IMF (AUSTRALIA) LTD

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AGM The Annual General Meeting of IMF (Australia) Ltd will be held on 7th November 2008 at 9.00am (AEDT) at the Westin Sydney, 1 Martin Place, Sydney, NSW, 2000.

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

IMF's profit in 2008 increased substantially over its 2007 profit, reflecting the resolution of 12 large cases in its portfolio.

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

IMF's pipeline of cases remains strong and has been augmented with several significant multi-party securities matters over the last few months, taking advantage of cyclical influences and leveraging off IMF's experience in the Aristocrat case.

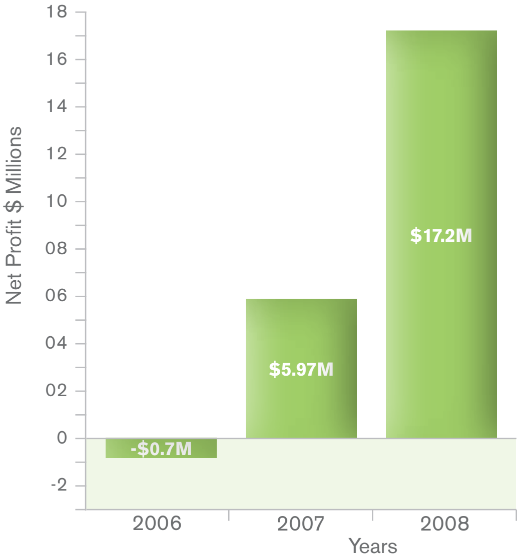
HIGHLIGHTS

1. Financial highlights

Number of major* cases resolved (last three years):

We resolved 12 major cases in 2008. A total of 17 cases were resolved generating net income from litigation funding of $33.8M (with total income of $36.3M).

Net profit (last three years):



IMF increased its profitability by 188% in 2008. Whilst earnings will continue to be unpredictable due to the uncertain timing of case resolution, this year's profit continues to demonstrate our ability to choose and manage cases with strong prospects of success.

*A major case is one where the budgeted fee to IMF is greater than $0.5M.

Table - A Strengthening Balance Sheet

	2006	2007	**2008**
Cash	$20.8M	$23.9M	**$51.6M**
Investments	$32.8M	$30.3M	**$28.1M**
Net Assets	$40.1M	$46.8M	**$67.2M**
Increase in net assets	8%	17%	**44%**

Our balance sheet continues to strengthen, with net assets improving by 44%.

2. Investment highlights

IMF finalised 12 major investments for a net gain of $37.7M on an investment amount, including capitalised overheads, of $15.9M. Over half of this net gain was generated by the Wright investment. Congratulations to Hugh McLernon for having the foresight to invest in this action.

Other matters worth highlighting in respect of investments concluding in 2008 are:

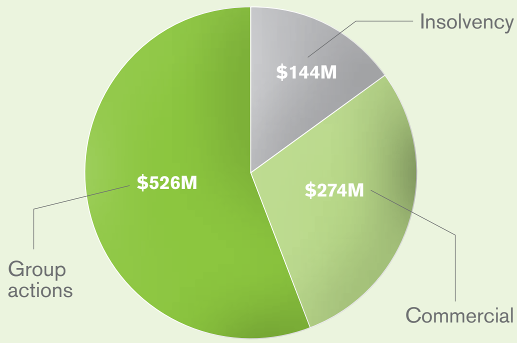
- Ipernica, where an ASX listed claimant utilised IMF's funding and expertise to succeed in being paid $30M by Ericsson.
- Sons of Gwalia receipts being the first income from hopefully a steady flow of income to be derived from the High Court's decision entitling shareholder creditors to rank equally with other creditors for distributions from insolvent companies.

Major investment decisions which renewed the investment portfolio in 2008 largely centred around companies caught up in the contagion in Australia's equity markets flowing from the credit crunch, including Allco, Centro, Octaviar and Opes Prime, with claim values now exceeding $500M.

Finally, the Aristocrat claim settled conditionally in May 2008, with the settlement approval application before the Federal Court on 28 August 2008. This claim, which commenced five years ago, enabled IMF to show institutional investors in ASX listed stocks that continuous disclosure claims are worth making, not only for deterrence, but also to be compensated for loss.

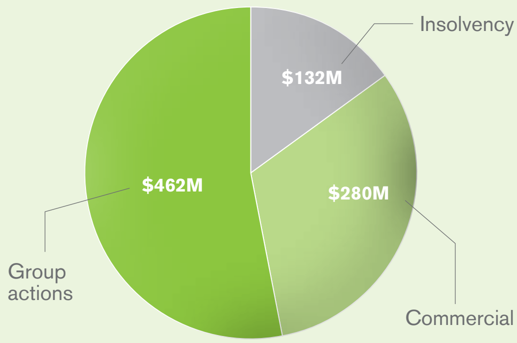
Claim value of Spread of investments, 2006-2008

2006



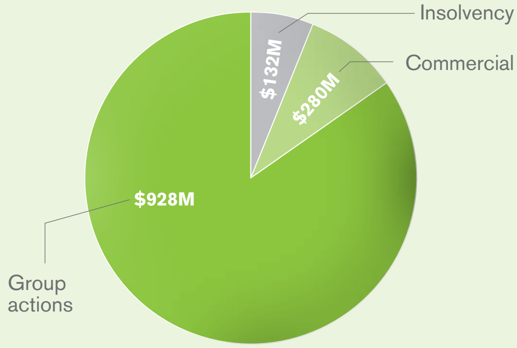
Total: $944M

2007



Total: $874M

2008



Total: $1,098M

We continue to maintain a spread between the three categories of cases, although relative to prior years, a greater portion of claim value in 2008 is attributable to group actions. Despite the large number of cases resolved in both 2007 and 2008, our pipeline of cases remains strong. The present financial climate should result in many high-quality cases that underpin our confidence in delivering more consistant results to our shareholders in the future.

2008 CHAIRMAN & 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 2008.

Our 2007 year was the beginning of a harvesting period for our portfolio of cases that culminated in an extraordinary year in 2008 with a record profit of $17.2M, up 188%. Based on the Aristocrat settlement, which is subject to Court approval, 2009 is also set for another outstanding year. This is the culmination of many years of patient precedent creation and portfolio building as well as the development of a unique set of due diligence and case management skills within the organisation.

The past environment was largely a "hand to mouth" existence with plenty of challenges to our financial and legal legitimacy along the way. Now with a projected post Aristocrat settlement cash balance, subject to court approval, of $85M, IMF has many new options open to it. The most important of which is our capacity to grow our portfolio to a level that provides scale to a business that can manage many more matters, with marginal increases in costs.

The successes of the last year have been timely because we are now faced with plenty of examples of the excesses that have accumulated in the Australian economy and in particular the finance sector, that has had virtually 15 years of boom. In contrast to the upsurge of new matters recently, 2007 and early 2008 saw the value of new cases funded decline due to the papering over of excesses that inevitably happen at the peak of an economic cycle. Now when we see what is behind that paper it gives us optimism for the future and suggests a strong environment for our business over the next few years.

Initially, as one would expect, the opportunities in 2008 were bunched into the category of continuous disclosure matters against listed entities. These matters generally arise out of a sudden change in the business outlook which requires, but often does not get, prompt corporate disclosure of the change in outlook. In times of stress this is the first area of economic damage and, given our unique knowledge of this area via our Aristocrat success, we are ideally placed to build a large portfolio of these matters should we choose. Ideally, we would prefer to have a good balance of different matters in our portfolio during this period but we expect that will come as insolvencies and corporate and commercial disputes emerge out of the shock our economy has experienced. In particular, the severe disruption to bank lending and funding rate rises in a time of economic slowdown, a unique feature of such an early stage in the cycle, will cause lots of matters to end up under our review.

IMF is particularly well placed to be pre-eminent in all the diverse areas of litigation funding in Australia but our success and the positive environment has brought competition. This so far is largely from overseas sources and is focused on the area of corporate continuous disclosure. To date this has not affected our capacity to build large, dominant books of claimants in these matters. This seems to reflect the credibility we have established amongst institutional shareholders, especially through the Aristocrat process.

2008 CHAIRMAN & CEO'S REVIEW (cont.)

The year also saw the establishment of our joint venture with interests associated with Maurice Blackburn Pty Ltd in Ireland, Claims Funding International plc ("CFI"), which was established in March 2008 to pursue opportunities in Europe. CFI is yet to fund any matters but has been actively involved in trying to establish credibility and an amenable operating environment for the business in England and Continental Europe. One major cartel matter is in the book-building stage in England and France but it should be said that in our brief existence in Europe so far we have found the regulatory and market barriers more substantial than anticipated.

With so much cash inflow in 2008 and the expected conclusion of Aristocrat in September 2008 we are often asked about our capital management plans. As discussed earlier, if the court approves the Aristocrat settlement, we will have $85M in cash by September/October 2008. This is well in excess of our immediate needs. In anticipation of this we redeemed our convertible notes on 30 June 2008 (with settlement on 3 July 2008) which had the effect of returning net cash of $12M.

As we have eliminated our tax losses in 2008 we are able to pay our first franked dividend, which will be $6.0M or 5.0 cents per share. The Company's shares will trade ex-dividend on 26 September 2008 and the shareholders recorded in the register on 2 October 2008 will be entitled to this dividend. Further, we are seeking advice concerning a possible capital return in the first half of 2009.

Should the Aristocrat settlement be approved by the Court, that income will further add to our income paying capacity in 2009, but we would like to monitor our new business build up between now and the Annual General Meeting on 7 November 2008 before giving further indications on our franked dividend potential in 2009. The main business issue we need to consider when assessing our cash position is the budgets for the new matters written, especially in the continuous disclosure area, which are typically in the $6M to $8M range.

Finally I should comment on two particularly notable matters in 2008. First Aristocrat. A huge investment of time and money went into this case, which is the first major disclosure case with several important precedents created. The legal profession will certainly use this case when advising on such cases in the future. Aristocrat was a team effort with important input from both our Sydney office and our Perth office but it's carriage was largely Sydney's responsibility. Congratulations to the Sydney team. Our other big success in 2008 was the Wright matter which was a very different case, a family dispute, which was handled in Perth. We would like a few more cases to have the speed and return characteristics of this case but figure it will probably be a one off. It is not one off, however, in showing how diverse our business can be and how we can help people who otherwise have few options. Congratulations to the Perth team.

2008 CHAIRMAN & CEO'S REVIEW (cont.)

When I assumed the role of Executive Chairman I undertook a review of the business to see if there were any viable ways of diversifying the Group's activities as a way of reducing the inherent volatility of income that is part of the litigation funding business. I also reviewed the capital structure to see if more suitable ways existed to fund the business both public and privately. To some extent this review was triggered by, apart from me bringing a new set of eyes to matters, the difficulties of operating a litigation funding business during boom times and the associated scarcity of funding opportunities at that time. The change in environment since my appraisal has improved the outlook for our business immeasurably, but also my review did not find any material avenues of income diversification that were attractive.

As to capital structure, although our business model's income volatility is the opposite of what a typical investor looks for, our recent successes have aided our investors getting to better understand us. The main issue that emerged in my review was a revival of our past efforts to capitalise on our business model in overseas markets via CFI. It is too early to know where that endeavour will lead. Accordingly, the business model remains litigation funding with income volatility in an environment that should allow the building of a good and diverse portfolio of cases on a strong financial base.

ROBERT FERGUSON
Chairman & CEO

2008 DIRECTORS' REPORT

The directors of IMF (Australia) Ltd ("IMF") submit their report for the year ended 30 June 2008.

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 was:

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

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

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

He is Chairman of MoneySwitch Limited, Deputy Chair of the Sydney Institute, a director of Racing NSW and a director of the Lowy Institute.

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

Mr Ferguson is a member of the audit committee.

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 inaugural Managing Director until the entity was purchased by IMF 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.

2008 DIRECTORS' REPORT (cont.)

Hugh McLernon
(Executive Director)

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

In 1988, Mr McLernon retired from legal practice and introduced the secondary life insurance market into Australia. He also pioneered the financing of large-scale litigation through McLernon Group Limited.

From 1996 to 2001, Mr McLernon was the Managing Director of the Hill Group of companies which operates in the finance, mining, property, insurance and investment arenas of Australia.

Mr McLernon has been an executive director of IMF since December 2001.

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 was a long-term principal of national chartered accountancy firm, Ferrier Hodgson.

Over the last 20 years he has lectured and written extensively in relation to directors' duties, corporate governance issues and corporate and personal insolvency issues. Mr Halse:

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

c) is Chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer; and

d) 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 Bachelors of Law, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is an Associate and Certified Practising Accountant of the Australian Society of Accountants. Mr Bowen:

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

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

c) is 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, resigned 9 November 2007);
- Medical Corporation Australasia Limited (appointed 18 October 2004); and
- TNG 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 and options of the Company were:

	Number of ordinary shares	Number of options over ordinary shares
Robert Ferguson	2,500,000	-
John Walker	6,966,831	1,000,000
Hugh McLernon	10,713,798	1,000,000
Alden Halse	891,251	-
Michael Bowen	813,751	-
Total	21,885,631	2,000,000

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 the Directors' Report and note 27 to the financial statements.

Dividends

The directors have declared a final fully franked dividend of 5.0 cents per share for 2008, totalling $6.0M. The record date for this dividend is 2 October 2008 and the shares will trade ex-dividend on 26 September 2008. In 2007 the Company paid an interim unfranked special dividend of 3.0 cents per share, totalling $3.4M.

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 capital structure. As at 30 June 2008 the Company had utilised most of its carried forward tax losses and must now pay tax on its assessable income. Accordingly, the Company should be in a position to pay franked dividends in the year ending 30 June 2009.

The Company is currently seeking advice on its ability to provide a capital return to shareholders. The directors are hopeful of updating shareholders on the possible capital return at the Annual General Meeting to be held on 7 November 2008.

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 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 2008 where the budgeted fee per case to IMF is greater than $0.5M (i.e. major cases)

	Number of claims	Claim Value	Percentage of claims > $0.5M
Insolvency Claims	4	$70M	6%
Non-Insolvency Claims involving single plaintiffs (Commercial Claims)	7	$100M	9%
Non-Insolvency Group Actions (Group Actions)	15	$928M	85%
Total claims where IMF's budgeted fee is greater than $0.5M	26	$1,098M	100%

The maximum claim value of IMF's major cases increased in the year to 30 June 2008 from $875M to $1,098M due to the commencement of 6 new major cases, which have a maximum claim value at 30 June 2008 of $460M.

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

- The **Aristocrat** claim was heard over 5 weeks in October/November 2007, with the Court's decision reserved. However, in early 2008 a mediation of the claim resulted in a conditional settlement, with the final condition being a successful application for Court approval of the settlement. The application will be heard on 28 August 2008. If successful, the Group will receive gross revenue of $37M, about $22M of which will be profit on the investment, all of which will be included in 2009.

- The **AWB** claim, which alleges that between 11 March 2002 and 13 January 2006 AWB failed to disclose to the ASX information concerning the inflation in contract prices for wheat supplied to the Iraqi Grains Board, is proceeding in the Federal Court in Sydney. Discovery is complete and further directions for the conduct of the case will be given on 5 September 2008.

- The **Allco** claim, which will concern a failure to disclose to the ASX information relating to Allco's current debt position and its possible obligation to repay its $900M debt facility early, has not yet been filed, although work on it is continuing.

- The claims against **Centro Retail Ltd ("CER")** and **Centro Properties Ltd ("CNP")** were filed on 9 May 2008, alleging CER and CNP failed to keep the market informed of information material to their securities' market prices between 7 August 2007 and 15 February 2008, during which time IMF's clients purchased 483M CER and 137M CNP securities at a total investment cost of about $1.2B. The capitalisation of CER and CNP is now about $820M and $210M, respectively.

- IMF has agreed to fund a group action in the Federal Court for over 60 clients in relation to the collapse of Opes Prime Stockbroking Ltd. The claim is against Australia and New Zealand Banking Group Limited ("ANZ") and concerns the sale of the claimants' shares by ANZ contrary to margin lending agreements the claimants had with Opes Prime Stockbroking. The claimants' will either seek the return of their shares or equivalent damages in excess of $100M.

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 $0.5M 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. During 2008 IMF withdrew from the following investments: Interline, Marlor, Strange Bedfellows, ACT v Newlands and Multiplex.

Employees

IMF's investment committee of three is supported by 18 employees providing investigative, computer, accounting and management expertise. At 30 June 2008, the consolidated entity employed 21 permanent staff, including the 3 executive directors (2007: 21 permanent).

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 2008:

	2008 $	2007 $	Change %
Total Income	36,298,005	15,483,458	139%
Operating profit after income tax	17,160,013	5,968,521	188%
Total shareholders' equity	67, 230,275	46,805,148	44%

Shareholder Returns

	2008 $	2007 $
Basic earnings/(loss) per share (cents per share)	15.04	5.24
Diluted earnings/(loss) per share (cents per share)	14.70	5.24
Return on assets % (NPAT/Total Assets)	17.70	8.96
Return on equity % (NPAT/Total Equity)	25.52	12.75
Net debt/equity ratio %	nil	28.61

17 matters were finalised in 2008, including 12 major cases where the Group generated fees greater than $0.5M, underpinning the improvement in profitability and shareholder returns.

The following summarises the major cases finalised during 2008:

Date commenced	Litigation contract's matter name	Total Litigation contracts income $	Litigation contracts expenses (including capitalised overheads) $	Net gain on disposal of intangible assets $
Jul-05	Wright v Wright	21,123,954	(1,931,267)	19,192,687
Jan-05	Ipernica Ltd (formerly QPSX) v Ericsson	4,444,000	(670,342)	3,773,658
Jan-02	Finance Brokers (second tranche)	5,264,741	(1,601,996)	3,662,745
Nov-04	Sons of Gwalia	3,078,487	(276,683)	2,801,804
Dec-06	Eurogold Ltd v Oxus	2,735,306	(311,070)	2,424,236
Jan-02	Finance Brokers -ex gratia payments	1,868,671	(258,949)	1,609,722
Feb-02	Nomad	2,733,382	(1,130,074)	1,603,308
Aug-04	Truckies	1,400,000	(783,056)	616,944
Jul-04	Spatialinfo	3,863,124	(3,274,374)	588,750
Nov-04	Vogue Homes	874,952	(330,911)	544,041
Jun-03	Kingsheath	3,440,907	(3,000,625)	440,282
Nov-03	Coplex	1,520,977	(1,264,188)	256,789
Oct-03	Performance Finance	1,234,768	(1,060,027)	174,741
	Major cases	53,583,269	(15,893,562)	37,689,707
	Other maters*	1,622,703	(5,791,437)	(4,168,734)
		55,205,972	(21,684,999)	33,520,973

* Includes the costs of cases where the Group withdrew funding during 2008.

IMF's investments which have been finalised since listing have had an average investment period of 4.1 years, and have generated a return on every dollar invested of 2.6 (excluding capitalised costs). The investments which were completed in 2008 had an average investment period of 4.3 years and generated a return on every dollar invested of 3.1 (excluding capitalised costs). IMF's business plan is to reduce the time taken to complete cases to 2.5 years and aims to generate a return on every dollar invested of 2.0 (excluding capitalised overheads).

The investment portfolio as at 30 June 2008 has a mixture of both mature and new investments, with 56% of the investment portfolio 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 IMF established a joint venture in Europe with interests associated with Maurice Blackburn. The joint venture company, Claims Funding International plc, has a brief to invest in multi-party actions outside of Australia. Claims Funding International plc has started the process of determining the level of appetite for the funding of two multi-party cases, but to date it has not commenced any actions.

During the course of the year IMF again received numerous requests for litigation funding from outside Australia. IMF funded one case in the United States, but withdrew funding once further information concerning the case was provided by the defendant. Accordingly, at 30 June 2008, IMF is only funding cases within Australia.

IMF's share price closed at $0.71 per share at 30 June 2008 (2007: $0.70). The ASX all ordinaries index decreased 15.5% during 2008, whilst the ASX Small Ordinaries index fell 23.3% during the same period. Accordingly, the steady value of the IMF share price was a good result given the financial environment.

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 2008 of $27,726,702 (2007: $3,090,179). Operating activities generated $30,507,460 of net cash inflows (2007: net cash inflows of $6,749,978), whilst financing cash flow generated $308,993 (2007: net cash outflows of $3,593,301) principally as a result of the conversion of share options.

Asset and Capital Structure

	2008 $	2007 $	Change %
Cash and short term deposits	51,640,920	23,154,217	216%
Debts:			
Convertible notes	(12,412,846)	(13,390,007)	7%
Total debt	(12,412,846)	(13,390,007)	7%
Net cash	**39,228,074**	**9,764,210**	**302%**
Total equity	**67,230,295**	**46,805,148**	**43%**
Gearing	18%	29%	11%

At 30 June 2008 the Board of Directors took the decision to repay the convertible notes early as part of its strategy to reduce surplus cash. The convertible notes were repaid on 3 July 2008.

Profile of Debts

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

	2008 $	2007 $	Change %
Current			
Interest bearing loans and borrowings	-	-	-
Non current			
Convertible notes	(12,412,846)	(13,390,007)	7%
Total debt	**(12,412,846)**	**(13,390,007)**	**7%**

The Group's total debt has decreased over the past year as a result of the early repayment of the convertible notes (see note 22 for further details).

Shares issued during the year

During 2008 a total of 1,094,665 options were converted into shares, raising total capital of $308,933. Further, a total of 4,254,008 convertible notes were converted into ordinary shares.

(2007: 19,079,997 options were converted into shares, raising total capital of $3,876,000).

Capital expenditure

There has been an increase in capital expenditure during the year ended 30 June 2008 to $478,223 from $65,798 in the year ended 30 June 2007. The capital expenditure was mainly a result of the fit-out for the new Perth offices.

Risk Management

The major risk for the Company will always be in the choice of cases to be funded. The extent of that risk can best be identified, from time to time, by reference to the fact that in the first six years of operation IMF has lost only four cases out of 127 matters funded since listing. 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 $67,230,275 from $46,805,148, an increase of $20,425,127. This improvement is mainly as a result of the Group's increasing 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. Declaration of a final dividend

On 22 August 2008 the directors announced a final dividend for 2008 of $6.0M or 5.0 cents per share. The record date for this dividend will be 2 October 2008 and the shares will trade ex-dividend on 26 September 2008.

2. Intangible assets

On 5 August 2008 IMF announced the conditional settlement of the matter known as **Shenton Park Retirement Village.** IMF expects the conditions of the settlement to be fulfilled by 29 August 2008. IMF expects to receive around $3.1M on an investment of approximately $0.6M and capitalised costs of approximately $0.2M.

On 7 August 2008 IMF received judgment in the matter of **Concept Equity v Challenger**. IMF expects to receive around $1.4M on an investment of approximately $0.3M and capitalised costs of approximately $0.2M.

On 28 August 2008 approval is being sought from the Court concerning the conditional settlement of the **Aristocrat** claim. If successful, the Group will receive gross revenue of $37M, about $22M of which will be profit on the investment.

Likely Developments and Expected Results

As stated earlier, a significant portion of the investment portfolio as at 30 June 2008 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 will generate a strong level of profit in this period.

In addition, IMF expects there to be an increasing demand for its funding arising from the fallout from the credit crunch. An example of this is the **ABC Learning Centres** claim, which was conditionally funded in July 2008.

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

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 4,234,665 unissued ordinary shares under options. Details of options held as at the date of this report are set out in note 23 of the financial statements.

Shares issued as a result of the exercise of options

During the financial year, employees have exercised options to acquire 494,665 fully paid ordinary shares in IMF, at a price of $0.20 (2007: 761,331 with a weighted average price (WAP) of $0.28). A further 600,000 options were converted into fully paid ordinary shares, by the directors at a WAP of $0.35 (2007: 6,831,868 with a WAP of $0.20).

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 and for professional indemnity cover was $91,065 (2007: $102,878).

Remuneration Report (Audited)

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

Key Management Personnel

Details of Key Management Personnel (including the five highest executives of the Company and the Group) are:

(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

Diane Jones	Chief Financial Officer and Company Secretary
Clive Bowman	Senior Manager
Andrew Charles	Senior Manager
Charlie Gollow	Senior Manager
Wayne Attrill	Senior Manager, employment transferred to Claims Funding International plc on 1 March 2008

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.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. Accordingly, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- Determination of appropriate market rates for fixed remuneration component; and
- Establish appropriate performance hurdles for variable remuneration component.

Remuneration Report (Audited) (cont.)

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. The Company obtains assistance from remuneration experts to assist with setting its remuneration structure.

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

Non-Executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments totalling $87,200 (including superannuation), 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.

Remuneration Report (Audited) (cont.)

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 Company wide and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

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

Variable Remuneration

Objective

The objective of the variable compensation incentive is to reward executives in a manner that aligns this element of 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 Option Plan. All executives have the opportunity to qualify for participation in the STI when specified criteria are met. The Group has not implemented any long term incentive plans, although the remuneration committee may elect to make payments under the STI in the form of cash, options or shares.

The Group has pre-determined benchmarks that must be met in order to trigger payments under the STI. In summary, the benchmarks set by the remuneration committee for 2007 and 2008 were as follows:

- A minimum "hurdle" of net profit before tax must be achieved prior to any incentive being paid. In 2007 this hurdle was set at 15% of weighted net assets of the prior year. In 2008 this hurdle was raised to 20% of weighted net assets of the prior year.

- A fixed percentage of NPBT above this hurdle may be allocated to the incentive pool. In 2007 and 2008 this was set at 35% (i.e. 35% of any NPBT over the hurdle may be allocated to the incentive pool).

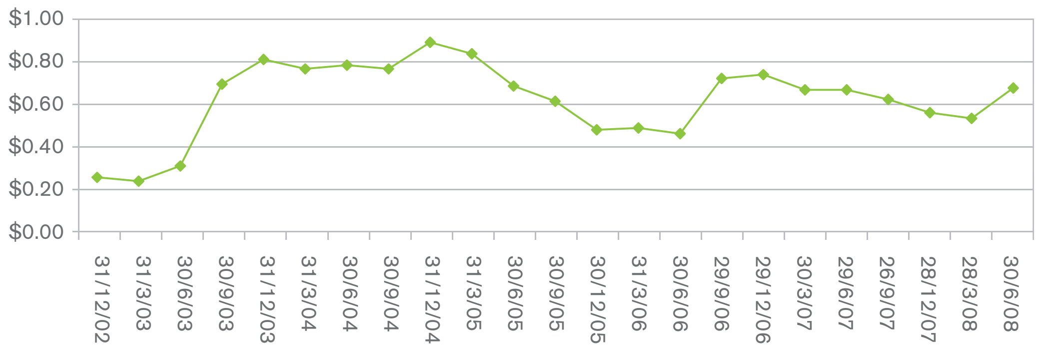
Remuneration Report (Audited) (cont.)

- The incentive pool is capped at the total salaries paid to those employees eligible to participate.
- Once the pool size is quantified, the Remuneration Committee determine the amount, if any, of the STI to be allocated to each executive following consideration of the individual employee's performance. In 2007 and 2008 the Remuneration Committee did not distribute the full amount of the total incentive pool available. The Remuneration Committee have allocated 72% of the available incentive pool to be distributed under the STI in 2008 (2007: 53%). The unallocated portion of the 2007 and 2008 incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee.
- Payments of amounts awarded to employees under the STI will be paid in the following reporting period, if the employee remains employed by the Group.

The total allocation under the 2007 STI was $345,439, which was paid in the current financial year. Details of the actual payments made under this 2007 STI to key management personnel are set out in Table 1 below. The STI awarded by the Remuneration Committee on 19 June 2008 was $2,840,500. As employees must remain in employment by the Group during the 2009 financial year to receive the two tranches of payments in September 2008 and March 2009, the 2008 STI will be accrued over these service periods in the 2009 financial year.

Group performance

The objectives and philosophy of the Remuneration Committee are set to align the performance of the Group's executives with shareholders' wealth. The following graph shows the performance of the Group as measured by its share price:



Remuneration Report (Audited) (cont.)

Employment Contracts

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

(B) John Walker, Managing Director:
- new rolling 12 month contract commenced 1 July 2007;
- gross salary package $700,000 pa plus super;
- salary to be reviewed annually, with the 2008 review determining no change to the salary; and
- notice period is 3 months.

(C) Hugh McLernon, Executive Director:
- new rolling 12 month contract commenced 1 July 2007;
- gross salary package $700,000 pa plus super;
- salary to be reviewed annually, with the 2008 review determining no change to the salary; and
- notice period is 12 months.

(D) Diane Jones, Chief Financial Officer & Company Secretary:
- contract commenced 5 June 2006;
- gross salary package $280,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, however, it was agreed that no CPI increase would be made in 2009; 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, however, it was agreed that no CPI increase would be made in 2009; 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;
- contract to be reviewed annually with minimum CPI increases, however, it was agreed that no CPI increase would be made in 2009; and
- notice period by employee is 3 months and 6 months notice by the Company.

(G) Andrew Charles, Senior Manager
- contract commenced 14 May 2007;
- gross salary package $283,400 pa including super;
- contract to be reviewed annually with minimum CPI increases however, it was agreed that no CPI increase would be made in 2009; and
- notice period is 3 months

Remuneration Report (Audited) (cont.)

(H) Wayne Attrill, Senior Manager

- contract commenced 19 March 2007 and was terminated on 1 March 2008 when employment transferred to Claims Funding International plc; and
- gross salary package was $325,000 pa including super, prior to the transfer.

Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2008

30 June 2008	Short term Salary & Fees	Short term Bonus Paid[1]	Other[2]	Post Employment Super	Share based payment	Total	% Performance Related	Unpaid Bonus[4]
Directors								
Robert Ferguson	461,740	-	22,347	13,122	-	497,209	0%	-
John Walker	711,241	68,664	22,347	13,122	-	815,374	8%	595,000
Hugh McLernon[3]	830,276	68,664	22,347	13,122	-	934,409	7%	1,100,000
Alden Halse	40,000	-	12,012	3,600	-	55,612	0%	-
Michael Bowen	43,600	-	12,012	-	-	55,612	0%	-
Executives								
Wayne Attril	216,906	9,498	-	13,122	-	239,526	4%	100,000
Clive Bowman	456,853	42,517	-	13,122	-	512,492	8%	404,000
Andrew Charles	270,278	5,274	-	13,122	-	288,674	2%	140,000
Charlie Gollow	299,707	31,117	-	13,122	-	343,946	9%	155,000
Diane Jones	265,211	29,432	-	13,122	-	307,765	10%	155,000
Total	3,595,812	255,166	91,065	108,576	-	4,050,619	6%	2,649,000

1 This bonus was awarded by the Remuneration Committee under the new STI on 27 September 2007, following the calculation of the 2007 incentive pool allocation and was paid in the current financial year.

2 This cost relates to the director's share of the insurance premium for the directors' and officers and professional indemnity insurance.

3 Hugh McLernon had his annual leave paid out during 2008.

4 This bonus was awarded by the Remuneration Committee under the new STI on 19 June 2009. It will be paid in the 2009 financial year.

Remuneration Report (Audited) (cont.)

Table 2: Remuneration for the year ended 30 June 2007

	Short term			Post	Share		%
	Salary &	Bonus		Employment	based		Performance
30 June 2007	Fees	Paid	Other[1]	Super	payment	Total	Related
Directors							
Robert Ferguson	80,000	-	20,575	7,200	-	107,775	0%
John Walker	550,000	-	20,576	12,686	-	583,262	0%
Hugh McLernon	550,000	-	20,576	12,686	-	583,262	0%
Alden Halse	40,000	-	20,575	3,600	-	64,175	0%
Michael Bowen	43,600	-	20,575	-	-	64,175	0%
Executives							
Wayne Attril	76,077	-	-	3,172	-	79,249	0%
Clive Bowman	340,562	-	-	12,686	-	353,248	0%
Andrew Charles	42,245	-	-	2,114	-	44,359	0%
Charlie Gollow	249,250	-	-	12,686	-	261,936	0%
Diane Jones	235,749	-	-	13,396	-	249,145	0%
Paul Rainford	195,432	-	-	12,686	-	208,118	0%
Total	2,402,915	-	102,877	92,912	-	2,598,704	0%

1 This cost relates to the director's share of the insurance premium for the directors' and officers and professional indemnity insurance.

Compensation and remuneration options

No options were granted to key management personnel in 2008 or 2007.

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. Options which expired during the year are shown in the table below (2007: nil). No options issued to directors or listed executives expired in 2007.

Table 3: Expiry of options issued to key management personnel

		30 June 2008	
	Number of expired options	Exercise price	Value of options expired $
John Walker	2,900,000	$0.80	556,800
John Walker	2,000,000	$1.10	244,000
Hugh McLernon	1,100,000	$0.80	211,200
Hugh McLernon	2,000,000	$1.10	244,000
Alden Halse	150,000	$0.50	16,650
Alden Halse	150,000	$0.80	28,800
Michael Bowen	150,000	$0.50	16,650
Michael Bowen	150,000	$0.80	28,800
Clive Bowman	330,000	$0.80	63,360
Clive Bowman	330,000	$1.10	40,260
Charlie Gollow	100,000	$0.80	19,200
Charlie Gollow	100,000	$1.10	12,200
Total	9,460,000		1,481,920

Remuneration Report (Audited) (cont.)

Table 4: Shares issued on exercise of compensation options

	30 June 2008				30 June 2007			
	No of shares issued	Paid per share	Unpaid per share	Value of options exercised	No of shares issued	Paid per share	Unpaid per share	Value of options exercised
Directors								
Alden Halse	150,000	$0.30	-	75,000	-	-	-	-
Alden Halse	150,000	$0.40	-	75,000	-	-	-	-
Michael Bowen	150,000	$0.30	-	75,000	-	-	-	-
Michael Bowen	150,000	$0.40	-	75,000	-	-	-	-
Executives								
Clive Bowman	254,094	$0.20	-	177,866	254,094	$0.20	-	182,948
Charlie Gollow	50,000	$0.20	-	35,000	-	-	-	-
Paul Rainford	-	-	-	-	190,571	$0.20	-	101,002
Total	904,094	-	-	512,866	444,665	$0.20	-	283,950

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:	7	2	3
M Bowen	7	2	3
R Ferguson	7	2	3
A J Halse	7	2	3
H McLernon	7	-	-
J F Walker	7	-	-

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
A J Halse (Chairman)
M Bowen
R Ferguson

Remuneration Committee
M Bowen (Chairman)
A J Halse

Rounding

The amounts contained in this report have been rounded to the nearest $000 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 2008. This independence declaration can be found at page 30.

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	$58,365

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 81 of this Annual Report.

Signed in accordance with a resolution of the directors.

ROBERT FERGUSON
Executive Chairman & CEO

JOHN WALKER
Managing Director

Sydney
25 August 2008

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AUDITORS INDEPENDENCE DECLARATION

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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 year ended 30 June 2008, 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

C B Pavlovich
Partner
Perth
25 August 2008

INCOME STATEMENT

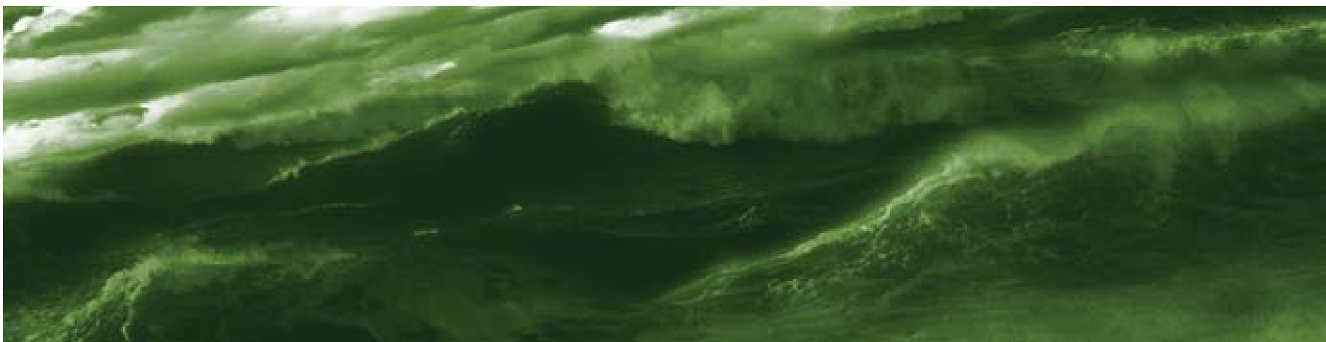
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated		IMF (Australia) Ltd	
		2008	2007	2008	2007
		$	$	$	$
Continuing Operations					
Revenue	6	2,470,806	1,554,618	2,011,900	12,461,741
Other income	7	33,827,199	13,928,840	27,878,361	3,599,094
Total Income		**36,298,005**	**15,483,458**	**29,890,261**	**16,060,835**
Finance costs	8(a)	(2,089,538)	(2,194,994)	(2,087,895)	(2,193,766)
Bad debts written off	13	(3,492,554)	(1,407,617)	-	(1,159,243)
Depreciation expense	8(b)	(156,470)	(122,743)	(156,470)	(122,743)
Employee benefits expense	8(c)	(2,457,093)	(2,135,972)	(3,514,620)	(2,962,958)
Corporate and office expense	8(d)	(1,149,937)	(854,460)	(1,149,937)	(854,460)
Other expenses	8(e)	(1,725,149)	(490,731)	(1,706,796)	(490,724)
Share of loss of an associate	18	(380,201)	-	-	-
Profit before income tax		**24,847,063**	**8,276,941**	**21,274,543**	**8,276,941**
Income tax (expense)/benefit	9	(7,687,050)	(2,308,420)	(6,367,892)	937,022
Profit attributable to members of the parent		**17,160,013**	**5,968,521**	**14,906,651**	**9,213,963**

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

	Note	Consolidated 2008	Consolidated 2007
Basic profit (cents per share)	11	15.04	5.24
Diluted profit (cents per share)	11	14.70	5.24

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



BALANCE SHEET

AS AT 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	IMF (Australia) Ltd 2008 $	IMF (Australia) Ltd 2007 $
ASSETS					
Current Assets					
Cash and cash equivalents	12	51,640,920	23,914,218	47,285,948	22,453,307
Trade and other receivables	13	14,658,426	11,812,979	13,353,220	12,962,538
Other assets	14	122,103	346,959	122,103	346,959
Total Current Assets		**66,421,449**	**36,074,156**	**60,761,271**	**35,762,804**
Non-Current Assets					
Plant and equipment	15	505,481	183,727	505,481	183,727
Available for sale investments	16	913,605	-	913,605	-
Deferred tax assets	9	-	-	-	2,098,977
Intangible assets	17	28,123,388	30,323,969	10,706,938	12,573,562
Investments accounted for using the equity method	18	973,435	-	1,538,015	
Investment in subsidiary	19	-	-	9,586,819	7,762,962
Total Non-Current Assets		**30,515,909**	**30,507,696**	**23,250,858**	**22,619,228**
TOTAL ASSETS		**96,937,358**	**66,581,852**	**84,012,129**	**58,382,032**
LIABILITIES					
Current Liabilities					
Trade and other payables	20	17,279,456	2,672,118	16,355,090	1,725,519
Income tax payable	9	2,738,549	-	2,738,549	-
Provisions	21	1,142,367	275,064	242,367	275,064
Total Current Liabilities		**21,160,372**	**2,947,182**	**19,336,006**	**2,000,583**
Non-Current Liabilities					
Provisions	21	463,431	326,362	463,431	326,362
Interest-bearing loans and borrowings	22	-	13,390,007	-	13,390,007
Deferred tax liabilities	9	8,083,280	3,113,153	3,375,848	-
Total Non-Current Liabilities		**8,546,711**	**16,829,522**	**3,839,279**	**13,716,369**
TOTAL LIABILITIES		**29,707,083**	**19,776,704**	**23,175,285**	**15,716,952**
NET ASSETS		**67,230,275**	**46,805,148**	**60,836,844**	**42,665,080**
EQUITY					
Contributed equity	23	37,671,944	34,406,830	37,671,944	34,406,830
Reserves	24	13,077,464	13,077,464	4,387,859	4,387,859
Retained earnings/(Accumulated losses)	24	16,480,867	(679,146)	18,777,041	3,870,391
TOTAL EQUITY		**67,230,275**	**46,805,148**	**60,836,844**	**42,665,080**

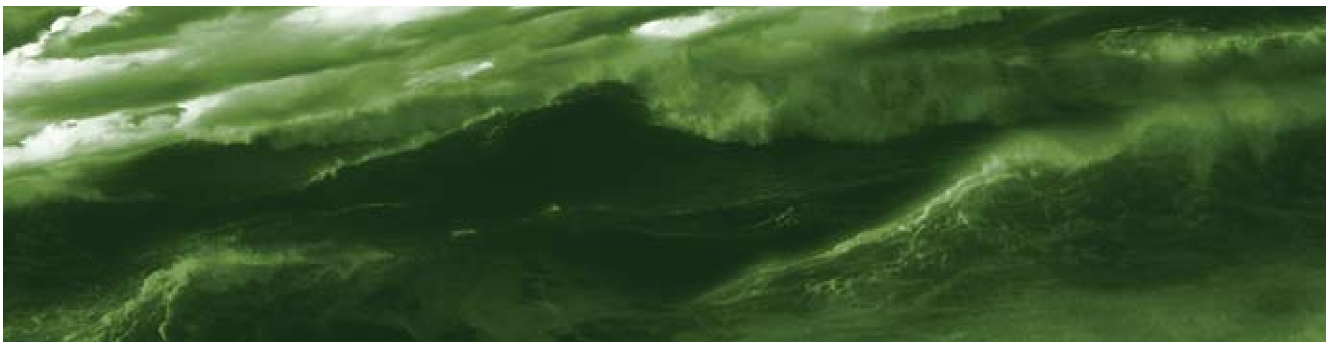
The above balance sheets should be read in conjunction with the accompanying notes.

CASH FLOWS STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	IMF (Australia) Ltd 2008 $	IMF (Australia) Ltd 2007 $
Cash flows from operating activities					
Proceeds from litigation funding - settlement, fees and reimbursements		51,968,498	23,154,217	32,425,096	10,157,010
Payments for litigation funding, suppliers and employeees		(22,109,656)	(16,654,249)	(5,001,407)	(16,115,176)
Interest income		2,284,411	1,554,618	1,825,504	1,462,162
Interest paid		(1,635,793)	(1,305,308)	(1,635,793)	(1,304,079)
Net cash flows from/(used in) operating activities	25	**30,507,460**	**6,749,278**	**27,613,400**	**(5,800,083)**
Cash flows from investing activities					
Purchase of plant and equipment		(478,223)	(65,798)	(478,223)	(65,798)
Payments for interest in jointly controlled entity	18	(1,538,015)	-	(1,538,015)	-
Payments for available for sale investments		(1,073,453)	-	(1,073,453)	-
Receipt of intercompany dividend		-	-	-	10,999,579
Net cash flows used in investing activities		**(3,089,691)**	**(65,798)**	**(3,089,691)**	**10,933,781**
Cash flows from financing activities					
Proceeds from issue of shares		308,933	3,876,000	308,933	3,876,000
Repayment of unsecured loans		-	(4,060,614)	-	(4,060,614)
Payment of interim dividend		-	(3,408,687)	-	(3,408,687)
Net cash flows from/(used in) financing activities		**308,933**	**(3,593,301)**	**308,933**	**(3,593,301)**
Net increase in cash held		27,726,702	3,090,179	24,832,642	1,540,396
Cash and cash equivilents at beginning of year		23,914,218	20,824,039	22,453,306	20,912,910
Cash and cash equivalents at end of year		**51,640,920**	**23,914,218**	**47,285,948**	**22,453,306**

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 2008

	General Reserve $	Option Premium Reserve $	Covertible Notes Reserve $	Issued Capital $	Retained Earnings/ (Accumulated Losses) $	Total $
CONSOLIDATED						
Balance as at 1 July 2006	**8,689,605**	**3,133,233**	**984,139**	**30,552,455**	**(3,238,980)**	**40,120,452**
Income tax on items taken directly to or transferred from equity	-	-	-	(21,625)	-	(21,625)
Total income and expense for the period recognised directly in equity	8,689,605	3,133,233	984,139	30,530,830	(3,238,980)	40,098,827
Profit for the year	-	-	-	-	5,968,521	5,968,521
Total income and expense for the period	8,689,605	3,133,233	984,139	30,530,830	2,729,541	46,067,348
Equity Transactions:						
Dividend paid	-	-	-	-	(3,408,687)	(3,408,687)
Exercise of options	-	-	-	3,876,000	-	3,876,000
Share based payments	-	270,487	-	-		270,487
Balance as at 30 June 2007	**8,689,605**	**3,403,720**	**984,139**	**34,406,830**	**(679,146)**	**46,805,148**
Income tax on items taken directly to or transferred from equity	-	-	-	(21,625)	-	(21,625)
Total income and expense for the period recognised directly in equity	8,689,605	3,403,720	984,139	34,385,205	(679,146)	46,783,523
Profit for the year	-	-	-	-	17,160,013	17,160,013
Total income and expense for the period	8,689,605	3,403,720	984,139	34,385,205	16,480,867	63,943,536
Equity Transactions:						
Exercise of options	-	-	-	308,933	-	308,933
Exercise of convertible notes	-	-	-	2,977,806	-	2,977,806
Balance as at 30 June 2008	**8,689,605**	**3,403,720**	**984,139**	**37,671,944**	**16,480,867**	**67,230,275**

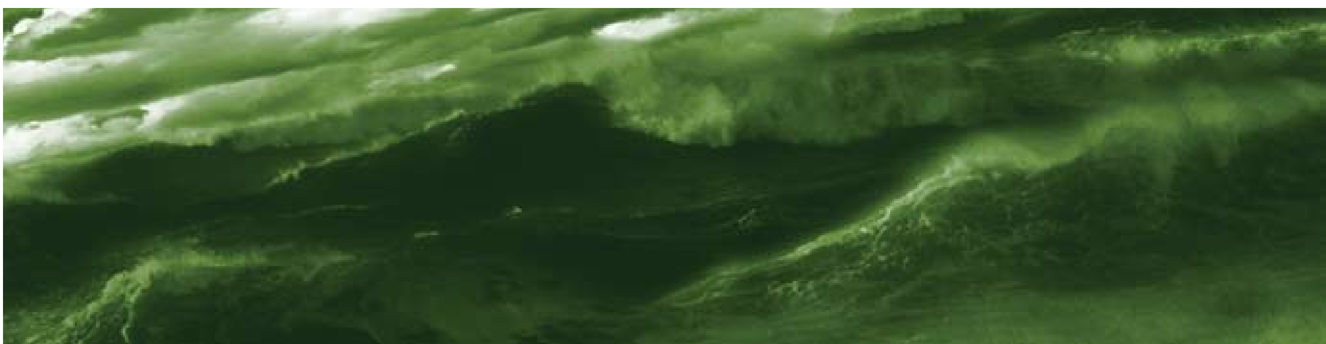
The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	General Reserve $	Option Premium Reserve $	Covertible Notes Reserve $	Issued Capital $	Retained Earnings/ (Accumulated Losses) $	Total $
PARENT						
Balance as at 1 July 2006	**-**	**3,133,233**	**984,139**	**30,552,455**	**(1,934,885)**	**32,734,942**
Income tax on items taken directly to or transferred from equity	-	-	-	(21,625)	-	(21,625)
Total income and expense for the period recognised directly in equity	-	3,133,233	984,139	30,530,830	(1,934,885)	32,713,317
Profit for the year	-	-	-	-	9,213,963	9,213,963
Total income and expense for the period	-	3,133,233	984,139	30,530,830	7,279,078	41,927,280
Equity Transactions:						
Dividend paid	-	-	-	-	(3,408,687)	(3,408,687)
Exercise of options	-	-	-	3,876,000	-	3,876,000
Share based payments	-	270,487	-	-		270,487
Balance as at 30 June 2007	**-**	**3,403,720**	**984,139**	**34,406,830**	**3,870,391**	**42,665,080**
Income tax on items taken directly to or transferred from equity	-	-	-	(21,625)	-	(21,625)
Total income and expense for the period recognised directly in equity	-	3,403,720	984,139	34,385,205	3,870,391	42,643,455
Profit for the year	-	-	-	-	14,906,651	14,906,651
Total income and expense for the period	-	3,403,720	984,139	34,385,205	18,777,041	57,550,105
Equity Transactions:						
Dividend paid	-	-	-	-	-	-
Exercise of options	-	-	-	308,933	-	308,933
Exercise of convertible notes	-	-	-	2,977,806	-	2,977,806
Balance as at 30 June 2008	**-**	**3,403,720**	**984,139**	**37,671,944**	**18,777,041**	**60,836,844**

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



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: CORPORATE INFORMATION

The financial report of IMF (Australia) Ltd (the Company or the Parent) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 22 August 2008.

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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Review Board. The financial report has also been prepared on a historical cost basis, except for available for sale investments which have been measured at fair value.

The financial report is presented in Australian dollars.

Certain comparative information has been reclassified to be presented on a consistant basis with the current year's presentation.

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

b. Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

c. New accounting standards and interpretations

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 2007. The adoption of these standards had no impact on the financial position or performance of the Group.

c. New accounting standards and interpretations (cont.)

The following new standards and interpretations have a potential impact on the financial report. However, they have an effective date after the date of these financial statements.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group does not currently have share-based payment arrangements that may be affected by these amendments. The extent of the impact will be assessed in future plans, if any.	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009

c. New accounting standards and interpretations (cont.)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

Adoption of new accounting standard

IMF (Australia) Ltd has adopted AASB 7: Financial Instruments: Disclosures and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure of these financial statements. There has been no effect on profit and loss or the financial position of the entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of IMF (Australia) Limited ("the Company") 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 in the separate financial statements of the parent entity.

e. Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. Gains and losses arising from these transactions are recognised in the income statement.

f. 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 Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

g. Trade and other receivables

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

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

h. Investments and other financial assets

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at the end of each financial year end, but there are restrictions on reclassifying.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

h. Investments and other financial assets (cont.)

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

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

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

(ii)Loans and receivables

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

(iii) Available-for-sale securities

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

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

i. Interest in joint venture entity

The Group's interest in joint venture entity is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The joint venture entity over which the Group has joint control is established by a contractual agreement that requires unanimous consent for strategic financial and operating decisions.

Under the equity method, the Group's financial statements include the Group's share of income and expenses of joint venture entities, after adjustments to align the accounting policies with those of the Group, from the date that joint venture control commences until the date that joint control ceases.

When the Group's share of losses in joint venture entities equals or exceeds its interest in the entity, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

j. Plant and equipment

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

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

Plant and equipment - over 5 to 15 years

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

Derecognition

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

k. 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. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

l. Intangible assets

Litigation Contracts In Progress

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

l. Intangible assets (cont.)

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, or a positive settlement is agreed, 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.

m. Trade and other payables

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

n. Interest-bearing loans and borrowings

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

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

o. Provisions

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 using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

p. 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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

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

q. Share-based payment transactions

(i) Equity-settled transactions

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

The cost of equity-settled transactions with employees (for awards granted after 7 November 2002 that were unvested at 1 January 2005) is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes model, further details of which are given in note 28.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

q. Share-based payment transactions (cont.)

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

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

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

s. 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.

t. 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.

u. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

u. Income tax and other taxes (cont.)

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.

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

u. Income tax and other taxes (cont.)

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 Flows 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.

v. Earnings per share

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

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

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

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

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Risk Exposures and Responses

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash holdings with a floating interest rate. The Group has previously managed its long term interest rate risk by issuing convertible notes with fixed coupon payments. However, the Group called for the early redemption of its convertible notes on 30 June 2008, and thus since the repayment of the convertible notes on 3 July 2008, the Group has no debt.

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

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Financial Assets				
Cash and cash equivilents	51,640,920	23,914,218	47,285,948	22,453,307
Net Exposure	**51,640,920**	**23,914,218**	**47,285,948**	**22,453,307**

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

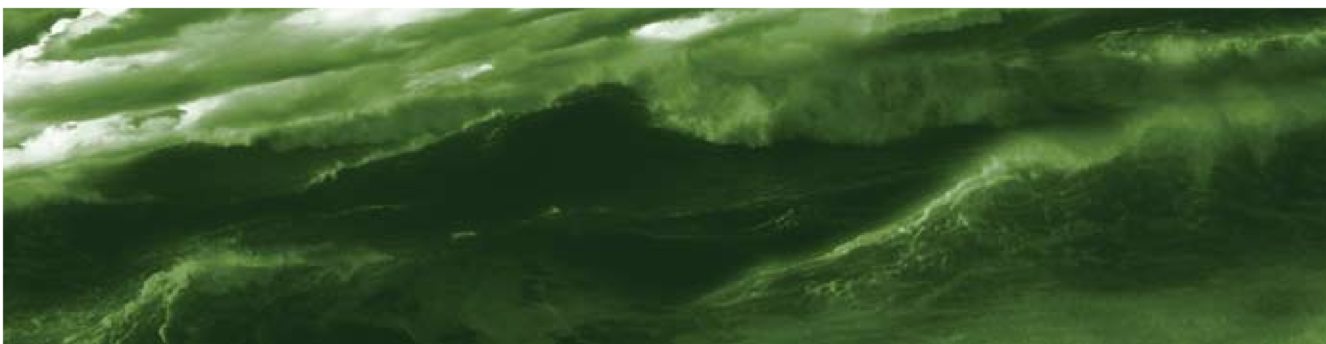
At 30 June 2008, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgement of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 $	2007 $	2008 $	2007 $
Consolidated				
+1% (100 basis points)	172,956	108,823	172,956	108,823
-0.5% (50 basis points)	(86,478)	(54,412)	(86,478)	(54,412)
Parent				
+1% (100 basis points)	140,833	102,351	140,833	102,351
-0.5% (50 basis points)	(70,416)	(51,176)	(70,416)	(51,176)

Credit Risk

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

There are no significant concentrations of credit risk within the Group. Financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties, all of whom have been pre-approved by the Board, have AAA+ credit ratings and are subject to the prudential regulation of the Reserve Bank of Australia.



NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding. Wherever possible the Group ensures that security for settlement sums is provided.

Liquidity Risk

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

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

The maturity profile of the Group's payables is as follows:

	<6 months $	6-12 months $	1-5 years $	>5 years $	Total $
Consolidated					
Financial Assets					
Cash and cash equivilents	51,640,920	-	-	-	51,640,920
Trade and other receivables	10,195,579	-	4,462,847	-	14,658,426
Available for sale financial assets	913,605	-	-	-	913,605
	62,750,104	**-**	**4,462,847**	**-**	**67,212,951**
Financial Liabilities					
Trade and other payables	17,279,456	-	-	-	17,279,456
Income tax payable	2,738,549	-	-	-	2,738,549
	20,018,005	**-**	**-**	**-**	**20,018,005**
Net maturity	**42,732,099**	**-**	**4,462,847**	**-**	**47,194,946**
Parent					
Financial Assets					
Cash and cash equivilents	47,285,948	-	-	-	47,285,948
Trade and other receivables	10,015,934	-	3,337,286		13,353,220
Available for sale financial assets	913,605	-	-	-	913,605
	58,215,487	**-**	**3,337,286**	**-**	**61,552,773**
Financial Liabilities					
Trade and other payables	15,741,656	-	-	-	15,741,656
Income tax payable	2,738,549	-	-	-	2,738,549
	18,480,205	**-**	**-**	**-**	**18,480,205**
Net maturity	**39,725,282**	**-**	**3,337,286**	**-**	**43,072,568**

NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

(i) Significant accounting judgments

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 as to whether it is likely to be successful the cost and timing to completion and the ability of the defendant to pay upon completion. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Classification of and valuation of investments

The Group has decided to classify investments in listed securities as ‘available-for-sale’ investments and movements in fair value are recognised directly in the income statement. The fair value of listed shares has been determined by reference to published price quotations in an active market.

Taxation

The Group’s accounting policy for taxation requires management’s judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

(i) Significant accounting judgments (cont.)

Taxation (cont.)

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

Provision for Adverse Costs

The Group raises a provision for adverse costs when it has lost a matter which it has funded and no appeal of that decision is to be made. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit following consultation with external advisors.

(ii) Significant accounting estimates and assumptions

Impairment of intangibles with indefinite useful lives

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

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 note15.

NOTE 5: SEGMENT INFORMATION

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

Geographically, the Group operates in Australia only. During the year the Group funded one matter in the United States of America and established a joint venture entity in Europe, which is accounted for using the equity method. The Group continues to investigate other markets including Singapore, New Zealand, Hong Kong and the United States of America.

NOTE 6: REVENUE

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Revenue				
Bank interest received	2,470,806	1,554,618	2,011,900	1,462,162
Intercompany dividends received	-	-	-	10,999,579
	2,470,806	1,554,618	2,011,900	12,461,741

NOTE 7: OTHER INCOME

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Other income				
Litigation contracts in progress - settlements	55,205,972	31,292,764	39,748,063	10,021,817
Litigation contracts in progress expenses	(17,598,261)	(16,224,421)	(9,649,758)	(5,542,498)
Litigation contracts in progress written-down[1]	(4,086,738)	(1,139,503)	(2,228,661)	(880,226)
Net gain on disposal of intangible assets	33,520,973	13,928,840	27,869,644	3,599,094
GST recoverable from prior periods	306,226	-	8,717	-
	33,827,199	13,928,840	27,878,361	3,599,094

[1]Included in this balance are costs related to cases not pursued by the Group due to the cases not meeting the Group's required rate of return.

NOTE 8: EXPENSES

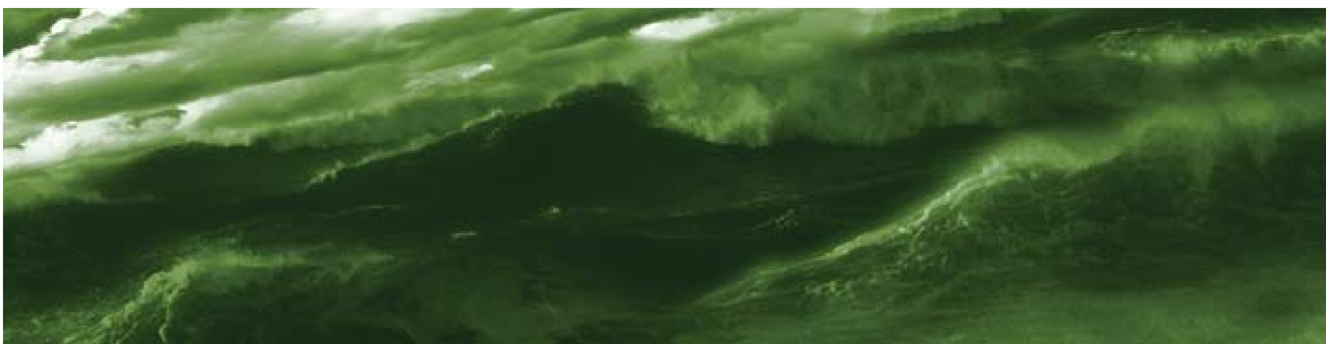
	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
(a) Finance costs				
Interest on related party loans	-	(32,457)	-	(32,457)
Interest on convertible notes	(2,040,489)	(2,140,922)	(2,040,489)	(2,140,922)
Other finance charges	(49,049)	(21,615)	(47,406)	(20,387)
	2,089,538	(2,194,994)	(2,087,895)	(2,193,766)

NOTE 8: EXPENSES (cont.)

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
(b) Depreciation included in the income statement				
Depreciation	(156,470)	(122,743)	(156,470)	(122,743)
(c) Employee benefits expense				
Wages and salaries	(1,403,507)	(1,020,640)	(2,461,034)	(1,847,626)
Superannuation expense	(552,767)	(391,075)	(552,767)	(391,075)
Directors fees	(83,600)	(155,963)	(83,600)	(155,963)
Payroll tax	(280,150)	(181,584)	(280,150)	(181,585)
Long service leave provision	(137,069)	(116,223)	(137,069)	(116,223)
	(2,457,093)	(1,865,485)	(3,514,620)	(2,692,472)
Share-based payments expense	-	(270,487)	-	(270,487)
	(2,457,093)	(2,135,972)	(3,514,620)	(2,962,958)
(d) Corporate and office expense				
Insurance expense	(320,669)	(138,969)	(320,669)	(138,969)
Network expense	(165,559)	(131,344)	(165,559)	(131,344)
Marketing expense	(92,462)	(59,757)	(92,462)	(59,757)
Occupancy expense	(6,437)	(14,167)	(6,437)	(14,167)
Professional fee expense	(278,545)	(373,662)	(278,545)	(373,662)
Recruitment expense	(66,406)	(44,160)	(66,406)	(44,160)
Telephone expense	(59,276)	(46,285)	(59,276)	(46,285)
Travel expense	(160,583)	(46,116)	(160,583)	(46,116)
	(1,149,937)	(854,460)	(1,149,937)	(854,460)
(e) Other expenses				
ASX listing fees	(30,821)	(37,522)	(30,821)	(37,522)
General expenses	(156,403)	(212,543)	(155,914)	(212,536)
Postage, printing and stationary	(8,142)	(28,216)	(8,142)	(28,216)
Repairs and maintenance	(40,182)	(20,562)	(40,182)	(20,562)
Share registry costs	(19,856)	(27,458)	(19,856)	(27,458)
Software supplies	(10,915)	(8,972)	(10,915)	(8,972)
Impairment of available for sale asset	(160,453)	-	(160,453)	-
Loss on derecognition of financial liability - convertible notes	(1,275,130)	-	(1,275,130)	-
Foreign exchange gain/(loss)	(23,247)	-	(5,383)	-
Other	-	(155,458)	-	(155,458)
	(1,725,149)	(490,731)	(1,706,796)	(490,724)

NOTE 9: INCOME TAX

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge/(benefit)	2,738,549	-	914,691	(939,675)
Adjustment in respect of deferred income tax of previous year	22,146	(246,366)	22,146	(121,348)
			-	
Deferred income tax				
Relating to origination and reversal of temporary differences	4,858,020	2,554,786	5,490,703	124,001
Adjustment in respect of deferred income tax of previous year	68,336	-	(59,648)	-
Income tax expense/(benefit) reported in the income statement	7,687,051	2,308,420	6,367,892	(937,022)
(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	21,625	21,625	21,625
Income tax expense reported in equity	21,625	21,625	21,625	21,625
(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	24,847,061	8,276,941	21,274,543	8,276,941
At the Group's statutory income tax rate of 30% (2007: 30%)	7,454,118	2,483,082	6,382,364	2,483,082
Adjustment in respect of income tax of previous years	90,482	(246,366)	(37,502)	(121,348)
Expenditure not allowable for income tax purposes	164,075	83,473	44,655	83,473
Income not assessable for income tax purposes	-	-	-	(3,299,874)
Other	(21,625)	(11,769)	(21,625)	(82,355)
Income tax expense/(benefit) reported in the consolidated income statement	7,687,050	2,308,420	6,367,892	(937,022)



NOTE 9: INCOME TAX (cont.)

	Balance Sheet 2008 $	Balance Sheet 2007 $	Income statement 2008 $	Income statement 2007 $
(d) Recognised deferred tax assets and liabilities				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
(i) Deferred tax liabilities				
Intangibles	8,437,016	9,086,146	649,130	(773,651)
Prepayments	671	1,818	1,147	1,818
Expenditure deducted for income tax purposes	852,150	-	(852,150)	-
Convertible notes	(308,267)	185,680	493,947	(189,674)
Gross deferred tax liabilities	8,981,570	9,273,644		
(ii) Deferred tax assets				
Depreciable assets	36,490	36,491	-	(11,594)
Accruals and provisions	783,335	357,419	425,915	(172,717)
Losses available for offset against future taxable income	-	5,637,472	(5,637,472)	3,671,585
Expenditure deductible for income tax over time	78,465	129,109	(29,019)	29,019
Gross deferred tax assets	898,290	6,160,491		
Deferred income tax expense			(4,948,502)	2,554,786
Net deferred tax liabilities	8,083,280	3,113,153		
PARENT				
(i) Deferred tax liabilities				
Intangibles	3,212,082	3,772,068	559,987	375,339
Prepayments	671	1,818	1,147	1,818
Expenditure deducted for income tax purposes	852,150	-	(852,150)	-
Convertable notes	(308,268)	185,680	493,948	(189,674)
Gross deferred tax liabilities	3,756,635	3,959,566		
(ii) Deferred tax assets				
Depreciable assets	36,491	36,491	1	(11,594)
Losses available for offset against future taxable income	-	5,637,472	(5,637,472)	-
Provisions	265,831	255,471	10,359	(80,907)
Expenditure deductible for income tax over time	78,465	129,109	(29,019)	29,019
Gross deferred tax assets	380,787	6,058,543	-	
Deferred income tax expense			(5,453,199)	124,000
Net deferred tax liabilities/(assets)	3,375,848	(2,098,977)		

(e) Unrecognised temporary differences

At 30 June 2008 there were no unrecognised temporary differences associated with the Group's investments in its subsidiary or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: $nil).

NOTE 9: INCOME TAX (cont.)

(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

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.

Tax consolidation contributions/(distributions)

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

	IMF (Australia) Ltd	
	2008	2007
	$	$
Total investment in / (contribution from) subsidiary of IMF (Australia) Ltd	1,823,857	4,611,260

NOTE 10: DIVIDENDS PAID AND PROPOSED

(a) Recognised amounts:	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Declared and paid during the year				
Dividends on ordinary shares				
2008: nil (2007: Interim unfranked dividend: 3.0 cents per share)	-	3,408,687	-	3,408,687
	-	3,408,687	-	3,408,687

(b) Unrecognised amounts:	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Dividends on ordinary shares				
final franked dividend for 2008: 5.0 cents per share	5,958,108	-	5,958,108	-
	5,958,108	-	5,958,108	-

After balance sheet date, a final dividend of 5.0 cents per share has been declared with respect to the year ended 30 June 2008. The record date for this dividend is 2 October 2008 and the shares will trade ex-dividend on 26 September 2008. This dividend has not been recognised as a liability in 2008, but will be brought to account in 2009.

NOTE 10: DIVIDENDS PAID AND PROPOSED (cont.)

(c) Franking credit balance	IMF (Australia) Ltd	
	2008	2007
	$	$
The amount of franking credits for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	-	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,794,272	-
- Franking debits that will arise from the payment of dividends as at the end of the financial year	(2,553,475)	-
	240,797	-

NOTE 11: EARNINGS 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 per share computations:

(a) Earnings used in calculating earnings per share	Consolidated	
	2008	2007
	$	$
For basic earnings per share		
Net profit attributable to ordinary equity holders of the parent	17,160,013	5,968,521
For diluted earnings per share		
Net profit from continuing operations attributable to ordinary equity holders of the parent	17,160,013	5,968,521
Tax effected interest on convertible notes	294,239	1,498,645
Net profit attributable to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	17,454,252	7,467,166

(b) Weighted average number of shares	Number	
	2008	2007
	$	$
Weighted average number of ordinary shares outstanding for basic earnings per share	114,061,700	113,813,481
Effect of dilution:		
Share options	389,046	1,128,093
Convertible notes	4,254,008	20,685,185
Weighted average number of ordinary shares adjusted for the effect of dilution	118,704,754	135,626,759

NOTE 11: EARNINGS PER SHARE (cont.)

(b) Weighted average number of shares (cont.)

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

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

(c) Information on the classification of securities

(i) Options

Options granted to employees (including key management personnel) as described in note 23, note 27 and note 28, 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 22 were considered to be potential ordinary shares in 2007 and have been included in the determination of diluted earnings per share to the extent they are dilutive in that year. Convertible notes that have been converted into shares have been included in the determination of diluted earnings per share in 2008. The convertible notes were subject to an early redemption notice, and thus those convertible notes not converted at 30 June 2008 were not able to be converted in the future, and have no dilutive effect.

NOTE 12: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank	25,164,266	3,347,720	24,961,091	1,886,809
Short-term deposits	26,476,654	20,566,498	22,324,857	20,566,498
	51,640,920	23,914,218	47,285,948	22,453,307

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 Flows Statement

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

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Cash at bank	25,164,266	3,347,720	24,961,091	1,886,809
Short-term deposits	26,476,654	20,566,498	22,324,857	20,566,498
	51,640,920	23,914,218	47,285,948	22,453,307

NOTE 12: CURRENT ASSETS - CASH AND CASH EQUIVALENTS (cont.)

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 2008 guarantees of $2,034,700 were outstanding (2007: $2,699,473). The guarantees are secured by an offset arrangement with a term deposit of $1,659,396 (2007: $1,578,008).

Set off of assets and liabilities:

The Group has established a legal right of set off with two banks enabling it to set off certain deposits with the bank against bank guarantees issued totalling $2,034,700 (2007: $2,699,473). The total of the bank guarantee facilities is $8,000,000. The guarantee facility is secured by an offset arrangement against a term deposit of $1,659,396 (2006: $1,578,008).

NOTE 13: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

		Consolidated		IMF (Australia) Ltd	
		2008	2007	2008	2007
		$	$	$	$
Trade receivables	(i)	14,542,594	11,697,147	13,237,388	1,295,435
GST refund receivable	(ii)	115,832	115,832	115,832	115,832
		14,658,426	11,812,979	13,353,220	1,411,267
Related party receivables		-	-	-	11,551,271
		14,658,426	11,812,979	13,353,220	12,962,538

(i) Trade receivables are non-interest bearing and generally on 30-90 day terms. Included in trade debtors is an amount of $1,000,000 (2007: $nil) which is subject to appeal.

(ii) During the year the Australian Taxation Office ("ATO") completed its audit of the Group's claim fo a refund of Goods and Services Tax "GST" and has determined the Group is entitled to a refund of $115,832.

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

	0-30 days $	31-60 days $	61-90 days $	91-180 days[1] $	+180 days[1] $	Total $
2008						
Consolidated	9,810,054	-	-	385,525	4,347,015	14,542,594
Parent	9,638,332	-	-	377,603	3,221,454	13,237,389
2007						
Consolidated	10,680,481	-	-	23,554	993,112	11,697,147
Parent	1,043,769	-	-	-	251,666	1,295,435

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

During the year the Group wrote-off a total of $3,492,554 (2007: $1,407,617) as bad debts. The majority of these bad debts relate to the write-off of receivables where a subsequent appeal has been lost by the Group's client (Meadow Springs in 2008 and Marminta in 2007).

(a) Fair value and credit risk

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

NOTE 14: CURRENT ASSETS - OTHER ASSETS

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Prepayments	117,675	346,508	117,675	346,508
Other	4,428	451	4,428	451
	122,103	346,959	122,103	346,959

NOTE 15: NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	Consolidated Plant & Equipment	IMF (Australia) Ltd Plant & Equipment
	$	$
(a) Reconciliation of carrying amounts at the beginning and end of the period		
Year ended 30 June 2008		
Balance as at 1 July 2007, net of accumulated depreciation	183,727	183,727
Additions	478,224	478,224
Depreciation charge for the year	(156,470)	(156,470)
At 30 June 2008, net of accumulated depreciation	505,481	505,481
Balance as at 1 July 2007, net of accumulated depreciation		
Cost	961,275	961,275
Accumulated depreciation	(777,548)	(777,548)
Net carrying amount	183,727	183,727
Balance as at 30 June 2008, net of accumulated depreciation		
Cost	1,439,499	1,439,499
Accumulated depreciation	(934,018)	(934,018)
Net carrying amount	505,481	505,481
Year ended 30 June 2007		
Balance as at 1 July 2007, 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

The useful life of the assets was estimated between 5 to 15 years for both 2007 and 2008.

NOTE 16: NON-CURRENT ASSETS - AVAILABLE FOR SALE INVESTMENTS

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Opening balance at 1 July	-	-	-	-
Shares - Australian listed	913,605	-	913,605	-
Closing balance as at 30 June	913,605	-	913,605	-

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

(a) Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

NOTE 17: NON-CURRENT ASSETS - INTANGIBLE ASSETS

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

	Consolidated	Parent
	$	$
Balance as at 1 July 2007		
Cost (gross carrying amount)	30,323,978	12,573,562
Accumulated amortisation and impairment	-	-
Net carrying amount	30,323,978	12,573,562
Year ended 30 June 2008		
Balance as at 1 July 2007, net of accumulated amortisation and impairment	30,323,978	12,573,562
Additions	19,484,409	10,011,795
Disposals	(17,598,261)	(9,649,758)
Write-down of Litigation Contracts In Progress	(4,086,738)	(2,228,661)
At 30 June 2008, net of accumulated amortisation and impairment	28,123,388	10,706,938
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

NOTE 17: NON-CURRENT ASSETS - INTANGIBLE ASSETS (cont.)

(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 directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs and other out of pocket expenses. The capitalised wages in 2008 equated to approximately 59% of the total salary costs (2007: 54%). The other internal capitalised expenses equated to approximately 23% of overhead costs (2007: 21%).

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

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Capitalised External Costs	22,584,444	24,501,043	7,766,158	9,451,803
Capitalised Internal Costs	5,538,944	5,822,925	2,940,780	3,121,758
Balance at 30 June	28,123,388	30,323,968	10,706,938	12,573,561

(c) Write-down of intangible assets

The carrying amount of the Litigation Contracts In Progress is written down when the Group decides not to pursue cases that do not meet the Group's required rate of return.

(d) Impairment testing of intangible assets

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

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

- The estimated cost to complete a Litigation Contract In Progress is budgeted, based on estimates provided by the external legal advisors handling the litigation and the plaintiff in the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the 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 10.25% (2007: 9.5%).

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 18: NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The consolidated financial statements include the Group's 50% share in a joint venture entity, Claims Funding International plc ("CFI"), which was incorporated in Ireland in March 2008. The joint venture party is interests associated with Maurice Blackburn Pty Limited. The principle activity of CFI is to fund multi-party claims outside of Australia.

(a) Investment details

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Claims Funding International plc	973,435	-	1,538,015	-
	973,435	-	1,538,015	-

(b) Movement in the carrying amount of the Group's investments:

	Consolidated	
	2008	2007
	$	$
As at 1 July	-	-
Initial investment	1,538,015	-
Share of profit/(loss) after income tax	(380,201)	-
Return of Equity	(166,515)	-
Foreign exchange gain/(loss)	(17,864)	-
At 30 June	973,435	-

(c) Fair value of investment

The carrying amount of the Group's investments accounted for using the equity method is $973,435 (2007: nil).

(d) Summarised financial information

The following table summarises the financial information relating to the Group's investments accounted for using the equity method:

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

	Consolidated	
	2008	2007
	$	$
Extract from the associate's balance sheets		
Current assets	2,018,811	-
Non-current assets	116,615	-
	2,135,426	-
Current liabilities	188,555	-
Non-current liabilities	-	-
	188,555	-
Net assets	1,946,871	-
Share of net assets	973,435	-
Extract from the associate's income statements		
Revenue	24,508	-
Net Loss	(760,402)	-
Share of net loss	(380,201)	-

NOTE 19: 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 2008 %	Percentage Owned 2007 %	Investment 2008 $	Investment 2007 $
Insolvency Litigation Fund Pty Ltd	Australia	100	100	9,586,819	7,762,962

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 the subsidiary's income tax liability to the perent entity (refer to note 9.)

NOTE 20: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated 2008 $	Consolidated 2007 $	IMF (Australia) Ltd 2008 $	IMF (Australia) Ltd 2007 $
Trade payables	4,652,289	2,493,069	3,114,489	1,546,470
Wage accruals	214,321	179,049	214,321	179,049
Payables to convertible noteholders	12,412,846	-	12,412,846	-
Related perty payables	-	-	613,434	-
Carrying amount of trade and other payables	17,279,456	2,672,118	16,335,090	1,725,519

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

NOTE 21: CURRENT AND NON-CURRENT LIABILITIES - PROVISIONS

	Consolidated 2008 $	Consolidated 2007 $	IMF (Australia) Ltd 2008 $	IMF (Australia) Ltd 2007 $
Current				
Annual Leave	242,367	275,064	242,367	275,064
Adverse costs	900,000	-	-	-
	1,142,367	275,064	242,367	275,064
Non-Current				
Long service leave	463,431	326,362	463,431	326,362
	463,431	326,362	463,431	326,362

NOTE 21: CURRENT AND NON-CURRENT LIABILITIES - PROVISIONS (cont.)

(a) Movement in provisions

	Adverse costs $	Annual leave $	Long Service leave $	Total $
Consolidated				
At 1 July 2007	-	275,064	326,362	601,426
Arising during the year	1,502,566	410,685	137,069	2,050,320
Utilised	(602,566)	(443,382)	-	(1,045,958)
At 30 June 2008	900,000	242,367	463,431	1,605,798
Current 2008	900,000	242,367	-	1,142,367
Non-current 2008	-	-	463,431	463,431
	900,000	242,367	463,431	1,605,798
Current 2007	-	275,064	-	275,064
Non-current 2007	-	-	326,362	326,362
	-	275,064	326,362	601,426
Parent				
At 1 July 2007	-	275,064	326,362	601,426
Arising during the year	602,566	410,685	137,069	1,150,320
Utilised	(602,566)	(443,382)	-	(1,045,958)
At 30 June 2008	-	242,367	463,431	705,798
Current 2008	-	242,367	-	242,367
Non-current 2008	-	-	463,431	463,431
	-	242,367	463,431	705,798
Current 2007	-	275,064	-	275,064
Non-current 2007	-	-	326,362	326,362
	-	275,064	326,362	601,426

(b) Nature and timing of provisions

Adverse costs

Included in this provision raised during the year is an amount of $900,000 in respect of the Group's obligation to pay the adverse costs in the matter known as Doran. The costs to be paid are presently being assessed by an external cost assessor, and the provision is based on the external assessor's best estimate of these costs.

Annual leave and long service leave

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

NOTE 22: INTEREST- BEARING LOANS AND BORROWINGS - CONVERTIBLE NOTES

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Convertible notes	-	13,390,007	-	13,390,007
	-	13,390,007	-	13,390,007

(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 had a nominal value of $0.70 and had the right to convert into one ordinary share. The convertible notes carried a coupon of 11.5% per annum, payable quarterly in arrears. The convertible notes were convertible at the option of the note-holder.

The parent entity had 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.

The Company issued an early redemption notice on 29 April 2008 calling for the early redemption of the convertible notes on 30 June 2008. As a result 4,748,673 convertible notes were converted into ordinary shares on 30 June 2008 and 16,421,177 convertible notes were redeemed. The Company settled the redemption by the payment of $12,412,846 (including the early redemption penalty and interest payable) to the convertible noteholders on 3 July 2008.

The application of AASB 132 Financial Instruments: Disclosure and Presentation has resulted in $984,139 of these convertible notes being classified as equity on recognition (refer to note 2).

NOTE 23: CONTRIBUTED EQUITY

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Contributed equity				
Issued and fully paid ordinary shares	37,671,944	34,406,830	37,671,944	34,406,830

NOTE 23: CONTRIBUTED EQUITY (cont.)

(a) Ordinary shares

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

	Number	$
Movements in ordinary shares on issue		
As at 30 June 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
Exercise of employee options	494,665	98,933
Exercise of director options	600,000	210,000
Exercise of convertible notes	4,254,008	2,977,806
Deferred tax adjustments	-	(21,625)
As at 30 June 2008	119,162,154	37,671,944

(b) Share options

At 30 June 2008, there were 4,234,665 (2007: 15,319,330) unissued ordinary shares in total in respect of which options were outstanding, as follows:

	2008	2007
Director Options (see note 27)	2,000,000	11,200,000
Employee options (see note 28)	2,234,665	4,119,330
Options issued as at 30 June	4,234,665	15,319,330

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The earnings of the Group are lumpy and this is forecast to continue into the future. Management's policy is to pay dividends to shareholders from earnings if it can be fully franked and where there is surplus capital to the needs of the business. The Group has been unable to pay franked dividends in the past, but expects to be able to pay franked dividends from 1 July 2008.

Management has determined that as at 30 June 2008 the Group has surplus cash to its requirements. Management intends to reduce this surplus cash between 2009 and 2010 through a mixture of paying fully franked dividends, providing shareholders with a capital return and through implementing an on-market buy-back.

Management has no current plans to issue further shares on the market, but intends to reduce the capital structure by buying back shares when suitable opportunities arise.

The Group is not subject to any externally imposed capital requirements.

NOTE 24: RETAINED EARNINGS AND RESERVES

(a) Movement in retained earnings were as follows:

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Balance 1 July	(679,146)	(3,238,980)	3,870,391	(1,934,885)
Net profit/(loss) for the year	17,160,013	5,968,521	14,906,651	9,213,963
Interim dividend paid 2007 (3.0 cents per share)	-	(3,408,687)	-	(3,408,687)
Balance 30 June	16,480,867	(679,146)	18,777,042	3,870,391

(b) Movement in reserves were as follows:

	General Reserve	Option Premium Reserve	Convertible Notes Reserve	Total
	$	$	$	$
Consolidated				
At 1 July 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
At 30 June 2008	8,689,605	3,403,720	984,139	13,077,464
Parent				
At 1 July 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
At 30 June 2008	-	3,403,720	984,139	4,387,859

(c) Nature and purpose of reserves

(i) General reserve

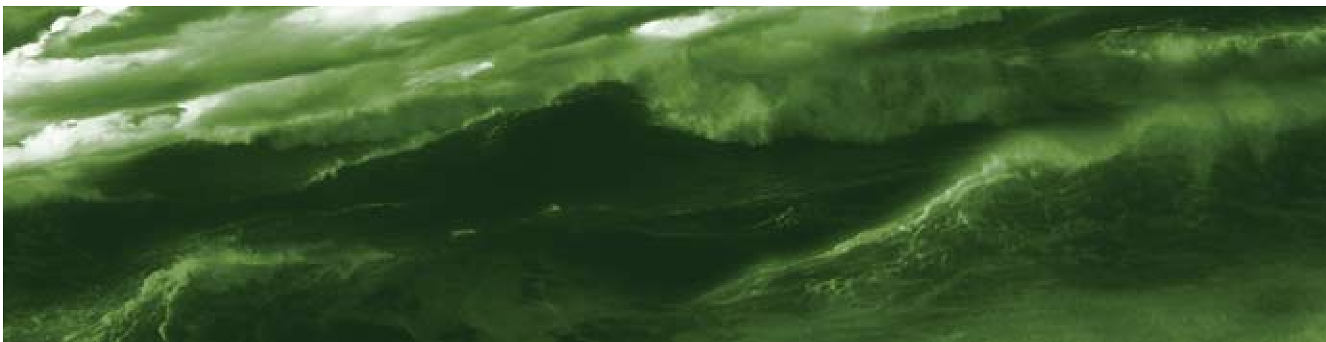
The general reserve contains amounts of retained profits that have been set aside by directors so as not to be tainted by prior period losses. This reserve may be used to pay dividends after considering losses from subsequent years.

(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 25: CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation of net profit after tax to net cash flows from operations

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Net profit/(loss) attributable to members of the parent	17,160,013	5,968,521	14,906,651	9,213,963
Adjustments for:				
Depreciation	156,470	122,743	156,470	122,743
Interest accretion - convertible notes	482,640	474,738	482,640	474,738
Loss on derecognition of financial liability	761,543	-	761,543	-
Loss recognised on remeasurement to fair value	160,453	-	160,453	-
Share of associates' net loss	380,201	-	-	-
Net loss on foreign exchange	23,247	-	5,383	-
Write-down of asset value	-	155,458	-	155,458
Other	(1,029)	(75,864)	(167,544)	(75,864)
Share options expensed	-	270,487	-	270,487
Intercompany - classified as investing cash flow	-	-	-	(10,999,579)
Changes in assets and liabilities				
Decrease/(Increase) in receivables	(2,845,447)	(5,965,126)	(390,682)	(3,378,418)
Decrease/(Increase) in other current assets	224,856	(270,102)	224,856	(270,123)
Decrease/(Increase) in intangible	2,200,581	2,542,019	1,866,624	(1,251,131)
Decrease/(Increase) in investments in subsidiary	-	-	(1,823,857)	(4,611,259)
Increase/(Decrease) in trade creditors and accruals	3,112,515	1,052,386	3,134,749	834,083
Increase/(Decrease) in provisions	867,297	27,750	(32,703)	27,750
Increase/(Decrease) in non current employee entitlements	137,069	116,224	137,069	116,224
Increase/(Decrease) in deferred tax liabilities	4,948,502	2,330,046	5,453,199	3,570,845
Increase/(Decrease) in current income tax liability	2,738,549	-	2,738,549	-
Net cash from/(used in) operating activities	30,507,460	6,749,278	27,613,400	(5,800,083)

(b) Disclosure of financing facilities

Refer to note 12 and note 22.

NOTE 26: RELATED PARTY DISCLOSURE

Transactions with director related entities

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for further information regarding these balances refer to note 13).

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Transactions with related parties	12,047	-	12,047	-

During the year the Group obtained legal advice from Hardy Bowen, a legal firm associated with director Michael Bowen. The legal advice was obtained at normal market prices.

Intercompany receivables and payables to related entities are payable on demand but will not be called within the next 12 months (refer note 13 and 20).

NOTE 27: 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, employment transferred to Claims Funding International plc on 1 March 2008
Clive Bowman	Senior Manager
Andrew Charles	Senior Manager
Charlie Gollow	Senior Manager
Diane Jones	Chief Financial Officer and Company Secretary

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

(b) Compensation of Key Management Personnel

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	3,595,812	2,402,915	3,595,812	2,402,915
Post-employment benefits	108,576	92,912	108,576	92,912
Share Based Payment/Bonuses	255,166	-	255,166	-
Other	91,065	102,877	91,065	102,877
	4,050,619	2,598,704	4,050,619	2,598,704

NOTE 27: KEY MANAGEMENT PERSONNEL (cont.)

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

	Balance 01-July-07	Granted as Remuneration	Options Exercised	Net Change Other[1]	Balance 30-Jun-08	Vested at 30 June 2008 Total	Exercisable	Not Vested/ Exercisable
Directors								
Robert Ferguson	-	-	-	-	-	-	-	-
John Walker	5,900,000	-	-	(4,900,000)	1,000,000	1,000,000	1,000,000	-
Hugh McLernon	4,100,000	-	-	(3,100,000)	1,000,000	1,000,000	1,000,000	-
Alden Halse	600,000	-	(300,000)	(300,000)	-	-	-	-
Michael Bowen	600,000	-	(300,000)	(300,000)	-	-	-	-
Executives								
Wayne Attrill	-	-	-	-	-	-	-	-
Clive Bowman	2,098,188	-	(254,094)	(660,000)	1,184,094	1,184,094	1,184,094	-
Andrew Charles	-	-	-	-	-	-	-	-
Charlie Gollow	700,000	-	(50,000)	(200,000)	450,000	450,000	450,000	-
Diane Jones	-	-	-	-	-	-	-	-
Total	13,998,188	-	(904,094)	(9,460,000)	3,634,094	3,634,094	3,634,094	-

[1] Expiry of director and employee share options.

	Balance 01-July-06	Granted as Remuneration	Options Exercised	Net Change Other[2]	Balance 30-Jun-07	Vested at 30 June 2007 Total	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	-

[2] Options were granted and subsequently exercised pursuant to interest payable under the deposit facility during 2007.

NOTE 27: KEY MANAGEMENT PERSONNEL (cont.)

(d) Shareholdings of Key Management Personnel

Shares held in IMF (Australia) Ltd (number)

	Balance 30-Jun-07	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-08
Directors					
Robert Ferguson	2,500,000	-	-	-	2,500,000
John Walker	6,923,831	-	-	43,000	6,966,831
Hugh McLernon	10,685,298	-	-	28,500	10,713,798
Alden Halse	591,251	-	300,000		891,251
Michael Bowen	513,751	-	300,000		813,751
Executives					
Wayne Attrill	-	-	-	-	-
Clive Bowman	601,594	-	254,094	(237,374)	618,314
Andrew Charles	205,079	-	-	126,140[1]	331,219
Charlie Gollow	60,000	-	50,000	-	110,000
Diane Jones	20,000	-	-	-	20,000
Total	22,100,804	-	904,094	(39,734)	22,965,164

	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	3,551,250	-	3,372,581		6,923,831
Hugh McLernon	7,113,511	-	3,571,787		10,685,298
Alden Halse	591,251	-	-		591,251
Michael Bowen	513,751	-	-		513,751
Executives					
Wayne Attrill	-	-	-	-	-
Clive Bowman	347,500	-	254,094	-	601,594
Andrew Charles	-	-	-	205,079[1]	205,079
Charlie Gollow	60,000	-	-	-	60,000
Diane Jones	-	-	-	20,000[1]	20,000
Paul Rainford	50,000	-	190,571	-	240,571
Total	14,727,263	-	7,389,033	225,079	22,341,375

[1] Shares were purchased 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) Loans to Key Management Personnel

There have been no loans provided to key management personnel in 2008 (2007: nil).

NOTE 28: SHARE-BASED PAYMENT PLAN

(a) Recognised share-based payment expensess

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

	Consolidated 2008 $	Consolidated 2007 $	IMF (Australia) Ltd 2008 $	IMF (Australia) Ltd 2007 $
Expenses arising from equity settled share-based payment transactions	-	(270,487)	-	(270,487)

There were no options issued to employees during the year, and the last time options were issued to employees was 1 July 2006. In the year ended 30 June 2007, 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

During 2007 the Company implemented a STI, which replaced the Employee Share Option Plan ("ESOP"), and which may also, at the discretion of the remuneration committee, provide benefits to employees in the form of share based payments. Previously, the Company had an ESOP, which provides benefits to directors and 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.

The expense recognised in the income statement in relation to share based payments is disclosed in note 8.

(c) Summaries of options

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

The outstanding balance as at 30 June 2008 is represented by:

	2008 Number	2008 WAEP	2007 Number	2007 WAEP
Outstanding at the beginning of the year	15,319,330	$0.92	35,669,675	$0.53
Granted during the year	-	-	616,641	$0.23
Exercised during the year	(1,094,665)	($0.28)	(19,079,997)	$0.20
Expired during the year	(9,990,000)	($0.93)	(1,886,989)	$0.49
Outstanding at the end of the year	4,234,665	$1.08	15,319,330	$0.92

The outstanding balance as at 30 June 2008 is represented by:

Number of Options	Exercise Price	Grant Date	Expiry Date
494,665	$0.20	01-Jul-04	30-Jun-09
2,630,000	$1.35	18-Jan-05	30-Jun-09
50,000	$0.20	01-Jul-05	30-Jun-10
1,060,000	$0.80	24-Mar-06	24-Mar-11
4,234,665	$0.81	(WAEP)	

NOTE 28: SHARE-BASED PAYMENT PLAN (cont.)

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding under the previous Employee Share Option Scheme at 30 June 2008 is between 1 and 3 years (2007: 1 and 4 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 (2007: $0.20 to $1.35).

(f) Weighted average fair value

The weighted average fair value of options granted during the 2007 year was $0.47. No options were granted during 2008.

(g) Option pricing model

The fair value of options granted under the previous 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 options issued during the year ended 30 June 2007:

	2007
Dividend Yield	0%
Expected Volatility	40%
Risk-free interest rate	5.8%
Expected life of option	4 years
Option exercise price	$0.47
Share price at grant date	$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 29: COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments - Group as lessee

The Group has entered into commercial leases for its premises. These leases have a life of between 1 and 7 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	
	2008	2007	2008	2007
	$	$	$	$
Within one year	317,533	215,151	317,533	215,151
After one year but no more than five years	813,641	127,742	813,641	127,742
After more than five years	184,070	-	184,070	-
Total minimum lease payments	1,315,244	342,893	1,315,244	342,893

NOTE 29: COMMITMENTS AND CONTINGENCIES (cont.)

(b) Remuneration commitments

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
Commitments for the payment of salaries, bonus and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:				
Within one year	5,394,072	1,426,244	5,394,072	1,426,244
After one year but no more than five years	-	-	-	-
	5,394,072	1,426,244	5,394,072	1,340,001

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

(c) Litigation Contracts

On 9 April 2008 the Federal Court ruled against the Group's priority under its funding agreement in the matter of Meadow Springs Fairway Resort Pty Limited (In Liquidation). The Group is appealing this decision. Should the Group's appeal be unsuccessful, the Group may be liable to pay certain costs relating to the litigation. It is estimated that those costs could be $100,000.

The Group may have a possible future obligation with an external consultant for management services provided in relation to the Aristocrat matter upon its successful settlement. The obligation and quantification of the payable amount is subject to negotiation between management and the external consultant upon the successful settlement of the Aristocrat matter. This amount was taken into account in the estimates announced to the ASX concerning the conditional Aristocrat settlement on 19 May 2008.

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. Declaration of a final dividend

On 22 August 2008 the directors announced a final dividend for 2008 of $6.4M or 5.4 cents per share. The record date for this dividend will be 2 October 2008 and the shares will trade ex-dividend on 26 September 2008.

2. Intangible assets

On 5 August 2008 IMF announced the conditional settlement of the matter known as Shenton Park Retirement Village. IMF expects the conditions of the settlement to be fulfilled by 29 August 2008. IMF expects to receive around $3.1M on an investment of approximately $0.6M and capitalised costs of approximately $0.2M.

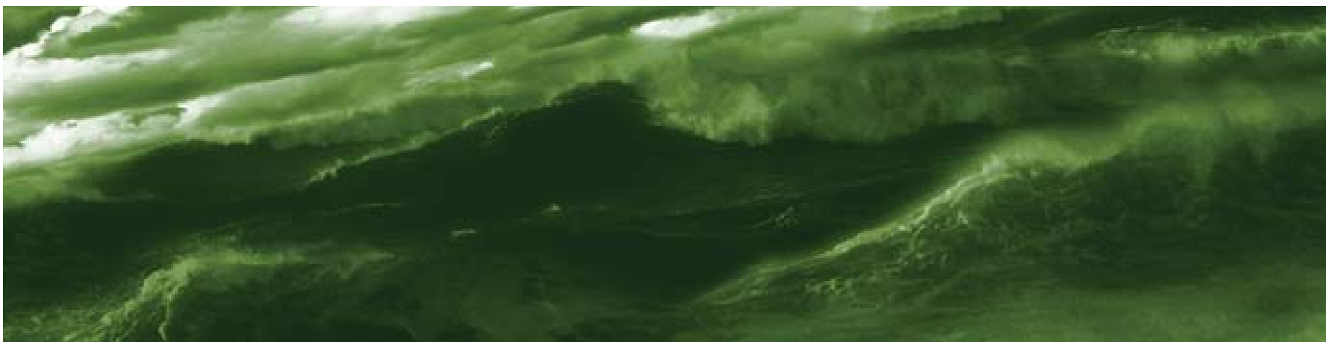
On 7 August 2008 IMF received judgment in the matter of Concept Equity v Challenger. IMF expects to receive around $1.4M on an investment of approximately $0.3M and capitalised costs of approximately $0.2M.

On 28 August 2008 approval is being sought from the Court concerning the conditional settlement of the Aristocrat claim. If successful, the Group will receive gross revenue of $37M, about $22M of which will be profit on the investment.

NOTE 32: AUDITOR'S REMUNERATION

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

	Consolidated		IMF (Australia) Ltd	
	2008	2007	2008	2007
	$	$	$	$
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	179,739	131,236	179,739	131,236
Other services in relation to the entity and any other entity in the consolidated group - tax compliance, including GST submissions	58,365	221,534	58,365	221,534
	238,104	352,770	238,104	352,770



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 2008 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 2008.

On behalf of the Board

ROBERT FERGUSON
Executive Chairman & CEO

JOHN WALKER
Managing Director

Dated this 25th day of August 2008

ERNST & YOUNG

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Independent audit report to members of IMF (Australia) Limited

Scope

We have audited the accompanying financial report of IMF (Australia) Limited ("the Company") and the entities it controlled ("the Group") during the year, which comprises the balance sheet as at 30 June 2008, 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.

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. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

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, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT REPORT

Auditor's Opinion

In our opinion:

1. the financial report of IMF (Australia) Limited is in accordance with the Corporations Act 2001, including:

    i giving a true and fair view of the financial position of IMF (Australia) Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulation 2001.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 27 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of IMF (Australia) Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

C B Pavlovich
Partner
Perth
25 August 200

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of IMF (Australia) Ltd ("IMF") is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of IMF on behalf of the shareholders by whom they are elected and to whom they are accountable. The following table is a summary of the ASX Corporate Governance Council's Principles and recommendations and the Group's compliance with these guidelines.

	Recommendation	Comply Yes / No
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes
2.1	A majority of the Board should be independent directors.	No
2.2	The chairperson should be an independent director.	No
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No
2.4	The Board should establish a nomination committee.	No
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:	
	• the practices necessary to maintain confidence in the Company's integrity;	Yes
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Disclose the policy concerning trading in Company securities by directors, officer and employees.	Yes
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.	Yes
4.2	The Board should establish an audit committee.	Yes
4.3	Structure the audit committee so that it consists of:	
	• only non-executive directors;	No
	• a majority of independent directors;	Yes
	• an independent chairperson, who is not chairperson of the Board;	Yes
	• at least three members.	Yes
4.4	The audit committee should have a formal charter.	Yes

CORPORATE GOVERNANCE STATEMENT (cont.)

	Recommendation	Comply Yes / No
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes
6.2	Request the external auditor to attend the annual general meeting and be available to answer the shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Yes
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	
	• the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.	Yes
	• the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Yes
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.	Yes
9.1	Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Yes
9.2	The Board should establish a remuneration committee.	Yes
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Yes
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Yes

IMF (Australia) Ltd's corporate governance practices were in place throughout the year ended 30 June 2008.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by IMF (Australia) Ltd refer to our website www.imf.com.au.

Board Functions

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

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

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

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

To this end the Board has established the following committees:

- Audit; and
- Remuneration.

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

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

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

Other functions reserved to the Board include:

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

CORPORATE GOVERNANCE STATEMENT (cont.)

Structure of the Board

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

From 18 June 2007 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.

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

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

Name	**Position**
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director

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

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

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

For additional details regarding Board appointments, please refer to our website.

Trading Policy

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

Before commencing to trade, an executive must first obtain the approval of the Company Secretary to do so and a Director must first obtain approval of the Chairman.

Only in exceptional circumstances will approval be forthcoming outside of the period which is four weeks after:

- one day following the announcement of the half-yearly and fully year results as the case may be;
- one day following the holding of the Annual General Meeting;
- one day after any other form of earnings forecast update is given to the market.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

Audit Committee

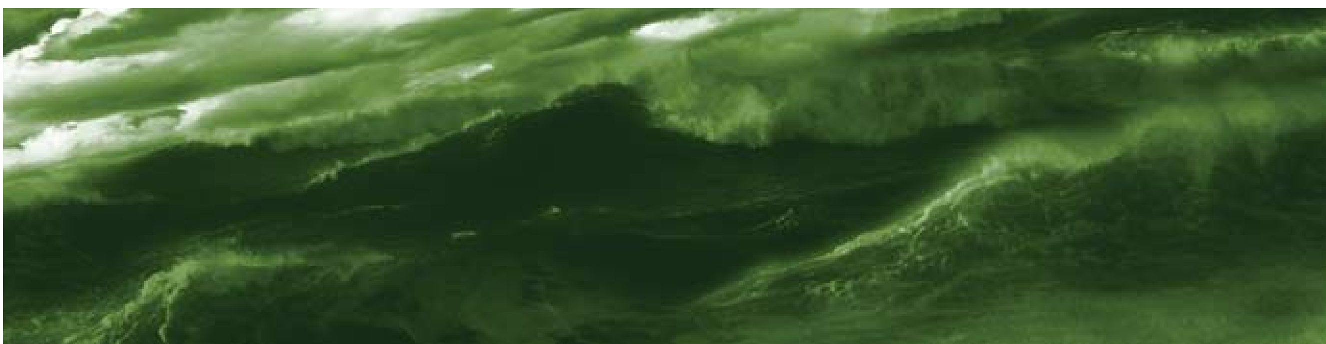
The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operations key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliably of financial information for inclusion in the financial reports. All members of the Audit Committee, with the exception of Rob Ferguson are non-executive directors.

The members of the Audit Committee during the year were:

Alden Halse (Chairman)
Michael Bowen
Rob Ferguson

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



CORPORATE GOVERNANCE STATEMENT (cont.)

Risk

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

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

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

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

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

CEO and CFO Certification

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

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

Performance

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

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.

Remuneration

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

- retention and motivation of key executives;
- attraction of high quality management to the Company; and
- performance incentives that allow executives to share in the success of IMF (Australia) Ltd.

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

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has established a Remuneration Committee, comprising two non-executive directors and an executive director. Members of the Remuneration Committee throughout the year were:

Michael Bowen (Chairman)
Alden Halse
Rob Ferguson

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

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 20 August 2008.

(a) Distribution of Shareholders

Ordinary Share Capital

119,162,154 fully paid ordinary shares are held by 1,212 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

4,234,665 options are held by 11 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	Options
1 - 1,000	264	-
1,001 - 5,000	261	-
5,001 - 10,000	166	2
10,001 - 100,000	414	4
100,001 - and over	107	5
	1,212	11
Holdings less than a marketable parcel	199	-

(b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 20 August 2008 are:

Shareholder	Fully Paid	Options
ANZ Nominees Limited	15,998,009	13.43%
National Nominees Limited	13,441,641	11.28%
Hugh McLernon (and McLernon Group Superannuation Pty Limited)	9,639,331	8.09%
Legal Precedents Pty Ltd (and John Walker)	6,620,537	5.56%
	45,699,518	38.36%

SHAREHOLDER INFORMATION (cont.)

(c) 20 Largest Holders of Quoted Equity Securities as at 20 August 2008

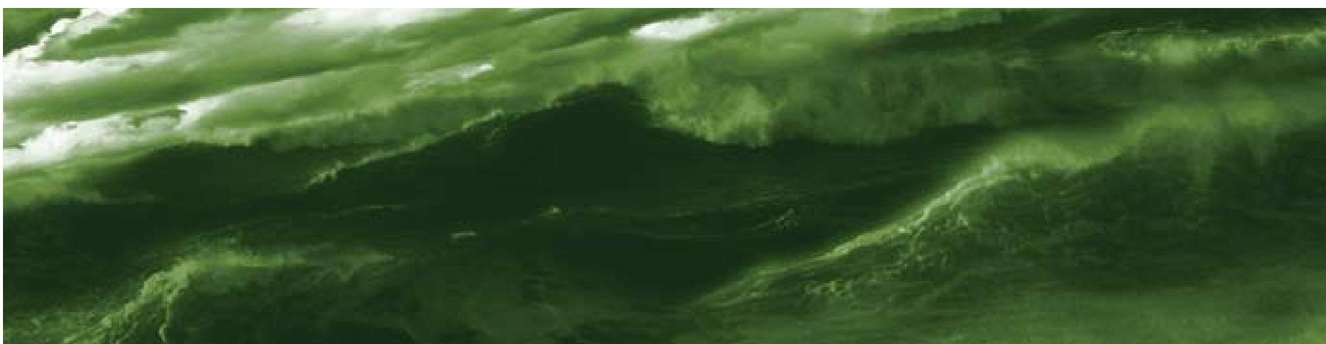
Ordinary Shares		Number of	% issued
1	ANZ Nominees Limited	15,998,009	13.43%
2	National Nominees Limited	13,441,641	11.28%
3	Mr Hugh McLernon	9,639,331	8.09%
4	Legal Precedents Pty Limited	6,620,537	5.56%
5	Thorney Holdings Pty Limited	4,573,324	3.84%
6	J P Morgan Nominees Australia Limited	4,478,825	3.76%
7	Redsummer Pty Ltd	4,342,600	3.64%
8	Bond Street Custodians Limited	3,871,733	3.25%
9	Mr Robert Alexander Ferguson	2,500,000	2.10%
10	Invia Custodian Pty Limited 5456 A/C	2,100,000	1.76%
11	Escor Investments Pty Limited	2,078,572	1.74%
12	Citicorp Nominees Pty Limited - Cwlth Bank Off Super A/C	1,641,018	1.38%
13	UBS Nominees Pty Limited	1,629,660	1.37%
14	HSBC Custody Nominees (australia) Limited	1,250,000	1.05%
15	Mr Dennis Banks & Mrs Janine Banks	1,200,089	1.01%
16	Trojan Equity Limited	1,192,000	1.00%
17	Botanibay Pty Limited	1,150,000	0.97%
18	G Harvey Nominees Pty Limited	1,000,000	0.84%
19	Hawke Capital Pty Limited	1,000,000	0.84%
20	Citicorp Nominees Pty Limited	893,968	0.75%
		80,601,307	67.66%

(d) Options as at 20 August 2008 - unquoted

Ordinary Shares	Number	Exercise	Expiry
IMFAB	444,665	0.20	30-Jun-09
IMFAC	50,000	0.20	30-Jun-09
IMFEX3	2,000,000	1.35	1-Jul-09
Employee options	630,000	1.35	30-Jun-09
Employee options	50,000	0.20	30-Jun-10
Employee options	1,060,000	0.80	24-Mar-11
	4,234,665		

(e) Securities subject to escrow

There are no securities subject to escrow.



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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 9 to 28. 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	
	Phone:	(02) 8223 3567
	Fax:	(02) 8223 3555
	www.imf.com.au	
Solicitors	Hardy Bowen	
	Level 1	
	28 Ord Street	
	West Perth, Western Australia 6005	
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	National Australia Bank Limited	
	363 George Street	
	Sydney NSW 2000	
	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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