,362
Disposals		–
At 30 June 2013		1,660,413
Net book value		
At 30 June 2013		622,425
At 30 June 2012		798,667

The useful life of the assets was estimated between 5 to 15 years for both 2012 and 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 16: NON-CURRENT ASSETS – FINANCIAL ASSETS

	Consolidated	
	2013	2012
	\$	\$
At fair value		
Shares – Australian listed – available-for-sale	–	455,012
Shares – United Kingdom listed – held for trading	18,890	21,146
Closing balance as at 30 June	18,890	476,158

(a) Listed shares

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

NOTE 17: INTANGIBLE ASSETS

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

	Consolidated
	\$
Year ended 30 June 2012	
Cost (gross carrying amount)	59,625,438
Additions	53,955,208
Disposals	(44,049,601)
Write-down of Litigation Contracts In Progress	(3,526,827)
At 30 June 2012, net of accumulated amortisation and impairment	66,004,218
Year ended 30 June 2013	
Balance as at 1 July 2012, net of accumulated amortisation and impairment	66,004,218
Additions	40,265,789
Disposals	(18,783,625)
Write-down of Litigation Contracts In Progress	(1,359,067)
At 30 June 2013, net of accumulated amortisation and impairment	86,127,315

(b) Description of Group's intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described in note 17(e). The capitalised wages in 2013 equated to approximately 61% of the total salary costs (2012: 49%). The other internal capitalised expenses equated to approximately 24% of overhead costs (2012: 23%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 17: INTANGIBLE ASSETS (CONTINUED)

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

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

	Consolidated	
	2013	2012
	\$	\$
Capitalised external costs	58,629,287	46,324,595
Capitalised internal costs	19,005,769	14,883,061
Capitalised borrowing costs	8,492,259	4,796,562
Balance at 30 June	86,127,315	66,004,218

(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.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement or judgment amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital, which resulted in a discount rate of 13.5% (2012: 13.5%).

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

(e) Capitalised borrowing costs

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying asset. The amount of borrowing costs capitalised during the year ended 30 June 2013 was \$3,695,697 (2012: \$2,946,062). The rate used to determine the borrowing costs eligible for capitalisation was 13.5%, which is the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 18: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2013 \$	2012 \$
Trade payables ¹	6,514,925	10,944,955
Convertible note interest accrual	1,011,570	944,536
Wage accruals	306,661	321,989
Dividend payable	–	12,320,766
	7,833,156	24,532,246

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

(a) Fair value

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

NOTE 19: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013 \$	2012 \$
Current		
Annual leave and long service leave	1,371,368	1,241,389
Bonus	273,350	6,877,300
	1,644,718	8,118,689
Non-Current		
Long service leave	229,026	259,530
	229,026	259,530

(a) Movement in provisions

	Annual leave \$	Employee bonus \$	Long service leave \$	Total \$
As at 1 July 2012	598,220	6,877,300	902,699	8,378,219
Arising during the year	631,422	273,350	118,472	1,023,244
Utilised	(549,685)	(6,877,300)	(100,734)	(7,527,719)
As at 30 June 2013	679,957	273,350	920,437	1,873,744
Current 2013	679,957	273,350	691,411	1,644,718
Non-current 2013	–	–	229,026	229,026
	679,957	273,350	920,437	1,873,744
Current 2012	598,220	6,877,300	643,169	8,118,689
Non-current 2012	–	–	259,530	259,530
	598,220	6,877,300	902,699	8,378,219

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

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

(b) Nature and timing of provisions

Adverse costs

There is no provision for adverse costs as at 30 June 2013 as the Group does not have any unpaid outstanding adverse costs orders.

Annual leave and long service leave

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

NOTE 20: NON-CURRENT LIABILITIES

	Consolidated	
	2013	2012
	\$	\$
Convertible notes ¹	36,324,499	34,945,316

1. Includes transaction costs of \$1,366,366.

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

The convertible notes are convertible at the option of the Noteholder by 31 December 2014. The Company has the ability to request the Noteholder to elect to either convert or be repaid after 31 December 2012. During the period 1,710 Noteholders elected to convert their convertible notes into shares (2012: 5,946 converted). Accordingly as at 30 June 2013, there were 23,223,385 convertible notes on issue with a face value of \$38,318,585 (2012: 23,225,095 convertible notes on issue with a face value of \$38,321,407).

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 \$8,492,259 (2012: \$4,796,562) as part of the Litigation Contracts in Progress intangible assets deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009 (refer to note 17). At 30 June 2013, the fair value of the convertible note liability is \$39,651,593.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 21: CONTRIBUTED EQUITY

	Consolidated	
	2013	2012
	\$	\$
<i>Contributed equity</i>		
Issued and fully paid ordinary shares	41,912,195	41,909,483

(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 or par value in respect of its issued capital.

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

	Number	\$
Movement in ordinary shares		
As at 30 June 2011	123,201,716	41,900,322
Convertible notes converted	5,946	9,161
As at 30 June 2012	123,207,662	41,909,483
Convertible notes converted	1,710	2,712
As at 30 June 2013	123,209,372	41,912,195

(b) Share options

At 30 June 2013, there were no unissued ordinary shares in respect of which options were outstanding (2012: nil).

(c) Capital management

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

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

At 30 June 2013 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 22: RETAINED EARNINGS AND RESERVES

(a) Movements in retained earnings were as follows:

	Consolidated	
	2013	2012
	\$	\$
Balance 1 July	62,542,186	38,057,246
Net profit for the year	13,814,067	42,965,792
Dividend paid	–	(6,160,086)
Dividend payable	–	(12,320,766)
Balance 30 June	76,356,253	62,542,186

(b) Movements in reserves were as follows:

	Option premium reserve	Net unrealised gains reserve	Convertible notes reserve	Total reserves
	\$	\$	\$	\$
At 1 July 2011	3,403,720	–	3,832,216	7,235,936
At 30 June 2012	3,403,720	30,332	3,832,216	7,266,268
Transfer to profit and loss	–	(30,332)	–	(30,332)
At 30 June 2013	3,403,270	–	3,832,216	7,235,936

(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 25 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 23: STATEMENT OF CASH FLOWS RECONCILIATION

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

	Consolidated	
	2013	2012
	\$	\$
Net profit attributable to members of the Parent	13,814,067	42,965,792
<i>Adjustments for:</i>		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows from investing activities	(42,647,840)	(25,421,402)
Depreciation	246,362	238,409
Loss recognised on remeasurement to fair value	(2,296)	(19,069)
Convertible note accretion	1,381,953	1,385,678
Profit on sale of shares	37,854	(12,303)
Unrealised foreign exchange (gain)/loss	(890,861)	32,140
Other	(25,739)	55,686
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in receivables	43,577,383	(46,418,669)
Decrease/(Increase) in other current assets	286,341	319,529
Decrease/(Increase) in intangible assets	(20,123,097)	(6,378,780)
Increase/(Decrease) in trade creditors and accruals	(4,445,357)	5,013,364
Increase/(Decrease) in interest accruals	67,034	(35,118)
Increase/(Decrease) in provisions	(6,224,895)	2,003,961
Increase/(Decrease) in deferred tax liabilities	3,573,427	2,038,911
Increase/(Decrease) in current income tax liability	(15,429,490)	13,851,878
Net cash (used in) operating activities	(26,805,154)	(10,379,993)

(b) Disclosure of financing facilities

Refer to note 12.

NOTE 24: RELATED PARTY DISCLOSURE

Transactions with director related entities

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

	Consolidated	
	2013	2012
	\$	\$
Transactions with related parties	22,937	3,204

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 25: KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

(b) Compensation of Key Management Personnel

	Consolidated	
	2013 \$	2012 \$
Short-term employee benefits – salaries and wages	3,631,962	3,465,437
Short-term employee benefits – accrued and unpaid ¹	–	3,925,000
Post-employment benefits	98,038	94,563
	3,730,000	7,485,000

1. As at 30 June 2012 bonuses had been declared to be payable over the following nine month period.

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

There were no options held by Key Management Personnel at 30 June 2012 or 30 June 2013.

(d) Shareholdings of Key Management Personnel

	Balance 01-Jul-12	Received as remuneration	Options exercised	Net change other	Balance 30-Jun-13
<i>Directors</i>					
Robert Ferguson	2,500,000	–	–	(647,000)	1,853,000
Hugh McLernon	8,301,846	–	–	(563,500)	7,738,346
John Walker	5,667,792	–	–	(709,500)	4,958,292
Alden Halse	876,251	–	–	–	876,251
Michael Bowen	813,751	–	–	–	813,751
Clive Bowman	1,013,941	–	–	–	1,013,941
<i>Executives</i>					
Charlie Gollow	460,000	–	–	–	460,000
Diane Jones	20,000	–	–	–	20,000
	19,653,581	–	–	(1,920,000)	17,733,581

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

NOTE 25: KEY MANAGEMENT PERSONNEL (CONTINUED)

(d) Shareholdings of Key Management Personnel (continued)

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 2013 (2012: nil).

NOTE 26: SHARE-BASED PAYMENT PLAN

(a) Recognised share-based payment expenses

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

(b) Types of share-based payment plans

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

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

(c) Summaries of options

There are no options outstanding at 30 June 2013 or 30 June 2012.

(d) Weighted average remaining contractual life

There are no options outstanding at 30 June 2013 or 30 June 2012.

(e) Range of exercise prices

There are no options outstanding at 30 June 2013 or 30 June 2012.

(f) Weighted average fair value

There are no options outstanding at 30 June 2013 or 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 27: COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – Group as lessee

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

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

	Consolidated	
	2013 \$	2012 \$
Within one year	697,292	671,597
After one year but no more than five years	1,122,354	1,743,464
After more than five years	–	–
Total minimum lease payments	1,819,646	2,415,061

(b) Remuneration commitments

	Consolidated	
	2013 \$	2012 \$
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:		
Within one year	4,419,257	3,386,831
After one year but no more than five years	–	–
	4,419,257	3,386,831

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

As at 30 June 2013, the Group has four cases that are under appeal. The total income recognised by the Group from these cases in the current financial year is \$34,373,108 (previous financial year: \$14,506,945). The total current and non-current receivables as at 30 June 2013 relating to the cases under appeal is \$35,202,181.

The Group believes that it is possible, but not probable that these appeals will succeed against the Group's clients. Accordingly, no provision for any liability has been recognised in the financial statements.

NOTE 28: ECONOMIC DEPENDENCY

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

NOTE 29: EVENTS AFTER THE REPORTING DATE

On 20 August 2013 a piece of litigation funded by the Group was settled.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 30: AUDITOR'S REMUNERATION

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

	Consolidated	
	2013	2012
	\$	\$
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	259,566	233,750
Other services in relation to the Parent and any other entity in the consolidated group:		
Tax compliance	109,301	86,710
	368,867	320,460

NOTE 31: PARENT ENTITY INFORMATION

	2013	2012
	\$	\$
Information relating to IMF (Australia) Ltd:		
Current assets	86,585,654	129,880,386
Total assets	198,639,840	226,292,198
Current liabilities	(22,521,126)	(69,098,050)
Total liabilities	(83,032,440)	(124,482,231)
Net assets	115,607,400	101,809,967
Issued capital	41,912,195	41,909,483
Retained earnings	66,459,269	52,634,216
Option premium reserve	3,403,720	3,403,720
Convertible note reserve	3,832,216	3,832,216
Unrealised gains reserve	–	30,332
Total shareholders' equity	115,607,400	101,809,967
Profit or loss of the Parent	13,825,053	44,175,669
Total comprehensive income of the Parent	13,825,053	44,216,031

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013 (continued)

NOTE 31: PARENT ENTITY INFORMATION (CONTINUED)

Tax consolidation

(i) Members of the tax consolidated group

IMF and its 100% owned Australian 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	
	2013 \$	2012 \$
Total increase in tax liability and cost of investment in subsidiaries of IMF (Australia) Ltd	(3,398)	(27,024)

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

Name	Country of Incorporation	Percentage owned		Investment	
		2013 %	2012 %	2013 \$	2012 \$
Financial Redress Pty Ltd ¹	Australia	100	100	16,361,043	16,364,441
Bentham Holdings Inc.	USA	100	100	1	1
Bentham Capital LLC	USA	100	100	–	–
Security Finance LLC	USA	100	not incorporated	–	–

¹ 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, we state that:

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In the opinion of the Directors:

- a. the financial statements and notes of IMF (Australia) Ltd for the financial year ended 30 June 2013 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of its financial position as at 30 June 2013 and performance for the year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2;
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- d. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.

On behalf of the Board



ROBERT FERGUSON
Non-Executive Chairman



HUGH MCLERNON
Managing Director

Dated this 21st day of August 2013

INDEPENDENT AUDITOR'S REPORT



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Independent audit report to members of IMF (Australia) Ltd

Report on the financial report

We have audited the accompanying financial report of IMF (Australia) Ltd, which comprises the consolidated statement of financial position as at 30 June 2013, 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.

GHM:MM:IMF:139

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INDEPENDENT AUDITOR'S REPORT



Opinion

In our opinion:

- a. the financial report of IMF (Australia) Ltd 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 2013 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 15 to 20 of the directors' report for the year ended 30 June 2013. 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) Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a stylized flourish at the end.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', with a stylized flourish at the end.

G H Meyerowitz
Partner
Perth
21 August 2013

CORPORATE GOVERNANCE STATEMENT

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

Recommendation	Comply Yes / No
4.3 The audit committee should have a formal charter.	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes
6.1 Companies should design a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting risks.	Yes
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes
8.1 The Company should establish a remuneration committee.	Yes
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent chair; and • has at least three members. 	 Yes Yes 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

CORPORATE GOVERNANCE STATEMENT (continued)

The Company's corporate governance practices were in place throughout the year ended 30 June 2013.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company refer to our website www.imf.com.au.

Board Functions

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

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

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

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

To this end the Board has established the following committees:

- Audit;
- Remuneration; and
- Nomination.

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

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

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

Other functions reserved to the Board include:

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

Structure of the Board

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

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

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

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

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

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

Name	Position
Robert Ferguson	Chairman
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

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

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 Group's website.

Trading Policy

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

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, and Robert Ferguson.

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

Risk

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

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

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

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

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

Managing Director and Chief Financial Officer Certification

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

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

Performance

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

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

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

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

Remuneration

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

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

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

CORPORATE GOVERNANCE STATEMENT (continued)

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: 12 (2012: 10); total employees: 28 (2012: 26);
- total female investment managers: 2 (2012: 2); total investment managers: 12 (2012: 12); and
- total female Key Management Personnel: 1 (2012: 1); total Key Management Personnel: 5 (2012: 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 2 August 2013.

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(a) Distribution of Shareholders

Ordinary Share Capital

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

Convertible Notes

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

Options

There are no options issued over ordinary shares.

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

	Number	Fully paid ordinary shares	Number	Convertible notes
1 – 1,000	927	537,378	250	110,828
1,001 – 5,000	2,037	5,876,565	164	409,853
5,001 – 10,000	989	7,632,776	117	945,341
10,001 – 100,000	1,066	27,675,377	161	4,675,975
100,001 and over	93	81,487,276	32	17,081,388
	5,112	123,209,372	724	23,223,385

(b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 2 August 2013 are:

Shareholder	No. of ordinary Shares	% of issued capital
Acorn Capital Limited	11,743,719	9.53%
Hugh McLernon, McLernon Group Superannuation Pty Limited, Christine McLernon, Toronto Holdings Pty Limited and Capital Consulting Pty Limited	7,738,346	6.28%
John Walker, Legal Precedents Pty Limited, Namagi Pty Limited, Mary Walker, Don Walker, Margaret Walker and Caroline Walker	4,958,291	4.02%
	24,440,356	19.84%

SHAREHOLDER INFORMATION (continued)

(c) 20 Largest Holders of Quoted Equity Securities as at 2 August 2013

Ordinary Shares		Number of ordinary shares	% of issued capital
1.	J P Morgan Nominees Australia Limited	11,559,817	9.38%
2.	National Nominees Limited	11,193,851	9.09%
3.	HSBC Custody Nominees (Australia) Limited	7,922,201	6.43%
4.	JP Morgan Nominees Australia Limited <Cash Income A/C>	5,659,858	4.59%
5.	McLernon Group Superannuation Pty Ltd	4,855,081	3.94%
6.	Thorney Holdings Pty Ltd	4,314,177	3.50%
7.	HSBC Custody Nominees (Australia) Limited – A/C 2	2,465,706	2.00%
8.	Legal Precedents Pty Limited <Walker Investment A/C>	2,445,530	1.98%
9.	Mr Hugh McLernon	2,176,125	1.77%
10.	Mr John Walker	1,677,633	1.36%
11.	Mr Robert Alexander Ferguson	1,670,000	1.36%
12.	Citicorp Nominees Pty Limited	1,339,675	1.09%
13.	HSBC Custody Nominees (Australia) Limited <NT-Comnwith Super Corp A/C>	1,271,107	1.03%
14.	Mr Dennis John Banks <The Banks Family A/C>	1,137,545	0.92%
15.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,063,616	0.86%
16.	HSBC Custody Nominees (Australia) Limited-GSCO ECA	870,985	0.71%
17.	Mr Clive Norman Bowman	858,981	0.70%
18.	Mr Dennis John Banks + Mrs Janine Anne Banks <The Banks Super Fund A/C>	715,098	0.58%
19.	Kleken Pty Ltd <Kleken Pty Ltd S/Fund A/C>	593,503	0.48%
20.	BNP Paribas Noms Pty Ltd <DRP>	577,555	0.47%
		64,368,044	52.24%

(d) Options as at 2 August 2013 – unquoted

There are no options issued.

(e) Securities subject to escrow

There are no securities subject to escrow.

SHAREHOLDER INFORMATION (continued)

(f) 20 Largest Holders of Quoted Convertible Notes as at 2 August 2013

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	Convertible Note Holders	Number of convertible notes	% of issued capital
1	HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,617,862	11.27%
2	HSBC Custody Nominees (Australia) Limited	1,621,120	6.98%
3	RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	1,542,571	6.64%
4	HSBC Custody Nominees (Australia) Limited – A/C 2	1,530,763	6.59%
5	Bainpro Nominees Pty Limited	1,245,000	5.36%
6	J P Morgan Nominees Australia Limited <Cash Income A/C>	1,197,200	5.16%
7	Robert Ferguson + Jennifer Ferguson + Rachel Ferguson <Torryburn S/F A/C>	606,060	2.61%
8	Mr Robert Ferguson + Mrs Jennifer Ferguson + Ms Rachel Ferguson <Torryburn Super Fund A/C>	591,716	2.55%
9	Mr Robert Ferguson + Mrs Jennifer Ferguson + Ms Rachel Ferguson <Torryburn S/F A/C>	578,000	2.49%
10	Mr Simon Robert Evans + Mrs Kathryn Margaret Evans <Kamiyacho Super Fund A/C>	500,000	2.15%
11	McLernon Group Superannuation Pty Ltd	485,509	2.09%
12	J P Morgan Nominees Australia Limited	476,737	2.05%
13	Elixir Enterprises Pty Ltd <F W Regan Family A/C>	408,100	1.76%
14	UBS Nominees Pty Ltd	401,173	1.73%
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>	270,630	1.17%
18	Charanda Nominee Company Pty Ltd <Greycliffe Super Fund A/C>	264,214	1.14%
19	National Nominees Limited	190,408	0.82%
20	Ms Yukari Burgess	187,208	0.81%
		15,320,331	65.97%

CORPORATE INFORMATION

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

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 5 to 21. 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

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The Ernst & Young Building
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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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