IMF (Australia) Ltd

Annual Report

For The Year Ended
30 June 2005

IMF (AUSTRALIA) LTD
ABN 45 067 298 088

CORPORATE INFORMATION

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

Company Secretary
Jonathan McArthur

Principal Registered Office in Australia
Level 5
32 Martin Place
Sydney, New South Wales 2000
Phone: (02) 8223 3567
Fax: (02) 8223 3555

Solicitors
Steinepreis Paganin
Level 14, Chancery House
37 St Georges Terrace
Perth, Western Australia 6000

Share Registry
Computer Share Registry
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000
Phone: 1300 557 010

Auditors
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth, Western Australia 6000

Bankers
HSBC Bank Ltd
188/190 St Georges Terrace
Perth, Western Australia 6000

Internet Address
www.imf.com.au

The company is listed on the Australian Stock Exchange, with Perth, 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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CHAIRMAN'S REPORT

On behalf of the Board of Directors of IMF (Australia) Ltd (IMF) I am pleased to present this Annual Report in respect of the financial year ended 30 June 2005.

The year has been mixed. On the one hand no major cases have been completed and accordingly a loss for the year has been incurred, but on the other hand the legitimacy of IMF's business has been enhanced by clear Court acceptance of the role of litigation funding in the community.

Our lack of short term successful completions and the enhanced legitimacy of our business are interlinked.

Since our listing in 2001, we have focused on diversifying our business from the proven area of insolvency matters to the new area of commercial claims and, in particular, group actions. These matters tend to be large, relative to insolvency matters and because they are new, subject to concerted legitimacy tests by defendants. The 2004-5 year saw the results of those tests. Most noticeably the *Fostif* decision brought a very strong affirmation of the role of litigation funding in which the President of the NSW Court of Appeal stated:

> *"…it is now widely recognised that there are some types of claims that will simply never get off the ground unless traditional attitudes are modified. These include cases involving complex scientific and legal issues. The largely factual account in the book and film "A Civil Action" has demonstrated the social utility of funded proceedings, the financial risk assumed by funders, and the potential conflicts of interest as between group members in mass tort claims propounding difficult actions against deep pocketed and determined defendants."*

Since the *Fostif* decision and other similar decisions we have seen a fall off in the use of this first line of defence by defendants and a resort to the time honoured defence of deep pocketed defendants; diversion and delay. The fact that 2004-5 saw a plethora of legitimacy defences as well as delay and diversion defences largely explains our unsatisfactory record of concluded proceedings.

The good news is we believe we are now through the legitimacy barrier but delay and diversion are still the bread and butter of defendants. Despite this, we are confident we have a portfolio of high quality cases that will yield rewarding returns when completed.

The other important development in 2004-5 was the diversification of our business into the new area of funding of well financed claimants. Two well funded clients, namely Multiplex Limited and QPSX Limited, have sought the services of IMF not for our funding abilities but for our case management skills. This is in effect an outsourcing of litigation management to IMF, an organisation that prides itself on the productivity of its litigation management. We see this as a very large market for the future.

Inevitably the move to service well funded clients brought a fresh legitimacy challenge from defendants but this was clarified in an unusually expeditious manner. The judgement in this case said in part:

> *"The considerations relevant to the range of acceptable litigation funding arrangements today goes beyond questions of access to justice for the ordinary litigant… for parties that are sophisticated well resourced commercial actors… the development of arrangements under which the cost of complex commercial litigation can be spread is at least arguably an economic benefit if it supports the enforcement of legitimate claims. Where such arrangements involve the creation of budgets by funders knowledgeable in the cost of litigation it may inject a welcome element of commercial objectivity in the way in which such budgets are frames and the efficiency with which the litigation is conducted."*

Rounding off a year of high profile for IMF's business was the decision post balance date in September by the Federal Court which decided that if shareholders of collapsed goldminer Sons of Gwalia had been misled they could be treated as creditors of the company under external control. Undoubtedly the decision will be appealed but once again this matter and IMF's role in it have enhanced IMF's legitimacy.

When thinking about the year just ended or, more particularly, the period since IMF's listing in 2001, I am reminded of a quote by Mohandas Ghandi when thinking about the reaction of the established order to new ways of doing things: *"First they ignore you. Then they laugh at you. Then they fight you. Then you win"*. The last year saw plenty of fighting but hopefully now we are at the winning stage.

Internally at IMF much has also happened. A new CEO and CFO have been bedded down and the company's Head Office has moved from Perth to Sydney – all major changes.

I would like to thank all staff for their efforts during the year.

I hope you can attend our Annual General Meeting which this year will be more accessible to most shareholders as it will be in Sydney.

I hope to see you there.

Yours sincerely,

ROBERT FERGUSON
Chairman

DIRECTORS' REPORT

The directors of IMF (Australia) Ltd ("IMF") submit their report for the year ended 30 June 2005.

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 from the beginning of the financial year and for the entire financial year unless otherwise stated.

DIRECTORS

Robert Ferguson
(Chairman)

Robert Ferguson was appointed director and Chairman on 1 December 2004.

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

(a) a director of Westfield Holdings Ltd from 1994 to 2004; and

(b) Chairman and non-executive director of Vodafone Australia until November 2002.

He is a director of Racing, NSW, Deputy Chair of The Sydney Institute and a director of The Sydney Writers' Festival.

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

Alden Halse
(Non-Executive Director)

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

Over the last 15 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 Insolvency Practitioners Association of Australia and the Australian Institute of Company Directors;

(b) is a member of council and treasurer of the Royal Automobile Club of WA (Inc), and a non-executive director of ASX listed company, Count Financial Ltd; and

(c) is the Chairman of the audit committee.

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

Michael Bowen
(Non-Executive Director)

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

Mr Bowen:

(a) is a partner of the law firm Hardy Bowen, practising primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources;

(b) supports the Managing Director on matters concerning Corporations Law; and

(c) is a member of the audit committee.

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

- Vietnam Industrial Investments Limited (appointed 18 October 2004)
- Medical Corporation Australasia Limited (appointed 18 October 2004)
- Tennant Creek Gold Limited (appointed 8 January 2004)

John Walker
(Managing Director)

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 Delloitte Haskins and Sells (as it then was) prior to completing a Bachelor of Laws at Sydney University in 1986.

Between 1987 and 1998, Mr Walker practiced as a commercial litigator in Sydney, being a partner in a Sydney CBD firm from 1990.

In 1998, Mr Walker created Insolvency Litigation Fund Pty Ltd ("ILF") and was the initial Managing Director until the entity was purchased by IMF (Australia) Ltd in 2001. Since then, Mr Walker has been an executive director of IMF and its Managing Director since December 2004.

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

Hugh McLernon
(Executive Director)

Hugh McLernon is a lawyer by training. He holds a Bachelor of Laws degree from the University of Western Australia. After graduation he worked as a Crown Prosecutor for eight years and then as a barrister at the independent bar for a further nine years, before joining Clayton Utz for three years as 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 is a member of the audit committee.

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

COMPANY SECRETARY

Jon McArthur B.Com, FCA, MAICD

Jon McArthur commenced with the company on 21 March 2005. Prior to holding this position he held the role of CFO and company secretary of WorldAudio Limited for two years. Mr McArthur has been a chartered accountant for over 13 years.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

The interests of the directors in shares and options of the company as at the date of this report are set out in Note 19 to the financial statements.

DIVIDENDS

No dividend has been paid or recommended during the financial year or in the previous three financial years.

CORPORATE INFORMATION

Corporate Structure

IMF is a company limited by shares which is incorporated and domiciled in Australia. IMF has prepared a consolidated financial report incorporating the entity that it controlled during the financial year, being ILF.

CORPORATE INFORMATION (Cont'd)

Nature of Operations and Principal Activities

The operations of the consolidated entity remain in accordance with IMF's business plan created in 2001 and are separated into three finite areas of business:

Portfolio Report at 30 June 2005 where the Budgeted IMF Fee is >$500,000

		Number	**Claim Value**	**Percentage of Claim Value**
(i)	Insolvency Claims	14	$182m	20%
(ii)	Non-Insolvency Claims involving single plaintiffs (Commercial Claims)	10	212m	23%
(iii)	Non-Insolvency Group Actions. (Group Actions)	10	531m	57%
			$925m	

From 2001, when all of IMF's investments were Insolvency Claims, there has been a consistent investment growth in Commercial Claims and, in particular, Group Actions. This growth is consistent with IMF's business plan that budgets a mature portfolio to have claim value attributable to each market as follows:

Insolvency Claims:	20 percent
Commercial Claims:	15 percent
Group Actions:	65 percent

The growth in IMF's Investment Claim Value has increased from $500m as at 30 June 2004 to $925m as at 30 June 2005. IMF's average fee expressed as a percentage of the recovery remains at about 30 percent.

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

- Discovery in the **Aristocrat** claim at the date of this report is complete with the claim to proceed either as a representative proceeding or a group action and heard after expert evidence is obtained. Currently the hearing is estimated to be in the later half of 2006.

- Since the stay was lifted in the **Finance Broking Case**, the parties have been moving the matter towards trial. The High Court is due to consider the question of State immunity in another matter in October 2005 which will provide guidance during the balance of this investment.

- All of the interlocutory steps have now been completed since **QPSX's** successful defence of Ericsson's abuse of process application and it is expected that the matter will go to trial early in calendar 2006.

- The defendant in **Sentinel**, a subsidiary of the Commonwealth Bank, is applying to add new lines of defence after failing at trial and on appeal in 11 test cases. Its application will be heard in the Supreme Court of Victoria in November 2005. If the Court disallows the new defences then the parties may well be able to settle the matter. If the new defences are allowed to be heard, then the balance of the matters will proceed to trial.

CORPORATE INFORMATION (Cont'd)

Nature of Operations and Principal Activities (Cont'd)

- The question whether shareholders who buy their shares on the market are creditors of a company under external control and entitled to rank equally with other creditors, was addressed in **Sons of Gwalia**. Emmett J found in the shareholder's favour although the Deed Administrator is likely to appeal. In contrast, Finkelstein J found in **Concept Sports** that shareholders who purchase their shares from the company may not sue the company unless they have renounced their share holding.

- Telstra failed in its stay application against **Spatial's** claim based on maintenance and champerty and proposes to proceed with a strike out application to be heard in late October. Assuming the matter proceeds, it is likely to conclude at the end of 2006.

- The solicitors and counsel in **Wright** have now been briefed in this matter and it will proceed towards trial, probably in the latter part of 2006.

The 2005 financial year brought Court acceptance of litigation funding with:

(a) the lifting of the stay in the Finance Broking Case;

(b) the President of the NSW Court of Appeal in *Fostif* stating that a measure of control of the litigation is essential if the funder is to manage group litigation and also protect its own legitimate interests;

(c) Justice French in QPSX making it clear that litigation funding is not limited to assisting impecunious people, but may legitimately be provided to all people or entities, including well resourced commercial entities; and

(d) subpoenas by Telstra and Aristocrat seeking production of documents by IMF were both found to be oppressive and were set aside.

The attacks on litigation funding noted above, together with seven other unsuccessful attacks not mentioned, did however cause cost and delay.

In July 2005 the Australian Securities and Investment Commission issued an Australian Financial Services Licence to IMF. Thereafter IMF has been regulated by ASIC pursuant to the terms of the Corporations Act and the AFS Licence. IMF believes this marks a turning point for litigation funding in Australia recognising as it does, the acceptance of litigation funding into mainstream financial services in this country. The NSW State Government also seeks to regulate funding despite Commonwealth regulation.

IMF has implemented a program of providing ASX with a list of the cases funded by IMF in which IMF's potential fee is greater than $500,000 per case (IMF's Investment Schedule). This Schedule is updated every three months and provides information on the current case list of the company to shareholders and investors alike.

Sydney Management

As announced at last year's AGM, given the large majority of business for IMF emanates from Sydney and Melbourne, IMF has progressively moved the management and control structures of the company from Perth to Sydney, with the process now complete.

CORPORATE INFORMATION (Cont'd)

Nature of Operations and Principal Activities (Cont'd)

Employees

Each of the three State offices in Sydney, Melbourne and Perth are managed by a senior ex lawyer with a less senior ex lawyer as an understudy. This management group is supported by 18 employees distributed throughout the three offices providing investigative, computer, accounting and management expertise. Other than executive directors, as at 30 June 2005, the consolidated entity employed 22 permanent staff (2004: 24 permanent). It is not expected that staff levels will grow in the foreseeable future.

REVIEW & RESULTS OF OPERATIONS

As set out in last year's Managing Director's Report the company expects to finalise at least one major case per year in order for that case to underpin the financial results for the particular year.

The fact that no material cases have been finalised during the 2005 financial year has led to a loss of $1.658 million for that period, following profits of $8.6 million and $1.5 million in 2003 and 2004, respectively. The 2005 loss includes a prudential $470,000 write down of part of a receivable based upon the fluctuating market prices of the listed shares which underpin payment of the receivable.

During the course of 2005, no cases have been abandoned and no cases have been lost.

The investments referred to in IMF's Investment Schedule have been entered into at regular intervals over the last three years or so that, with an average life of about three and a half years, many of those cases will come to fruition over the next one/two years.

During the course of the year the company received numerous requests for litigation funding from outside Australia. To date IMF has not accepted any of these requests.

IMF continues to monitor the position of litigation funding in the United Kingdom on the basis that it is the largest litigation funding market in the common law world. The company will make a final decision in respect of entry into the United Kingdom market once it has firmly established its operations in Australia.

IMF is currently investigating, with financial institutions, a number of innovative methods to finance future investments.

IMF's share price closed at $0.72 per share at 30 June 2005 (2004: $0.83).

OPERATING RESULTS, FINANCIAL YEAR 2005

The following summary of operating results reflect the consolidated entity's performance for the year ended 30 June 2005:

	2005 $	2004 $
Total Revenue	4,129,872	9,454,965
Operating profit/loss after income tax	(1,658,340)	1,519,530
Total shareholders' equity	36,730,874	21,950,135
Shareholders Returns		
Basic earnings per share (cents)	(1.97)	2.28
Diluted earnings per share (cents)	(1.97)	1.64

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during this reporting period.

RISK MANAGEMENT

The major risk for the company will always be in the choice of cases to be funded. The extent of that risk can best be identified, from time to time, by reference to the fact that in the first four years of operation IMF has lost only two cases. The company has an Investment Protocol in relation to case selection and a rigorous Due Diligence Process which ensures that only cases with very good chances of success are accepted for funding.

The only other 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 also authorised management to identify options for raising debt finance and joint venture capital to fund further expansion of IMF's portfolio.

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.

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of IMF (Australia) Ltd support and have adhered to the principles of corporate governance. The company's corporate governance statement is noted on page 53 of this Annual Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

As announced to the market on 1 September 2005, the company made a placement of 3,550,000 shares at issue price of $0.65 per share to raise $2,307,500 from various professional and institutional investors.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, the investments referred to in IMF's Investment Schedule have been entered into at regular intervals over the last three years or so that, with an average life of about three and half years, many of those cases will come to fruition over the next one/two years. Accordingly, the directors consider that the company will return to profitability in this period.

The company has now had some four years as a listed litigation funder and expects to have at least three more years before any serious competition arises. By this time the company should have established its name and reputation as the leader in Australian litigation funding.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not presently subject to significant environmental regulation under the laws of the Commonwealth and States.

SHARE OPTIONS

Details of options held as at the date of this report are set out in Note 18 and 19 of the financial statements.

SHARES RELEASED FROM ESCROW

There were no shares released from escrow during the financial year ended 30 June 2005.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

So far as may be permitted by the Law, the directors and officers are indemnified out of the funds of the company (to the extent that the director or officer is not otherwise indemnified) against all liability (including, without limitation, all legal expenses) incurred by the director or officer as a director or officer of the company and its wholly owned subsidiaries, including all liability incurred as a result of appointment or nomination by the company or the subsidiary as a trustee or as an officer of another corporation.

REMUNERATION REPORT

Directors assessed the appropriateness of the nature and amount of the emoluments of the directors and executive team by reference to relevant employment market conditions, with the overall objective of ensuring best stakeholder benefit from the Board and executive team. These officers were given the opportunity to receive their base emolument in a variety of forms, including salary and motor vehicle allowances.

There is no relationship between the emoluments and company performance.

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

The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

REMUNERATION REPORT (Cont'd)

The company has adopted the fair value measurement provisions of AASB2 "Share-based Payment" prospectively for all options granted to directors and relevant executives. The fair value of such grants is being disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures).

Options granted as part of director and executive emoluments have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments were approved at the 2004 Annual General Meeting.

Directors' Fees

The Chairman's remuneration is inclusive of committee fees.

Retirement Allowances for Directors

There are no retirement allowances for directors. Directors may, however, elect to have a portion of their remuneration paid into their personal superannuation plans.

Executive Pay

The executive pay and reward framework has three components:

- base pay
- employee option scheme
- other remuneration such as superannuation

Base Pay

The base pay is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's discretion.

Executives are offered a competitive base pay that compromises the fixed component of pay and rewards. Senior executives' pay is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

REMUNERATION REPORT (Cont'd)

Service Agreements

Remuneration and other terms of employment of the Managing Director, Chief Financial Officer, Executive Director and the specified executives are formalised in service agreements. The major provisions of the agreements are set out below:

John Walker, Managing Director
- contract commenced 1 July 2004 and expires 30 June 2007
- gross salary package $550,000 p.a. plus super
- contract to be reviewed annually
- notice period by employee is 3 months (after 31 March 2007) and 1 year notice by IMF

Hugh McLernon, Executive Director
- contract commenced 1 July 2004 and expires 30 June 2007
- gross salary package $550,000 p.a. plus super
- contract to be reviewed annually
- notice period by employee is 3 months (after 31 March 2007) and 1 year notice by IMF

Jon McArthur, Chief Financial Officer and Company Secretary
- commenced 21 March 2005, term to 30 June 2007
- contract reviewed annually with minimum CPI increases
- gross salary package $200,000 p.a. including super
- notice period 3 months by either party

Clive Bowman, State Manager - Victoria
- contract commenced 1 July 2001, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary package is $337,139 p.a. including super
- notice period 6 months by IMF, 3 months by employee

Alastair Mackay, Case Manager
- contract commenced 28 April 2003, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary packaging is $250,000 p.a. including super
- notice period is 6 months by IMF, 3 months by employee

Paul Rainford, Senior Investigator
- contract commenced 6 August 2001, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary package is $207,570 p.a. including super
- notice period is 6 months by IMF, 3 months by employee

Mirian Picton, Chief Financial Officer and Company Secretary
- ceased employment 8 July 2005
- gross salary for the year ended 30 June 2005, $104,760 plus super

REMUNERATION REPORT (Cont'd)

Director Remuneration for the year ended 30 June 2005

2005 financial year	Directors Fees	Salary	Cash Bonus	Non Monetary Benefits	Options	Super	Total
Robert Ferguson	46,667	-	-	-	-	4,200	50,867
John Walker	-	532,509	-	-	835,001	10,739	1,378,249
Hugh McLernon	-	550,000	-	-	835,001	10,739	1,395,740
Alden Halse	33,750	-	-			3,038	36,788
Michael Bowen	33,750	-	-	-	-	3,038	36,788
Total	114,167	1,082,509	-	-	1,670,002	31,754	2,898,432

Remuneration of the 5 named executives who received the highest remuneration for the year ended 30 June 2005

2005 financial year	Salary	Cash Bonus	Non Monetary Benefits	Options	Super	Total
Jon McArthur (from 21 March 2005)	46,087	-	-	-	2,896	48,983
Mirian Picton	107,320	-	-	100,188	9,659	217,167
Clive Bowman	324,999	-	-	225,830	10,739	561,568
Paul Rainford	240,051	-	-	68,354	10,000	318,405
Alastair Mackay	240,102	-	-	68,354	10,739	319,195
Total	958,559	-	-	462,726	44,033	1,465,318

Options granted as part of remuneration for the year ended 30 June 2005

Option Terms

	Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
John Walker	2,900,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80
	2,000,000	29-Nov-04	1-Jul-05	30-Jun-08	1.10
	1,000,000	29-Nov-04	1-Jul-06	30-Jun-07	1.35
Hugh McLernon	1,100,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80
	2,000,000	29-Nov-04	1-Jul-05	30-Jun-08	1.10
	1,000,000	29-Nov-04	1-Jul-06	30-Jun-07	1.35
Mirian Picton	300,000	18-Jan-05	18-Jan-05	08-Jan-06	0.80
Clive Bowman	254,094	1-Jul-04	1-Jul-04	30-Jun-09	0.20
	330,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80
	330,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10
	330,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35

Paul Rainford	190,571	1-Jul-04	1-Jul-04	30-Jun-09	0.20
	100,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80
	100,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10
	100,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35
Alastair Mackay	50,000	1-Jul-04	1-Jul-04	30-Jun-09	0.20
	100,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80
	100,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10
	100,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35

From 1 July 2004, options granted as part of senior management remuneration have been valued using the Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

Fair values of options

Currently, these fair values are not recognised as expenses in the financial statement. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of $2.4 million for the 2005 financial year. Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).

AUDIT COMMITTEE

	Meetings Attended	No. of meetings held whilst in office
Total number of meetings held: 3		
M Bowen	3	3
A J Halse	3	3
H McLernon	3	3

The members of the Audit Committee are as follows:

M Bowen
A J Halse
H McLernon

REMUNERATION COMMITTEE

The members of the Remuneration Committee are as follows:

M Bowen
A J Halse

The Remuneration Committee did not meet during the 2005 year.

DIRECTORS' MEETINGS

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

	Meetings Attended	No. of meetings held whilst in office
Total number of meetings held: 9		
R Ferguson	6	6
A J Halse	9	9
M Bowen	8	9
J F Walker	8	9
H McLernon	8	9

Auditor's Independence Declaration

Ernst & Young, our auditors, have provided a written declaration to the directors in relation to their review of the Financial Report for the year ended 30 June 2005. This independence declaration can be found at page 18.

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. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

Tax compliance services	$105,679

Signed in accordance with a resolution of the directors.

John Walker

John Walker
Managing Director

Sydney
28 September 2005

ERNST & YOUNG

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

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

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

In relation to our audit of the financial report of IMF (Australia) Ltd for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
Perth

28 September 2005

GHM:DA:IMF:063

IMF (AUSTRALIA) LTD
ABN 45 067 298 088

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		IMF (Australia) Ltd	
		2005	2004	2005	2004
		$	$	$	$
Revenues from ordinary activities	2	4,129,872	9,454,965	773,183	938,594
Bad debts written off	3	(596,831)	-	-	-
Depreciation	3	(180,522)	(136,735)	(180,522)	(136,735)
Litigation costs related to settled cases		(1,782,273)	(4,430,749)	(21,061)	(295,762)
Litigation Costs Relating to Expectation Pty Ltd		-	(716,087)	-	-
Borrowing costs	3	(288,164)	(262,667)	(288,164)	(262,667)
Salaries and employee benefit expense		(1,318,396)	(995,638)	(1,318,396)	(995,638)
Network expense		(151,389)	(103,204)	(151,389)	(105,068)
Professional fees		(173,934)	(190,724)	(173,934)	(190,724)
Travel expense		(101,621)	(84,565)	(99,579)	(78,901)
Insurance expense		(93,958)	(74,967)	(93,958)	(73,336)
Recruitment expense		(68,794)	(10,231)	(67,809)	(10,231)
Telephone expense		(76,170)	(73,882)	(76,004)	(73,882)
Superannuation expense		(290,018)	(205,748)	(290,018)	(205,748)
Payroll expense		(161,483)	(189,985)	(161,483)	(189,985)
Printing, postage & stationery expense		(79,677)	(36,352)	(70,752)	(35,559)
Other expenses from ordinary activities		(565,089)	(52,454)	(592,753)	(113,149)
(Loss)/Profit from ordinary activities before income tax expense		(1,798,447)	1,890,977	(2,812,639)	(1,828,791)
Income tax benefit/(expense) relating to ordinary activities	4	140,107	(371,447)	140,107	(371,447)
Net (loss)/profit from ordinary activities after income tax expense attributable to members of IMF (Australia) Ltd	18	(1,658,340)	1,519,530	(2,672,532)	(2,200,238)
Share issue costs	15	(360,421)	-	(360,421)	-
Total revenues and expenses attributable to members of IMF (Australia) Ltd and recognised directly to equity		(360,421)	-	(360,421)	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of IMF (Australia) Ltd		(2,018,761)	1,519,530	(3,032,953)	(2,200,238)
Basic (loss)/earnings per share (cents per share)	21	(1.97)	2.28		
Diluted (loss)/earnings per share (cents per share)	21	(1.97)	1.64		

The statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		IMF (Australia) Ltd	
	Note	**2005**	**2004**	**2005**	**2004**
		$	**$**	**$**	**$**
Current Assets					
Cash assets	5	16,300,304	10,290,876	15,862,931	6,074,043
Receivables	6	2,830,581	4,821,347	3,894,317	3,170,338
Litigation work-in-progress	7	8,999,779	7,793,352	2,040,350	2,818,386
Other	8	245,569	64,256	243,171	60,446
Total Current Assets		28,376,233	22,969,831	22,040,769	12,123,213
Non-Current Assets					
Plant and equipment	9	331,441	375,878	328,616	373,053
Litigation work-in-progress	7	15,002,273	4,678,043	5,231,527	450,630
Deferred tax asset	4	6,661,494	2,747,014	6,661,494	2,747,014
Other	10	25,000	25,000	1,525,000	1,525,000
Total Non-Current Assets		22,020,208	7,825,935	13,746,637	5,095,697
Total Assets		50,396,441	30,795,766	35,787,406	17,218,910
Current Liabilities					
Payables	12	2,299,070	1,393,192	1,263,766	375,875
Interest-bearing liabilities	13	3,748,452	3,460,287	3,748,452	3,460,287
Provisions	14	178,734	459,336	178,734	459,336
Total Current Liabilities		6,226,256	5,312,815	5,190,952	4,295,498
Non-Current Liabilities					
Provisions	14	216,761	87,554	216,761	87,554
Deferred tax liabilities	4	7,222,550	3,445,262	7,222,550	3,445,262
Total Non-Current Liabilities		7,439,311	3,532,816	7,439,311	3,532,816
Total Liabilities		13,665,567	8,845,631	12,630,263	7,828,314
Net Assets		**36,730,874**	**21,950,135**	**23,157,143**	**9,390,596**
Equity					
Contributed equity	15	28,180,079	11,741,000	28,180,079	11,741,000
General reserve	17	8,689,605	8,689,605	-	-
Accumulated (loss)/retained profit	18	(138,810)	1,519,530	(5,022,936)	(2,350,404)
Total Equity		**36,730,874**	**21,950,135**	**23,157,143**	**9,390,596**

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	IMF (Australia) Ltd 2005 $	IMF (Australia) Ltd 2004 $
Cash flows from operating activities					
Receipts from customers		4,703,224	13,203,000	7,546	677,549
Payments to suppliers and employees		(15,661,815)	(9,745,373)	(7,130,197)	(3,554,189)
Interest received		822,116	436,641	765,636	261,045
Income tax paid		(157,091)	(148,199)	(157,091)	(148,199)
Payment to Expectation Pty Ltd		-	(716,087)	-	-
Net cash (used in)/from operating activities	25	**(10,293,566)**	**3,029,982**	**(6,514,106)**	**(2,763,794)**
Cash flows from investing activities					
Purchase of non-current assets	9	(136,085)	(150,018)	(136,085)	(150,018)
Net cash used in investing activities		**(136,085)**	**(150,018)**	**(136,085)**	**(150,018)**
Cash flows from financing activities					
Proceeds from issue of securities (ordinary shares, options)		16,799,500	748,760	16,799,500	748,760
Payment of share issue costs	15	(360,421)		(360,421)	
Advances to related parties		-	-	-	3,671,100
Net cash flows from financing activities		**16,439,079**	**748,760**	**16,439,079**	**4,419,860**
Net increase in cash held		6,009,428	3,628,724	9,788,888	1,506,048
Cash at beginning of year		10,290,876	6,662,152	6,074,043	4,567,995
Cash at end of year	5	16,300,304	10,290,876	15,862,931	6,074,043

The statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of IMF (Australia) Limited and controlled entities, and IMF (Australia) Limited as an individual parent entity.

IMF (Australia) Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

The accounting policies have been consistently applied, unless otherwise stated.

(b) Principles of consolidation

A controlled entity is any entity controlled by IMF (Australia) Limited. Control exists where IMF (Australia) Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with IMF (Australia) Limited to achieve the objectives of IMF (Australia) Limited. A list of controlled entities is contained in Note 11 to the financial statements.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

There are no outside interests in the equity and results of the entities that are controlled and accordingly these have not been shown as a separate item in the consolidated financial report.

(c) Cash and cash equivalents

Cash on hand, at bank and term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at bank, held in term deposits and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at principal amount. Interest is charged as an expense as it accrues. No bank overdraft facilities are currently in place.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(e) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

(f) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Litigation Revenue

Successful Judgement:

When a debt becomes due to the consolidated entity as a result of a case settling or proceeding to a successful judgement, the amount due to the consolidated entity is recognised as revenue and the associated deferred costs carried in litigation work-in-progress are expensed.

Appeal by Defendant:

Where an unsuccessful defendant appeals against the judgement any costs incurred by the consolidated entity on the appeal are deferred and recognised in litigation work-in-progress until the outcome of the appeal is known.

Successful Appeal by Defendant:

Where the appeal is successful, all revenue previously recognised by the consolidated entity in addition to all deferred costs are written off.

Unsuccessful Appeal by Defendant:

Where the appeal is unsuccessful, the costs recovered by the consolidated entity are recognised as revenue and deferred costs recognised during the course of the appeal are expensed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Unsuccessful Judgement:

Where a case is unsuccessful at trial, all the deferred costs recognised in litigation work-in-progress pertaining to the case are expensed.

Appeal by Client Plaintiff:

If the consolidated entity's client, having been unsuccessful at trial, appeals against the judgement, then the costs incurred by the consolidated entity on the appeal process are deferred and:

(i) if the appeal is successful, then the amount due to the consolidated entity as a result of the appeal is recognised as revenue and the deferred costs relating to the cases are expensed; and

(ii) if the appeal is unsuccessful, the deferred costs relating to the case are expensed.

(h) Revenue recognition

Income Taxes

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty as to realisation of the benefit.

The amount of benefits brought to account or which may be realised is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The parent entity and subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Members of the tax consoldiation group have not entered into a tax sharing/funding arrangement.

Goods & Services Tax (GST)

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

* where 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 are stated with the amount of GST included (where applicable)

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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, are classified as operating cash flows.

(i) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of reporting date, are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities, which have term to maturity approximating the terms of the related liability, are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

* wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and

* other types of employee entitlements are charged against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 18 is not being recognised as an employee benefits expense.

(j) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

* costs of servicing equity (other than dividends) and preference share dividends;

* the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

* other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying value exceeds this recoverable amount, assets are written down. In determining the recoverable amount, the expected net cash flows have not been discounted to their present value.

(l) Plant and equipment

Cost and valuation

Plant and equipment is carried at cost and is depreciated using the reducing balance method. Any gain or loss on disposal of assets is determined as the difference between the carrying amount of the asset at the time of the disposal and the proceeds from disposal and is included in the results of the company in the year of disposal.

Depreciation

Depreciation is provided on a reducing balance method on all plant and equipment.

Major depreciation rates are:

Class of fixed asset	2005	2004
Computers	20-25%	20-25%
Equipment	20-25%	20-25%
Furniture	20-25%	20-25%
Leasehold Improvements	20-25%	20-25%

(m) Litigation work-in-progress

Direct costs attributable to ongoing litigation and a proportion of direct operating overheads are deferred on a case-by-case basis to the extent recovery is considered to be more probable than not.

Deferred litigation costs attributable to settled cases are expensed to the statement of financial performance upon settlement of the applicable case. Note 1 (g) sets out the revenue recognition policy of the company.

(n) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated entity, are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits of ownership remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in future for the goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

(p) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(q) International Financial Reporting Standards

The consolidated entity is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006.

The entity's management, in conjunction with its auditors, are assessing the significance of these changes and preparing for their implementation. An AIFRS committee will be established to oversee and manage the consolidated entity's transition to AIFRS. The entity's management seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, entity's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when entity prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key items where accounting policies are expected to change on adoption of AIFRS. The items disclosed are management's best estimates of the impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRS and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Impairment of Assets

The consolidated entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of its fair value less costs to sell and value in use. The consolidated entity is yet to determine the impact of changes resulting from the application of AASB 136.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. A deferred tax asset has been raised under this method in relation to tax losses. Under AASB 112, the consolidated entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. Included in AASB 112 is a revised recognition criteria for income tax losses based on the balance of probability compared to the current virtual certainty test. The consolidated entity is yet to assess the probability of the recovery of these losses effective 1 July 2005 and consequent impacts on the financial statements.

Share Based Payments

Currently, options over unissued shares provided to directors, executives and employees as part of their remuneration are not expensed through the statement of financial performance. With the introduction of AASB2: Share Based Payment, the consolidated entity will be required to expense the fair value of the options granted as remuneration over the period that the options vest.

Under AASB 2, the consolidated entity would recognise an expense of $ $2.4m for the year ended 30 June 2005 with a corresponding increase in equity. There is no impact at the date of transition to AIFRS being 1 July 2004.

Revenue Recognition

The consolidated entity is in the process of determining the impact of AASB 118 Revenue, on its revenue recognition policy relating to litigation revenue. Based on the current understanding of the requirements of AASB 118, it is considered unlikely that any change in policy will have a material impact on retained earnings.

Financial Instruments

Management has decided to apply the exemption provided in AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139: Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standard will be applied from 1 July 2005. The consolidated entity is in the process of determining the impact of changes resulting from the application of AASB 136.

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
(a) Revenue from operating activities				
Revenue from settlement of cases	3,307,656	9,018,324	7,547	677,549
Other income	100	-	-	-
Total revenue from operating activities	3,307,756	9,018,324	7,547	677,549
(b) Revenue from non-operating activities				
Interest - other corporations	822,116	436,641	765,636	261,045
Total revenue from non-operating activities	822,116	436,641	765,636	261,045
TOTAL REVENUES FROM ORDINARY ACTIVITIES	4,129,872	9,454,965	773,183	938,594

NOTE 3: (LOSS)/PROFIT FROM ORDINARY ACTIVITIES

(Loss)/Profit from ordinary activities before income tax has been determined after:

Expenses				
Borrowing costs:				
Other related parties	288,164	262,667	288,164	262,667
Depreciation of non-current assets:				
Computers	121,178	61,744	121,178	61,744
Equipment	25,453	50,687	25,453	50,687
Furniture	11,585	6,924	11,585	6,924
Leasehold improvements	22,306	17,380	22,306	17,380
Total depreciation	180,522	136,735	180,522	136,735
Bad debts expense	596,831	-	-	-
Total bad debts expense	596,831	-	-	-
Operating lease rental:				
minimum lease payments	647,045	533,283	647,045	533,283

NOTE 4: INCOME TAX

The difference between income tax expense provided in the financial statements and the prima facie tax expense is reconciled as follows:

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
Prima facie tax revenue on loss from ordinary activities at 30% (2004:30%)	(539,534)	567,293	(984,792)	(548,637)
Add:				
Tax effect of timing differences and tax losses not brought to account in prior years	-	(209,124)	-	-
Timing differences not brought to account in prior years	383,191	-	383,191	-
Tax effect of permanent differences:				
Other	16,236	13,278	855	-
Tax expense arising on assumption of tax obligations of subsidiary entities	-	-	460,639	920,084
Income tax benefit/ (expense) attributable to ordinary activities	(140,107)	371,447	(140,107)	371,447
Deferred tax assets and liabilities				
Provision for deferred income tax (non-current)	7,222,550	3,445,262	7,222,550	3,445,262
Future income tax benefit (non-current)	6,661,494	2,747,014	6,661,494	2,747,014

NOTE 5: CASH ASSETS

Cash at bank	1,032,502	4,496,226	595,129	279,393
Term Deposit	15,256,290	5,792,533	15,256,290	5,792,533
Deposits at call	11,512	2,117	11,512	2,117
	16,300,304	10,290,876	15,862,931	6,074,043

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 funding agreements. As at 30 June 2005 guarantees of $2,466,214 were outstanding (2004: $1,640,001). The guarantees are secured by a charge over the assets of the group including term deposits of $3,634,250 (2004: $3,433,142).

NOTE 6: RECEIVABLES

	Consolidated 2005 $	Consolidated 2004 $	IMF (Australia) Ltd 2005 $	IMF (Australia) Ltd 2004 $
Current				
Trade debtors	2,830,581	4,822,880	-	81,934
Provision for doubtful debts	-	(1,533)	-	(1,533)
	2,830,581	4,821,347	-	80,401
Amounts other than trade debts receivable from related parties - controlled entity	-	-	3,894,317	3,089,937
	2,830,581	4,821,347	3,894,317	3,170,338

Terms and Conditions

Trade debtors are non-interest bearing and generally on 60 day terms. Included in trade debtors is an amount of $305,000 (2004: $798,568) which is subject to appeal. The company has complied with its stated revenue recognition policies in respect of these matters.

NOTE 7: LITIGATION WORK-IN-PROGRESS

Current	8,999,779	7,793,352	2,040,350	2,818,386
Non-Current	15,002,273	4,678,043	5,231,527	450,630

NOTE 8: OTHER CURRENT ASSETS

Current				
Income tax refund due	157,091	-	157,091	-
Prepayments	76,217	64,256	76,217	60,446
Other	12,261	-	9,863	-
	245,569	64,256	243,171	60,446

NOTE 9: PLANT AND EQUIPMENT

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
Computers at cost	503,129	377,317	500,304	374,492
Accumulated depreciation	(293,514)	(172,336)	(293,514)	(172,336)
	209,615	204,981	206,790	202,156
Equipment at cost	137,573	137,573	137,573	137,573
Accumulated depreciation	(103,043)	(77,590)	(103,043)	(77,590)
	34,530	59,983	34,530	59,983
Furniture at cost	74,009	64,055	74,009	64,055
Accumulated depreciation	(38,925)	(27,340)	(38,925)	(27,340)
	35,084	36,715	35,084	36,715
Leasehold improvements at cost	111,270	110,951	111,270	110,951
Accumulated depreciation	(59,058)	(36,752)	(59,058)	(36,752)
	52,212	74,199	52,212	74,199
Total plant and equipment	331,441	375,878	328,616	373,053

Movements in carrying amounts:

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year.

	Computers	Equipment	Furniture	Leasehold Improvements	Total
Consolidated Entity					
Carrying amount at beginning of year	204,981	59,983	36,715	74,199	375,878
Additions	125,812	-	9,954	319	136,085
Depreciation expense	(121,178)	(25,453)	(11,585)	(22,306)	(180,522)
Carrying amount at end of year	209,615	34,530	35,084	52,212	331,441
IMF (Australia) Ltd					
Carrying amount at beginning of year	202,156	59,983	36,715	74,199	373,053
Additions	125,812	-	9,954	319	136,085
Depreciation expense	(121,178)	(25,453)	(11,585)	(22,306)	(180,522)
Carrying amount at end of year	206,790	34,530	35,084	52,212	328,616

NOTE 10: OTHER FINANCIAL ASSETS

Investments at cost comprise:				
controlled entities (see Note 11)	-	-	1,500,000	1,500,000
unlisted shares	25,000	25,000	25,000	25,000
	25,000	25,000	1,525,000	1,525,000

NOTE 11: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned		Investment	
		2005	2004	2005	2004
		%	%	$	$
Controlled entities and their contribution to consolidated profit					
Parent entity - IMF (Australia) Limited	Australia				
Subsidiaries of IMF (Australia) Limited:					
Insolvency Litigation Fund Pty Ltd (formerly Insolvency Management Fund Pty Ltd)	Australia	100	100	1,500,000	1,500,000

NOTE 12: PAYABLES

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
Current				
Trade creditors	2,299,070	1,393,192	1,263,766	375,875

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

NOTE 13: INTEREST BEARING LIABILITIES

Current				
Unsecured other loans	3,748,452	3,460,287	3,748,452	3,460,287
	3,748,452	3,460,287	3,748,452	3,460,287

Details of the terms and conditions of the interest bearing liabilities are set out in note 19 (j).

NOTE 14: PROVISIONS

Current				
Employee entitlements	178,734	459,336	178,734	459,336
Non-Current				
Employee entitlements	216,761	87,554	216,761	87,554

NOTE 15: CONTRIBUTED EQUITY

(a) Issued and paid up capital	Consolidated 2005 $	Consolidated 2004 $	IMF (Australia) Ltd 2005 $	IMF (Australia) Ltd 2004 $
91,183,484 (2004: 66,699,734) ordinary shares fully paid	28,180,079	11,741,000	28,180,079	11,741,000

(b) Movements in shares on issue during the financial year	2005 $	2005 No.	2004 $	2004 No.
At the beginning of the reporting period	11,741,000	66,699,734	22,985,702	66,699,734
Share placement at 80c	8,027,000	10,033,750	-	-
Share placement at 85c	7,692,500	9,050,000	-	-
Exercise of options by directors at 20c	1,080,000	5,400,000	-	-
Costs of share issue	(360,421)	-	-	-
Carry forward retained losses offset against paid up capital	-	-	(11,244,702)	-
At reporting date	28,180,079	91,183,484	11,741,000	66,699,734

Terms and conditions of ordinary shares

Ordinary shares have the right to receive dividends and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Each ordinary share entitles the holder to one vote, either in person or by proxy, at a general meeting of the company.

Share options

At 30 June 2005, there were 34,779,675 (2004: 26,185,010) unissued ordinary shares in total in respect of which options were outstanding.

	2005	2004
Options - Expectation Pty Ltd	12,597,120	12,597,120
Director options - Note 19 (h)	17,498,560	12,598,560
Employee options	4,683,995	989,330
Options issued as at 30 June 2005	**34,779,675**	**26,185,010**

NOTE 16: EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
Provision - current	178,734	459,336	178,734	459,336
Provision - non-current	216,761	87,554	216,761	87,554
Total	**395,495**	**546,890**	**395,495**	**546,890**

Superannuation commitments

The company does not operate or have any obligations to contribute to any defined benefits superannuation plan. The company contributes amounts at least equal to the rate required by statutory legislation to accumulation type superannuation funds as directed by employees.

Share Option Scheme

The company has an Employee Share Option Scheme, where employees and directors of the company may be granted options over the shares in the capital of IMF (Australia) Ltd. The options are granted for nil consideration. The options will not be quoted on the ASX and the granting of options under the Plan does not entitle any participant to any dividend or voting rights or any other rights held by a Shareholder, until exercise of the options. Each option entitles the option holder to one ordinary share of the parent entity on exercise.

EMPLOYEE OPTIONS

At 30 June 2005, there were 4,683,995 employee share options remaining over ordinary shares as follows:

	2005 Number of options	2005 Weighted average exercise price	2004 Number of options	2004 Weighted average exercise price
Balance at beginning of year	989,330	0.20	10,000	4.25
- granted	3,694,665	0.92	989,330	0.20
- forfeited	-	-	(10,000)	4.25
- exercised	-	-	-	-
	-	-	-	-
Balance at end of year	4,683,995	0.77	989,330	0.20
Exercisable at end of year	4,683,995	0.77	989,330	0.20

(a) Options held at the beginning of the reporting period

The following table summarises information about options held by employees as at 1 July 2004:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
544,665	28-Jan-03	28-Jan-03	30 June 2007	$0.20
444,665	1 July 2003	1 July 2003	30 June 2008	$0.20
989,330				

NOTE 16: EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS (Cont'd)

(b) Options granted during the reporting period

The following table summarises information about options granted to employees during the year:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
544,665	1 July 2004	1 July 2004	30 June 2009	$0.20
60,000	1 July 2004	1 July 2004	30 June 2009	$0.70
300,000	18-Jan-05	18-Jan-05	08-Jan-06	$0.80
930,000	18-Jan-05	18-Jan-05	17-Jan-08	$0.80
930,000	18-Jan-05	01-Jul-05	30 June 2008	$1.10
930,000	18-Jan-05	01-Jul-06	30 June 2009	$1.35
3,694,665				

(c) Options exercised

There were no employee options exercised during the financial year ended 30 June 2005 (2004: nil).

(d) Options held at the end of the reporting period

The following table summarises information about options held by employees as at 30 June 2005:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
444,665	28-Jan-03	28-Jan-03	30 June 2007	$0.20
544,665	1 July 2003	1 July 2003	30 June 2008	$0.20
544,665	1 July 2004	1 July 2004	30 June 2009	$0.20
60,000	1 July 2004	1 July 2004	30 June 2009	$0.70
300,000	18-Jan-05	18-Jan-05	08-Jan-06	$0.80
930,000	18-Jan-05	18-Jan-05	17-Jan-08	$0.80
930,000	18-Jan-05	01-Jul-05	30 June 2008	$1.10
930,000	18-Jan-05	01-Jul-06	30 June 2009	$1.35
4,683,995				

NOTE 16: EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS (Cont'd)

DIRECTOR OPTIONS

At 30 June 2005, there were 17,498,560 director options remaining over ordinary shares as follows:

	2005 Number of options	2005 Weighted average exercise price	2004 Number of options	2004 Weighted average exercise price
Balance at beginning of year	12,598,560	0.21	12,598,560	0.21
- granted	10,300,000	1.00	-	-
- forfeited	-	-	-	-
- exercised	(5,400,000)	0.20	-	-
	-	-	-	-
Balance at end of year	17,498,560	0.67	12,598,560	0.21
Exercisable at end of year	17,498,560	0.67	12,598,560	0.21

(a) Options held at the beginning of the reporting period

The following table summarises information about options held by directors as at 1 July 2004:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	$0.20
3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	$0.20
5,400,000	13-Sep-01	13-Sep-01	05-Sep-04	$0.20
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.30
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.40
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.50
12,598,560				

(b) Options granted during the reporting period

The following table summarises information about options granted to directors during the year:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
4,000,000	1 July 2004	1 July 2004	30 June 2007	$0.80
4,000,000	29-Nov-04	1 July 2005	30 June 2008	$1.10
2,000,000	29-Nov-04	1 July 2006	30 June 2009	$1.35
300,000	1 July 2004	1 July 2004	30 June 2007	$0.80
10,300,000				

NOTE 16: EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS (Cont'd)

(c) Options exercised

The following table summarises information about options exercised by directors during the year:

	Number	Grant date	Vesting date	Expiry date	Weighted average exercise price	Proceeds to company	Fair value at exercise date
Exercised 17-Aug-04	5,400,000	13-Sep-01	13-Sep-01	05-Sep-04	$0.20	$1,080,000	$0.85

(d) Options held at the end of the reporting period

The following table summarises information about options held by directors as at 30 June 2005:

Number	Grant date	Vesting date	Expiry date	Weighted average exercise price
3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	$0.20
3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	$0.20
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.30
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.40
300,000	31-Jan-03	31-Jan-03	30-Jan-08	$0.50
4,000,000	1 July 2004	1 July 2004	30 June 2007	$0.80
4,000,000	29-Nov-04	1 July 2005	30 June 2008	$1.10
2,000,000	29-Nov-04	1 July 2006	30 June 2009	$1.35
300,000	1 July 2004	1 July 2004	30 June 2007	$0.80
17,498,560				

NOTE 17: RESERVES

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
General reserve	8,689,605	8,689,605	-	-

The general reserve contains amounts of retained profits that have been set aside by directors so as not to be tainted by prior period losses. This reserve may be used to pay dividends.

NOTE 18: ACCUMULATED PROFITS/(LOSSES)

Accumulated profit/(losses) at the beginning of the financial year	1,519,530	(11,244,703)	(2,350,404)	(11,394,869)
Net (loss)/profit attributable to the members of IMF (Australia) Limited	(1,658,340)	1,519,530	(2,672,532)	(2,200,238)
Write off accumulated losses	-	11,244,703	-	11,244,703
Accumulated (losses)/profit at the end of the financial year	(138,810)	1,519,530	(5,022,936)	(2,350,404)

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION

(a) Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors

Robert Ferguson	Chairman - Non-Executive (appointed 6 December 2004)
John Walker	Managing Director – Executive
Hugh McLernon	Director – Executive
Alden Halse	Director - Non-Executive
Michael Bowen	Director - Non-Executive

Specified Executives

Jon McArthur	Chief Financial Officer and Company Secretary (appointed 21 March 2005)
Mirian Picton	Chief Financial Officer and Company Secretary (ceased employment 8 July 2005)
Clive Bowman	State Manager, Victoria
Paul Rainford	Senior Investigator
Alastair Mackay	Senior Case Manager

No other employees are executives as defined by AASB1046.

(b) Parent Entity Director's Remuneration

2005 financial year	Directors Fees	Salary	Cash Bonus	Non monetary benefits	Options	Super	Total
Robert Ferguson	46,667	-	-	-	-	4,200	50,867
John Walker	-	532,509	-	-	835,001	10,739	1,378,249
Hugh McLernon	-	550,000	-	-	835,001	10,739	1,395,740
Alden Halse	33,750	-	-			3,038	36,788
Michael Bowen	33,750	-	-	-	-	3,038	36,788
Total	114,167	1,082,509	-	-	1,670,002	31,754	2,898,432

(c) Parent Entity Director's Remuneration

2004 financial year	Directors Fees	Salary	Cash Bonus	Non Monetary benefits	Options	Super	Total
John Walker	-	386,360	43,750	-	-	9,843	439,953
Hugh McLernon	-	460,110	50,000	28,033	-	23,278	561,421
Alden Halse	25,000	-	-	-	-	2,250	27,250
Michael Bowen	25,000	-	-	-	-	-	25,000
Total	50,000	846,470	93,750	28,033	-	35,371	1,053,624

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

(d) Specified Executives Remuneration

2005 financial year	Salary	Cash Bonus	Non Monetary benefits	Options	Super	Total
Jon McArthur (from 21 March 2005)	46,087	-	-	-	2,896	48,983
Mirian Picton	107,320	-	-	100,188	9,659	217,167
Clive Bowman	324,999	-	-	225,830	10,739	561,568
Paul Rainford	240,051	-	-	68,354	10,000	318,405
Alastair Mackay	240,102	-	-	68,354	10,739	319,195
Total	958,559	-	-	462,726	44,033	1,465,318

(e) Specified Executives Remuneration

2004 financial year	Salary	Cash Bonus	Non Monetary benefits	Options	Super	Total
Clive Bowman	234,102	-	-	39,130	15,893	289,125
Paul Rainford	137,551	-	-	29,348	47,447	214,346
Mirian Picton	101,855	-	-	-	9,356	111,211
Total	473,508	-	-	68,478	72,696	614,682

There have been no post employment payments to directors or executives during the period.

(f) Remuneration Policy

The Remuneration Committee of the Board of Directors of IMF (Australia) Ltd is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and specified executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument 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 for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Employee Share Incentive Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance.

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

(g) Shareholdings

Parent Entity Directors	Balance 1-Jul-04	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-June-2005		
Robert Ferguson	2,500,000	-	-	-	2,500,000		
John Walker	2,245,000	-	1,800,000	6,250	4,051,250	*	
Hugh McLernon	3,635,361	-	3,600,000	(148,750)	7,086,611	*	***
Alden Halse	585,001			6,250	591,251		
Michael Bowen	507,501	-	-	6,250	513,751	*	
Total	9,472,863	-	5,400,000	(130,000)	14,742,863		

* share purchase plan Sep 04 acquired 6,250 shares
*** 155,000 shares sold during the period

Specified Executives	Balance 1-Jul-04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30-June-2005
Jon McArthur (from 21 March 2005)	-	-	-	-	-
Mirian Picton	-	-	-	-	-
Clive Bowman	833,596	-	-	10,154	843,750
Paul Rainford	100,000	-	-	(50,000)	50,000
Alastair Mackay	-	-	-	-	-
Total	933,596	-	-	(39,846)	893,750

* Net Change other refers to shares purchased or sold during the financial year

(h) Option holdings

Parent Entity Directors	Balance 1-Jul-04	Received as Remuneration	Options Exercised	Balance 30-June-2005	Vested Total	At 30 June 05 Not exercisable	Exercisable
Robert Ferguson	-	-	-	-	-	-	-
John Walker	4,949,280	5,900,000	(1,800,000)	9,049,280	6,049,280	-	6,049,280
Hugh McLernon	6,749,280	4,100,000	(3,600,000)	7,249,280	4,249,280	-	4,249,280
Alden Halse	450,000	150,000	-	600,000	600,000		600,000
Michael Bowen	450,000	150,000	-	600,000	600,000		600,000
Total	12,598,560	10,300,000	(5,400,000)	17,498,560	11,498,560	-	11,498,560

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

(h) Option holdings (Cont'd)

Remuneration options	Number of options	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
John Walker	3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	0.20	0.1803
	2,900,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80	0.3788
	2,000,000	29-Nov-04	1-Jul-05	30-Jun-08	1.10	0.3515
	1,000,000	29-Nov-04	1-Jul-06	30-Jun-07	1.35	0.3573
	9,049,280					
Hugh McLernon	3,149,280	13-Sep-01	13-Sep-01	13-Sep-06	0.20	0.1803
	1,100,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80	0.3788
	2,000,000	29-Nov-04	1-Jul-05	30-Jun-08	1.10	0.3515
	1,000,000	29-Nov-04	1-Jul-06	30-Jun-07	1.35	0.3573
	7,249,280					
Alden Halse	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.30	0.1295
	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.40	0.1125
	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.50	0.0993
	150,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80	0.3933
	600,000					
Michael Bowen	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.30	0.1295
	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.40	0.1125
	150,000	31-Jan-03	31-Jan-03	30-Jan-08	0.50	0.0993
	150,000	1-Jul-04	1-Jul-04	30-Jun-07	0.80	0.3933
	600,000					
Total	17,498,560					

Specified Executives	Balance 1-Jul-04	Received as Remuneration	Options Exercised	Balance 30-Jun-05	Vested Total	At 30 June 05 Not exercisable	Exercisable
Jon McArthur (from 21 March 2005)	-	-	-	-	-	-	-
Mirian Picton *	-	300,000	-	300,000	300,000	-	300,000
Clive Bowman	508,188	1,244,094	-	1,752,282	1,092,282	-	1,092,282
Paul Rainford	381,142	490,571		871,713	671,713	-	671,713
Alastair Mackay	50,000	350,000	-	400,000	200,000	-	200,000
Total	939,330	2,384,665	-	3,323,995	2,263,995	-	2,263,995

* options expire 8 January 2006

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

(h) Option holdings (Cont'd)

Remuneration options	Number of options	Grant date	Vesting date	Expiry date	Exercise price	Fair value at grant date
Mirian Picton	300,000	18-Jan-05	18-Jan-05	08-Jan-06	0.80	0.3340
	300,000					
Clive Bowman	254,094	28-Jan-03	28-Jan-03	30-Jun-07	0.20	0.0509
	254,094	1-Jul-03	1-Jul-03	30-Jun-08	0.20	0.1538
	254,094	1-Jul-04	1-Jul-04	30-Jun-09	0.20	0.6912
	330,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80	0.3340
	330,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10	0.2620
	330,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35	0.2797
	1,752,282					
Paul Rainford	190,571	28-Jan-03	28-Jan-03	30-Jun-07	0.20	0.0509
	190,571	1-Jul-03	1-Jul-03	30-Jun-08	0.20	0.1538
	190,571	1-Jul-04	1-Jul-04	30-Jun-09	0.20	0.6912
	100,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80	0.3340
	100,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10	0.2620
	100,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35	0.2797
	871,713					
Alastair Mackay	50,000	1-Jul-03	1-Jul-03	30-Jun-08	0.20	0.1538
	50,000	1-Jul-04	1-Jul-04	30-Jun-09	0.20	0.6912
	100,000	18-Jan-05	18-Jan-05	17-Jan-08	0.80	0.3340
	100,000	18-Jan-05	1-Jul-05	30-Jun-08	1.10	0.2620
	100,000	18-Jan-05	1-Jul-06	30-Jun-09	1.35	0.3045
	400,000					
Total	3,323,995					

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

Service agreements

Remuneration and other terms of employment of the Managing Director, Chief Financial Officer, Executive Director and executives are formalised in service agreements.

The major provisions of the agreements are set out below:

John Walker, Managing Director
- contract commenced 1 July 2004 and expires 30 June 2007
- gross salary package $550,000 p.a. plus super
- contract to be reviewed annually
- notice period by employee is 3 months (after 31 March 2007) and 1 year notice by IMF

Hugh McLernon, Executive Director
- contract commenced 1 July 2004 and expires 30 June 2007
- gross salary package $550,000 p.a. plus super
- contract to be reviewed annually
- notice period by employee is 3 months (after 31 March 2007) and 1 year notice by IMF

Jon McArthur, Chief Financial Officer and Company Secretary
- commenced 21 March 2005, term to 30 June 2007
- contract reviewed annually with minimum CPI increases
- gross salary package $200,000 p.a. including super
- notice period 3 months by either party

Clive Bowman, State Manager - Victoria
- contract commenced 1 July 2001, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary package is $337,139 p.a. including super
- notice period 6 months by IMF, 3 months by employee

Alastair Mackay, Case Manager
- contract commenced 28 April 2003, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary packaging is $250,000 p.a including super
- notice period is 6 months by IMF, 3 months by employee

Paul Rainford, Senior Investigator
- contract commenced 6 August 2001, duration is unlimited
- contract reviewed annually with minimum CPI increase
- salary package is $207,570 p.a. including super
- notice period is 6 months by IMF, 3 months by employee

Mirian Picton, Chief Financial Officer and Company Secretary
- ceased employment 8 July 2005
- gross salary for the year ended 30 June 2005, $104,760 plus super

(i) Loans to specified directors and specified executives

There were no loans made to specified directors or specified executives during the year.

NOTE 19: DIRECTORS AND EXECUTIVE REMUNERATION (Cont'd)

(j) Other transactions and balances with specified directors and specified executives

On 3 August 2001, the company, Expectation Pty Ltd, Legal Precedents Pty Ltd and Hugh McLernon entered into a deposit funding facility agreement. H McLernon is a director of Expectation Pty Ltd, J Walker is a director and had a financial interest in Legal Precedents Pty Ltd. The details of the agreements are as follows:

- Expectation Pty Ltd agreed to make available to the company up to $2,000,000 of the cashflow Expectation Pty Ltd is to receive pursuant to the Shareholders Deed;
- Interest is payable on the funds deposited with the company by Expectation Pty Ltd, Legal Precedents Pty ltd and Mr McLernon at a rate of 8% per annum;
- The term of the facility is five (5) years; and
- Expectation Pty Ltd, Legal Precedents Pty Ltd and Mr McLernon may withdraw the funds they have deposited with the company at any time on demand and these funds may be used by those parties to exercise their IMF Options within 7 days of those funds being withdrawn.

At the balance date, $2,495,659 was owed to Expectation Pty Ltd, $642,140 to Legal Precedents Pty Ltd and $610,653 to Hugh McLernon. During the year $191,855 interest was charged on the outstanding balance owed to Expectation Pty Ltd, $49,365 to Legal Precedents Pty Ltd and $46,944 to Hugh McLernon.

NOTE 20: AUDITORS REMUNERATION

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
Amounts received or due and receivable by Ernst & Young for:	$	$	$	$
Auditing or reviewing the financial report of the entity	46,660	28,050	46,660	28,050
Tax compliance	105,679	24,000	105,679	24,000
	152,339	52,050	152,339	52,050

NOTE 21: (LOSS)/EARNINGS PER SHARE

	Consolidated	
	2005	2004
	$	$
The following reflects the (loss)/profit and number of shares data used in the calculation of basic and diluted (loss)/earnings per share		
Net (Loss)/Profit attributable to members of IMF (Australia) Ltd	(2,018,761)	1,519,530
Weighted average number of ordinary shares outstanding during the year used in calculation of basic (loss)/earnings per share	84,038,892	66,699,734
Effect of dilutive securities - share options	-	26,185,010
Adjusted weighted average number of potential ordinary shares outstanding during the year used in calculation of dilutive (loss)/earnings per share	84,038,892	92,884,744

In view of the results for the year ended 30 June 2005 being a net loss, 16,181,579 potential ordinary shares are not considered to be dilutive and therefore have not been included in the calculation of dilutive earnings per share.

Post balance date events are set out in Note 26.

NOTE 22: LEASING COMMITMENTS

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
Lease expenditure commitments - non-cancellable operating leases				
- not later than one year	262,259	240,245	262,259	240,245
- later than one year but not later than five years	384,786	293,038	384,786	293,038
	647,045	533,283	647,045	533,283

Leasing commitments represent office leases for the following premises:

	current annual rental
Sydney office - expires February 2006	$115,154
Melbourne office - expires April 2009	$102,243
Perth office - expires August 2007	$69,597

NOTE 23: CONTINGENT LIABILITIES

There are no contingent liabilities not otherwise disclosed in this report except for potential costs arising on unsuccessful cases that may arise during the normal course of operations.

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 funding agreements. As at 30 June 2005 guarantees of $2,466,214 were outstanding. The guarantees are secured by a charge over the assets of the group including term deposits of $3,634,250.

NOTE 24: SEGMENT REPORTING

The consolidated entity operates in one business segment, being the provision of litigation funding.

Geographically, the group operates in Australia only however the company is test marketing and investigating other markets including the United Kingdom, Singapore, New Zealand and Hong Kong.

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax

	Consolidated		IMF (Australia) Ltd	
	2005	2004	2005	2004
	$	$	$	$
(Loss)/profit from ordinary activities after income tax	(1,658,340)	1,519,530	(2,672,532)	(2,200,238)
Non-cash flows in profit from ordinary activities:				
Depreciation	180,522	136,735	180,522	136,735
Borrowing costs	288,164	262,667	288,164	262,667
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
Increase (Decrease) in deferred tax	3,777,288	1,267,262	3,777,288	1,267,262
Decrease(Increase) in future tax benefit	(3,914,480)	(1,044,014)	(3,914,480)	(1,044,014)
Decrease/(Increase) in receivables	1,990,766	4,184,676	(723,979)	-
(Increase)/Decrease in litigation portfolio	(11,530,657)	(3,419,978)	(4,002,861)	(1,366,144)
Decrease(Increase) in prepayments	(11,961)	(24,060)	(15,771)	(24,529)
Decrease (Increase) in other current assets	(169,352)	-	(166,952)	(68,849)
Increase /(Decrease) in trade creditors and accruals	905,878	703,517	887,890	140,860
Increase/(Decrease) in employee entitlements	(151,394)	159,733	(151,395)	132,456
Increase/(Decrease) in provisions	-	(716,086)	-	-
Net cash used in operating activities	(10,293,566)	3,029,982	(6,514,106)	(2,763,794)

NOTE 25: CASH FLOW INFORMATION (Cont'd)

(b) Non-cash Financing and Investing Activities

No non-cash financing and investing activities occurred in 2005 except for the issue of shares referred to in Note 15.

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

(a) The following options were issued on 1 July 2005:

	Number of options	Grant date	Vesting date	Expiry date	Exercise price
	100,000	1 July 2005	1 July 2005	30 June 2010	20 cents
	60,000	1 July 2005	1 July 2005	30 June 2010	70 cents
	83,333	1 July 2005	1 July 2005	30 June 2010	65 cents
Total	243,333				

The options were issued to employees in accordance with employment contracts entered into with staff.

(b) On 1 September 2005 a placement of 3,550,000 shares at an issue price of 65c was made to professional and sophisticated investors to raise $2,307,500 in funds to further the objects of the company.

NOTE 27: RELATED PARTY TRANSACTIONS

IMF provides funding to Insolvency Litigation Funding Pty Ltd, a wholly owned subsidiary. No interest was charged during the 2005 financial year. These funds were used as working capital. The opening balance at 1 July 2004 was $3,089,938 and the closing balance at 30 June 2005 was $3,894,317.

NOTE 28: FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate 2005	Weighted Average Effective Interest Rate 2004	Floating Interest Rate '$ 2005	Floating Interest Rate '$ 2004	Non-Interest Bearing $ 2005	Non-Interest Bearing $ 2004	Total $ 2005	Total $ 2004
Financial Assets								
Cash	5.5%	7.4%	16,300,304	10,290,876	-	-	16,300,304	10,290,876
Investments					25,000	25,000	25,000	25,000
Receivables - current			-	-	2,830,581	4,821,347	2,830,581	4,821,347
Total Financial Assets			16,300,304	10,290,876	2,855,581	4,846,347	19,155,885	15,137,223
Financial Liabilities								
Trade creditors			-	-	2,299,070	1,393,192	2,299,070	1,393,192
Payable to directors & director related entities	8%	8%	1,252,793	1,156,484			1,252,793	1,156,484
Other loan - related party	8%	8%	2,495,659	2,303,803			2,495,659	2,303,803
Total Financial Liabilities			3,748,452	3,460,287	2,299,070	1,393,192	6,047,522	4,853,479

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the consolidated entity.

(c) Net fair values

The carrying amounts of financial assets and financial liabilities, both recognised and unrecognised, at balance date, approximate their aggregate net fair values.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and cash equivalents and short-term borrowings: The Carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables and short-term loans: The Carrying amount approximates fair value.

DIRECTORS' DECLARATION
30 JUNE 2005

In accordance with a resolution of the directors of IMF (Australia) Ltd, we state the following:

1. In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. 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 period ending 30 June 2005.

On behalf of the Board

Robert Ferguson	**John Walker**
Chairman	**Managing Director**

Sydney
28 September 2005

ERNST & YOUNG

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

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to members of IMF (Australia) Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for IMF (Australia) Ltd (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information regarding the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "Remuneration Report" in pages 12 to 16 of the Directors' Report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the additional disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity, and have met the independence requirements of Australian professional ethical pronouncements and 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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion:

1. the financial report of IMF (Australia) Ltd is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of IMF (Australia) Ltd and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained in pages 12 to 16 of the Directors' Report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Ernst & Young

G H Meyerowitz
Partner
Perth

28 September 2005

GHM:DA:IMF:062

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of IMF is responsible for the corporate governance of the consolidated entity. Its purpose is to guide and monitor the business and affairs of IMF on behalf of the shareholders by whom the Board was elected and accountable to.

To ensure the Board can discharge its responsibilities it has adopted the following guidelines for the nomination and selection of Directors and for the operation of the Board.

Composition of the Board

The composition of the Board is broadly in accordance with the following principles and guidelines:

- The Board should comprise of at least four directors, at least half or which are non-executive directors;
- The chairperson should be a non-executive director;
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board shall meet regularly and follow usual meeting procedures and guidelines to ensure directors are made aware of and have necessary information to participate in informed discussions of agenda items.

The directors in office at the date of this report are:

Name	Position
R Ferguson	Chairman, Non-Executive Director
J Walker	Managing Director
H McLernon	Executive Director
A Halse	Non-Executive Director
M Bowen	Non-Executive Director

Remuneration Committee

The Board has not established an ongoing remuneration committee in view of the size of the company and that all former executives had service agreements which prescribed remuneration reviews by the Board.

Audit Committee

The company has a formal audit committee which meets at least three times per year. Meetings are held between the audit committee and the external auditor to discuss the findings of the half year review and the year end audit.

Internal Control

The company's financial management procedures provide for the separation of functional responsibilities for purchasing, invoicing and payment processes.

Board Responsibilities

As the Board acts on behalf of and is accountable to shareholders, 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 manage those risks.

Monitoring of the Board's Performance and Communication to Shareholders

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 Stock Exchange Limited and the Australian Securities Investment Commission; and
- the annual general meeting and other meetings so called to obtain approval of Board action as appropriate.

SHAREHOLDER INFORMATION

(a) Distribution of Shareholders as at 6 September 2005

Shares	No. of Ordinary Shareholders
1 - 1,000	304
1,001 - 5,000	328
5,001 - 10,000	179
10,001 - 100,000	364
100,001 - and over	79
	1254

(b) Marketable Parcels

As at 6 September 2005, the number of shareholdings held in less than marketable parcels was 220.

(c) Substantial Shareholders

The names of the substantial shareholders listed in the company's register as at 6 September 2005 are:

Shareholder	No. of Ordinary Shares
Acorn Capital Limited	12,630,005
Redsummer Pty Ltd	6,475,802
JP Morgan Chase & Co	9,400,000
Hugh McLernon	5,386,250

(d) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

SHAREHOLDER INFORMATION (Cont'd)

(e) Options as at 30 September 2005 – unquoted

Class of option	No. on issue	Price	Expiry date
IMFAY	18,895,680	0.20	13-Sep-06
IMFAM	444,665	0.20	30-Jun-07
IMFAA	300,000	0.30	30-Jun-08
IMFAA	300,000	0.40	30-Jun-08
IMFAA	300,000	0.50	30-Jan-08
IMFAM	444,665	0.20	30-Jun-08
IMFAB	100,000	0.20	30-Jun-08
options	444,665	0.20	30-Jun-09
options	100,000	0.20	30-Jun-09
options	60,000	0.70	30-Jun-09
IMFEX1	4,000,000	0.80	1-Jul-07
IMFEX2	4,000,000	1.10	1-Jul-08
IMFEX3	2,000,000	1.35	1-Jul-09
IMFAA	300,000	0.80	8-Jan-06
IMFE04	1,230,000	0.80	17-Jan-08
IMFE05	930,000	1.10	30-Jun-08
IMFE06	930,000	1.35	30-Jun-09
IMFE02	100,000	0.20	30-Jun-10
IMFEO3	60,000	0.70	30-Jun-10
employee options	83,333	0.65	30-Jun-10
	35,023,008		

(f) Securities subject to escrow

The number and class of quoted securities subject to escrow as at 30 September 2005 is as follows:

Class of Security	No.	Escrow Period
Fully paid ordinary shares	nil	n/a

(g) 20 Largest Shareholders - Ordinary Shares as at 6 September 2005

	Ordinary shares	No. of shares	%held of Issued Ord Capital*
1	National Nominees Limited	9,437,458	9.96
2	Anz Nominees Limited	8,636,563	9.12
3	Redsummer Pty Ltd	6,475,802	6.84
4	Mr Hugh McLernon	5,386,250	5.69
5	Invia Custodian Pty Limited	4,143,389	4.37
6	Westpac Custodian Nominees Limited	3,642,696	3.85
7	National Nominees Limited Equip Super Account	2,948,027	3.11
8	Invia Custodian Pty Limited 5456 A/C	2,700,000	2.85
9	Mr Robert Alexander Ferguson	2,500,000	2.64
10	J P Morgan Nominees Australia Limited	2,268,486	2.39
11	Government Superannuation Office State Super	2,089,863	2.21
12	Citicorp Nominees Pty Limited	1,889,502	1.99
13	Mr John Walker	1,806,250	1.91
14	UBS Nominees Pty Ltd	1,804,866	1.91
15	McLernon Group Superannuation Pty Ltd	1,600,000	1.69
16	Victorian Workcover Authority	1,523,890	1.61
17	Legal Precedents Pty Limited	1,437,500	1.52
18	Healthsuper Pty Ltd	1,271,031	1.34
19	Transport Accident Commission	1,010,517	1.07
20	Classicist Pty Limited	969,600	1.02
	Totals	63,541,690	67.09%

(h) Statement pursuant to Listing Rule 4.10.19

The total proceeds raised under the Prospectus dated 1 March 2002 and Supplemetary Prospectus have been applied or will be applied in accordance with and consistent with the business objectives stated therein.

(i) The name of the Company Secretary is Jonathan Peter McArthur

(j) The address of the principal registered office of the company is Level 5, 32 Martin Place, Sydney NSW 2000.

(k) The share register is held at Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street Sydney NSW 2000.

(l) Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.