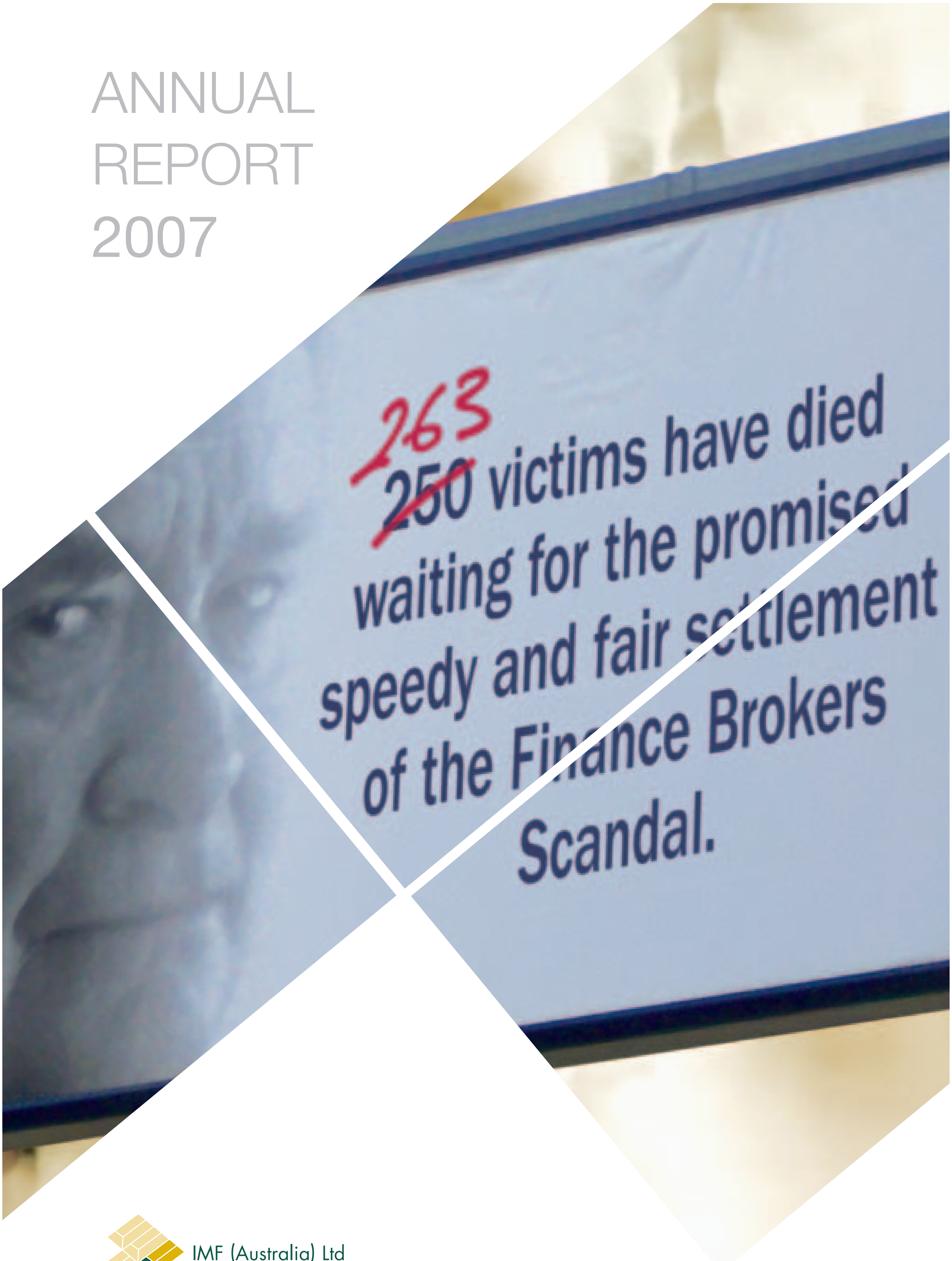
ANNUAL REPORT 2007



IMF (Australia) Ltd

CONTENTS

ABOUT US	1
HIGHLIGHTS	2
CHAIRMAN AND CEO'S REVIEW	4
DIRECTORS' REPORT	6
AUDITOR'S INDEPENDENCE DECLARATION	16
BALANCE SHEET	17
INCOME STATEMENT	18
CASH FLOWS STATEMENT	19
STATEMENT OF CHANGES IN EQUITY	20
NOTES TO FINANCIAL STATEMENTS	21
DIRECTORS' DECLARATION	48
INDEPENDENT AUDIT REPORT	49
CORPORATE GOVERNANCE STATEMENT	51
SHAREHOLDER INFORMATION	52
CORPORATE INFORMATION	54

AGM

The Annual General Meeting of IMF (Australia) Ltd will be held on 16th November 2007 at 9:00am (AEDT) at the Westin Sydney, 1 Martin Place, Sydney 2000.

IMF (Australia) Ltd
ABN 45 067 298 088

ABOUT US

IMF is the leading litigation funder in Australia, the first to list on the Australian Securities Exchange and has built up an experienced team to ensure the strongest cases receive funding and are managed to facilitate their successful resolution.

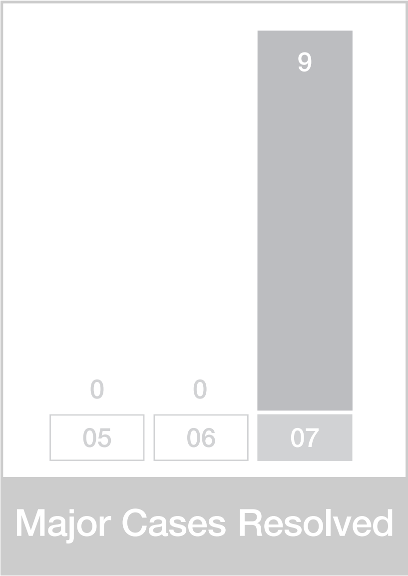
There have been many successes in 2007. IMF reported a strong profit. Nine major cases were resolved, and 18 in total. IMF's funding of the Sons of Gwalia test case to the High Court has allowed deceived shareholders to claim as unsecured creditors.

We also saw the High Court endorse litigation funding in the *Fostif* case. This will result in reduced delays, since our opponents will no longer feel justified in alleging funding amounts to an abuse. The decision also enables IMF to be more involved in the management of the cases we fund.

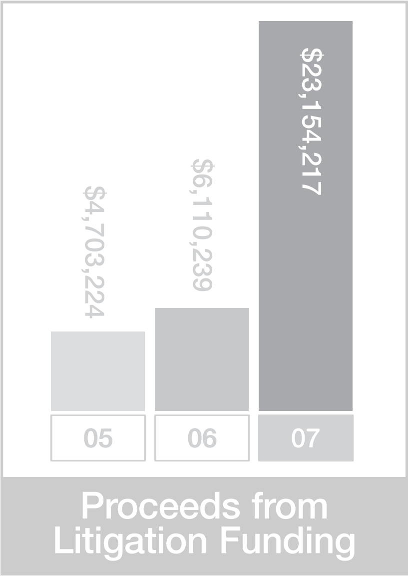
There were also some changes to our management team. Rob Ferguson, Chairman since December 2004, was appointed Executive Chairman and Chief Executive Officer in June. His experience in building a financial services business will be of significant assistance, while allowing executive directors John Walker and Hugh McLernon to focus on maximising the value from IMF's investment portfolio and seeking out new investments.

HIGHLIGHTS

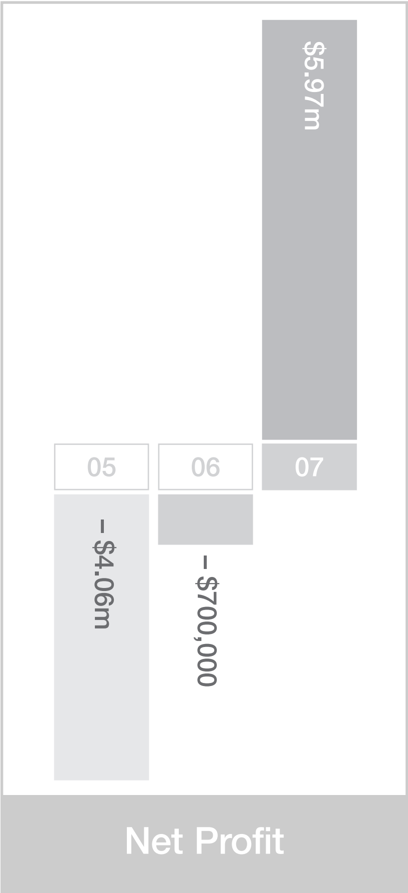
FINANCIAL HIGHLIGHTS



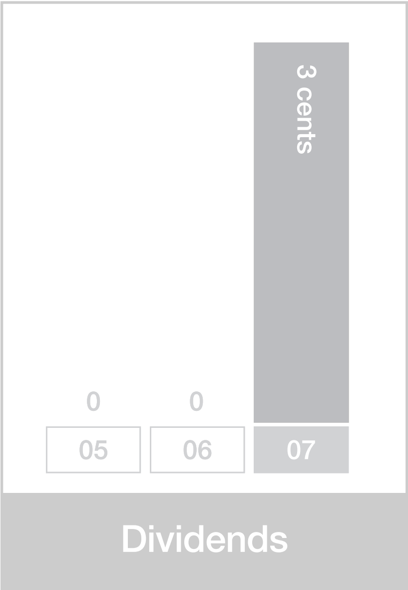
With no major cases resolved in the previous two years, we resolved 9 major cases in 2007, including part of the Finance Brokers case. A total of 18 cases were resolved during the year, driving proceeds from litigation funding to $13.9m and total income to 15.5m.



The resolution of 9 major cases boosted our cash flow, with proceeds from Litigation Funding rising to more than $23.0m. This propelled our net cash from operating activities into positive territory after two years in the red.



IMF returned to profitability in 2007. This year's profit demonstrates our ability to choose and manage cases with strong prospects of success.



The directors declared an unfranked interim dividend of 3 cents per share. Future dividend policy, as well as our capital structure, is the subject of a review by the board.

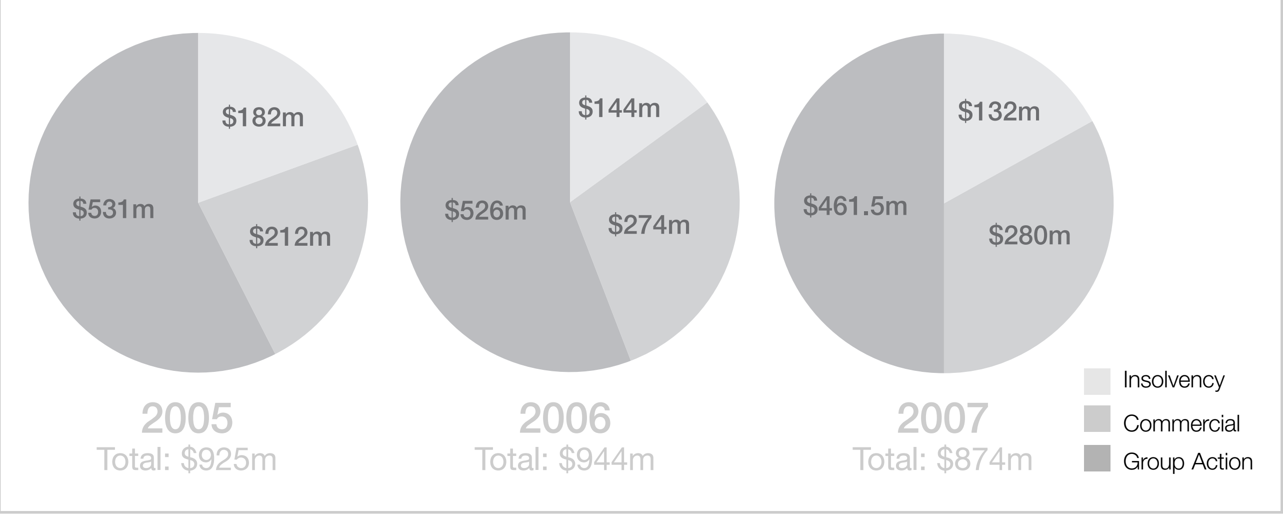
A Strengthening Balance Sheet

Our balance sheet has strengthened, with cash levels rising from below $7 million five years ago to almost $24 million at the end of the 2007 year. Net assets have more than doubled over the same period. (The balances for the years ending 2003, 2004 and 2005 are based on accounting standards applicable on these dates.)

	2003	2004	2005	2006	2007
Cash	$6.7m	$10.3m	$16.3m	$20.8m	**$23.9m**
Investments	$9.1m	$12.5m	$24.0m	$32.8m	**$30.3m**
Net Assets	$20.4m	$22.0m	$36.7m	$40.1m	**$46.8m**

Claim value of spread of investments, 2005-2007

IMF continues to maintain a spread between the three categories of cases. Despite the large number of cases resolved in 2007, our pipeline of cases remains strong. The claim against Aristocrat remains the largest and is supported by many high-quality cases that IMF is confident will continue to deliver strong returns on investment.



INVESTMENT HIGHLIGHTS

Recovering losses for victims of the WA Finance Brokers scandal

IMF worked for more than five years for victims of Western Australia's Finance Brokers scandal, many of whom had lost their entire life savings. The brokers had arranged for the investors' money to be lent to questionable borrowers who subsequently defaulted. Security for the loans fell well short of the amount lent against that security because of false or inflated valuations.

IMF funded the claims of around 2000 clients against the State of Western Australia, and seven law firms acting on the mortgage transactions which gave rise to the damage.

After long negotiations, the State of Western Australia offered to make an ex gratia payment of $26.6 million to all victims of the scandal on the condition that the litigation against the State was dismissed. IMF received $3.4 million from the State as part of the settlement. We have also received further payments of $1.6 million, so that our total receipts as at the date of this report are $5.0 million. We have subsequently resolved the claims against some of the solicitors, the proceeds of which will be reported in the next period, but so far amount to $5.2 million.

The other notable successful resolutions in 2007 include the Financial Wisdom, Geneva Finance, Mercury Rising, Meadow Springs, Lawyers Private Mortgages and Global Finance cases.

CHAIRMAN AND CEO'S REVIEW

On behalf of the Board of Directors of IMF (Australia) Ltd ("IMF"), I am pleased to present this Annual Report in respect of the year ended 30 June 2007.

Last year I indicated that we were anticipating a harvest year in 2007 after a period of drought caused by challenges to our legitimacy and the need for a number of cases to ripen. There was plenty of ripe fruit on the tree in 2007 and so we settled 18 cases, including 9 major ones. These settlements returned us to profitability and enabled us to pay our maiden dividend.

The challenges to our legitimacy are now hopefully in the past but we are still on a path-breaking mission and the year saw several new milestones.

Fostif, a case that was decided by the High Court in August 2006, is now quoted throughout the common law world as a key case in the area of litigation funding. Sons of Gwalia was another path-breaking case which allowed, in certain circumstances, shareholders' claims to be ranked equally with unsecured creditors. The path-breaking will continue in 2007 and 2008 as we see the results of the Cashman Review into litigation in Victoria, the Federal Court simplification process — dubbed Rocket Docket — and legislative review of Federal law by the Corporations and Markets Advisory Committee. All of these matters portend an improved operating environment for plaintiffs against the established forces of defendants. Furthermore, the very important Aristocrat case, which is shortly to commence, will hopefully clarify and establish new rules for class actions that will speed up and simplify the process. If this happens it should allow us to develop important recurring business beyond 2007.

Towards the end of 2007 I became Executive Chairman and CEO of IMF in a move that allowed the two Executive Directors to focus even further on the management and development of our portfolio of cases. In the initial period of my new role I have sought to review the business and seek opportunities to expand now that we have achieved legitimacy and a successful business model. My review is incomplete, but so far I'm encouraged by several opportunities. The first is the potential to expand our business into overseas environments. My initial reaction to such expansion was skeptical but I'm now starting to think about our business as a global business rather than simply a domestic business. I see the legal profession moving along the same path as that recently travelled by investment banking and funds management (my main area of expertise). It is true that differences in legal systems between the United States, Europe and common law countries act as a constraint on the financial system/legal system analogy. Nevertheless, just as with the overlapping nature of the financial world, there is now an increasing overlap in the legal world. We are therefore looking closely at an incremental involvement in overseas markets, especially the United Kingdom. Of course we have foreshadowed this in the past. Due to funding constraints, we have not to date pursued overseas markets. Now with greater confidence in our financial position and the validity of our business model we are keen to resume this endeavour.

The other area of business that has started to look attractive since I joined as CEO is in the financial sector both in Australia and overseas. In the past our matters have tended to be opportunistic, arising from plaintiffs' needs in a wide variety of matters. This is reflected in the fact that insolvency, the area where our business was born, has been a dwindling area of activity in an economy that has not seen a recession in a decade and a half. It seems to me a fact of life that we can't wait for economy-wide recessions to provide us with valuable plaintiff matters. We must assume rather that various sectors of our economy and the world economy will go into and out of recession while the whole economy continues to bubble along.
One of the key drivers of the world economy over the last 15 years has been the financial sector but, because of its long booming environment, we have seen of late plenty of examples of excess in this area. I like the saying that goes "no good idea rests until it has reached its extreme" and in the financial sector plenty of good ideas seem to have reached their extreme. We have already seen several major opportunities emerge from this environment, which we are currently researching, and we expect plenty more to emerge over coming months. Hopefully, they will be large and have repeat business elements that will be an improvement on the opportunistic environment we have lived in so far.

One note of caution that I should raise is to mention that, because our business operates on a two to four year pipeline on investment decisions coming to fruition, we do have post 2008 a bit of a hole in our pipeline due to a slow down in our business a year or so ago as we focused on existing cases to conserve cash until we proved our business model.

Nevertheless, I am very hopeful that we can add to our portfolio over the next year a good variety of matters that will bring growth after this pipeline problem has worked through the system.

We have started the 2008 year very well with several good settlements and we expect a continued flow during the year. The Aristocrat case is clearly a key one and hopefully it proves to be the icing on the cake of a better year than the one just completed.

So to conclude, lots of fruit on the table this year, we hope for lots more next year, the year after somewhat tougher, but all the portents are for our portfolio to expand over the next year with good harvest results likely two to four years out.

ROBERT FERGUSON
Chairman

DIRECTORS' REPORT

The directors of IMF (Australia) Ltd ("IMF") submit their report for the year ended 30 June 2007.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Robert Ferguson (Executive Chairman & CEO)

Robert Ferguson was appointed director and Chairman on 1 December 2004 and became Executive Chairman and Chief Executive Officer on 18 June 2007.

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:

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

(b) was Chairman and non-executive director of Vodafone Australia Ltd until November 2002; and

(c) is now a member of the audit committee, following his appointment as Executive Chairman.

He is Chairman of Money Switch Limited, a director of Racing NSW and Deputy Chair of The Sydney Institute.

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

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 any 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 operated in the finance, mining, property, insurance and investment arenas of Australia.

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

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 President Elect of the Royal Automobile Club of WA (Inc), Chairman of RAC Insurance and a non-executive director of ASX listed company, Count Financial Ltd; and

(c) is the Chairman of the audit committee, and a member of the remuneration committee.

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

Michael Bowen (Non-Executive Director)

Michael Bowen graduated from the University of Western Australia with Bachelor degrees in Law, Jurisprudence and Commerce. He is 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 Chairman and Managing Director on matters concerning Corporations Law; and

(c) is Chairman of the remuneration committee and a member of the audit committee.

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

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

Diane Jones
Company Secretary and Chief Financial Officer

Diane Jones has been the Company Secretary since 14 June 2006. She has been a member of the Institute of Chartered Accountants for over 15 years and holds a Masters of Business Administration and Bachelor of Economics degree from the University of Sydney. After graduating Ms Jones spent ten years with a big four accounting firm before moving to a consulting and private equity firm as a consultant and their Chief Financial Officer.

Interests in Shares and Options of the Company

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

	Number of ordinary shares	Number of convertible notes	Number of options over ordinary shares
Robert Ferguson	2,500,000	1,522,410	–
John Walker	7,381,331	149,600	5,900,000
Hugh McLernon	10,588,398	20,072	4,100,000
Alden Halse	591,251	106,251	600,000
Michael Bowen	513,751	102,751	600,000
Total	21,574,731	1,901,084	11,200,000

Further details of the interests of the directors in the shares and options of the company as at the date of this report are set out in note 26 and note 27 to the financial statements.

DIVIDENDS

The Company paid an interim unfranked special dividend of 3.0 cents per share on 5 April 2007.

The Company is considering how to best distribute surplus funds that have accumulated in the business. This involves consideration of dividend policy as well as broader capital management policy and the possible early payment of convertible notes, which the Company can cause to occur from 30 January 2008. Given these issues, and the fact the Company is utilising tax losses such that any dividend would be unfranked, no further dividend has been declared with respect to the year ended 30 June 2007.

No dividend was paid or recommended during the previous financial year.

CORPORATE INFORMATION

Corporate Structure

IMF (Australia) Ltd ("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 Insolvency Litigation Fund Pty Ltd ("ILF").

Nature of Operations and Principal Activities

The principal activities of the consolidated entity during the financial year were the investigation, management and funding of litigation. The operations of the consolidated entity remain in accordance with IMF's business plan created in 2001 and are separated into three finite areas of business:

Portfolio report at 30 June 2007 where the budgeted fee to IMF is greater than $0.5 million (i.e. major cases)

	Number of claims	Claim value	Percentage of claims > $0.5m
(i) Insolvency Claims	11	$132m	15%
(ii) Non-Insolvency Claims involving single plaintiffs (Commercial Claims)	13	$280m	32%
(iii) Non-Insolvency Group Actions (Group Actions)	11	$462m	56%
Total claims where IMF's budgeted fee is greater than $0.5M	35	$874m	100%

The maximum claim value of IMF's major cases decreased in the year to 30 June 2007 from $944m to $875m due to conservative investment protocols and the finalisation of 9 major cases, which had a claim value at 30 June 2006 of $152m.

IMF's business plan is to have a claim value attributable to each market as follows:

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

IMF's expected settlement/judgment proceeds remains at about 50% of the investment claim value and IMF's average fees expressed as a percentage of the recovery remains at about 30% of settlement/judgment proceeds.

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

- The **Aristocrat** hearing (expected to last about 4 weeks) is to commence on 1 October 2007. In addition to this claim being financially material to IMF, the Court will determine whether claimants claiming damages for market deception need to prove their individual reliance upon the relevant misinformation or whether it simply needs to be proved that they bought when the market price was inflated by the contravening conduct. A Court determination consistent with the latter level of proof will greatly enhance the enforceability of laws protecting markets by decreasing the cost of the Court process and the time that it takes. IMF remains confident that the Aristocrat claim is likely to provide material value to IMF in the 2008 financial year.
- The **Kingsheath** decision on liability was handed down in favour of IMF's client on 9 November 2006. As judgment in respect of damages was not handed down until July 2007, the investment remains an asset, valued at cost at the end of the year. IMF has since received $2.5 million in reimbursement of its investment and we estimate a further $1.5 million will be received after the appeal (which is to be heard in March 2008) is determined.
- The **Reynold's** claim was heard in March 2007 and the Court's decision is expected shortly.
- In 2007, the Court found that it did not have jurisdiction to appoint a special purpose administrator to **Allstates**. IMF decided to cease funding the shareholders' claim. Accordingly, IMF's investment of about $450,000 was written off in the year and the issue of adverse cost orders is the subject of an appeal.
- In the **Finance Broking** case extensive negotiations have been carried out with the remaining defendants. It is likely that the final part of the claim will continue to trial if not settled in the meantime. The remaining claim against a number of lawyers is approximately $32 million.
- In **QPSX** the Court has agreed to determine whether the case should be split into two (with the question of liability to be heard first, and then quantum second) on 16 October 2007. IMF is protected from any cost escalation as it has limited its exposure to an agreed sum and that amount has already been paid.
- The High Court of Australia in **Sons of Gwalia** held that in certain circumstances, shareholders who buy their shares on the market are creditors of a company under external control and are entitled to rank equally with other creditors. Further progress in the ION and Sons of Gwalia proof process may now be made.
- Discovery in the case against Telstra and Autodesk, known as **Spatial** v Telstra, has taken longer than expected and disputes in relation to discovery continue. As a result a hearing of this matter is unlikely to occur until the end of next year.
- IMF is funding three groups of actions in the **Westpoint** matter. They are representative actions being run in the Supreme Court of New South Wales against various financial planners. Proceedings have only been funded against those planners who are of sufficient size to pay the judgment or who have adequate insurance. The total losses suffered by the clients of these three planning firms is about $15 million. IMF is also discussing the funding of actions against the directors.
- In the **Wright** matter interlocutory skirmishes in relation to discovery are almost complete and experts have been briefed in relation to determining the quantum of the loss suffered by the Plaintiffs. This matter will likely go to trial in early 2008.
- More than 900 investors in the LifeTrack Superannuation Fund, formerly run by companies in the **AM Group**, are represented in a class action funded by IMF in the NSW Supreme Court. The proceedings have been brought against companies and individual directors previously involved in the operation and management of certain "traded policies" sub-funds in the LifeTrack Fund. The claimants allege they suffered significant losses on their investments in those sub-funds, which were marketed to investors as a low risk, income paying and capital accumulating investment. The investors say that their losses were the result of numerous breaches of duty, misrepresentations and misleading and deceptive conduct, negligence, breach of trust and other defaults on the part of the defendants. The proceedings are strongly contested. Extensive discovery of documents and other information from the defendants and various third parties formerly involved in advising the AM companies is currently being undertaken.

- The **Performance Finance** case has proceeded during the course of the last year through the Federal Court in Perth. The action is nearing conclusion and has now been listed for trial commencing on 5 December 2007. Finalisation of expert evidence and preparation for trial is currently being completed. A decision from the trial is likely to be delivered during the first half of 2008.
- IMF commenced funding **Shenton Park Retirement Village** in October 2006. After some initial public examinations to gather evidence in support of the case, proceedings were commenced in the Perth Federal Court in April 2007. Orders were made by the Federal Court to prosecute this action in a more expedited and less formal manner than usual. This has had a positive impact on how quickly the action is progressing and it is expected that the matter will proceed to trial during the course of this financial year.

Court acceptance of litigation funding continued in the 2007 financial year and IMF's funding was not questioned in any applications by defendants. This is likely to reduce the duration of IMF's larger investments.

IMF intervened in the Fostif proceeding in the High Court of Australia, providing submissions on public interest factors associated with litigation funding. The High Court handed down its decision on 30 August 2006, vindicating IMF's decision in 2001 to expand its business model from funding insolvency claims to commercial litigation. This decision has enabled IMF to command a leadership position in a developing industry accepted by the High Court of Australia. The Court also accepted litigation funders may be delegated authority from funded parties to provide instructions to their lawyers on their behalf, thus endorsing the funders' role as project manager of the litigious process as legitimate. This acceptance will bring much needed competitive tensions to the provision of legal services in litigation which will not only benefit funded parties, but also IMF.

IMF continues to implement 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 to shareholders and investors alike. None of these investments were abandoned or lost in the course of 2007, other than Allstates (which was abandoned).

Employees

IMF's investment committee of three is supported by 18 employees providing investigative, computer, accounting and management expertise. At 30 June 2007, the consolidated entity employed 21 permanent staff, including the 3 executive directors (2006: 21 permanent). IMF's business model will change to decrease the cost of its investments by employing people to provide non legal service functions involved in litigation projects at a cost less than law firms currently provide these services.

OPERATING AND FINANCIAL REVIEW

Operating Results for the Financial Year

The following summary of operating results reflects the consolidated entity's performance for the year ended 30 June 2007:

	2007 $	2006 $	Change %
Total Revenue	15,483,458	4,499,416	244%
Operating profit/loss after income tax	5,968,521	(694,287)	960%
Total shareholders' equity	46,805,148	40,120,452	17%

Shareholder Returns

	2007	2006
Basic earnings/(loss) per share (cents per share)	5.24	(0.73)
Diluted earnings/(loss) per share (cents per share)	4.98	(0.73)
Return on assets %	8.96	(1.00)
Return on equity %	12.75	(1.73)
Net debt/equity ratio %	28.61	42.06

18 matters were finalised in 2007, including 9 major cases where the Group generated fees greater than $500,000, underpinning the return to profitability and improved shareholder returns.

The investments which were completed in 2007 had an average investment period of 3.3 years. IMF's business plan is to reduce the time taken to complete cases to 2.5 years.

The investment portfolio as at 30 June 2007 is mature, with most of the investments likely to finalise over the next 18 months. IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols.

During the course of the year the company again received numerous requests for litigation funding from outside Australia. To date IMF has not accepted any of these requests, although IMF envisages investing in some offshore claims in the 2008 financial year.

IMF continues to monitor the position of litigation funding in the United Kingdom on the basis that it is the largest potential litigation funding market in the common law world. IMF is currently considering two separate requests for funding, one emanating from the United Kingdom market and one from the United States of America.

IMF continues to investigate funds management models to finance future investments.

IMF's share price closed at $0.70 per share at 30 June 2007 (2006: $0.47).

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2007 of $3,090,179 (2006: $4,523,735). Operating activities generated $6,749,978 of net cash inflows (2006: net cash outflows of $11,719,929), which was offset by $3,593,301 of financing net cash outflows (2006: net cash inflows of $16,316,440) principally used to pay the company's maiden dividend.

Asset and Capital Structure

	2007 $	2006 $	Change %
Cash and short term deposits	23,154,217	20,824,039	11%
Debts:			
Interest bearing loans and borrowings	—	(4,060,614)	(100%)
Convertible notes	(13,390,007)	(12,814,480)	4%
Total Debt	(13,390,007)	(16,875,094)	(21%)
Net Cash	9,764,210	3,948,945	147%
Total equity	46,805,148	40,120,452	17%
Gearing	29%	42%	(32%)

The level of gearing in the Group is within the acceptable limits set by the directors.

Shares issued during the year

During 2007 a total of 19,079,997 options were converted into shares, raising total capital of $3,876,000.

Profile of Debts

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

	2007 $	2006 $	Change %
Current			
Interest bearing loans and borrowings	—	(4,060,614)	(100%)
Non current			
Convertible notes	(13,390,007)	(12,814,480)	4%
Total debt	(13,390,007)	(16,875,094)	(21%)

The Group's total debt has decreased over the past year as a result of the repayment of the deposit funding facility (see note 20 for further details).

Capital expenditure

There has been a decrease in capital expenditure during the year ended 30 June 2007 to $65,798 from $72,776 in the year ended 30 June 2006.

Risk Management

The major risk for the company will always be in the choice of cases to be funded and their on-going management. The extent of that risk can best be identified, from time to time, by reference to the fact that in the first six years of operation IMF has lost only three 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.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased to $46,805,148 from $40,120,452, an increase of $6,684,696. This improvement is mainly as a result of the Group's return to profitability. There have been no significant changes in the state of affairs during this reporting period other than disclosed in this report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

1. Options Expiry

On 1 July 2007 4,300,000 director options, with an exercise price of $0.80, expired. Accordingly, as at 21 September 2007 there were 11,019,330 unissued ordinary shares in total in respect of which options were outstanding.

2. Intangible assets

On 13 July 2007 the Group received judgment in favour of its client in the Kingsheath litigation, one of its Litigation Contracts In Progress. The Group expects to receive at least $3,500,000, having invested about $2,450,000 plus capitalised overheads of approximately $540,000.

On 1 August 2007 the Group settled the Truckies v Pilbara Manganese Pty Limited litigation, one of its Litigation Contracts In Progress. The results of the settlement are confidential, however, the settlement will result in at least $1,400,000 being received, with the Group having invested about $580,000 plus capitalised overheads of approximately $200,000.

On 20 August 2007 the Group settled a further part of the litigation known as Finance Brokers with various insurers, one of its Litigation Contracts In Progress. The settlement is subject to acceptance by the Group's clients. The terms of the settlement are otherwise confidential, however, the settlement will result in at approximately $5,200,000 being received, with the Group having invested about $1,200,000 plus capitalised overheads of approximately $160,000.

In the Group's announcement on 13 December 2006 concerning the settlement with the State of Western Australia in the Finance Brokers litigation, the Group indicated it was required to forgo $3,000,000 of its contractual entitlement as a condition of the settlement. In further announcements on 18 January 2007 and 18 February 2007, the Group announced many of its clients intended to make voluntary payments to the Group for its contractual entitlements. The Group has subsequently received voluntary payments to 21 September 2007 of $1,600,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, the investment portfolio as at 30 June 2007 is mature, with the majority of existing cases likely to come to fruition over the next 18 months. Accordingly, the directors consider that the company should generate a strong level of profit in this period.

The company has now had some six years as a listed litigation funder and expects to have at least two more years before any serious competition arises. By this time, the company should have cemented 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

Unissued shares

As at the date of this report there were 11,019,330 unissued ordinary shares under options (15,319,330 at the reporting date). Details of options held as at the date of this report are set out in notes 22, 23, 26 and 27 of the financial statements.

Shares issued as a result of the exercise of options

During the financial year, employees have exercised options to acquire 761,331 fully paid ordinary shares in IMF, at a weighted average price of $0.28. A further 18,318,666 options were converted into fully paid ordinary shares, at a price of $0.20, pursuant to the repayment of the deposit funding facility. No options were exercised during the financial year ended 30 June 2006.

Indemnification and Insurance of Directors and Officers

During the financial year the Company has paid premiums in respect of a contract insuring all the directors of the Group against legal costs in defending proceedings for conduct involving:

(a) a breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, so far as may be permitted by section 199B of the *Corporations Act 2001* and other Laws.

The total amount of insurance contract premium paid was $102,877.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2m.6.04. For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group, and includes the five executives in the parent and the Group receiving the highest remuneration.

The company has adopted the fair value measurement provisions of AASB2 "Share-based Payment" 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.

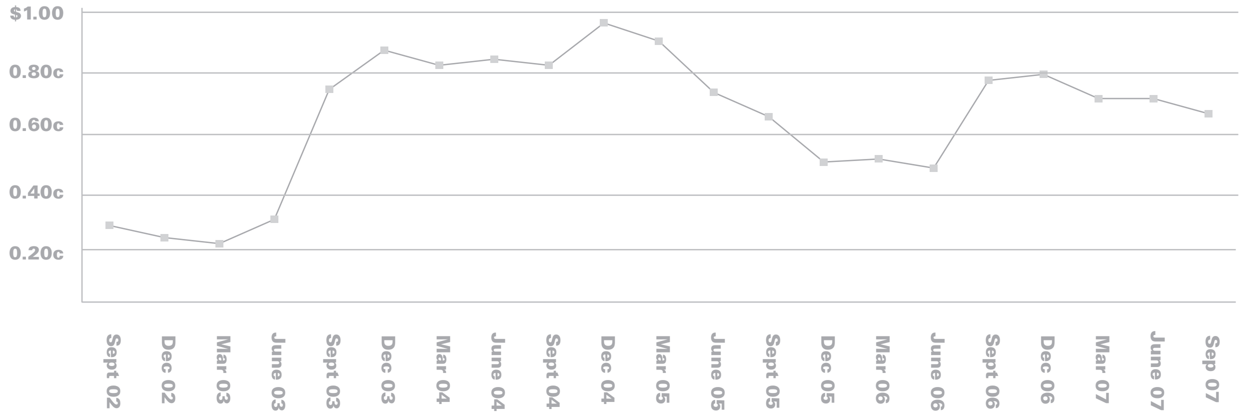
Options granted as part of director and executive emoluments have been valued using a Black Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends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

Remuneration Committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of the directors and executive team on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring best stakeholder benefit from the Board and executive team.

The following graph shows the performance of the Group (as measured by the share price).



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

Non-Executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments, as disclosed in the following tables, were approved at the 2004 Annual General Meeting. There have been no changes to the non-executive directors fees since that time.

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

Non-executive directors have long been encouraged by the Board to hold shares in the parent entity (purchased by the director on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

Executive Remuneration

Objective

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

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

Structure

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

Compensation consists of the following key elements:

- Fixed Compensation; and
- Variable Compensation.

Fixed Remuneration

Objective

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

Structure

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

Variable Remuneration

Objective

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

Structure

During the year a new short term executive incentive plan ("STI") was designed and implemented with the assistance of external remuneration consultants. This revised STI replaces the Employee Share Incentive Plan. There were no performance conditions attached to the options awarded under the Employee Share Incentive Plan. All executives have the opportunity to qualify for participation in the STI when specified criteria are met. The Group has not implemented any long term incentive plans, although the remuneration committee may elect to make payments under the STI in the form of options or shares.

The Group has pre-determined benchmarks that must be met in order to trigger payments under the STI. On an annual basis, after consideration of performance against criteria and benchmarks set, the Remuneration Committee, in line with their responsibilities, determine the amount, if any, of the short term incentive to be paid to each executive. This process will occur within 3 months after the reporting date.

The aggregate of annual STI payments available for executives across the Group is subject to the approval and at the total discretion of the Remuneration Committee. Payments made will be paid in the following reporting period. At the date of this report the Remuneration Committee has not yet determined any payments under the STI for the year ended 30 June 2007.

Employment Contracts

(A) Rob Ferguson, Executive Chairman and Chief Executive Officer:
- contract commenced 18 June 2007;
- gross salary package $700,000 pa plus super;
- contract to be reviewed annually; and
- notice period is 3 months.

(B) John Walker, Managing Director:
- new contract terms are currently being negotiated as existing contract expired on 30 June 2007;
- gross salary package $700,000 pa plus super, from 1 July 2007;
- contract to be reviewed annually; and
- notice period is 3 months.

(C) Hugh McLernon, Executive Director:
- new contract terms are currently being negotiated as existing contract expired on 30 June 2007;
- gross salary package $700,000 pa plus super, from 1 July 2007;
- contract to be reviewed annually; and
- notice period by employee and company is 3 months.

(D) Diane Jones, Chief Financial Officer & Company Secretary:
- contract commenced 5 June 2006;
- gross salary package $280,000 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period is 3 months.

(E) Clive Bowman, Senior Manager
- contract commenced 1 July 2001;
- gross salary package $475,000 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period by employee is 3 months and 6 months notice by the company.

(F) Charlie Gollow, Senior Manager
- contract commenced 22 April 2003;
- gross salary package $315,000 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period by employee is 3 months and 6 months notice by the company.

(G) Wayne Attrill, Senior Manager
- contract commenced 19 March 2007;
- gross salary package $325,000 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period is 3 months.

(H) Andrew Charles, Senior Manager
- contract commenced 14 May 2007;
- gross salary package $283,400 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period is 3 months after 14 May 2008.

(I) Paul Rainford, Senior Investigator
- contract commenced 6 August 2001;
- gross salary package $230,000 pa including super, from 1 July 2007;
- contract to be reviewed annually with minimum CPI increases; and
- notice period by employee is 3 months and 6 months notice by the company.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2007

	Short-term		Post employment			
30 June 2007	**Salary & Fees**	**Other**	**Super**	**Share based Payment Options**	**Total**	**Total Performance Related**
Directors						
Robert Ferguson	80,000	20,575	7,200	—	107,775	—
John Walker	550,000	20,576	12,686	583,262	—	
Hugh McLernon	550,000	20,576	12,686	—	583,262	—
Alden Halse	40,000	20,575	3,600	—	64,175	—
Michael Bowen	43,600	20,575	—	—	64,175	—
Executives						
Wayne Attrill	76,077	—	3,172	—	79,249	—
Clive Bowman	340,562	—	12,686	—	353,248	—
Andrew Charles	42,245	—	2,114	—	44,359	—
Charlie Gollow	249,250	—	12,686	—	261,936	—
Diane Jones	235,749	—	13,396	—	249,145	—
Paul Rainford	195,432	—	12,686	—	208,118	—
Total	2,402,915	102,877	92,912	—	2,598,706	—

Table 2: Remuneration for the year ended 30 June 2006

30 June 2006	Short-term Salary & Fees	Short-term Other	Post employment Super	Share based Payment Options	Total	Total Performance Related
Directors						
Robert Ferguson	80,000	—	11,400	—	91,400	—
John Walker	550,000	—	12,139	225,262	787,401	28.61%
Hugh McLernon	550,000	—	12,139	225,262	787,401	28.61%
Alden Halse	40,000	—	3,600	—	43,600	—
Michael Bowen	43,669	—	—	—	43,669	—
Executives						
Jon McArthur	185,081	—	12,139	21,963	219,183	10.02%
Clive Bowman	325,000	23,382	12,139	69,938	430,459	16.25%
Alastair Mackay	238,048	—	12,139	44,424	294,611	15.08%
Charlie Gollow	273,306	—	12,139	45,834	331,279	13.84%
Paul Rainford	195,411	—	12,139	19,955	227,505	8.77%
Total	2,480,515	23,382	99,973	652,638	3,256,508	20.04%

Compensation and remuneration options: Granted and vested during the year ended 30 June 2007

No options were granted to key management personnel in 2007.

Compensation and remuneration options: Granted and vested during the year ended 30 June 2006

	Granted	Vested	Terms and Conditions for each Grant: Grant Date	Fair Value per option at grant date	Exercise price per option	First exercise Date	Expiry Date
30 June 2006							
Directors							
John Walker	1,000,000	1,000,000	01-Jul-06	$0.36	$1.35	01-Jul-06	30-Jun-09
Hugh McLernon	1,000,000	1,000,000	01-Jul-06	$0.36	$1.35	01-Jul-06	30-Jun-09
Executives							
Jon McArthur	83,333	83,333	01-Jul-05	$0.24	$0.65	01-Jul-05	30-Jun-10
Jon McArthur	200,000	200,000	24-Mar-06	$0.18	$0.80	24-Mar-06	24-Mar-11
Clive Bowman	600,000	600,000	24-Mar-06	$0.18	$0.80	24-Mar-06	24-Mar-11
Alastair Mackay	100,000	100,000	24-Mar-06	$0.18	$0.80	24-Mar-06	24-Mar-11
Alastair Mackay	50,000	50,000	01-Jul-05	$0.48	$0.20	01-Jul-05	30-Jun-10
Charlie Gollow	250,000	250,000	24-Mar-06	$0.18	$0.80	24-Mar-06	24-Mar-11
Charlie Gollow	50,000	50,000	01-Jul-06	$0.48	$0.20	01-Jul-05	30-Jun-10
Paul Rainford	50,000	50,000	24-Mar-06	$0.18	$0.80	24-Mar-06	24-Mar-11
Total	**3,383,333**	**3,383,333**					

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

Shares issued on exercise of compensation options

30 June 2007	Number of shares issued	Paid per share	Value of options exercised during the year	Unpaid per share
		$	$	$
Clive Bowman	254,094	0.20	0.53	—
Paul Rainford	190,571	0.20	0.53	—
Total	**444,665**			

There were no shares issued to key management personnel in the year ended 30 June 2006.

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	Audit Committee	Remuneration Committee
Total number of meetings held:	6	3	2
M Bowen	5	2	2
R Ferguson	5	—	—
A J Halse	5	3	2
H McLernon	5	3	—
J F Walker	6	—	—

Committee Membership

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

Audit Committee	Remuneration Committee
A J Halse (Chairman)	A J Halse
M Bowen	M Bowen (Chairman)
H McLernon (resigned 28 June 2007)	
R Ferguson (appointed 28 June 2007)	

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

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 2007. This independence declaration can be found at page 16.

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 and other non audit services	$221,534

CORPORATE GOVERNANCE

The company has an extensive Corporate Governance Manual which includes a compliance program and complaint handling procedures which will enable the company to interact with its clients and the public in a consistent and transparent manner. The company's corporate governance statement is noted on page 51 of this Annual Report.

Signed in accordance with a resolution of the directors.

Rob Ferguson
Executive Chairman

John Walker
Managing Director

Sydney
28 September 2007

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

The Ernst & Young Building
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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) Limited

In relation to our audit of the financial report of IMF (Australia) Limited for the financial year ended 30 June 2007, 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

Ernst & Young

C B Pavlovich
Partner
Perth
28 September 2007

Liability limited by a scheme approved under Professional Standards Legislation.

CBP:KT:IMF:081

BALANCE SHEET
As at 30 June 2007

		Consolidated		IMF (Australia) Ltd	
	Note	2007 $	2006 $	2007 $	2006 $
ASSETS					
Current Assets					
Cash and cash equivalents	11	23,914,218	20,824,039	22,453,307	20,912,909
Trade and other receivables	12	11,812,979	5,847,852	12,962,538	9,584,120
Other assets	13	346,959	76,856	346,959	76,836
Total Current Assets		**36,074,156**	**26,748,747**	**35,762,804**	**30,573,865**
Non-Current Assets					
Plant and equipment	14	183,727	241,103	183,727	241,103
Deferred tax assets	8	—	—	2,098,977	5,669,822
Intangible assets	16	30,323,969	32,865,988	12,573,562	11,322,431
Other financial asset	17	—	—	7,762,962	3,151,703
Total Non-Current Assets		**30,507,696**	**33,107,091**	**22,619,228**	**20,385,059**
TOTAL ASSETS		**66,581,852**	**59,855,838**	**58,382,032**	**50,958,924**
LIABILITIES					
Current Liabilities					
Trade and other payables	18	2,672,118	1,619,732	1,725,519	891,435
Interest-bearing loans and borrowings	20	—	4,060,614	—	4,060,614
Provisions	19	275,064	247,314	275,064	247,314
Total Current Liabilities		**2,947,182**	**5,927,660**	**2,000,583**	**5,199,363**
Non-Current Liabilities					
Provisions	19	326,362	210,139	326,362	210,139
Interest-bearing loans and borrowings	21	13,390,007	12,814,480	13,390,007	12,814,480
Deferred tax liabilities	8	3,113,153	783,107	—	—
Total Non-Current Liabilities		**16,829,522**	**13,807,726**	**13,716,369**	**13,024,619**
TOTAL LIABILITIES		**19,776,704**	**19,735,386**	**15,716,952**	**18,223,982**
NET ASSETS		**46,805,148**	**40,120,452**	**42,665,080**	**32,734,942**
Contributed equity	22	34,406,830	30,552,455	34,406,830	30,552,455
Reserves	23	13,077,464	12,806,977	4,387,859	4,117,372
Retained earnings/(Accumulated losses)	23	(679,146)	(3,238,980)	3,870,391	(1,934,885)
TOTAL EQUITY		**46,805,148**	**40,120,452**	**42,665,080**	**32,734,942**

The above balance sheets should be read in conjunction with the accompanying notes.

INCOME STATEMENT

For the year ended 30 June 2007

		Consolidated		IMF (Australia) Ltd	
	Note	2007 $	2006 $	2007 $	2006 $
Continuing Operations					
Revenue	6(a)	1,554,618	897,094	12,461,741	878,959
Other income	6(b)	13,928,840	3,602,322	3,599,094	2,899,601
Total Income		**15,483,458**	**4,499,416**	**16,060,835**	**3,778,560**
Finance costs	7(a)	(2,194,994)	(1,236,711)	(2,193,766)	(1,235,030)
Bad debts written off		(1,407,617)	(235,127)	(1,159,243)	—
Depreciation expense	7(b)	(122,743)	(122,979)	(122,743)	(122,979)
Employee benefits expense	7(c)	(2,135,972)	(2,699,831)	(2,962,958)	(3,828,942)
Corporate and office expense	7(d)	(854,460)	(840,356)	(854,460)	(1,025,121)
Other expenses	7(e)	(490,731)	(197,761)	(490,724)	(312,552)
Profit/(loss) before income tax		**8,276,941**	**(833,349)**	**8,276,941**	**(2,746,064)**
Income tax (expense)/benefit	8	(2,308,420)	139,062	937,022	529,959
Profit/(loss) attributable to members of the parent		**5,968,521**	**(694,287)**	**9,213,963**	**(2,216,105)**
Earnings/(loss) per share attributable to the ordinary equity holders of the company (cents per share)					
Basic profit/(loss) (cents per share)		5.244	(0.733)		
Diluted profit/(loss) (cents per share)		5.244	(0.733)		

The above income statements should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 30 June 2007

		Consolidated		IMF (Australia) Ltd	
	Note	2007 $	2006 $	2007 $	2006 $
Cash flows from operating activities					
Proceeds from litigation funding		23,154,217	6,110,239	10,157,010	4,086,176
Payments for litigation funding		(10,696,228)	(11,525,148)	(5,574,313)	(5,163,515)
Payments to suppliers and employees		(5,958,021)	(6,489,018)	(10,540,863)	(10,300,344)
Interest income		1,554,618	897,094	1,462,162	897,094
Interest paid		(1,305,308)	(713,096)	(1,304,079)	(713,096)
Net cash flows from/(used in) operating activities	24	**6,749,278**	**(11,719,929)**	**(5,800,083)**	**(11,193,685)**
Cash flows from investing activities					
Purchase of plant and equipment		(65,798)	(72,776)	(65,798)	(72,776)
Receipt of intercompany dividend		—	—	10,999,579	—
Net cash flows used in investing activities		**(65,798)**	**(72,776)**	**10,933,781**	**(72,776)**
Cash flows from financing activities					
Proceeds from issue of shares		3,876,000	2,307,500	3,876,000	2,307,500
Repayment of unsecured loans		(4,060,614)	—	(4,060,614)	—
Proceeds from issue of convertible notes		—	14,472,630	—	14,472,630
Payment of convertible note costs		—	(463,690)	—	(463,690)
Payment of interim dividend		(3,408,687)	—	(3,408,687)	—
Net cash flows from/(used in) financing activities		**(3,593,301)**	**16,316,440**	**(3,593,301)**	**16,316,440**
Net increase in cash held		3,090,179	4,523,735	1,540,396	5,049,979
Cash and cash equivalents at beginning of year		20,824,039	16,300,304	20,912,910	15,862,931
Cash and cash equivalents at end of year		**23,914,218**	**20,824,039**	**22,453,306**	**20,912,910**

The above cash flows statements should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2007

CONSOLIDATED	General Reserve	Option Premium Reserve	Convertible Notes Reserve	Issued Capital	Accumulated Losses	Total
	$	$	$	$	$	$
Balance as at 1 July 2005	**8,689,605**	**2,405,883**	**—**	**28,180,079**	**(2,544,693)**	**36,730,874**
Loss for the year	—	—	—	—	(694,287)	(694,287)
Total recognised income and expenses	8,689,605	2,405,883	—	28,180,079	(3,238,980)	36,036,587
Issue of shares	—	—	—	2,307,500	—	2,307,500
Cost of share based payments		727,350	—	—	—	727,350
Convertible note reserve	—	—	1,405,913	—	—	1,405,913
Deferred tax	—	—	(421,774)	64,876	—	(356,898)
Balance as at 30 June 2006	**8,689,605**	**3,133,233**	**984,139**	**30,552,455**	**(3,238,980)**	**40,120,452**
Profit for the year	—	—	—	—	5,968,521	5,968,521
Total recognised income and expenses	8,689,605	3,133,233	984,139	30,552,455	2,729,541	46,088,973
Dividend paid in the year					(3,408,687)	(3,408,687)
Exercise of options	—	—	—	3,876,000	—	3,876,000
Cost of share based payments	—	270,487	—	—		270,487
Convertible note reserve	—	—	—	—	—	—
Deferred tax	—	—		(21,625)	—	(21,625)
Balance as at 30 June 2007	**8,689,605**	**3,403,720**	**984,139**	**34,406,830**	**(679,146)**	**46,805,148**

PARENT	General Reserve	Option Premium Reserve	Convertible Notes Reserve	Issued Capital	Retained Earnings/ (Accumulated Losses)	Total
	$	$	$	$	$	$
Balance as at 1 July 2005	**—**	**2,405,883**	**—**	**28,180,079**	**281,220**	**30,867,182**
Loss for the year	—	—	—	—	(2,216,105)	(2,216,105)
Total recognised income and expenses	—	2,405,883	—	28,180,079	(1,934,885)	28,651,077
Issue of shares	—	—	—	2,307,500	—	2,307,500
Cost of share based payments	—	727,350	—	—	—	727,350
Convertible note reserve			1,405,913	—	—	1,405,913
Deferred tax		—	(421,774)	64,876	—	(356,898)
Balance as at 30 June 2006	**—**	**3,133,233**	**984,139**	**30,552,455**	**(1,934,885)**	**32,734,942**
Profit for the year	—	—	—	—	9,213,963	9,213,963
Total recognised income and expenses	—	3,133,233	984,139	30,552,455	7,279,078	41,948,906
Dividend paid in the year					(3,408,687)	(3,408,687)
Exercise of options	—	—	—	3,876,000	—	3,876,000
Cost of share based payments	—	270,487	—	—	—	270,487
Convertible note reserve	—	—	—	—	—	—
Deferred tax	—	—		(21,625)	—	(21,625)
Balance as at 30 June 2007	**—**	**3,403,720**	**984,139**	**34,406,830**	**3,870,391**	**42,665,080**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS

Note 1: Corporate Information

The financial report of IMF (Australia) Ltd (the Company or the Parent) for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 21 September 2007.

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

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

Note 2: Summary of Significant Accounting Policies

a. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to the operations of the Group and effective for the periods beginning on or after 1 July 2006. The adoption of these standards had no impact on the financial position or performance of the Group.

The financial report is presented in Australian dollars.

b. Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures*.	1-Jan-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1-Jul-07
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *Group and Treasury Share Transactions*.	1-Mar-07	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1-Jul-07
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*.	1-Jan-08	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1-Jul-08
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1-Jan-09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the new standard may have an impact on the segment disclosures included in the Group's financial report.	1-Jul-09

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1-Jul-07	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Group's financial statements. Changes to disclosure requirements will have no direct impact on the amounts included in the Group's financial statement. However, the new standard may have an impact on the disclosures included in the Group's financial report.	1-Jul-07
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) *Borrowing Costs*.	1-Jan-09	No material impact on existing policy.	1-Jul-09
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107, & AASB 128]	Amending standard issued as a consequence of AASB 2007-4.	1-Jul-07	Refer to AASB 2007-4 above.	1-Jul-07
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132.	1-Jan-07	Refer to AASB 2005-10 above.	1-Jul-07
AASB 8	*Operating Segments*	This new standard will replace AASB 114 *Segment Reporting* and adopts a management approach to segment reporting.	1-Jan-09	Refer to AASB 2007-3 above.	1-Jul-09
AASB 101 (revised October 2006)	Presentation of Financial Statements	Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure than the existing AASB 101.	1-Jan-07	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the revised standard may result in changes to the disclosures included in the Group's financial report.	1-Jul-07

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction or production of a qualifying asset. The revised version of AASB 123 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.	1-Jan-09	Refer to AASB 2007-6 above.	1-Jul-09
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 Interim Financial Reporting and the impairment requirements relating to goodwill in AASB 136 Impairment of Assets and equity instruments classified as available for sale in AASB 139 Financial Instruments: Recognition and Measurement.	1-Nov-06	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 that interim reporting is not expected to have any impact on the Group's financial report.	1-Jul-07
AASB Interpretation II	*Group and Treasury Share Transactions*	Specifies that a share-based payment transaction in which an entity received services as consideration for its own equity instruments shall be accounted for as equity-settled.	1-Mar-07	Refer to AASB 2007-1 above.	1-Jul-07
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infra-structure as a financial asset and/or an intangible asset — not as property, plant and equipments.	1-Jan-08	Refer to AASB 2007-2 above.	1-Jul-08
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements Disclosures	The revised interpretation was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.	1-Jan-08	Refer to AASB 2007-2 above.	1-Jul-08

Reference	Title	Summary	Application date of standard*	Impact on Group Financial Report	Application date for Group
IFRIC Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1-Jul-08	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1-Jul-08
IFRIC Interpretation 14	IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1-Jan-08	The Group does have a defined pension plan and as such this interpretation may have an impact on the Group's financial report. The Group has not yet determined the extent of the impact, if any.	1-Jul-08

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of IMF (Australia) Limited and its subsidiary Insolvency Litigation Fund Pty Limited (the Group) as at 30 June each year.

The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

The investment in the subsidiary of the Company is measured at cost.

d. Cash and cash equivalents

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

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

e. Trade and other receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

f. Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Loans and receivables

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

g. Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

Plant and equipment — over 5 to 15 years

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

(i) Disposal

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

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

h. Leases

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

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

i. Intangible assets

Litigation Contracts In Progress

Litigation Contracts In Progress represent future economic benefits controlled by the Group. As Litigation Contracts In Progress may be exchanged or sold, the Group is able to control the expected future economic benefit flowing from the Litigation Contracts In Progress. Accordingly, Litigation Contracts In Progress meet the definition of intangible assets.

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

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

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

(A) Actions still outstanding:

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

i. Demonstration of ability of the Group to complete the litigation so that the asset will be available for use and the benefits embodied in the asset will be realised;
ii. Demonstration that the asset will generate future economic benefits;
iii. Demonstration that the Group intends to complete the litigation;
iv. Demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and
v. Ability to measure reliably the expenditure attributable to the intangible asset during the Litigation Contracts In Progress.

(B) Successful Judgment:

Where the Litigation has been decided in favour of the Group, this constitutes a derecognition of the intangible asset and accordingly a gain or loss is recognised in the Income Statement.

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

(C) Unsuccessful Judgment:

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

j. Impairment of non-financial asset

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the Impairment may have reversed.

k. Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days or recognition.

l. Interest-bearing loans and borrowings

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

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

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

m. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

n. Provisions and employee leave benefits

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

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

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

o. Employee leave benefits

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

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

p. Share-based payment transactions

(i) Equity-settled transactions
Previously, the Company had an the Employee Share Option Plan (ESOP), which provides benefits to directors and employees in the form of share based payments. During the year the Company implemented a short term incentive plan, which replaced the ESOP, and which may also, at the discretion of the remuneration committee, provide benefits to employees in the form of share based payments.

The cost of equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, further details of which are given in note 27.

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

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

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

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

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

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

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

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

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

(ii) Cash-settled transactions
The Group does not provide cash-settled share-based benefits to employees or senior executives.

q. Convertible notes

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

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

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

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

Interest on the liability component of the instruments is recognised as an expense in the Income Statement.

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

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

r. Contributed equity

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

s. Revenue recognition

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

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

(ii) Dividends
Revenue is recognised when the Group's right to receive the payment is established.

t. Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

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

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

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

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

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

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

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

u. Earning/(loss) per share

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of interest dividends and associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares;

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

Note 3: Financial Risk Management Objectives and Policies

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such are trade receivables and payables, which arise directly from its operations. It is and has been throughout the period under review, the Group's policy that no trading in financial instruments be undertaken. The main risks associated with the Group's financial instruments are cash flow interest rate risk and credit risk. The Board reviews and agrees policies for managing these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group has managed this interest rate risk by issuing convertible notes with fixed coupon payments.

Fair value interest rate risk

As the Group holds fixed rate debt there is a risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The level of fixed rate debt is disclosed in note 21 and it is acknowledged that this risk is a by-product of the Group's attempt to manage its cash flow interest rate risk.

Commodity price risk

The Group's exposure to this risk is minimal.

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 Balance Sheet and notes to the financial statements.

The Group monitors the receivables balance on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, and convertible notes. At 30 June 2007, 0% of the Group's debt will mature in less than one year (2006: 22%).

Note 4: Significant Accounting Judgments, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgments

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual litigation contract in progress. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant accounting estimates and assumptions

Impairment of intangibles with indefinite useful lives

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of intangibles with indefinite useful lives are discussed in note 16.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model, with the assumptions detailed in note 27. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

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

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience for plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 2 and note 14.

Note 5: Segment Information

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

Geographically, the Group operates in Australia only however the Group is test marketing and investigating other markets including the UK, Singapore, New Zealand, Hong Kong and the United States of America.

Note 6: Revenue

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
(a) Revenue				
Bank interest received	1,554,618	897,094	1,462,162	878,959
Intercompany dividends received	—	—	10,999,579	—
	1,554,618	897,094	12,461,741	878,959
(b) Other income				
Litigation contracts in progress — settlements	31,292,764	7,662,554	10,021,817	4,871,596
Litigation contracts in progress expenses	(16,224,421)	(4,348,189)	(5,542,498)	(2,193,480)
Litigation contracts in progress written-down	(1,139,503)	(217,853)	(880,225)	(183,012)
Net gain on disposal of intangible assets	13,928,840	3,096,512	3,599,094	2,495,104
GST recoverable from prior periods	—	505,810	—	404,497
	13,928,840	3,602,322	3,599,094	2,899,601

Note 7: Expenses

	Consolidated 2007 $	Consolidated 2006 $	IMF (Australia) Ltd 2007 $	IMF (Australia) Ltd 2006 $
(a) Finance costs				
Interest on related party loans	(32,457)	(312,162)	(32,457)	(312,162)
Interest on convertible notes	(2,140,922)	(907,297)	(2,140,922)	(907,297)
Other finance charges	(21,615)	(17,252)	(20,387)	(15,571)
	(2,194,994)	(1,236,711)	(2,193,766)	(1,235,030)
(b) Depreciation included in the income statement				
Depreciation	(122,743)	(122,979)	(122,743)	(122,979)
(c) Employee benefits expense				
Wages and salaries	(1,020,640)	(1,257,071)	(1,847,626)	(2,386,182)
Superannuation expense	(391,075)	(340,674)	(391,075)	(340,674)
Directors fees	(155,963)	(176,338)	(155,963)	(176,338)
Payroll tax	(181,584)	(205,021)	(181,584)	(205,021)
Long service leave provision	(116,223)	6,623	(116,223)	6,623
	(1,865,485)	(1,972,481)	(2,692,471)	(3,101,592)
Share-based payments expense	(270,487)	(727,350)	(270,487)	(727,350)
Total employee benefits expense	(2,135,972)	(2,699,831)	(2,962,958)	(3,828,942)
(d) Corporate and office expense				
Insurance expense	(138,969)	(101,855)	(138,969)	(101,855)
Network expense	(131,344)	(163,159)	(131,344)	(163,159)
Marketing expense	(59,757)	(56,964)	(59,757)	(57,464)
Occupancy expense	(14,167)	(52,115)	(14,167)	(236,380)
Professional fee expense	(373,662)	(325,829)	(373,662)	(325,829)
Recruitment expense	(44,160)	(27,230)	(44,160)	(27,230)
Telephone expense	(46,285)	(68,377)	(46,285)	(68,377)
Travel expense	(46,116)	(44,827)	(46,116)	(44,827)
	(854,460)	(840,356)	(854,460)	(1,025,121)

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Note 7: Expenses (continued)				
(e) Other expenses				
ASX listing fees	(37,522)	(23,350)	(37,522)	(23,350)
General expenses	(212,543)	(46,584)	(212,536)	(140,423)
Postage, printing and stationary	(28,216)	(29,865)	(28,216)	(50,817)
Repairs and maintenance	(20,562)	(8,261)	(20,562)	(8,261)
Share registry costs	(27,458)	(16,871)	(27,458)	(16,871)
Software supplies	(8,972)	(10,544)	(8,972)	(10,544)
Net loss on disposal of plant and equipment	—	(37,286)	—	(37,286)
Write-down of available for sale investments	—	(25,000)	—	(25,000)
Write-down of asset value	(155,458)	—	(155,458)	—
	(490,731)	(197,761)	(490,724)	(312,552)
Note 8: Income Tax				
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge/(benefit)	—	(2,537,737)	(939,675)	(1,664,219)
Adjustment in respect of current income tax of previous year	(246,366)	(34,344)	(121,348)	122,927
Deferred income tax				
Relating to origination and reversal of temporary differences	2,554,786	2,433,019	124,001	1,011,333
Income tax expense/(benefit) reported in the income statement	2,308,420	(139,062)	(937,022)	(529,959)
(b) Amounts charged or credited directly to equity				
Current income tax related to items charged or credited directly to equity				
Share issue costs	21,625	(64,876)	21,625	(64,876)
Convertible note	—	421,774	—	421,774
Income tax expense reported in equity	21,625	356,898	21,625	356,898
(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense/(benefit) calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate as follows:				
Accounting profit before income tax	8,276,941	(833,349)	8,276,941	(2,746,064)
At the Group's statutory income tax rate of 30% (2006: 30%)	2,483,082	(250,005)	2,483,082	(823,819)
Adjustment in respect of current income tax of previous years	(246,366)	(34,344)	(121,348)	122,927
Expenditure not allowable for income tax purposes	83,473	228,893	83,473	227,935
Income not assessable for income tax purposes	—	(33,215)	(3,299,874)	(3,836)
Other	(11,769)	(50,390)	(82,355)	(53,166)
Income tax expense/(benefit) reported in the consolidated income statement	2,308,420	(139,061)	(937,022)	(529,959)

(d) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
CONSOLIDATED				
Note 8: Income Tax (continued)				
(i) Deferred tax liabilities				
Intangibles	9,086,146	9,859,796	(773,651)	2,636,072
Prepayments	1,818	—	1,818	(1,787)
Expenditure deducted for income tax purposes	—	—	—	(1,197)
Impact of AASB 132	185,680	375,354	(189,674)	(46,420)
Gross deferred tax liabilities	9,273,644	10,235,150		
(ii) Deferred tax assets				
Depreciable assets	36,491	24,897	(11,594)	(829)
Accruals and provisions	357,419	184,702	(172,717)	(43,275)
Losses available for offset against future taxable income	5,637,472	9,062,691	3,671,585	—
Expenditure deductible for income tax over time	129,109	179,753	29,019	(109,545)
Gross deferred tax assets	6,160,491	9,452,043		
Deferred income tax expense			2,554,786	2,433,019
Net deferred tax liabilities	3,113,153	783,107		
PARENT				
(i) Deferred tax liabilities				
Intangibles	3,772,068	3,396,729	375,339	1,213,766
Prepayments	1,818	—	1,818	(1,787)
Expenditure deducted for income tax purposes	—	—	—	(1,197)
Impact of AASB 132	185,680	375,354	(189,674)	(46,420)
Gross deferred tax liabilities	3,959,566	3,772,083		
(ii) Deferred tax assets				
Depreciable assets	36,491	24,897	(11,594)	1,931
Losses available for offset against future taxable income	5,637,472	9,062,691	—	—
Provisions	255,471	174,564	(80,907)	(45,415)
Expenditure deductible for income tax over time	129,109	179,753	29,019	(109,545)
Gross deferred tax assets	6,058,543	9,441,905		
Deferred income tax expense			124,000	1,011,333
Net deferred tax assets	**2,098,977**	**5,669,822**		

(e) Unrecognised temporary differences

At 30 June 2007 there were no unrecognised temporary differences associated with the Group's investments in its subsidiary, as the Group has no liability for additional taxation should unremitted earnings be remitted (2006: $nil).

(f) Tax consolidation

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

(ii) Tax effect accounting by members of the tax consolidated group
IMF (Australia) Ltd and its 100% owned subsidiary have formed a tax consolidated group with effect from 1 July 2002. IMF (Australia) Ltd is the head of the tax consolidated group.

Note 8: Income Tax (continued)

Tax consolidation contributions/(distributions)

IMF (Australia) Ltd has recognised the following amounts as tax-consolidation contribution adjustments:

	IMF (Australia) Ltd	
	2007 $	2006 $
Tax losses used by the subsidiary	4,611,260	1,005,789

(iii) Tax related contingencies

All tax related contingencies are disclosed in note 2.

Note 9: Dividends paid and proposed

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
(a) Recognised amounts:				
Declared and paid during the year				
Dividends on ordinary shares				
Interim unfranked dividend for 2007: 3.0 cents per share (2006: nil)	3,408,687	—	3,408,687	—
	3,408,687	—	3,408,687	—

No further dividend has been declared with respect to the year ended 30 June 2007.

As the Group has carried forward tax losses, there are no franking credits available for the subsequent financial year.

Note 10: Earnings/(Loss) Per Share

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

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

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

	Consolidated	
	2007 $	2006 $
(a) Earnings used in calculating earnings per share		
For basic earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	5,968,521	(694,287)
For diluted earnings per share		
Net profit/(loss) from continuing operations attributable to ordinary equity holders of the parent	5,968,521	(694,287)
Tax effected interest on convertible notes	1,498,645	—
Net profit/(loss) attributable to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	7,467,166	(694,287)

(b) Weighted average number of shares

	Number	
	2007	2006
Weighted average number of ordinary shares outstanding during the year for basic earnings/(loss) per share	113,813,481	94,733,484
Effect of dilution:		
Share options	1,128,093	4,652,746
Convertible notes	20,685,185	20,685,185
Weighted average number of ordinary shares adjusted for the effect of dilution	135,626,759	120,071,415

Note 10: Earnings/(Loss) Per Share (continued)

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

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares outstanding between the reporting date and the date of completion of these financial statements, other than the expiry of 4,200,000 director options on 1 July 2007.

(c) Information on the classification of securities

(i) Options

Options granted to employees (including key management personnel) as described in note 22 and note 27 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

(ii) Convertible notes

The convertible notes as described in note 21 are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These convertible notes have not been included in the determination of basic earnings per share.

Note 11: Current Assets — Cash and Cash Equivalents

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Cash at bank	3,347,720	169,966	1,886,809	261,980
Short-term deposits	20,566,498	20,654,073	20,566,498	20,650,929
	23,914,218	20,824,039	22,453,307	20,912,909

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to Cash Flow Statement

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

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Cash at banks and in hand	3,347,720	169,966	1,886,809	261,980
Short-term deposits	20,566,498	20,654,073	20,566,498	20,650,929
	23,914,218	20,824,039	22,453,307	20,912,909

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 2007 guarantees of $2,699,473 were outstanding (2006: $2,304,473). The guarantees are secured by an offset arrangement with a term deposit of $1,578,008 (2006: $1,666,754).

Set off of assets and liabilities:

The Group has established a legal right of set off with a bank enabling it to set off certain deposits with the bank against bank guarantees issued totalling $2,699,473 (2006: $2,304,473). The total of the bank guarantee facility is $3,000,000. The guarantee facility is secured by an offset arrangement against a term deposit of $1,578,008 (2006: $1,666,754).

Note 12: Current Assets — Trade and Other Receivables

		Consolidated		IMF (Australia) Ltd	
		2007 $	2006 $	2007 $	2006 $
Trade receivables	(i)	11,697,147	4,539,599	1,295,435	1,374,499
GST refund receivable	(ii)	115,832	949,368	115,832	747,824
GST unclaimed	(iii)	—	358,885	—	183,711
		11,812,979	5,847,852	1,411,267	2,306,034
Related party receivables		—	—	11,551,271	7,278,086
		11,812,979	5,847,852	12,962,538	9,584,120

(i) Trade receivables are non-interest bearing and generally on 30–90 day terms. Included in trade debtors is an amount of $nil (2006: $1,689,366) which is subject to appeal.

(ii) During the year ended 30 June 2006, the Group received a revised ruling from the Australian Taxation Office (ATO) concerning its treatment of Goods and Services Tax ("GST"). This ruling has resulted in the Group making a claim for a refund of $949,368 as at 30 June 2006. $505,810 of this claim related to periods prior to 30 June 2006. During the year ended 30 June 2007 the ATO advised the Group that this claim was being audited. The ATO have not completed its audit, however, the Group understands that the receivable remains uncertain except for $115,832 and has therefore written down the value of the receivable.

(iii) As at 30 June 2006 the Group had identified $358,885 in unclaimed GST which had not been claimed from the ATO. As the 30 June 2007 claim remains the subject of an ATO audit, this unclaimed amount has not been pursued.

Details regarding the effective interest rate and credit risk of current receivables is disclosed in note 2 and note 28.

Note 13: Current Assets — Other Assets

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Prepayments	346,508	76,366	346,508	76,366
Other	451	490	451	470
	346,959	76,856	346,959	76,836

Note 14: Non Currents Assets — Plant and Equipment

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

	Consolidated Plant and Equipment	IMF (Australia) Ltd Plant and Equipment
Year ended 30 June 2007	**$**	**$**
Balance as at 1 July 2006, net of accumulated depreciation	241,103	241,103
Additions	65,367	65,367
Depreciation charge for the year	(122,743)	(122,743)
At 30 June 2007, net of accumulated depreciation	183,727	183,727
Balance as at 1 July 2006		
Cost	895,908	895,908
Accumulated depreciation	(654,805)	(654,805)
Net carrying amount	241,103	241,103
Balance as at 30 June 2007, net of accumulated depreciation		
Cost	961,275	961,275
Accumulated depreciation	(777,548)	(777,548)
Net carrying amount	183,727	183,727
Year ended 30 June 2006		
Balance as at 1 July 2005, net of accumulated depreciation	331,441	328,616
Additions	72,776	72,776
Disposals	(40,135)	(37,310)
Depreciation charge for the year	(122,979)	(122,979)
At 30 June 2006, net of accumulated depreciation	241,103	241,103

Note 14: Non Currents Assets — Plant and Equipment (continued)

	Consolidated Plant and Equipment	IMF (Australia) Ltd Plant and Equipment
	$	$
Balance as at 1 July 2005		
Cost	825,981	823,166
Accumulated depreciation	(494,540)	(494,540)
Net carrying amount	331,441	328,626
Balance as at 30 June 2006		
Cost	895,908	895,908
Accumulated depreciation	(654,805)	(654,805)
Net carrying amount	241,103	241,103

The useful life of the assets was estimated between 5 to 15 years for both 2006 and 2007.

Note 15: Non-Current Assets — Available for Sale Investments

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Opening balance at 1 July				
Unlisted shares	—	25,000	—	25,000
Net loss from fair value adjustment	—	(25,000)	—	(25,000)
Closing balance as at 30 June	—	—	—	—

Available-for-sale investments consist of investments in ordinary shares in unlisted companies, and therefore have no fixed maturity date or coupon rate.

Note 16: Intangible Assets

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

	Consolidated Litigation Contracts in Progress	Parent Litigation Contracts in Progress
	$	$
Balance as at 1 July 2006		
Cost (gross carrying amount)	32,865,997	11,322,431
Accumulated amortisation and impairment	—	—
Net carrying amount	32,865,997	11,322,431
Year ended 30 June 2007		
Balance as at 1 July 2006, net of accumulated amortisation and impairment	32,865,997	11,322,431
Additions	14,821,905	7,673,854
Disposals	(16,224,421)	(5,542,498)
Write-down of Litigation Contracts In Progress	(1,139,503)	(880,225)
At 30 June 2007, net of accumulated amortisation and impairment	30,323,978	12,573,562
Balance as at 1 July 2005		
Cost (gross carrying amount)	24,002,052	7,271,877
Accumulated amortisation and impairment	—	—
Net carrying amount	24,002,052	7,271,877
Year ended 30 June 2006		
Balance as at 1 July 2005, net of accumulated amortisation and impairment	24,002,052	7,271,877
Additions	13,429,987	6,427,046
Disposals	(4,348,189)	(2,193,480)
Write-down of Litigation Contracts In Progress	(217,853)	(183,012)
At 30 June 2006, net of accumulated amortisation and impairment	32,865,997	11,322,431

Note 16: Intangible Assets (continued)

(b) Description of groups of intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors fees, counsels fees and experts fees, as well as the capitalisation of certain specific internal costs of managing the litigation, such as certain wages, occupancy costs and other out of pocket expenses.

(c) Write-down of intangible assets

The carrying amount of Litigation Contracts In Progress is written down when the costs incurred may not be recoverable, such as when the Group withdraws funding under a litigation contract.

(d) Impairment testing of intangible assets

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

The following describes each key assumption on which management has based its cash flow projections when determining the value in use of Litigation Contracts In Progress:

- The estimated cost to complete a Litigation Contract In Progress is budgeted, based on estimates provided by the external legal advisors handling the litigation and the plaintiff in the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the five year government bond rate at the beginning of the budgeted year, adjusted for uncertainty inherent in the asset and illiquidity, which resulted in a discount rate of 9.5% (2006: 8.5%).

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

Note 17: Non-Current Assets — Investments in Subsidiary

The consolidated financial statements include the financial statements of IMF (Australia) Ltd and the subsidiaries listed in the following table.

	Country of Incorporation	Percentage Owned		Investment	
Name		2007 %	2006 %	2007 $	2006 $
Insolvency Litigation Fund Pty Ltd (formerly Insolvency Management Fund Pty Ltd)	Australia	100	100	7,762,962	3,151,703

The movement in the investment reflects a tax consolidation adjustment to the parent entity's investment in the subsidiary as a result of the transfer of available tax losses to the subsidiary to offset the subsidiary's taxable income (refer to note 8.)

Note 18: Current Liabilities — Trade and Other Payables

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Trade payables	2,493,069	1,395,302	1,546,470	667,005
Wage accruals	179,049	224,430	179,049	224,430
Carrying amount of trade and other payables	2,672,118	1,619,732	1,725,519	891,435

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

Information regarding the effective interest rate risk of current payables is set out in note 28.

Note 19: Current and Non-Current Liabilities — Provisions

(a) Movement in provisions

	Annual leave	Long service leave	Total
CONSOLIDATED	**$**	**$**	**$**
At 1 July 2006	247,314	210,139	457,453
Arising during the year	27,750	116,223	143,973
At 30 June 2007	275,064	326,362	601,426
Current 2007	275,064	—	275,064
Non-current 2007	—	326,362	326,362
	275,064	326,362	601,426
Current 2006	247,314	—	247,314
Non-current 2006	—	210,139	210,139
	247,314	210,139	457,453
PARENT			
At 1 July 2006	247,314	210,139	457,453
Arising during the year	27,750	116,223	143,973
At 30 June 2007	275,064	326,362	601,426
Current 2007	275,064	—	275,064
Non-current 2007	—	326,362	326,362
	275,064	326,362	601,426
Current 2006	247,314	—	247,314
Non-current 2006	—	210,139	210,139
	247,314	210,139	457,453

(b) Nature and timing of provisions

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

Note 20: Interest-bearing Loans and Borrowings

	Consolidated		IMF (Australia) Ltd	
Current	**2007 $**	**2006 $**	**2007 $**	**2006 $**
Unsecured loan from key management personnel and other related parties	—	4,060,614	—	4,060,614
	—	4,060,614	—	4,060,614

(a) Fair values

The carrying amount of the Group's non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates.

(b) Terms and Conditions

On 3 August 2001, the parent entity, Expectation Pty Ltd, Legal Precedents Pty Ltd and Hugh McLernon entered into a deposit funding facility agreement. Mr McLernon was a director of Expectation Pty Ltd between 3 August 1992 and 13 July 2001, Mr 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 cash flow Expectation Pty Ltd was to receive pursuant to the Shareholders Deed;
- Legal Precedents Pty Ltd and Mr McLernon agreed to make available to the Company up to $500,000 each on the basis that Legal Precedents Pty Ltd and Mr McLernon will each deposit a sum of money with the Company equal to 25% of that sum of money deposited by Expectation Pty Ltd;
- Interest is payable on the funds deposited 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 Limited, Legal Precedents Pty Limited 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.

Note 20: Interest-bearing Loans and Borrowings (continued)

(b) Terms and Conditions (continued)

On 31 July 2006, Legal Precedents Pty Ltd converted the total debt due to it under the deposit facility, being $700,357, into ordinary shares, pursuant to the terms of the funding agreement, resulting in the issue of 3,501,787 ordinary shares.

On 31 July 2006, Mr McLernon converted the total debt due to him under the deposit facility, being $666,016, into ordinary shares, pursuant to the terms of the funding agreement, resulting in the issue of 3,330,081 ordinary shares.

On 8 August 2006, Expectation Pty Ltd converted debt due to it under the deposit facility, being $2,297,360, into ordinary shares, pursuant to the terms of the funding agreement, resulting in the issue of 11,486,800 ordinary shares. The Company repaid the balance due to Expectation as at 8 August 2006, totalling $429,337, on 8 August 2006.

Accordingly, as at 8 August 2006, the deposit facility had been repaid by the Company in full. (At 30 June 2006, $2,703,491 was owed to Expectation Pty Ltd, $695,616 to Legal Precedents Pty Ltd and $661,507 to Hugh McLernon.)

(c) Effective interest rate risk

Information regarding the effective interest rate risk of the interest bearing loans and borrowings is set out in note 28.

Note 21: Convertible Notes

	Consolidated		IMF (Australia) Ltd	
Non-current	**2007 $**	**2006 $**	**2007 $**	**2006 $**
Convertible notes	13,390,007	12,814,480	13,390,007	12,814,480
	13,390,007	12,814,480	13,390,007	12,814,480

(a) Terms and Conditions

On 30 January 2006 the parent entity issued 20,685,185 convertible notes, raising total capital of $14,472,629 (excluding costs). Each convertible note has a nominal value of $0.70 and has the right to convert into one ordinary share.

The convertible notes are convertible at the option of the note-holder by 31 March 2010. The parent entity has the option to issue an early redemption notice to the convertible note-holders from 30 January 2008, with an early redemption penalty of 2.5% per annum, compounded quarterly until maturity. If such a notice is issued by the parent entity, the convertible notes remain convertible at the option of the note-holder.

The convertible notes carry a coupon of 11.5% per annum, payable quarterly in arrears.

The application of AASB 132 Financial Instruments: Disclosure and Presentation has resulted in $1,405,913 of these convertible notes being classified as equity on recognition (refer to note 2).

(b) Effective interest rate risk

Information regarding the effective interest rate risk of the convertible notes is set out in note 28.

Note 22: Contributed Equity

	Consolidated		IMF (Australia) Ltd	
Contributed equity	**2007 $**	**2006 $**	**2007 $**	**2006 $**
Issued and fully paid ordinary shares	34,406,830	30,552,455	34,406,830	30,552,455

(a) Ordinary shares

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

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

	Number	$
Movements in ordinary shares on issue		
As at 1 July 2005	91,183,484	28,180,079
Share placement at 65c — 1 September 2005	3,550,000	2,307,500
Deferred tax adjustments	—	64,876
As at 30 June 2006	94,733,484	30,552,455
Exercise of shareholders agreement (deposit facility) options	18,318,666	3,663,733
Exercise of employee options	761,331	212,267
Deferred tax adjustments	—	(21,625)
As at 30 June 2007	113,813,481	34,406,830

Note 22: Contributed Equity (continued)

(b) Share Options

At 30 June 2007, there were 15,319,330 (2006: 35,503,008) unissued ordinary shares in total in respect of which options were outstanding, as follows:

	2007	2006
Options — Expectation Pty Ltd (see note 20)	—	12,597,120
Director Options (see note 26)	11,200,000	17,498,560
Employee options (see note 27)	4,119,330	5,407,328
Options issued as at 30 June	15,319,330	35,503,008

Note 23: Retained Earnings and Reserves

(a) Movement in retained earnings were as follows:

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Balance 1 July	(3,238,980)	(2,544,693)	(1,934,885)	281,220
Net profit/(loss) for the year	5,968,521	(694,287)	9,213,963	(2,216,105)
Interim dividend paid (3.0 cents)	(3,408,687)	—	(3,408,687)	—
Balance 30 June	(679,146)	(3,238,980)	3,870,391	(1,934,885)

(b) Movement in reserves were as follows:

	General Reserve	Option Premium Reserve	Convertible Notes Reserve	Total
Consolidated	$	$	$	$
At 1 July 2005	8,689,605	2,405,883	—	11,095,488
Share based payments	—	727,350	—	727,350
Equity component of convertible notes	—	—	1,405,913	1,405,913
Deferred tax liability	—	—	(421,774)	(421,774)
At 30 June 2006	8,689,605	3,133,233	984,139	12,806,977
Share based payments	—	270,487	—	270,487
At 30 June 2007	8,689,605	3,403,720	984,139	13,077,464
Parent	$	$	$	$
At 1 July 2005	—	2,405,883	—	2,405,883
Share based payments	—	727,350	—	727,350
Equity component of convertible notes	—	—	1,405,913	1,405,913
Deferred tax asset	—	—	(421,774)	(421,774)
At 30 June 2006	—	3,133,233	984,139	4,117,372
Share based payments	—	270,487	—	270,487
At 30 June 2007	—	3,403,720	984,139	4,387,859

(c) Nature and purpose of reserves

(i) General reserve

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 after considering losses from subsequent years.

(ii) Option premium reserve

This reserve is used to record the value of equity benefits provided to employees and directors, including key management personnel, as part of their remuneration. Refer to note 27 for further details of these payments.

(iii) Convertible note reserve

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

Note 24: Cash Flow Statement Reconciliation

	Consolidated		IMF (Australia) Ltd	
	2007 $	**2006 $**	**2007 $**	**2006 $**
(a) Reconciliation of net profit after tax to net cash flows from operations				
Net profit/(loss) attributable to members of the parent	5,968,521	(694,287)	9,213,963	(2,216,105)
Adjustments for:				
Depreciation	122,743	122,979	122,743	122,979
Interest accretion — convertible notes	474,738	211,453	474,738	211,453
Share options expensed	270,487	727,350	270,487	727,350
Other	(75,864)	(4,601)	(75,864)	17,575
Intercompany dividend — classified as investing cash flow	—	—	(10,999,579)	—
Write down of asset value	155,458	25,000	155,458	25,000
Changes in assets and liabilities				
Decrease/(Increase) in receivables	(5,965,126)	(3,017,271)	(3,378,418)	(5,689,803)
Decrease/(Increase) in other current assets	(270,102)	168,713	(270,123)	166,335
Decrease/(Increase) in other financial assets	—	—	(4,611,259)	1,030,789
Decrease/(Increase) in intangible assets	2,542,019	(8,863,936)	(1,251,131)	(4,050,554)
Increase/(Decrease) in trade creditors and accruals	1,052,386	(679,338)	834,083	(372,331)
Increase/(Decrease) in provisions	27,750	68,580	27,750	68,580
Increase/(Decrease) in non current employee entitlements	116,224	(6,622)	116,224	(6,622)
Increase/(Decrease) in deferred tax liabilities	2,330,046	222,051	3,570,845	(1,203,331)
Net cash from/(used in) operating activities	6,749,278	(11,719,929)	(5,800,083)	(11,168,685)

(b) Disclosure of financing facilities

Refer to note 20 and note 21.

Note 25: Related Party Disclosure

Loans from director related entities

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for further information regarding these balances refer to note 20).

	Consolidated		IMF (Australia) Ltd	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Amounts owed to related parties	—	4,060,614	—	4,060,614

Note 26: Key Management Personnel

(a) Details of Key Management Personnel

(i) Directors	
Robert Ferguson	Executive Chairman
John Walker	Managing Director
Hugh McLernon	Executive Director
Alden Halse	Director (non-executive)
Michael Bowen	Director (non-executive)
(ii) Executives	
Wayne Attrill	Senior Manager, appointed 19 March 2007
Clive Bowman	Senior Manager
Andrew Charles	Senior Manager, appointed 14 May 2007
Charlie Gollow	Senior Manager
Diane Jones	Chief Financial Officer and Company Secretary
Paul Rainford	Senior Manager

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

Note 26: Key Management Personnel (continued)

(b) Compensation of Key Management Personnel

	Consolidated 2007 $	Consolidated 2006 $	IMF (Australia) Ltd 2007 $	IMF (Australia) Ltd 2006 $
Short-term employee benefits	2,402,915	2,580,488	2,402,915	2,580,488
Post-employment benefits	102,877	23,382	102,877	23,382
Share Based Payment	—	652,638	—	652,638
	2,505,792	3,256,508	2,505,792	3,256,508

IMF (Australia) Ltd has applied the option under Corporations Amendment Regulation 2006 to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.44 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

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

30 June 2007	Balance 01-Jul-06	Granted as Remuneration	Options Exercised[1]	Net change Other[1]	Balance 30-Jun-07	Vested at 30 June 2006 Total	Vested at 30 June 2006 Exercisable	Not Vested/ Exercisable
Directors								
Robert Ferguson	—	—	—	—	—	—	—	—
John Walker	9,049,280	—	(3,330,081)	180,801	5,900,000	5,900,000	5,900,000	—
Hugh McLernon	7,249,280	—	(3,501,787)	352,507	4,100,000	4,100,000	4,100,000	—
Alden Halse	600,000	—	—	—	600,000	600,000	600,000	—
Michael Bowen	600,000	—	—	—	600,000	600,000	600,000	—
Executives								
Wayne Attrill	—	—	—	—	—	—	—	—
Clive Bowman	2,352,282	—	(254,094)	—	2,098,188	2,098,188	2,098,188	—
Andrew Charles	—	—	—	—	—	—	—	—
Charlie Gollow	700,000	—	—	—	700,000	700,000	700,000	—
Diane Jones	—	—	—	—	—	—	—	—
Paul Rainford	921,713	—	(190,571)	—	731,142	731,142	731,142	—
Total	21,472,555	—	(7,276,533)	533,308	14,729,330	14,729,330	14,729,330	—

30 June 2006	Balance 01-Jul-05	Granted as Remuneration	Options Exercised[1]	Net change Other[1]	Balance 30-Jun-06	Vested at 30 June 2006 Total	Vested at 30 June 2006 Exercisable	Not Vested/ Exercisable
Directors								
Robert Ferguson	—	—	—	—	—	—	—	—
John Walker	8,049,280	1,000,000	—	—	9,049,280	9,049,280	9,049,280	—
Hugh McLernon	6,249,280	1,000,000	—	—	7,249,280	7,249,280	7,249,280	—
Alden Halse	600,000	—	—	—	600,000	600,000	600,000	—
Michael Bowen	600,000	—	—	—	600,000	600,000	600,000	—
Executives								
Jon McArthur	—	283,333	—	—	283,333	283,333	283,333	—
Clive Bowman	1,752,282	600,000	—	—	2,352,282	2,352,282	2,352,282	330,000
Alistair Mackay	400,000	150,000	—	—	550,000	450,000	450,000	100,000
Charlie Gollow	400,000	300,000	—	—	700,000	600,000	600,000	100,000
Paul Rainford	871,713	50,000	—	—	921,713	821,713	821,713	100,000
Total	18,922,555	3,383,333	—	—	22,305,888	22,005,888	22,005,888	630,000

[1] Options were granted and subsequently exercised pursuant to interest payable under the deposit facility during 2007. Refer to note 20 for further details.

Note 26: Key Management Personnel (continued)

(d) Shareholdings of Key Management Personnel

Shares held in IMF (Australia) Ltd (number)

30 June 2007	Balance 30-Jun-06	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-07
Directors					
Robert Ferguson	2,500,000	—	—	—	2,500,000
John Walker	4,051,250	—	3,330,081	—	7,381,331
Hugh McLernon	7,086,611	—	3,501,787	—	10,588,398
Alden Halse	591,251	—	—	—	591,251
Michael Bowen	513,751	—	—	—	513,751
Executives					
Wayne Attrill	—	—	—	—	—
Clive Bowman	843,750	—	254,094	—	1,097,844
Andrew Charles	—	—	—	205,079	205,079
Charlie Gollow	60,000	—	—	—	60,000
Diane Jones	—	—	—	20,000	20,000
Paul Rainford	50,000	—	190,571	—	240,571
Total	15,696,613	—	7,276,533	225,079	23,198,225

30 June 2006	Balance 30-Jun-05	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-06
Directors					
Robert Ferguson	2,500,000	—	—	—	2,500,000
John Walker	4,051,250	—	—	—	4,051,250
Hugh McLernon	7,086,611	—	—	—	7,086,611
Alden Halse	591,251	—	—	—	591,251
Michael Bowen	513,751	—	—	—	513,751
Executives					
Wayne Attrill	—	—	—	—	—
Clive Bowman	843,750	—	—	—	843,750
Andrew Charles	—	—	—	—	—
Charlie Gollow	60,000	—	—	—	60,000
Diane Jones	—	—	—	—	—
Paul Rainford	50,000	—	—	—	50,000
Total	15,696,613	—	—	—	15,696,613

[1] Shares were purchased prior to employment with IMF and were not part of remuneration paid by IMF.

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arms length.

(e) Other transactions and balances with Key Management Personnel

On 3 August 2001, the parent entity, Expectation Pty Ltd, Legal Precedents Pty Ltd and Hugh McLernon entered into a deposit funding facility agreement. Refer to note 20 for further details.

(f) Loans to Key Management Personnel

There have been no loans provided to key management personnel in 2007 (2006: nil).

Note 27: Share-based Payment Plan

(a) Recognised share-based payment expenses

The expenses recognised for employee services received during the year is shown in the table below:

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Expenses arising from equity settled share-based payment transactions	(270,487)	(727,350)	(270,487)	(727,350)

During the year, the Group brought to account $248,404 of employee options that were granted and vested on 24 March 2006 and $22,083 employee options that were granted and vested on 1 July 2006.

(b) Types of share-based payment plans

Previously, the Company had an the Employee Share Option Plan (ESOP), which provides benefits to directors and employees in the form of share based payments. During the year the Company implemented a short term incentive plan, which replaced the ESOP, and which may also, at the discretion of the remuneration committee, provide benefits to employees in the form of share based payments.

The options are not quoted on the ASX and the granting of the options under the Employee Share Option Scheme does not entitle any option holder to any dividend or voting rights or any other rights held by a Shareholder, until exercise of the options. Each option entitles the option holder to one ordinary share in the parent entity on exercise. There are no cash settlement alternatives, and the majority of options vested immediately.

The expense recognised in the income statement in relation to share based payments is disclosed in note 7.

(c) Summaries of options granted

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

	2007 Number	2007 WAEP	2006 Number	2006 WAEP
Outstanding at the beginning of the year	5,407,328	$0.73	4,683,995	$0.77
Granted during the year	83,333	$0.47	1,733,333	$0.75
Exercised during the year	(761,331)	($0.28)	—	—
Expired during the year	(610,000)	($0.94)	(1,010,000)	($0.96)
Outstanding at the end of the year	4,119,330	$0.78	5,407,328	$0.73

The outstanding balance as at 30 June 2007 is represented by:

	Number of Options	Exercise Price	Grant Date	Expiry Date
	494,665	$0.20	01-Jul-03	30-Jun-08
	494,665	$0.20	01-Jul-04	30-Jun-09
	630,000	$0.80	18-Jan-05	17-Jan-08
	630,000	$1.10	18-Jan-05	30-Jun-08
	630,000	$1.35	18-Jan-05	30-Jun-09
	50,000	$0.20	01-Jul-05	30-Jun-10
	1,190,000	$0.80	24-Mar-06	24-Mar-11
	4,119,330	$0.78(weighted average exercise price)		

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding under the Employee Share Option Scheme at 30 June 2007 is between 1 and 4 years (2006: 1 and 5 years).

(e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.20 to $1.35 (2006: $0.20 to $1.35).

(f) Weighted average fair value

The weighted average fair value of options granted during the year was $0.47 (2006: $0.75).

Note 27: Share-based Payment Plan (continued)

(g) Option pricing model

The fair value of options granted under the Employee Share Option Scheme is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2007 and 30 June 2006:

	2007	2006
Dividend Yield	0%	0%
Expected Volatility	40%	55%
Risk-free interest rate	5.8%	5.6%
Expected life of option	4 years	5 years
Option exercise price	$0.47	$0.75
Share price at grant date	$0.47	$0.47

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future. The expected volatility was determined using an historical sample of 45 month end company share prices in respect of the Employee Share Option Plan. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Note 28: Fair Value and Interest Rate Risk

(a) Fair values

All assets and liabilities recognised in the balance sheet are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes, other than the convertible notes and related party receivables.

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2007	< 1 year	>1 year to < 4 years	>4 years to < 5 years	Total	Weighted Average Effective Interest Rate
CONSOLIDATED	$	$	$		
Financial Assets					
Cash	23,914,218	—	—	23,914,218	6.5%
Receivables — current	11,812,979	—	—	11,812,979	0.0%
Total Financial Assets	35,727,197	—	—	35,727,197	
Financial Liabilities					
Trade creditors	2,672,118	—	—	2,672,118	0.0%
Convertible notes	—	13,390,007	—	13,390,007	11.5%
Total Financial Liabilities	2,672,118	13,390,007	—	16,062,125	

Year ended 30 June 2007	< 1 year	>1 year to < 4 years	>4 years to < 5 years	Total	Weighted Average Effective Interest Rate
PARENT	$	$	$		
Financial Assets					
Cash	23,914,218	—	—	23,914,218	6.5%
Receivables — current	11,812,979	—	—	11,812,979	0.0%
Total Financial Assets	35,727,198	—	—	35,727,198	
Financial Liabilities					
Trade creditors	1,725,519	—	—	1,725,519	0.0%
Convertible notes	—	13,390,007	—	13,390,007	11.5%
Total Financial Liabilities	1,725,519	13,390,007	—	15,115,526	

Note 28: Fair Value and Interest Rate Risk (continued)

Year ended 30 June 2006	< 1 year	>1 year to < 4 years	>1 years to < 5 years	Total	Weighted Average Effective Interest Rate
CONSOLIDATED	**$**	**$**	**$**		
Financial Assets					
Cash	20,824,039	—	—	20,824,039	5.5%
Receivables — current	5,847,852	—	—	5,847,852	0.0%
Total Financial Assets	26,671,891	—	—	26,671,891	
Financial Liabilities					
Trade creditors	1,619,732	—	—	1,619,732	0.0%
Payable to directors & director related entities	1,357,123	—	—	1,357,123	8.0%
Loan — related party	2,703,491	—	—	2,703,491	8.0%
Convertible notes	—	—	12,814,480	12,814,480	11.5%
Total Financial Liabilities	5,680,346	—	12,814,480	18,494,826	

Year ended 30 June 2006	< 1 year	>1 year to < 4 years	>4 years to < 5 years	Total	Weighted Average Effective Interest Rate
PARENT	**$**	**$**	**$**		
Financial Assets					
Cash	20,912,909	—	—	20,912,909	5.5%
Receivables — current	9,584,120	—	—	9,584,120	0.0%
Total Financial Assets	30,497,029	—	—	30,497,029	
Financial Liabilities					
Trade creditors	891,435	—	—	891,435	0.0%
Payable to directors & director related entities	1,357,123	—	—	1,357,123	8.0%
Loan — related party	2,703,491	—	—	2,703,491	8.0%
Convertible notes	—	—	12,814,480	12,814,480	11.5%
Total Financial Liabilities	4,952,049	—	12,814,480	17,766,529	

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group and the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

Note 29: Commitments and Contingencies

(a) Operating lease commitments — Group as lessee

The Group has entered into commercial leases for its premises. These leases have an average life of between 1 and 2 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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

	Consolidated		IMF (Australia) Ltd	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Within one year	215,151	322,272	215,151	322,272
After one year but no more than five years	127,742	378,777	127,742	378,777
After more than five years	—	—	—	
Total minimum lease payments	342,893	701,049	342,893	701,049

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 29: Commitments and Contingencies (continued)

(b) Remuneration commitments

	Consolidated		IMF (Australia) Ltd	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:				
Within one year	1,426,244	1,340,001	1,426,244	1,340,001
After one year but no more than five years	—	—	—	—
More than five years	—	—	—	—
	1,426,244	1,340,001	1,426,244	1,340,001

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the Remuneration Report of the Directors' Report that are not recognised as liabilities and are not included in the compensation of key management personnel.

Note 30: Economic Dependency

IMF (Australia) Ltd is not economically dependent on any other entity and hence does not need to provide the disclosure required by AASB101.Aus126.3 (which applied to annual reporting periods beginning on or after 1 January 2006).

Note 31: Events After the Balance Sheet Date

1. Options Expiry

The following options expired on 1 July 2007:

	Number of options	Grant date	Vesting date	Expiry date	Exercise price
Director Options	4,300,000	1 July 2004	1 July 2004	1 July 2007	$0.80

Accordingly, as at 21 September 2007 there were 11,019,330 unissued ordinary shares in total in respect of which options were outstanding, as follows:

	21-Sep-07	2007	2006
Options — Expectation Pty Ltd	—	—	12,597,120
Director Options	6,900,000	11,200,000	17,498,560
Employee Options (see note 27)	4,119,330	4,119,330	5,407,328
Options issued as at 30 June	11,019,330	15,319,330	35,503,008

2. Intangible assets

On 13 July 2007 the Group received judgment in favour of its client in the Kingsheath litigation, one of its Litigation Contracts In Progress. The Group expects to receive at least $3,500,000, having invested about $2,450,000 plus capitalised overheads of approximately $540,000.

On 1 August 2007 the Group settled the Truckies v Pilbara Manganese Pty Limited litigation, one of its Litigation Contracts In Progress. The results of the settlement are confidential, however, the settlement will result in at least $1,400,000 being received, with the Group having invested about $580,000 plus capitalised overheads of approximately $200,000.

On 20 August 2007 the Group settled a further part of the litigation known as Finance Brokers with various insurers, one of its Litigation Contracts In Progress. The settlement is subject to acceptance by the Group's clients. The terms of the settlement are otherwise confidential, however, the settlement will result in at approximately $5,200,000 being received, with the Group having invested about $1,200,000 plus capitalised overheads of approximately $160,000.

In the Group's announcement on 13 December 2006 concerning the settlement with the State of Western Australia in the Finance Brokers litigation, the Group indicated it was required to forgo $3,000,000 of its contractual entitlement as a condition of the settlement. In further announcements on 18 January 2007 and 18 February 2007, the Group announced many of its clients intended to make voluntary payments to the Group for its contractual entitlements. The Group has subsequently received voluntary payments to 21 September 2007 of $1,600,000.

Note 32: Auditors Remuneration

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

	Consolidated		IMF (Australia) Ltd	
	2007 $	2006 $	2007 $	2006 $
Amounts received or due and receivable by Ernst & Young for:				
an audit or review of the financial report of the entity and any other entity in the consolidated group	131,236	115,412	131,236	115,412
Other services in relation to the entity and any other entity in the consolidated group				
— tax compliance, including GST submissions	221,534	102,419	221,534	102,419
— other non audit services	—	7,023	—	7,023
	352,770	224,854	352,770	224,854

DIRECTORS' DECLARATION

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

In the opinion of the directors:

1. (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the company and the consolidated financial 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 2007 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards and the 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 sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2007.

On behalf of the Board

Robert Ferguson
Executive Chairman

John Walker
Managing Director

Dated this 28th day of September 2007

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial report of IMF (Australia) Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 "Related Party Disclosures" ("remuneration disclosures"), under the heading "Remuneration Report" of the Directors' Report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 "Related Party Disclosures".

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

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

Independence

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

CBP:KT:IMF:080

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Opinion

In our opinion:

1. the financial report of IMF (Australia) Limited is in accordance with:
   - (a) the Corporations Act 2001, including:
     - (i) giving a true and fair view of the financial position of IMF (Australia) Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
     - (ii) complying with Australian Accounting Standards including the Australian Accounting Interpretations; and
   - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures of the Directors' Report comply with Accounting Standard AASB 124 "Related Party Disclosures".

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
28 September 2007

CBP:KT:IMF:080

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of IMF (Australia) Ltd ("IMF") is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of IMF on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board is committed to good corporate governance and disclosure. It is presently re-assessing its existing corporate governance guidelines to address the appointment of Rob Ferguson as an executive director, being outside the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

During the year ended 30 June 2007, IMF has adopted the following guidelines for the nomination and selection of Directors and for the operation of the Board, unless otherwise stated. Where the current guidelines have not been adopted by the Group, this is identified and explained below.

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 of 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.

From 18 June 2007 the Chairperson has not been independent and there has not been a majority of independent directors, following the appointment of Rob Ferguson as Executive Chairman and Chief Executive Officer. The Board believes that the individuals on the Board can make, and do make, independent judgements in the best interests of the Group on all relevant issues, notwithstanding that the Chairperson is not an independent director and a majority of the Board are not independent directors. Further, the directors are able to obtain independent advice at the expense of the Group.

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

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

Remuneration Committee

The company has a formal remuneration committee which meets as and when required to discuss the service agreements of the key executives.

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

SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 21 September 2007.

(a) Distribution of Shareholders

i. Ordinary Share Capital
113,813,481 fully paid ordinary shares are held by 1,152 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

ii. Options
11,019,330 options are held by 16 individual option holders. Options do not carry a right to vote.

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

	Fully Paid Ordinary Shares	Options
1 — 1,000	268	—
1,001 — 5,000	264	—
5,001 — 10,000	157	2
10,001 — 100,000	365	6
100,001 — and over	98	8
	1,152	16
Holdings less than a marketable parcel	206	—

(b) Substantial Shareholders

The names of the substantial shareholders listed in the company's register as at 21 September 2007 are:

Shareholder	No. of Ordinary Shares	% of issued capital
ANZ Nominees Limited	16,922,315	14.87%
National Nominees Limited	10,343,128	9.09%
Expectation Pty Limited and Redsummer Pty Limited	9,962,600	8.75%
Hugh McLernon (and McLernon Group Superannuation Pty Limited)	9,639,331	8.47%
Legal Precedents Pty Ltd (and John Walker)	6,620,537	5.82%
	53,487,911	47.00%

(c) 20 Largest Holders of Quoted Equity Securities as at 21 September 2007

Ordinary Shares	Number of ordinary shares	% of issued capital
1 ANZ Nominees Limited	16,922,315	14.87%
2 National Nominees Limited	10,343,128	9.09%
3 Expectation Pty Limited	5,486,798	4.82%
4 Mr Hugh McLernon	5,334,250	4.69%
5 Legal Precedents Pty Limited	4,814,287	4.23%
6 Bond Street Custodians Limited	4,592,645	4.04%
7 Thorney Holdings Pty Limited	4,531,442	3.98%
8 Redsummer Pty Ltd	4,475,802	3.93%
9 McLernon Group Superannuation Pty Ltd	4,305,081	3.78%
10 Mr Robert Alexander Ferguson	2,500,000	2.20%
11 Invia Custodian Pty Limited 5456 A/C	2,500,000	2.20%
12 J P Morgan Nominees Australia Limited	2,214,308	1.95%
13 Bydand Capital Pty Limited	1,900,000	1.67%
14 Mr John Walker	1,806,250	1.59%
15 Citicorp Nominees Pty Limited	1,418,002	1.25%
16 National Nominees Limited Equip Super Account	1,369,117	1.20%
17 G Harvey Nominees Pty Limited	1,000,000	0.88%
18 Citicorp Nominees Pty Limited	893,968	0.79%
19 Mr John Dickson	850,000	0.75%
20 Ark Promotions Pty Limited	750,000	0.66%
	79,419,847	68.57%

(d) Options as at 21 September 2007 – unquoted

Class of option	Number on issue	Exercise price	Expiry date
IMFAA	300,000	0.30	30-Jun-08
IMFAA	300,000	0.40	30-Jun-08
IMFAA	300,000	0.50	30-Jan-08
IMFAQ	444,665	0.20	30-Jun-08
IMFAZ	50,000	0.20	30-Jun-08
IMFAB	444,665	0.20	30-Jun-09
IMFAC	50,000	0.20	30-Jun-09
IMFEX2	4,000,000	1.10	1-Jul-08
IMFEX3	2,000,000	1.35	1-Jul-09
Employee options	630,000	0.80	17-Jan-08
Employee options	630,000	1.10	30-Jun-08
Employee options	630,000	1.35	30-Jun-09
Employee options	50,000	0.20	30-Jun-10
Employee options	1,190,000	0.80	24-Mar-11
	11,019,330		

(e) Securities subject to escrow

There are no securities subject to escrow.

CORPORATE INFORMATION

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

A description of the Group's operations and of its principle activities is included in the review of operations and activities in the directors' report on pages 5 to 16. The directors' report is not part of the financial report.

Directors

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

Company Secretary

Diane Jones

Principal Registered Office in Australia

Level 5
32 Martin Place
Sydney, New South Wales 2000

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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

Macquarie Bank Limited
Bond Street
Sydney, NSW, 2000

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

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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IMF (Australia) Ltd

ANNUAL
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