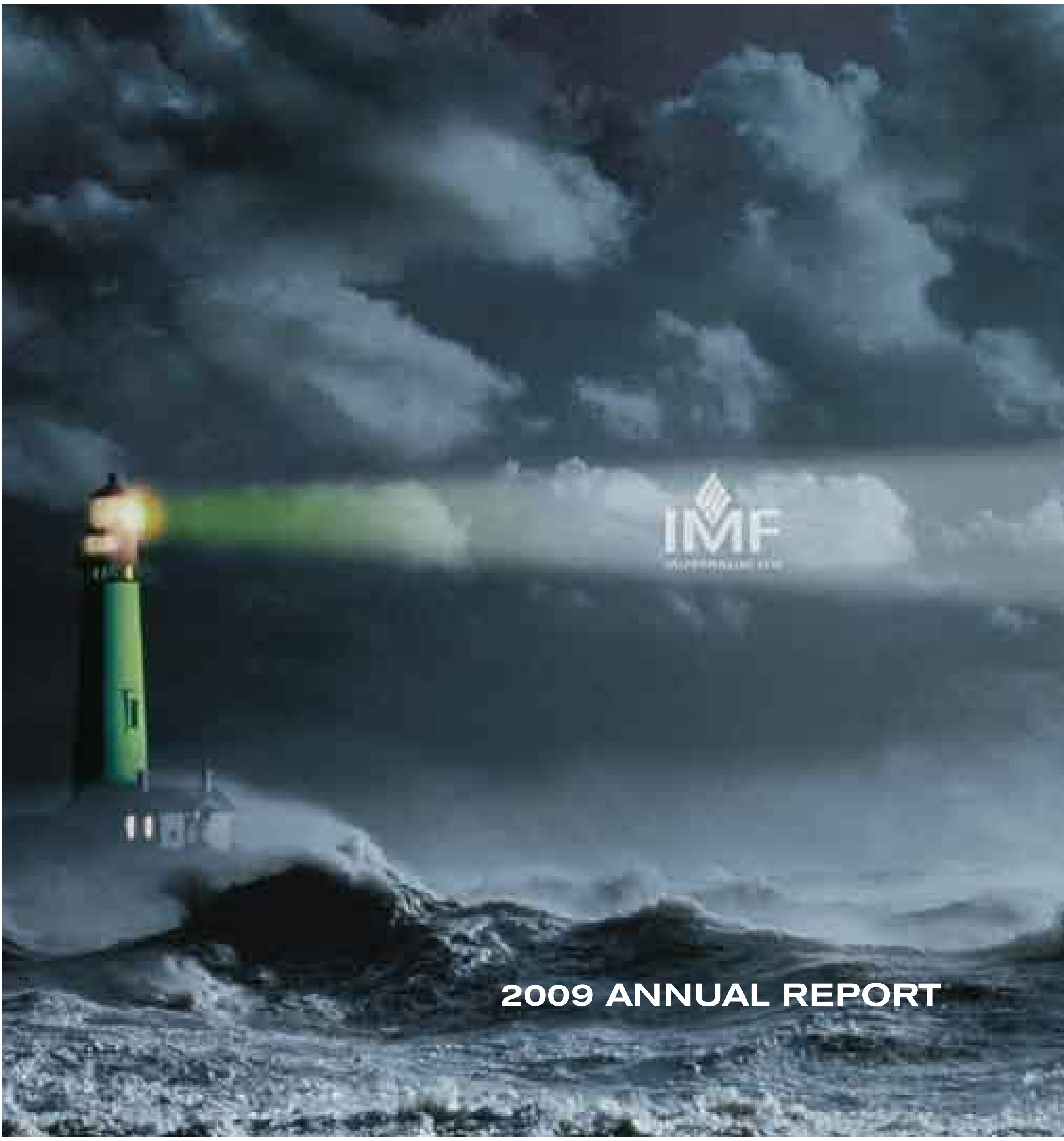
IMF
(AUSTRALIA) LTD



**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 has continued to improve in 2009, reflecting the resolution of eight major cases in its portfolio, including Aristocrat. 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.

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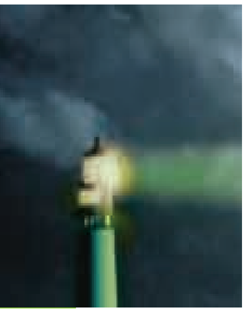


# HIGHLIGHTS

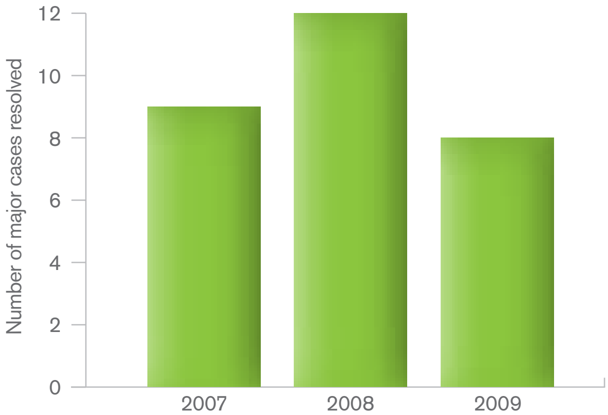


## 1. FINANCIAL HIGHLIGHTS

NUMBER OF MAJOR CASES RESOLVED
(LAST THREE YEARS):

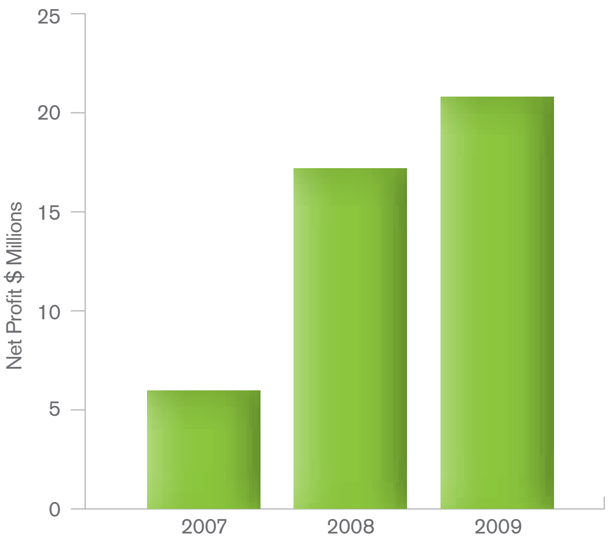
We resolved 8 major cases in 2009 including Aristocrat. Net income from litigation funding was $35,246,957, with total net income of $38,748,833.

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




NET PROFIT (LAST THREE YEARS):

IMF increased its profitability by 21% in 2009. 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 STRONG BALANCE SHEET

| | 2007 | 2008 | 2009 |
|---|---|---|---|
| Cash | $23.9M | $51.6M | **$61.2M** |
| Investments | $30.3M | $28.1M | **$32.3M** |
| Net Assets | $46.8M | $67.2M | **$64.8M** |
| Dividend per share | 3 cents | 5 cents | **15 cents** |

Our balance sheet remains strong, with improving returns to shareholders.

## 2. INVESTMENT HIGHLIGHTS

IMF finalised 8 major investments generating gross income from litigation contracts of $63,280,198 and a net gain of $35,246,957.

Almost two thirds of IMF's net gain was generated by the Aristocrat investment. 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 their deterrence effect, but also to obtain compensation for loss.

### OTHER MATTERS WORTH HIGHLIGHTING IN RESPECT OF INVESTMENTS CONCLUDED IN 2009 ARE:

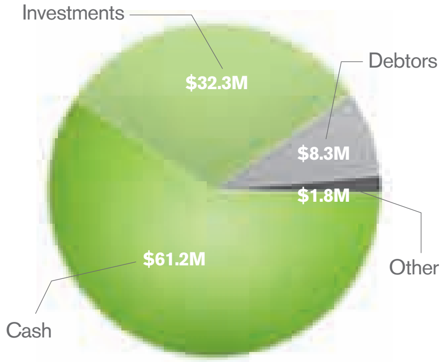
- Downer EDI which was another continuous disclosure claim which settled in a relatively short period of time, perhaps as a result of the precedent set in the Aristocrat matter.
- Centaur Mining where IMF funded the liquidator in his claims against former directors.

Major investment decisions which renewed the investment portfolio in 2009 largely centred around companies caught up by the contagion in Australia's equity markets flowing from the credit crunch, including ABC Learning, OZ Minerals, Credit Corp, Great Southern and Lehmans.

### CLAIM VALUE OF SPREAD OF INVESTMENTS, 2007-2009

We continue to maintain a spread between the three categories of cases, although relative to prior years, a greater portion of claim value in 2009 is attributable to group actions. Despite the large number of cases resolved in both 2008 and 2009, our pipeline of cases remains strong. The present financial climate should result in many high-quality cases that underpin our confidence in delivering more consistent results to our shareholders in the future.

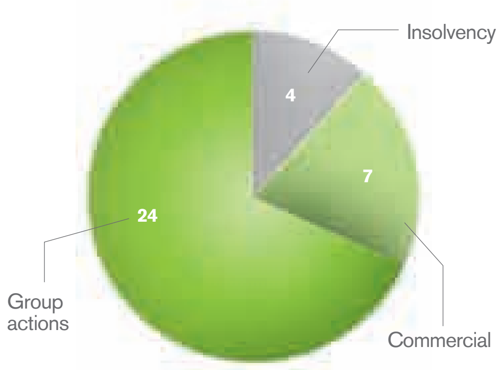
### IMF'S TOTAL ASSETS AT JUNE 2009




**Total: $103.6M**

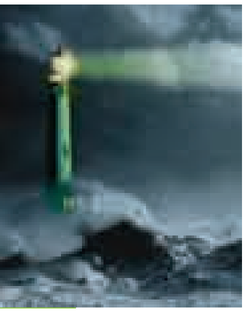
IMF had no debt at June 2009

### NUMBER OF INVESTMENTS AT JUNE 2009




**Total: 35**

The claim value of IMF's investments at June 2009 was $1,057M



# 2009 CHAIRMAN'S REVIEW



## THE YEAR WAS EVENTFUL. WE WENT INTO IT KNOWING THE FINANCIAL ECONOMY OF THE WORLD WAS IN TROUBLE.

**Rob Ferguson**
Chairman of the Board

Then with the Lehman Brothers collapse the prospect of a melt down to depression was reflected in a panicked stock market. By the third quarter an unprecedented rally was underway, which at the year close seems to be saying, optimistically, that business is headed back to normal.

While we at IMF do not wish instability, meltdowns and whipsaw stockmarkets on anyone, it has to be said that all these events create a wonderful environment for our business.

That environment is one where the long accumulated excesses of a credit cycle that rolled on for a decade or more were suddenly halted and shaken for all to see. In legal terms a very substantial number of potential matters have been crystallised and give us the prospect of a work load that, given the usually very lengthy path of litigation, will take many years to work through. To use an analogy, like a squirrel accumulating lots of acorns for a possible long winter, we are well placed whether or not a level of normality, albeit restrained, returns to our economy.

This cycle started with the subprime hurricane which roared through the stock market and produced, from those companies that were over - stretched, potential continuous disclosure issues should they lapse into procrastination and false hope for things to remain the same.

This meant IMF built a good portfolio of continuous disclosure matters through the year but we see them as a bunched early cycle phenomenon to be followed by insolvency and contractual type litigation which typically emerges very slowly from the initial shock waves.

The year also featured our withdrawal from the joint venture in Ireland that was created to cover European litigation funding matters. This withdrawal reflected the dramatic change in opportunities in Australia, the rising cost of running the Irish operation due to the Australian dollar devaluating against the Euro and disappointment over the potential for several cartel matters that for various reasons became more complex and therefore potentially much more expensive to fund than expected.

The year started with the Aristocrat matter which, because it was on our books for so long but appeared likely to succeed well before the year began, seemed like a matter from long past times.

> While we at IMF do not wish instability, meltdowns and whipsaw stockmarkets on anyone, it has to be said that all these events create a wonderful environment for our business.

Apart from the outstanding financial result of Aristocrat it had another, even greater, benefit of providing an informal legitimacy to the prosecution of continuous disclosure deficiencies and the resulting costs and penalties. This has meant that other continuous disclosure matters have benefited from the massive investment of time and money in Aristocrat as challenges now tend to be on matters of detail rather than the big picture issues. So we have had some prompt settlements with accordingly lower investments required.

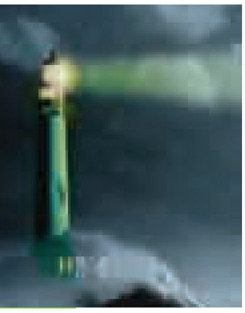
Towards the end of the year I ceased my role as Executive Chairman and resumed the Non Executive Chairman role. This reflected a realisation that Hugh McLernon was the appropriate person to lead the company as Managing Director given his experience and skills. When I review my contribution I think the main one will be helping move the Company from a partnership of three clever but hard to replicate individuals to a broader base of people who have been hired at senior levels and effectively grafted onto the existing culture.

I believe this lays a platform for a business that will be durable beyond its founders and, if I'm right, will lead to the market valuing the company not as just a portfolio of cases but one with a price earnings ratio that prices for continuity.

As a footnote, I should add that post balance date we lost a small case on appeal which meant we fell back to the lower end of our 2009 Forecast. We were surprised at the consternation this caused amongst some shareholders on the day which seemed to reflect the feeling that we will always win our matters.

We have always emphasised the unpredictability of litigation (thus our strong due diligence criteria) but nevertheless losses are to be expected. This is our fourth loss in 140 cases over 8 years, hardly the basis for consternation.

ROB FERGUSON



# 2009 MANAGING DIRECTOR'S REPORT



**Hugh McLernon**
Managing Director

## THIS YEAR HAS BEEN A GOOD YEAR FOR REVENUE AND PROFIT – AND SO IT SHOULD BE AS THIS IS OUR SEVENTH YEAR SINCE LISTING ON THE AUSTRALIAN SECURITIES EXCHANGE. DURING THOSE SEVEN YEARS, WE HAVE ESTABLISHED OUR BASIC BUSINESS MODEL.

It is clear that we need to double our case load from $1 billion to $2 billion over the next two years. To that end, we have inaugurated a marketing campaign to take our product beyond those Australian litigants who do not have sufficient funds to pursue their litigation. We are pursuing well financed litigants who wish to share their litigious risks as well as litigants from outside Australia. We are now either representing or have completed cases for five companies listed on the Australian Securities Exchange and we are currently funding litigation in South Africa and New Zealand.

As is often the case, our success has attracted competition with funders from Canada, Singapore and the U.S joining new entrants from Australia. Competition is of course, a two edged sword, it validates the business of litigation funding while at the same time, it creates competitive tension with those who were first into the field. We believe that our first mover status has given us a towering advantage over these competitors. At the same time however, we are increasing the pool of available cases by extending our reach to all common law countries which replicate our own legal system.

From our very inception, we have faced the problem of "lumpy" income. To date, we have sought to overcome that problem by increasing the number of lumps and our revenue and profit over the last three years indicate reasonable success in that endeavour. We are looking to increase that smoothing process by adding on litigation businesses which will better employ our cash flow and by taking the number of cases we have on hand at any time up to the $2 billion level.

Subject to the lumpiness problems referred to above, the management team at IMF sees 2010 as a probable repetition of 2009. At the present time, we are not able to give a definitive forecast but should be able to do so within a month of this report.

Our investment team now numbers some eleven individuals, with the bulk of them being in Sydney and Perth but also with representation in Melbourne, Brisbane and Adelaide. This group is unique in the litigation funding world in that its members represent almost 100 years of litigation funding experience. It will be virtually impossible for our competitors to put together this breadth of funding expertise.

We are fast approaching the point where we will have collected three quarters of a billion dollars on behalf of our funded clients. That figure alone tends to indicate the scale of our business compared to that of our competitors.

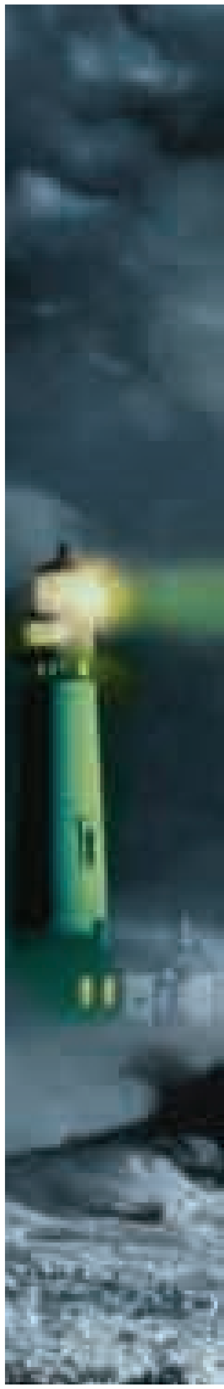
During the course of this financial year, we will also concentrate on leveraging our status as the only licensed litigation funder in this country. We will move aggressively to ensure that all other funders are either licensed, exempted or unable to carry on business in this country.

We see no change in our dividend policy going forward into 2010. To date, we have paid an unfranked 3 cent dividend in 2007, a 5 cent fully franked dividend in 2008 and a 15 cent fully franked dividend in 2009. We will continue with our attempts to get as much as is sensible into the hands of our shareholders.

Hugh McLernon

HUGH MCLERNON

# 2009 DIRECTOR'S REPORT



The Directors of IMF (Australia) Limited ('IMF') submit their report for the year ended 30 June 2009.

## 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, QUALIFICATIOJNS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

### ROBERT FERGUSON
(NON- EXECUTIVE CHAIRMAN)

Robert Ferguson was appointed Director and Chairman on 1 December 2004 and was Executive Chairman and Chief Executive Officer between 18 June 2007 and 18 March 2009. On 19 March 2009 he resumed his role as Non-Executive Chairman.

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

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

b. was chairman and non-executive director of Vodafone Australia until November 2002;

c. was a director of Racing NSW from 2004 to 2009;

d. is chairman of MoneySwitch Limited, from 14 November 2005;

e. is deputy chair of the Sydney Institute, from April 1998;

f. is a director of the Lowy Institute, from April 2003;

g. is a director and deputy chair of GPT, from 25 May 2009; and

h. is a director of Primary Health Care, from 1 July 2009.

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

Mr Ferguson is a member of the audit committee and remuneration committee.

## DIRECTORS (CONTINUED)

### HUGH MCLERNON
(MANAGING DIRECTOR)

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

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

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

Mr McLernon has been an Executive Director of IMF since December 2001 and became the Managing Director on 18 March 2009.

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

### JOHN WALKER
(EXECUTIVE DIRECTOR)

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 (Australia) Ltd in 2001. Since then, Mr Walker has been an executive director of IMF and was its Managing Director between December 2004 and June 2007.

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

**John Walker**
Executive Director

## DIRECTORS (CONTINUED)

### ALDEN HALSE
(NON-EXECUTIVE DIRECTOR)

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

Over the last 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);

c. is a non-executive director of Count Financial Ltd;

d. is chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer;

e. is chairman of the RAC Club Board; and

f. is a member of the board of the Australian Automobile Association.

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

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

## DIRECTORS (CONTINUED)

### 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:

- is a partner of the law firm Hardy Bowen, practising primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources; and
- supports the Managing Director on matters concerning the Corporations Law.

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

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

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

b. Medical Corporation Australasia Limited (appointed 18 October 2004);

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

d. Batavia Mining Limited (appointed on 28 November 2008).

### DIANE JONES
COMPANY SECRETARY, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER

Diane Jones has been the Company Secretary since 14 June 2006. She has been a member of the Institute of Chartered Accountants for almost 20 years and holds a Masters of Business Administration and a Bachelor of Economics degree from the University of Sydney. After graduating Ms Jones spent ten years with a big four accounting firm before moving to a consulting and private equity firm as a consultant and their Chief Financial Officer. In March 2009, Ms Jones was promoted to IMF's Chief Operating Officer whilst retaining her role as 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 | - |
| Hugh McLernon | 10,058,592 | - |
| John Walker | 7,424,537 | - |
| Alden Halse | 891,251 | - |
| Michael Bowen | 813,751 | - |
| Total | **21,688,131** | **-** |

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

## DIVIDENDS

The Directors declared a final fully franked dividend of 10.0 cents per share for 2009 financial year, totalling $12,249,682. The record date for this dividend was 10 July 2009. This followed an interim fully franked dividend for 2009 of 5.0 cents per share, totalling $5,985,341, with a record date of 28 January 2009.

For the 2008 financial year the Company paid a final fully franked dividend of 5.0 cents per share, totalling $5,985,341 (paid on 17 October 2008).

The Directors have not declared a dividend policy. They have determined that the Company should distribute any surplus funds in excess of $50,000,000, which have accumulated in the business, where franking credits are available and where the Director's do not form the veiw that there is a better use for IMF's cash.

## CORPORATE INFORMATION

### Corporate Structure

IMF (Australia) Ltd is a company limited by shares which is incorporated and domiciled in Australia. IMF has prepared a consolidated financial report incorporating the entity that it controlled during the financial year, being Insolvency Litigation Fund Pty Ltd.

### Nature of Operations and Principal Activities

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

**Portfolio report at 30 June 2009 where the budgeted fee per case to IMF is greater than $500,000 (i.e. major cases)**

| | Number of claims | Claim value | Percentage of claims > $500,000 |
|---|---|---|---|
| Insolvency Claims | 2 | $19,000,000 | 2% |
| Commercial Claims involving single plaintiffs | 8 | $163,000,000 | 15% |
| Commercial Group Actions | 19 | $875,000,000 | 83% |
| Total claims where IMF's budgeted fee is more than $500,000 | 29 | $1,057,000,000 | 100% |

## CORPORATE INFORMATION (CONTINUED)

The maximum claim value of IMF's major cases decreased in the year to 30 June 2009 from $1,098,000,000 to $1,057,000,000. However, the Company commenced 16 new major cases during the year, which have a maximum claim value at 30 June 2009 of $792,000,000.

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

- The **ABC Learning** claim alleges that ABC Learning failed to disclose to the ASX information concerning its financial position. IMF is now considering funding the administrators' examinations to determine whether the charge granted to the banking syndicate can be set aside and whether funding should be provided for proceedings against the ABC Learning directors and auditors. The success of either or both of these damages actions will add to the pool available for distribution to creditors (including shareholder claimants).
- The **Air Cargo** case is a price fixing claim against various airlines under Section 45 of the Trade Practices Act. An application to strike out the claim was heard on 29 April 2009 and judgment has not yet been given.
- The **AWB** claim, which alleges that between 11 March 2002 and 13 January 2006 AWB failed to disclose to the ASX information concerning kickbacks paid to the Iraqi regime, is proceeding in the Federal Court in Sydney and is set down for hearing commencing 30 November 2009.
- 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 - 9 August 2007 and 15 February 2008. CER and CNP have now both joined their former auditors, PricewaterhouseCoopers, as cross defendant. A mediation of the parties held on 16 July 2009 failed to resolve the claims. The proceedings are continuing in the Federal Court.
- The claim against the **Commonwealth of Australia** for misfeasance by the Therapeutic Goods Administration in relation to their management of the recall of products manufactured by Pan Pharmaceuticals is proceeding in the Federal Court. The respondents' strike-out application will be heard in late 2009.
- The **Great Southern** action is against the responsible entity for the 2006 and 2007 Great Southern cattle projects and the directors of that entity. The claim is made by some 1,000 investors who were "swapped" out of their investments in the projects into shares in Great Southern just months before that company collapsed and the shares became or were shown to be worthless. The statement of claim is seeking about $50m in damages has been lodged with the Supreme Court of Western Australia and action is being taken to secure copies of the relevant insurance policies. The action is at an early stage.
- In the **National Potato** case, IMF is funding a client in an action in Pretoria, South Africa, against its auditors, PricewaterhouseCoopers. The trial is currently proceeding as expected.
- The **Oz Minerals** shareholder claim is due to be filed in September 2009 after receipt of expert assistance in identifying the material information allegedly not disclosed to the ASX and in identifying causally connected loss.
- The **PIF Unitholders v KPMG** claim is in the book-build and investigation phase, with proceedings expected to be lodged against directors of the responsible entity of the MFS Premium Income Fund and partners of KPMG (auditors of the compliance plan) for alleged breaches of the Corporations Act.

## CORPORATE INFORMATION (CONTINUED)

- The **Lehman** claim for breach of contract and for misleading and deceptive conduct concerning the sale of derivatives will be filed if an application to set aside Lehman's Australia Deed of Company Arrangement is successful. A separate question was heard by the Full Court on 7 August 2009 in respect of whether Deeds of Company Arrangement can include terms that require creditors of the company to release third parties from liability.

IMF continues to provide the ASX with a summary of the cases funded by IMF in which IMF's potential fee is greater than $500,000 per case (IMF's Investment Schedule). This Schedule is updated every three months. IMF did not withdraw from any major investments during 2009. IMF also provides case updates on its website: www.imf.com.au.

### Employees

IMF's investment committee of three is supported by 18 employees providing investigative, computer, accounting and management expertise. At 30 June 2009, the consolidated entity employed 21 permanent staff, including the 2 executive directors (2008: 21 permanent staff).

## 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 2009:

| | 2009 $ | 2008 $ | Change % |
|---|---|---|---|
| Total Income | 38,748,833 | 36,298,005 | 7% |
| Operating profit after income tax | 20,762,817 | 17,160,013 | 21% |
| Total shareholders' equity | 64,776,124 | 67,230,275 | -4% |

### Shareholder Returns

| | 2009 | 2008 |
|---|---|---|
| Basic earnings per share (cents per share) | 17.35 | 15.04 |
| Diluted earnings per share (cents per share) | 17.08 | 14.70 |
| Return on assets % (NPAT/Total Assets) | 20.03 | 17.70 |
| Return on equity % (NPAT/Total Equity) | 32.05 | 25.52 |
| Net debt/equity ratio % | nil | nil |

17 matters generated income during 2009, including 9 major cases where the Group generated fees greater than $500,000, underpinning the improvement in profitability and shareholder returns.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

The following summarises the major cases finalised during 2009:

| Date commenced | Litigation contract's matter name | Total Litigation contracts' income $ | Total Litigation contracts' expenses (including capitalised overheads) $ | Net gain on disposal of intangible asset $ |
|---|---|---|---|---|
| Nov-03 | Aristocrat | 35,256,993 | (13,582,034) | 21,674,959 |
| May-07 | Downer EDI | 6,345,197 | (979,053) | 5,366,144 |
| Jul-06 | Centaur Mining | 6,770,382 | (1,675,936) | 5,094,446 |
| Oct-06 | Shenton Park | 3,433,909 | (1,120,969) | 2,312,940 |
| Nov-03 | Meadow Springs | 2,677,145 | (469,497) | 2,207,648 |
| | Confidential | 2,550,519 | (1,395,215) | 1,155,304 |
| Mar-07 | Westpoint Masu | 1,440,329 | (738,646) | 701,683 |
| Jul-05 | Fig Tree Ltd (formerly Village Life Ltd) | 1,434,146 | (1,080,918) | 353,228 |
| | | 59,908,620 | (21,042,268) | 38,866,352 |
| | Other matters* | 3,371,578 | (6,990,973) | (3,619,395) |
| | | 63,280,198 | (28,033,241) | 35,246,957 |

* Includes the costs of cases where the Group withdrew funding during 2009.

IMF's investments which have been finalised since listing have had an average weighted investment period of 4.1 years (2008: 4.1 years), and have generated a return on every dollar invested of 3.7 (2008: 2.6) (excluding capitalised costs). The investments which were completed in 2009 had an average weighted investment period of 4.6 years (2008: 4.3 years) and generated a return on every dollar invested of 3.8 (2008: 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 3.0 (excluding capitalised overheads).

The investment portfolio as at 30 June 2009 has a mixture of both mature and new investments, with 24% of the investment portfolio expected to finalise over the next 18 months. IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols.

During 2008 IMF established a joint venture in Europe with interests associated with Maurice Blackburn. IMF withdrew from the joint venture during 2009 due to the increase in opportunities in Australia, the rising cost of running the Irish operation due to the Australian dollar devaluating against the Euro and the perceived lack of potential for several cartel matters that, for various reasons, became more complex and therefore potentially much more expensive to fund than originally expected.

During the course of the year IMF again received numerous requests for litigation funding from outside Australia. IMF is funding one case in South Africa and one case in New Zealand.

IMF's share price closed at $1.84 per share on 30 June 2009 (2008: $0.71), a 159% increase over a twelve month period. The ASX All Ordinaries index decreased 26% during 2009, whilst the ASX Small Ordinaries index fell 32% during the same period. Accordingly, the increased value of the IMF share price was an extraordinary result given the financial environment. IMF entered the ASX top 300 companies on 20 March 2009, when its share price was $1.15. Since entering this index and up to 30 June 2009, IMF's share price increased 60%, compared to the index movement of 14%.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### 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 2009 of $9,596,886 (2008: $27,726,702). Operating activities generated $32,914,527 of net cash inflows (2008: net cash inflows of $30,507,460), whilst financing cashflow used $23,384,085 (2008: net cash inflows of $308,993) principally as a result of the early repayment of the convertible notes, including interest totalling $12,412,846 and the payment of dividends totalling $11,970,682.

### Asset and Capital Structure

| | 2009<br>$ | 2008<br>$ | Change<br>% |
|---|---|---|---|
| Cash and short term deposits | 61,237,806 | 51,640,920 | 19% |
| Debts: | | | |
| Convertible notes | - | (12,412,846) | (100%) |
| Total debt | - | (12,412,846) | (100%) |
| **Net cash** | **61,237,806** | **39,228,074** | **56%** |
| **Total equity** | **64,776,124** | **67,230,295** | **(4%)** |
| Gearing | Nil | 18% | (100%) |

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. From 3 July 2009 the Group has had no debt.

### Profile of Debts

The Group has no debt. The profile of the Group's debt finance in 2009 is as follows:

| | 2009<br>$ | 2008<br>$ | Change<br>% |
|---|---|---|---|
| Current | | | |
| Interest bearing loans and borrowings | - | - | - |
| Non current | | | |
| Convertible notes | - | (12,412,846) | (100%) |
| **Total debt** | **-** | **(12,412,846)** | **(100%)** |

The Group's total debt has decreased over the past year as a result of the early repayment of the convertible notes.

### Shares issued during the year

During 2009 a total of 1,224,665 options were converted into shares, raising total capital of $999,443.

(2008: 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).

### Capital expenditure

There has been a decrease in capital expenditure during the year ended 30 June 2009 to $341,941 from $478,223 in the year ended 30 June 2008. The capital expenditure was mainly a result of a new reception area and meeting room for the Sydney office, computer equipment and video conferencing facilities between the offices.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

### 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 eight years of operation IMF has lost only four cases out of 140 matters funded. The Company has an Investment Protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with very good chances of success are accepted for funding.

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased 4% to $64,776,124 from $67,230,275. This was mainly as a result of the Group's increasing return to shareholders during 2009. 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 25 June 2009 the directors announced a final dividend for 2009 of $12,249,682 or 10.0 cents per share. The record date for this dividend was 10 July 2009. This dividend was paid on 24 July 2009.

### 2. Intangible assets

On 24 July 2009 the creditors of **Opes Prime** supported the Scheme of Company Arrangement proposed by the company with its creditors. On 4 August 2009 the Court also approved the Scheme. The Group expects to receive approximately $6,000,000 under the Scheme, having invested approximately $3,500,000 and capitalising overheads of approximately $1,500,000 (for its funding of the Opes Prime matter and Beconwood matter).

The **Peninsula Shipping** matter was conditionally settled on 7 July 2009 and the Group received $839,507 on 12 August 2009, generating a small loss after taking into account capitalised overheads.

On 24 August 2009, the Company announced the confidential conditional settlement of a matter, which, if finalised, will (along with other payments) result in revenue of about $18,000,000 to the Group. The settlement (including the identity of the parties to the litigation) is currently confidential to the parties and subject to a number of conditions precedent. The Company hopes to be in a position to make further announcements concerning this settlement shortly.

### 3. Exercise of Options

On 1 July 2009 the executive directors exercised 2,000,000 options with an exercise price of $1.35. Further, on 7 July 2009 employees exercised 110,000 options with an exercise price of $0.80. Accordingly, as at 10 July 2009, there were 900,000 unissued ordinary shares in total in respect of which options were outstanding.

## SIGNIFICANT EVENTS AFTER BALANCE DATE (CONTINUED)

### 4. Contributed equity

As a result of the exercise of options, the issued capital as at the date of this report can be summarised as follows:

| Movements in ordinary shares on issue | Number | $ |
|---|---|---|
| As at 30 June 2009 | 120,386,819 | 38,671,387 |
| Exercise of employee options | 110,000 | 88,000 |
| Exercise of director options | 2,000,000 | 2,700,000 |
| As at 26 August 2009 | 122,496,819 | 41,459,387 |

### 5. Share buy-back

On 10 August 2009 the Group announced an on market buy-back of up to 12,249,681 of its share capital to enhance its capital management strategies.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As stated earlier, approximately 24% of the investment portfolio as at 30 June 2009 will mature 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 recent tightening in credit and depressed worldwide economic cycle.

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

## ENVIRONMENTAL REGULATION AND PERFORMANCE

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

## SHARE OPTIONS

### Unissued shares

As at the date of this report there were 900,000 unissued ordinary shares under options.

### Shares issued as a result of the exercise of options

During the financial year, employees have exercised options to acquire 1,224,665 fully paid ordinary shares in IMF, with a weighted average exercise price (WAP) of $0.82 (2008: 494,665 with a weighted average price (WAP) of $0.20). No options were converted into fully paid ordinary shares by the directors in 2009 (2008: 600,000 with a WAP of $0.35).

## 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 any legal costs incurred in defending proceedings for conduct involving:

a. breach of duty; or

b. 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 premium paid under the insurance contract referred to above and for professional indemnity cover was $142,549, which covered the period 1 July 2008 to 30 September 2009 (2008: $91,065).

## 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 | Non-Executive Chairman |
| Hugh McLernon | Managing Director |
| John Walker | Executive Director |
| Alden Halse | Non-Executive Director |
| Michael Bowen | Non-Executive Director |

**(ii) Executives**

| | |
|---|---|
| Diane Jones | Chief Operating Officer, Chief Financial Officer and Company Secretary |
| Clive Bowman | Executive Investment Manager |
| Charlie Gollow | Investment Manager |

**Remuneration Committee**

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

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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration philosophy

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

The Company embodies the following principles in its remuneration framework:

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

### Remuneration structure

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

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

### Non-Executive Director Remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments totalling $136,844 (including superannuation), as disclosed in the following tables, were approved at the 2004 Annual General Meeting. At that meeting shareholders approved payments up to $200,000 to non-executive directors. There have been no changes to the non-executive directors' fees limit 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.

### Executive remuneration

*Objective*

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

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

*Structure*

It is the Remuneration Committee's policy that employment contracts are entered into with all key management personnel. Details of these contracts are provided below.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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

*Structure*

The short term executive incentive plan ("STI") was designed and implemented with the assistance of external remuneration consultants. This STI replaced the Employee Share Option Plan. All executives have the opportunity to qualify for participation in the STI when specified criteria are met. The Group has not implemented any long term incentive plans, although the Remuneration Committee may elect to make payments under the STI in the form of cash, options or shares.

The Group has pre-determined benchmarks that must be met in order to trigger payments under the STI. In summary, the benchmarks set by the Remuneration Committee for 2008 and 2009 were as follows:

- A minimum "hurdle" of net profit before tax must be achieved prior to any incentive being paid. In 2008 and 2009 this hurdle was set at 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 2008 and 2009 this was set at 35% (i.e. 35% of any NPBT over the hurdle may be allocated to the incentive pool).
- The incentive pool is capped at the total salaries paid to those employees eligible to participate.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

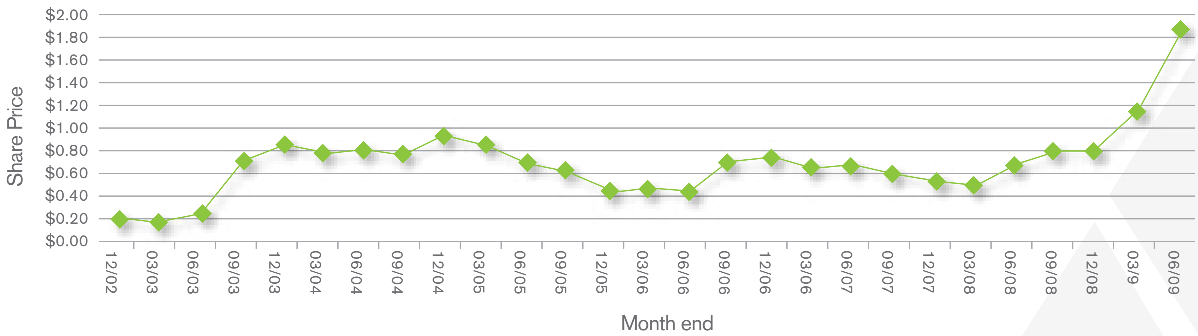
- Once the pool size is quantified, the Remuneration Committee determines the amount, if any, of the STI to be allocated to each executive following consideration of the individual employee's performance. In 2008 and 2009 the Remuneration Committee did not distribute the full amount of the total incentive pool available. The Remuneration Committee has allocated 71% of the available incentive pool to be distributed under the STI in 2009 (2008: 72%). The unallocated portion of prior years' incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee.

- Payments of amounts awarded to employees under the STI will be paid in the following reporting period, if the employee remains employed by the Group.

The total allocation under the 2009 STI was $3,565,000 (2008:$2,840,500), which has been accrued in the current financial year. Details of the actual payments made under this 2008 STI to key management personnel are set out in Table 1 below. Employees must remain in employment by the Group during the 2010 financial year to receive the two tranches of payments under the 2009 STI in September 2009 (50%) and March 2010 (50%).

### 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:




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

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Earnings per share | (4.84) | (0.73) | 5.24 | 15.04 | 17.35 |
| Diluted earnings per share | (4.84) | (0.73) | 5.24 | 14.70 | 17.08 |

### Employment Contracts

a. Hugh McLernon, Managing Director:

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of $850,000 pa plus super;
- salary to be reviewed annually, with the 2009 review determining an increase in salary of 21% as a consequence of his new role as Managing Director; and
- notice period is 12 months.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

**Employment Contracts** (continued)

b. John Walker, Executive Director:

- new rolling 12 month contract commenced 1 July 2007;
- gross salary package of $700,000 pa plus super;
- salary to be reviewed annually, with the 2009 review determining no change to the salary; and
- notice period is 12 months.

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

- contract commenced 5 June 2006;
- gross salary package of $325,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2009 review determining an increase in salary of 16% as a consequence of her new role as Chief Operating Officer; and
- notice period is 3 months.

d. Clive Bowman, Executive Investment Manager:

- contract commenced 1 July 2001;
- gross salary package of $550,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2009 review determining an increase of 16%; and
- notice period by employee is 3 months and 6 months notice by the Company.

e. Charlie Gollow, Investment Manager:

- contract commenced 22 April 2003;
- gross salary package of $350,000 pa including super;
- contract to be reviewed annually with minimum CPI increases, with the 2009 review determining an increase of 16%; and
- notice period by employee is 3 months and 6 months notice by the Company.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2009

| | Short Term | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2009 | Salary & Fees | 2008 Bonus Paid [1] | 2009 Bonus Accrued [2] | Other [3] | Employment Super | Total | Performance Related | 2009 Unpaid Bonus [2] |
| *Directors* | | | | | | | | |
| Robert Ferguson | 382,315 | - | - | 66,888 | - | 449,203 | 0% | - |
| Hugh McLernon | 700,000 | 1,000,000 | 500,000 | 66,889 | 13,745 | 2,280,634 | 66% | 500,000 |
| John Walker | 700,000 | 595,000 | 750,000 | 66,889 | 13,745 | 2,125,634 | 63% | 750,000 |
| Alden Halse | 50,000 | - | - | 19,372 | 4,500 | 73,872 | 0% | - |
| Michael Bowen | 43,600 | - | - | 19,372 | - | 62,972 | 0% | - |
| *Executives* | | | | | | | | |
| Clive Bowman | 461,878 | 404,000 | 700,000 | - | 13,745 | 1,579,623 | 70% | 700,000 |
| Charlie Gollow | 301,878 | 155,000 | 250,000 | - | 13,745 | 720,623 | 56% | 250,000 |
| Diane Jones | 266,878 | 155,000 | 200,000 | - | 13,745 | 635,623 | 56% | 200,000 |
| **Total** | 2,906,549 | 2,309,000 | 2,400,000 | 239,410 | 73,225 | 7,928,184 | 59% | 2,400,000 |

1. This bonus was awarded by the Remuneration Committee under the STI on 19 June 2008, following the allocation of the 2008 incentive pool. This bonus was paid in the current financial year and the cost recognised over the loyalty service period.
2. This bonus was awarded by the Remuneration Committee under the STI on 25 June 2009. The Group believes that a constructive obligation to pay the 2009 bonus under the STI arose during the year due to the settlement of major cases early in the 2009 financial year and continued growth in profitability of the Group. Accordingly, the cost has been recognised as an accrual in 2009. The 2009 STI will be paid in the 2010 financial year so long as the employee remains in employment with the Company.
3. This cost relates to the director's share of the insurance premium for the directors and officers insurance and the professional indemnity insurance.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

**Remuneration of Key Management Personnel (continued)**

Table 2: Remuneration for the year ended 30 June 2008

| | | Short-term | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2008 | Salary & Fees | 2007 Bonus Paid[1] | 2008 Bonus Accrued[2] | Other[3] | Post Employment Super | Total | % Performance Related | 2008 Unpaid Bonus [2] |
| 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[4] | 830,276 | 68,664 | - | 22,347 | 13,122 | 934,409 | 7% | 1,000,000 |
| Alden Halse | 40,000 | - | - | 12,012 | 3,600 | 55,612 | 0% | - |
| Michael Bowen | 43,600 | - | - | 12,012 | - | 55,612 | 0% | - |
| Executives | | | | | | | | |
| Wayne Attrill | 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% | 2,549,000 |

1. This bonus was awarded by the Remuneration Committee under the STI on 27 September 2007, following the allocation of the 2007 incentive pool allocation and was paid in the 2008 year.
2. The bonus awarded by the Remuneration Committee under the STI on 19 June 2008 was not considered a constructive obligation and accordingly no accrual was raised for this amount at 30 June 2008. It was paid in the 2009 financial year, see table 1 above.
3. This cost relates to the director's share of the insurance premium for the directors and officers insurance and professional indemnity insurance.
4. Hugh McLernon had his annual leave paid out during 2008.

**Compensation and remuneration options**

No options were granted to key management personnel in 2009 or 2008.

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

No options expired in 2009.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Remuneration of Key Management Personnel (continued)

Table 3: Shares issued on exercise of compensation options

| | 30 June 2009 | | | | 30 June 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares issued | Paid per share | Unpaid per share | Value of options exercised | Number 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 | - | 180,915 | 254,094 | $0.20 | - | 177,866 |
| Clive Bowman | 330,000 | $1.35 | - | 30,360 | - | - | - | - |
| Charlie Gollow | 100,000 | $0.20 | - | 71,200 | 50,000 | $0.20 | - | 35,000 |
| Charlie Gollow | 100,000 | $1.35 | - | 9,200 | - | - | - | - |
| **Total** | 784,094 | - | - | 291,675 | 904,094 | - | - | 512,866 |

END OF REMUNERATION REPORT

## DIRECTORS' MEETINGS

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

| | Meetings Attended | Audit Committee | Remuneration Committee |
|---|---|---|---|
| **Total number of meetings held:** | 6 | 2 | 3 |
| M Bowen | 6 | 2 | 3 |
| R Ferguson | 6 | 2 | 3 |
| A J Halse | 6 | 2 | 3 |
| H McLernon | 6 | - | - |
| J F Walker | 6 | - | - |

### Committee Membership

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

| Audit Committee | Remuneration Committee |
|---|---|
| A J Halse (Chairman) | M Bowen (Chairman) |
| M Bowen | A J Halse |
| R Ferguson | R Ferguson |

### Rounding

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

### Auditor's Independence Declaration

Ernst & Young, the Company's auditors, have provided a written declaration to the directors in relation to their review of the Financial Report for the year ended 30 June 2009. 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 $120,597

## CORPORATE GOVERNANCE

The Company has an extensive Corporate Governance Manual which includes a compliance program and complaint handling procedures which will enable the Company to interact with its clients and the public in a consistent and transparent manner. The Company's corporate governance statement is noted from page 84 of this Annual Report.

Signed in accordance with a resolution of the directors.

ROBERT FERGUSON
CHAIRMAN

HUGH MCLERNON
MANAGING DIRECTOR

Sydney 26 August 2009

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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 financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
Perth
26 August 2009

# INCOME STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009



| | | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|---|
| | ***Note*** | **2009 $** | **2008 $** | **2009 $** | **2008 $** |
| **Continuing Operations** | | | | | |
| Revenue | 6 | 3,640,612 | 2,470,806 | 20,241,621 | 2,011,900 |
| Other income | 7 | 35,108,221 | 33,827,199 | 11,530,312 | 27,878,361 |
| **Total Income** | | **38,748,833** | **36,298,005** | **31,771,933** | **29,890,261** |
| Finance costs | 8(a) | (271,328) | (2,089,538) | (234,297) | (2,087,895) |
| Bad debts written off | 13 | (1,457,853) | (3,492,554) | (1,422,120) | - |
| Depreciation expense | 8(b) | (171,235) | (156,470) | (171,235) | (156,470) |
| Employee benefits expense | 8(c) | (3,071,272) | (2,457,093) | (3,071,272) | (3,514,620) |
| Corporate and office expense | 8(d) | (1,910,657) | (1,149,937) | (1,910,657) | (1,149,937) |
| Other expenses | 8(e) | (604,715) | (1,725,149) | (604,715) | (1,706,796) |
| Share of loss of joint venture entity | 18 | (551,902) | (380,201) | - | - |
| Loss on divestment of joint venture entity | | (284,043) | - | (1,234,010) | - |
| **Profit before income tax** | | **30,425,828** | **24,847,063** | **23,123,627** | **21,274,543** |
| Income tax expense | 9 | (9,663,011) | (7,687,050) | (7,334,108) | (6,367,892) |
| **Profit attributable to members of the parent** | | **20,762,817** | **17,160,013** | **15,789,519** | **14,906,651** |

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

| | | | |
|---|---|---|---|
| Basic profit (cents per share) | 11 | 17.35 | 15.04 |
| Diluted profit (cents per share) | 11 | 17.08 | 14.70 |

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

# BALANCE SHEET
## AS AT 30 JUNE 2009



| | | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|---|
| | *Note* | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **ASSETS** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 12 | 61,237,806 | 51,640,920 | 60,854,671 | 47,285,948 |
| Trade and other receivables | 13 | 8,328,984 | 14,658,426 | 6,092,082 | 13,353,220 |
| Other assets | 14 | 198,758 | 122,103 | 198,758 | 122,103 |
| **Total Current Assets** | | **69,765,548** | **66,421,449** | **67,145,511** | **60,761,271** |
| **Non-Current Assets** | | | | | |
| Plant and equipment | 15 | 676,187 | 505,481 | 676,187 | 505,481 |
| Financial Assets | 16 | 927,712 | 913,605 | 927,672 | 913,605 |
| Intangible assets | 17 | 32,275,955 | 28,123,388 | 26,237,718 | 10,706,938 |
| Investment accounted for using the equity method | 18 | - | 973,435 | - | 1,538,015 |
| Investment in subsidiary | 19 | - | - | 14,783,187 | 9,586,819 |
| **Total Non-Current Assets** | | **33,879,854** | **30,515,909** | **42,624,764** | **23,250,858** |
| **TOTAL ASSETS** | | **103,645,402** | **96,937,358** | **109,770,275** | **84,012,129** |
| **LIABILITIES** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 20 | 8,651,067 | 17,279,456 | 27,972,637 | 16,355,090 |
| Income tax payable | 9 | 4,036,016 | 2,738,549 | 4,036,016 | 2,738,549 |
| Provisions | 21 | 4,121,957 | 1,142,367 | 4,121,957 | 242,367 |
| Dividends payable | | 12,249,682 | - | 12,249,682 | - |
| **Total Current Liabilities** | | **29,058,722** | **21,160,372** | **48,380,292** | **19,336,006** |
| Non-Current Liabilities | | | | | |
| Provisions | 21 | 511,109 | 463,431 | 511,109 | 463,431 |
| Deferred income tax liabilities | 9 | 9,299,447 | 8,083,280 | 7,469,479 | 3,375,848 |
| **Total Non-Current Liabilities** | | **9,810,556** | **8,546,711** | **7,980,588** | **3,839,279** |
| **TOTAL LIABILITIES** | | **38,869,278** | **29,707,083** | **56,360,880** | **23,175,285** |
| **NET ASSETS** | | **64,776,124** | **67,230,275** | **53,409,395** | **60,836,844** |
| **EQUITY** | | | | | |
| Contributed equity | 22 | 38,671,387 | 37,671,944 | 38,671,387 | 37,671,944 |
| Reserves | 23 | 4,391,812 | 13,077,464 | 4,391,812 | 4,387,859 |
| Retained earnings | 23 | 21,712,925 | 16,480,867 | 10,346,196 | 18,777,041 |
| **TOTAL EQUITY** | | **64,776,124** | **67,230,275** | **53,409,395** | **60,836,844** |

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

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED 30 JUNE 2009

| | | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|---|
| | *Note* | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Cash flows from operating activities** | | | | | |
| Proceeds from litigation funding - settlements, fees and reimbursements | | 70,083,831 | 51,968,498 | 29,303,016 | 32,425,096 |
| Payments for litigation funding, suppliers and employees | | (33,497,721) | (22,109,656) | (26,329,302) | (5,001,407) |
| Interest income | | 3,741,990 | 2,284,411 | 3,343,000 | 1,825,504 |
| Interest paid | | (271,328) | (1,635,793) | (271,328) | (1,635,793) |
| Income tax paid | | (7,142,245) | - | (7,142,245) | - |
| **Net cash flows from/(used in) operating activities** | 24 | **32,914,527** | **30,507,460** | **(1,096,859)** | **27,613,400** |
| **Cash flows from investing activities** | | | | | |
| Purchase of plant and equipment | | (341,941) | (478,223) | (341,941) | (478,223) |
| Contributions to/(Return on Equity) from jointly controlled entity | 18 | 307,151 | (1,538,015) | 307,151 | (1,538,015) |
| Receipts from/(Payments for) available for sale investments | | 101,234 | (1,073,453) | 101,234 | (1,073,453) |
| Receipt of intercompany loan | | - | - | 37,983,223 | - |
| **Net cash flows used in investing activities** | | **66,444** | **(3,089,691)** | **38,049,667** | **(3,089,691)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from issue of shares | | 999,443 | 308,933 | 999,443 | 308,933 |
| Dividends paid | | (11,970,682) | - | (11,970,682) | - |
| Repayment of convertible notes | | (12,412,846) | - | (12,412,846) | - |
| **Net cash flows from/(used in) financing activities** | | **(23,384,085)** | **308,933** | **(23,384,085)** | **308,933** |
| Net increase in cash and cash equivalents held | | 9,596,886 | 27,726,702 | 13,568,723 | 24,832,642 |
| Cash and cash equivalents at beginning of year | | 51,640,920 | 23,914,218 | 47,285,948 | 22,453,306 |
| **Cash and cash equivalents at end of year** | | **61,237,806** | **51,640,920** | **60,854,671** | **47,285,948** |

The above cash flow statement should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2009



| Consolidated | General reserve $ | Option premium reserve $ | Net unrealised gains reserve $ | Convertible notes reserve $ | Issued capital $ | Retained earnings/ (accumulated losses) $ | Total $ |
|---|---|---|---|---|---|---|---|
| **As at 1 July 2008** | **8,689,605** | **3,403,720** | **-** | **984,139** | **37,671,944** | **16,480,867** | **67,230,275** |
| Net fair value gains on available for sale investments | - | - | 3,953 | - | - | - | 3,953 |
| **Total income and expense for the period recognised directly in equity** | **8,689,605** | **3,403,720** | **3,953** | **984,139** | **37,671,944** | **16,480,867** | **67,234,228** |
| Profit for the year | - | - | - | - | - | 20,762,817 | 20,762,817 |
| **Total income and expense for the period** | **8,689,605** | **3,403,720** | **3,953** | **984,139** | **37,671,944** | **37,243,684** | **87,997,045** |
| **Equity Transactions:** | | | | | | | |
| Dividend paid | - | - | - | - | - | (11,970,682) | (11,970,682) |
| Dividend declared (unpaid) | - | - | - | - | - | (12,249,682) | (12,249,682) |
| Exercise of options | - | - | - | - | 999,443 | - | 999,443 |
| Transfer of reserve to retained earnings | (8,689,605) | - | - | - | - | 8,689,605 | - |
| **Balance as at 30 June 2009** | **-** | **3,403,720** | **3,953** | **984,139** | **38,671,387** | **21,712,925** | **64,776,124** |
| | | | | | | | |
| **As at 1 July 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) |
| Net fair value gains on available for sale investments | - | - | - | - | - | - | - |
| **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:** | | | | | | | |
| Dividend paid | - | - | - | - | - | - | - |
| Exercise of options | - | - | - | - | 308,933 | - | 308,933 |
| Exercise of convertable 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 statements of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY (continued)

| PARENT | General reserve $ | Option premium reserve $ | Net unrealised gains reserve $ | Convertible notes reserve $ | Issued capital $ | Retained earnings/ (accumulated losses) $ | Total $ |
|---|---|---|---|---|---|---|---|
| **As at 1 July 2008** | **-** | **3,403,720** | **-** | **984,139** | **37,671,944** | **18,777,041** | **60,836,844** |
| Net fair value gains on available for sale investments | - | - | 3,953 | - | - | - | 3,953 |
| **Total income and expense for the period recognised directly in equity** | **-** | **3,403,720** | **3,953** | **984,139** | **37,671,944** | **18,777,041** | **60,840,797** |
| Profit for the year | - | - | - | - | - | 15,789,519 | 15,789,519 |
| **Total income and expense for the period** | - | **3,403,720** | **3,953** | **984,139** | **37,671,944** | **34,566,560** | **76,630,316** |
| **Equity Transactions:** | | | | | | | |
| Dividend paid | - | - | - | - | - | (11,970,682) | (11,970,682) |
| Dividend declared (unpaid) | - | - | - | - | - | (12,249,682) | (12,249,682) |
| Exercise of options | - | - | - | - | 999,443 | - | 999,443 |
| **Balance as at 30 June 2009** | **-** | **3,403,720** | **3,953** | **984,139** | **38,671,387** | **10,346,196** | **53,409,395** |
| **As at 1 July 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) |
| Net fair value gains on available for sale investments | - | - | - | - | - | - | - |
| **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 | - | - | - | - | - | 14,906,650 | 14,906,650 |
| **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 convertable 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 statements of changes in equity should be read in conjunction with the accompanying notes.



# NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 1: CORPORATE INFORMATION

The financial report of IMF (Australia) Ltd (the Company or the Parent) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 26 August 2009.

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

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

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Basis of preparation**

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

The financial report is presented in Australian dollars.

Certain comparative information has been reclassified to be presented on a consistent 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"), as issued by the International Accounting Standards Board.

**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 2008. The adoption of these standards had no impact on the financial position or performance of the Group.

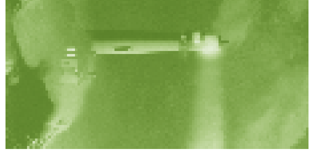
## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)



### c. New accounting standards and interpretations (continued)

The following appropriate 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* | 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 | 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 | 1 July 2009 |
| AASB 101 (Revised), AASB 2007-8 and AASB 2007-10** | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | Introduces a statement of comprehensive income.<br>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 | 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 | 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 includes the requirement to have to expense transaction costs and 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 | 1 July 2009 |
| AASB 127 (Revised) | Consolidated and Separate Financial Statements | There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction. | 1 July 2009 | 1 July 2009 |





## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. New accounting standards and interpretations (continued)

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| AASB 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. Refer above. | 1 July 2009 | 1 July 2009 |
| AASB 2008-5 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project | 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.<br>This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards.<br>The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6]. | 1 January 2009 | 1 July 2009 |
| AASB 2008-6 | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project | This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.<br>Refer to AASB 2008-5 above for more details. | 1 July 2009 | 1 July 2009 |
| AASB 2008-7 | Amendments to Australian Accounting 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 AASB 127 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.<br>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 | 1 July 2009 |

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. New accounting standards and interpretations (continued)

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| AASB 2009-2 | Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038] | The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:<br>› quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);<br>› inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and<br>› inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).<br>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7. | Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009. | 1 July 2009 |
| AASB 2009-4 | Amendments to Australian Accounting Standards arising from the Annual Improvements Project<br>[AASB 2 and AASB 138 and AASB Interpretations 9 & 16] | The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.<br>These amendments arise from the issuance of the IASB's Improvements to IFRSs. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below). | 1 July 2009 | 1 July 2009 |
| AASB 2009-5 | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project<br>[AASB 5, 8, 101, 107, 117, 118 ,136 and 13] | The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of assest which is to be recorded (intangiable v property, plant and equipment) needs to be determined.<br>These amendments arise from the issuance of the IASB's Improvements to IFRSs. The AASB has issued theamendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above). | 1 January 2010 | 1 July 2010 |

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

** The adoption of these standards will not impact the financial position or performance of the Group. However, additional disclosures may be required in the Group's financial report in order to comply with the requirements of these standards.

*** The adoption of this standards will impact the accounting policy of the Group going forward.

The adoption of the above new accounting standards and interpretations (other than those highlighted in the footnote to the table) is not expected to have a material impact on the financial position or performance of the Group.



## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**d. Basis of consolidation**

The consolidated financial statements comprise the financial statements of IMF (Australia) Limited ("the Company" or "parent") 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 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 less any impairment charges.

**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 Flow 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. Financial difficulties of the debtor and loss of cases on appeal are considered to be objective evidence of impairment.

**h. Investments and other financial assets**

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

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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**h. Investments and other financial assets (continued)**

Recognition and derecognition

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

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

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

*(ii)Loans and receivables*

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in 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.



## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**i. Interest in joint venture entity**

The Group's interest in the 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, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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.

**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.

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**k. Leases (continued)**

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

Operating lease payments are recognised as an expense in the 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 or settlement, at which point the assets are realised.

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

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

*(A) Actions still outstanding:*

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

i. Demonstration of ability of the Group to complete the litigation so that the asset will be available for use and the benefits embodied in the asset will be realised;

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

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

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

v. Ability to measure reliably the expenditure attributable to the intangible asset during the Litigation Contracts In Progress.

*(B) Successful Judgment:*

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

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



## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**l. Intangible assets (continued)**

*(C) Unsuccessful Judgment:*

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

**o. Provisions and employee benefits**

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

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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**o. Provisions and employee benefits (Contunied)**

*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.

**p. Share-based payment transactions**

*(i) Equity-settled transactions*

Previously, the Company had an Employee Share Option Plan ("ESOP"), which provided benefits to directors and employees in the form of share based payments. During 2007 the Company implemented a short term incentive plan ("STI"), which replaced the ESOP, and which may also, at the discretion of the Remuneration Committee, provide benefits to employees in the form of share based payments.

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

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

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

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

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





## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**p. Share-based payment transactions (continued)**

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

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

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

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

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

*(ii) Cash-settled transactions*

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

**q. Convertible notes**

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

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

## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**q. Convertible notes (continued)**

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.

**r. Contributed equity**

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

**s. Revenue recognition**

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

*(i) Interest income*

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

*(ii) Dividends*

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

**t. Income tax and other taxes**

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

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

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

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



## NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**t. Income tax and other taxes (continued)**

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 (CONTINUED)

**t. Income tax and other taxes (continued)**

***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.

**u. Earnings per share**

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

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

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

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



## NOTE 3: FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

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

### Risk Exposures and Responses

*Interest Rate Risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash holdings with a floating interest rate. The Group 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 financial assets exposed to Australian variable interest rate risk:

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| **Financial Assets** | | | | |
| Cash and cash equivalents | 61,237,806 | 51,640,920 | 60,854,671 | 47,285,948 |
| **Net exposure** | 61,237,806 | 51,640,920 | 60,854,671 | 47,285,948 |

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:

At 30 June 2009, 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:

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

**Risk Exposures and Responses (continued)**

Judgment of reasonably possible movements:

| | Post Tax Profit Higher/(Lower) | | Equity Higher/(Lower) | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| +1.5% (150 basis points) (2008: +1%) | 273,046 | 172,956 | 273,046 | 172,956 |
| -1.5% (150 basis points) (2008:-0.5%) | (273,046) | (86,478) | (273,046) | (86,478) |
| **Parent** | | | | |
| +1.5% (150 basis points) (2008: +1%) | 243,122 | 140,833 | 243,122 | 140,833 |
| -1.5% (150 basis points) (2008:-0.5%) | (243,122) | (70,416) | (243,122) | (70,416) |

The sensitivity in 2008 increased by 0.5% to reflect the increased volatility of interest rates during the year.

*Credit Risk*

Credit risk arises from the financial assets of the Group, which comprises cash and cash equivalents, 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. The Group's deposits are spread amongst a number of financial institutions to minimise the risk of default of counterparties, all of whom have been pre-approved by the Board, have AAA+ credit ratings and are subject to the prudential regulation of the Reserve Bank of Australia.

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

*Liquidity Risk*

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to 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.



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

**Risk Exposures and Responses** (continued)

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

| 2009 | < 6 months $ | 6-12 months $ | 1-5 years $ | >5 years $ | Total $ |
|---|---|---|---|---|---|
| **Consolidated Financial Liabilities** | | | | | |
| Trade and other payables | 8,651,067 | - | - | - | 8,651,067 |
| Income tax payable | 4,036,016 | - | - | - | 4,036,016 |
| | **12,687,083** | **-** | **-** | **-** | **12,687,083** |
| **Parent Financial Liabilities** | | | | | |
| Trade and other payables | 27,972,637 | - | - | - | 27,972,637 |
| Income tax payable | 4,036,016 | - | - | - | 4,036,016 |
| | **32,008,653** | **-** | **-** | **-** | **32,008,653** |

| 2008 | < 6 months $ | 6-12 months $ | 1-5 years $ | >5 years $ | Total $ |
|---|---|---|---|---|---|
| **Consolidated 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** |
| **Parent Financial Liabilities** | | | | | |
| Trade and other payables | 16,355,090 | - | - | - | 16,355,090 |
| Income tax payable | 2,738,549 | - | - | - | 2,738,549 |
| | **19,093,639** | **-** | **-** | **-** | **19,093,639** |

*Fair Value*

The methods for estimating fair value are outlined in the relevant notes to the financial statements.
The carrying amounts of financial assets and liabilities of the Group and parent entity approximates their fair values.

*Foreign Exchange Risk*

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

*Equity Price Risk*

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

## NOTE 4: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its 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*

#### *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 certain investments in listed securities as 'available-for-sale' or held for trading investments and movements in fair value are recognised directly in equity or in the 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.

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.



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

***(i) Significant accounting judgments, estimates and assumptions** (continued)*

***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. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

***Long service leave provision***

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

***Estimation of useful lives of assets***

The estimation of the useful lives of assets has been based on historical experience for plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 2 and note 15.

## 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 South Africa and one matter in New Zealand. Also during the year the Group withdrew from its 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, the United Kingdom, Canada, South Africa and the United States of America.

## NOTE 6: REVENUE

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Revenue** | | | | |
| Bank interest received and accrued | 3,640,612 | 2,470,806 | 3,241,621 | 2,011,900 |
| Intercompany dividends received | - | - | 17,000,000 | - |
| | 3,640,612 | 2,470,806 | 20,241,621 | 2,011,900 |

## NOTE 7: OTHER INCOME

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Other income** | | | | |
| Litigation contracts in progress - settlements | 63,280,198 | 55,205,972 | 22,044,013 | 39,748,063 |
| Litigation contracts in progress expenses | (21,854,680) | (17,598,261) | (8,029,102) | (9,649,758) |
| Litigation contracts in progress written-off[1] | (6,178,561) | (4,086,738) | (2,484,599) | (2,228,661) |
| Net gain on disposal of intangible assets | 35,246,957 | 33,520,973 | 11,530,312 | 27,869,644 |
| GST recoverable/(written-off) from prior periods | (138,736) | 306,226 | - | 8,717 |
| | 35,108,221 | 33,827,199 | 11,530,312 | 27,878,361 |

[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 | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **(a) Finance costs** | | | | |
| Interest expense | (74,982) | (2,040,489) | (49,271) | (2,040,489) |
| Other finance charges | (196,346) | (49,049) | (185,026) | (47,406) |
| | (271,328) | (2,089,538) | (234,297) | (2,087,895) |
| **(b) Depreciation included in the income statement** | | | | |
| Depreciation | (171,235) | (156,470) | (171,235) | (156,470) |
| **(c) Employee benefits expense** | | | | |
| Wages and salaries | (1,862,920) | (1,403,507) | (1,862,920) | (2,461,034) |
| Superannuation expense | (650,672) | (552,767) | (650,672) | (552,767) |
| Directors fees | (90,506) | (83,600) | (90,506) | (83,600) |
| Payroll tax | (419,496) | (280,150) | (419,496) | (280,150) |
| Long service leave expense | (47,678) | (137,069) | (47,678) | (137,069) |
| **Total employee benefits expense** | (3,071,272) | (2,457,093) | (3,071,272) | (3,514,620) |
| **(d) Corporate and office expense** | | | | |
| Insurance expense | (925,259) | (320,669) | (925,259) | (320,669) |
| Network expense | (218,276) | (165,559) | (218,276) | (165,559) |
| Marketing expense | (149,117) | (92,462) | (149,117) | (92,462) |
| Occupancy expense | (20,253) | (6,437) | (20,252) | (6,437) |
| Professional fee expense | (419,744) | (278,545) | (419,744) | (278,545) |
| Recruitment expense | (36,356) | (66,406) | (36,356) | (66,406) |
| Telephone expense | (72,818) | (59,276) | (72,819) | (59,276) |
| Travel expense | (68,834) | (160,583) | (68,834) | (160,583) |
| | (1,910,657) | (1,149,937) | (1,910,657) | (1,149,937) |
| **(e) Other expenses** | | | | |
| ASX listing fees | (36,049) | (30,821) | (36,049) | (30,821) |
| General expenses | (206,309) | (156,403) | (206,309) | (155,914) |
| Postage, printing and stationary | (41,788) | (8,142) | (41,788) | (8,142) |
| Repairs and maintenance | (28,628) | (40,182) | (28,628) | (40,182) |
| Share registry costs | (44,613) | (19,856) | (44,613) | (19,856) |
| Software supplies | (7,289) | (10,915) | (7,289) | (10,915) |
| Impairment of available for sale asset | - | (160,453) | - | (160,453) |
| Loss on financial liability carried at amortised cost - convertible notes | - | (1,275,130) | - | (1,275,130) |
| Foreign exchange loss | (7,747) | (23,247) | (7,747) | (5,383) |
| Profit on sale of shares | 6,271 | - | 6,271 | - |
| Net fair value loss on shares held for trading | (238,563) | - | (238,563) | - |
| | (604,715) | (1,725,149) | (604,715) | (1,706,796) |

## NOTE 9: INCOME TAX

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **(a) Income tax expense** | | | | |
| The major components of income tax expense are: | | | | |
| **Income Statement** | | | | |
| *Current income tax* | | | | |
| Current income tax charge | 8,830,233 | 2,738,549 | 3,633,865 | 914,691 |
| Adjustment in respect of current income tax expense of previous year | (383,388) | 22,146 | (383,388) | 22,146 |
| | | | - | - |
| *Deferred income tax* | | | | |
| Relating to origination and reversal of temporary differences | 619,868 | 4,858,020 | 3,744,996 | 5,490,703 |
| Adjustment in respect of deferred income tax of previous year | 596,298 | 68,336 | 348,635 | (59,648) |
| Income tax expense reported in the income statement | 9,663,011 | 7,687,051 | 7,344,108 | 6,367,892 |
| **(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 |
| Income tax expense reported in equity | - | 21,625 | - | 21,625 |
| **(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the stautory 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 | 30,425,828 | 24,847,061 | 23,123,628 | 21,274,543 |
| | | | - | |
| At the Group's statutory income tax rate of 30% (2008: 30%) | 9,127,749 | 7,454,118 | 6,937,088 | 6,382,363 |
| Adjustment in respect of income tax of previous years | 212,910 | 90,482 | (34,752) | (37,502) |
| Expenditure not allowable for income tax purposes | 322,352 | 164,075 | 441,772 | 44,655 |
| Other | - | (21,625) | - | (21,625) |
| Income tax expense reported in the consolidated income statement | 9,663,011 | 7,687,050 | 7,344,108 | 6,367,892 |



## NOTE 9: INCOME TAX (CONTINUED)

**(d) Recognised deferred tax assets and liabilities**

| | Balance Sheet | | Income Statement | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Deferred income tax at 30 June relates to the following: | | | | |
| *CONSOLIDATED* | | | | |
| *(i) Deferred tax liabilities* | | | | |
| Intangibles | 9,700,356 | 8,437,016 | 1,263,340 | 649,130 |
| Prepayments | - | 671 | (671) | 1,147 |
| Expenditure deducted for income tax purposes | - | 852,150 | (852,150) | (852,150) |
| Convertible notes | - | (308,267) | 308,267 | 493,947 |
| Accrued interest | 63,699 | - | 63,699 | - |
| Gross deferred tax liabilities | 9,764,055 | 8,981,570 | | |
| *(ii) Deferred tax assets* | | | | |
| Depreciable assets | 51,370 | 36,490 | (14,880) | - |
| Accruals and provisions | 385,417 | 783,335 | 397,918 | 425,915 |
| Losses available for offset against future taxable income | - | - | - | (5,637,472) |
| Expenditure deductible for income tax over time | 27,821 | 78,465 | 50,644 | (29,019) |
| Gross deferred tax assets | 464,608 | 898,290 | | |
| Deferred income tax expense | | | 1,216,167 | (4,948,502) |
| Net deferred tax liabilities | **9,299,447** | **8,083,280** | | |
| *PARENT* | | | | |
| *(i) Deferred tax liabilities* | | | | |
| Intangibles | 7,870,388 | 3,212,082 | 4,658,306 | 559,987 |
| Prepayments | - | 671 | (671) | 1,147 |
| Expenditure deducted for income tax purposes | - | 852,150 | (852,150) | (852,150) |
| Convertible notes | - | (308,268) | 308,268 | 493,948 |
| Accrued interest | 63,699 | - | 63,699 | - |
| Gross deferred tax liabilities | 7,934,087 | 3,756,635 | | |
| *(ii) Deferred tax assets* | | | | |
| Depreciable assets | 51,370 | 36,491 | (14,879) | 1 |
| Losses available for offset against future taxable income | - | - | - | (5,637,472) |
| Provisions | 385,417 | 265,831 | (119,586) | 10,359 |
| Expenditure deductible for income tax over time | 27,821 | 78,465 | 50,644 | (29,019) |
| Gross deferred tax assets | 464,608 | 380,787 | - | - |
| Deferred income tax expense | | | 4,093,631 | (5,453,199) |
| Net deferred tax liabilities/(assets) | **7,469,479** | **3,375,848** | | |

## NOTE 9: INCOME TAX (CONTINUED)

**(e) Unrecognised temporary differences**

At 30 June 2009 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 (2008: $nil).

**(f) Tax consolidation**

*(i) Members of the tax consolidated group*

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

*(ii) Tax effect accounting by members of the tax consolidated group*

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 | |
|---|---|---|
| | 2009<br>$ | 2008<br>$ |
| Total increase in tax liability and cost of investment in subsidiary of IMF (Australia) Ltd | 5,196,368 | 1,823,857 |



## NOTE 10: DIVIDENDS PAID AND PROPOSED

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| **(a) Recognised amounts:** | | | | |
| Declared and paid during the year | | | | |
| Dividends on ordinary shares | | | | |
| 2009: Interim 5.0 cents per share (2008: nil) | 5,985,341 | - | 5,985,341 | - |
| 2009: Final 10.0 cents per share (2008: nil) | 12,249,682 | | 12,249,682 | |
| | 18,235,023 | - | 18,235,023 | - |
| **(b) Unrecognised amounts:** | | | | |
| Dividends on ordinary shares | | | | |
| 2009: nil unrecognised | - | - | - | - |
| 2008: Final 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 10.0 cents per share was paid with respect to the year ended 30 June 2009 (2008: 5.0 cents per share paid on 17 October 2008). The record date for this dividend was 10 July 2009 and the shares traded ex-dividend on 6 July 2009. Payment of this dividend was made on 24 July 2009. This dividend was recognised as a liability in 2009, see note 21.

| | IMF (Australia) Ltd | |
|---|---|---|
| | 2009<br>$ | 2008<br>$ |
| **(c) Franking credit balance** | | |
| The amount of franking credits for the subsequent financial year are: | | |
| Franking account balance as at the end of the financial year at 30% | 185,074 | - |
| Franking debits that will arise from the payment of interim dividends during the year | (2,565,146) | - |
| Franking credits that arose from the payment of income tax payable during the financial year | 7,142,245 | - |
| Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 4,036,016 | 2,738,549 |
| | 8,798,189 | 2,738,549 |
| Impact of franking debits that will arise from the payment of recommended final dividend | (5,249,864) | (2,553,475) |
| | 3,548,325 | 185,074 |

**(d) Tax rates**

The tax rate at which paid dividends have been franked is 30% (2008: 30%). Dividends proposed will be franked at 30% (2008: 30%).

## NOTE 11: EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after deducting interest on 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 | |
|---|---|---|
| | 2009<br>$ | 2008<br>$ |
| For basic earnings per share | | |
| Net profit attributable to ordinary equity holders of the parent | 20,762,817 | 17,160,013 |
| For diluted earnings per share | | |
| Net profit from continuing operations attributable to ordinary equity holders of the parent | 20,762,817 | 17,160,013 |
| Tax effected interest on convertible notes | - | 294,239 |
| Net profit attributable to ordinary equity holders | 20,762,817 | 17,454,252 |

### (b) Weighted average number of shares

| | Number | |
|---|---|---|
| | 2009 | 2008 |
| Weighted average number of ordinary shares outstanding for basic earnings per share | 119,654,973 | 114,061,700 |
| Effect of dilution: | | |
| Share options | 1,906,522 | 389,046 |
| Convertible notes | - | 4,254,008 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 121,561,495 | 118,704,754 |

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 2,110,000 options exercised since 30 June 2009. Accordingly at the date of this report there were 122,496,819 shares on issue and 900,000 options over un-issued ordinary shares.



## NOTE 11: EARNINGS PER SHARE (CONTINUED)

**(c) Information on the classification of securities**

(i) Options

Options granted to employees (including key management personnel) as described in note 22, note 23 and note 26, are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent they are dilutive. These options have not been included in the determination of basic earnings per share.

(ii) Convertible notes

The convertible notes were subject to an early redemption notice and were either redeemed or converted at 30 June 2008. Therefore they had no dilutive effect at 30 June 2009.

## NOTE 12: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Cash at bank | 7,249,163 | 25,164,266 | 6,866,028 | 24,961,091 |
| Short-term deposits | 53,988,643 | 26,476,654 | 53,988,643 | 22,324,857 |
| | 61,237,806 | 51,640,920 | 60,854,671 | 47,285,948 |

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

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

**Reconciliation to Cash Flow Statement**

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

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Cash at bank | 7,249,163 | 25,164,266 | 6,866,028 | 24,961,091 |
| Short-term deposits | 53,988,643 | 26,476,654 | 53,988,643 | 22,324,857 |
| | 61,237,806 | 51,640,920 | 60,854,671 | 47,285,948 |

*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 2009 guarantees of $1,066,794 of were outstanding (2008: $2,034,700). The guarantees are secured by an offset arrangement with a term deposit of $1,001,000 (2008: $1,659,396).

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

*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 $1,066,794 (2008: $2,034,700). The total of the bank guarantee facilities is $6,000,000. The guarantee facility is secured by an offset arrangement against a term deposit of $1,001,000 (2008: $1,659,396).

## NOTE 13: CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|---|
| | | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Trade receivables | (i) | 8,000,822 | 14,356,199 | 5,763,920 | 13,050,993 |
| GST refund receivable | (ii) | 115,832 | 115,832 | 115,832 | 115,832 |
| Interest receivable | (iii) | 212,330 | 186,395 | 212,330 | 186,395 |
| | | 8,328,984 | 14,658,426 | 6,092,082 | 13,353,220 |

i. Trade receivables are non-interest bearing and generally on 30-90 day terms. There is no amount included in trade debtors which is subject to appeal (2008: $1,000,000).

ii. The Australian Taxation Office ("ATO") completed its audit of the Group's claim for a refund of Goods and Services Tax ("GST") and has determined the Group is entitled to a refund of $115,832. This refund has not yet been applied by the ATO against the Group's GST liabilities.

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

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

| | 0-30 days<br>$ | 31-90 days<br>$ | 91-180 days[1]<br>$ | +180 days[1]<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| 2009 Consolidated | 6,409,878 | - | 3,558 | 1,915,548 | 8,328,984 |
| 2009 Parent | 4,620,222 | - | 3,558 | 1,468,302 | 6,092,082 |
| 2008 Consolidated | 9,810,054 | - | 385,525 | 4,462,847 | 14,658,426 |
| 2008 Parent | 9,638,332 | - | 377,603 | 3,337,285 | 13,353,220 |

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

During the year the Group wrote-off receivables totalling $1,457,853 (2008: $3,492,554). The majority of these write-offs related to appeals which were won at first instance by the Group's client, and then subsequently lost on appeal (2009: Kingsheath: $1,000,000; 2008: Meadow Springs: $2,666,247 and Kalls: $826,308).

**(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 | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Prepayments | 194,331 | 117,675 | 194,331 | 117,675 |
| Other | 4,427 | 4,428 | 4,427 | 4,428 |
| | 198,758 | 122,103 | 198,758 | 122,103 |

## NOTE 15: NON CURRENT ASSETS - PLANT AND EQUIPMENT

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

| | Consolidated | IMF (Australia) Ltd |
|---|---|---|
| | Plant and Equipment | Plant and Equipment |
| **Year ended 30 June 2009** | $ | $ |
| Balance as at 1 July 2008, net of accumulated depreciation | 505,481 | 505,481 |
| Additions | 341,941 | 341,941 |
| Depreciation charge for the year | (171,235) | (171,235) |
| At 30 June 2009, net of accumulated depreciation | 676,187 | 676,187 |
| **Balance as at 1 July 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 |
| **Balance as at 30 June 2009, net of accumulated depreciation** | | |
| Cost | 1,493,200 | 1,493,200 |
| Accumulated depreciation | (817,013) | (817,013) |
| Net carrying amount | 676,187 | 676,187 |
| **Year ended 30 June 2008** | | |
| Balance as at 1 July 2007, net of accumulated depreciation | 183,727 | 183,727 |
| Additions | 478,224 | 478,224 |
| Disposals | - | - |
| Depreciation charge for the year | (156,470) | (156,470) |
| At 30 June 2007, net of accumulated depreciation | 505,481 | 505,481 |
| **Balance as at 1 July 2007** | | |
| 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 |

The useful life of the assets was estimated between 5 to 15 years for both 2008 and 2009.

## NOTE 16: NON-CURRENT ASSETS – FINANCIAL ASSETS

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| At fair value | | | | |
| Shares - Australian listed - available-for-sale | 822,260 | 913,605 | 822,220 | 913,605 |
| Shares - United Kingdom listed - held for trading | 105,452 | - | 105,452 | - |
| Closing balance as at 30 June | 927,712 | 913,605 | 927,672 | 913,605 |

### (a) Listed shares

The fair value of listed financial assets has been determined directly by reference to published price quotations in an active market.

## NOTE 17: INTANGIBLE ASSETS

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

| | Consolidated $ | Parent $ |
|---|---|---|
| **Balance as at 1 July 2008** | | |
| Cost (gross carrying amount) | 28,123,388 | 10,706,938 |
| Accumulated amortisation and impairment | - | - |
| Net carrying amount | 28,123,388 | 10,706,938 |
| **Year ended 30 June 2009** | | |
| Balance as at 1 July 2008, net of accumulated amortisation and impairment | 28,123,388 | 10,706,938 |
| Additions | 32,185,808 | 26,044,481 |
| Disposals | (21,854,680) | (8,029,102) |
| Write-down of Litigation Contracts In Progress | (6,178,561) | (2,484,599) |
| At 30 June 2009, net of accumulated amortisation and impairment | 32,275,955 | 26,237,718 |
| **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 |



## NOTE 17: INTANGIBLE ASSETS (CONTINUED)

### (b) Description of groups of intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors fees, counsels fees and experts fees, as well as the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs and other out of pocket expenses. The capitalised wages in 2009 equated to approximately 75% of the total salary costs (2008: 65%). The other internal capitalised expenses equated to approximately 18% of overhead costs (2008: 23%).

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

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Capitalised External Costs | 21,593,995 | 22,584,444 | 16,733,634 | 7,766,158 |
| Capitalised Internal Costs | 10,681,960 | 5,538,944 | 9,504,084 | 2,940,780 |
| Balance at 30 June | 32,275,955 | 28,123,388 | 26,237,718 | 10,706,938 |

### (c) Write-off of intangible assets

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

### (d) Impairment testing of intangible assets

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

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

- The estimated cost to complete a Litigation Contract In Progress is budgeted, based on estimates provided by the external legal advisors handling the litigation and the plaintiff in the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital, which resulted in a discount rate of 13.5% (2008: 10.3%).

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 – INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

The Group withdrew from its joint venture entity Claims Funding International plc ("CFI") during 2009. The 2008 consolidated financial statements included the Group's 50% share in CFI.

### (a) Investment details

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| 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 | |
|---|---|---|
| | 2009 $ | 2008 $ |
| As at 1 July | 973,435 | - |
| Initial investment | - | 1,538,015 |
| Share of profit/(loss) after income tax | (551,902) | (380,201) |
| Return of Equity | (137,490) | (166,515) |
| Foreign exchange gain/(loss) | - | (17,864) |
| Loss on divestment of CFI | (284,043) | - |
| At 30 June | - | 973,435 |





## NOTE 18: NON-CURRENT ASSETS – INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

### (c) Summarised financial information

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

| | Consolidated | |
|---|---|---|
| | 2009<br>$ | 2008<br>$ |
| **Extract from the joint venture entity'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 joint venture entity's income statements | | |
| Revenue | 23,688 | 24,508 |
| Net Profit/(loss) | (1,103,804) | (760,402) |
| Share of net profit/(loss) | (551,902) | (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 | Percentage Owned | | Investment | |
|---|---|---|---|---|---|
| Name | Incorporation | 2009<br>% | 2008<br>% | 2009<br>$ | 2008<br>$ |
| Insolvency Litigation Fund Pty Ltd | Australia | 100 | 100 | 14,783,187 | 9,586,819 |

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 parent entity (refer to note 9.)

## NOTE 20: CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Trade payables[1] | 8,415,830 | 4,652,289 | 6,244,219 | 3,114,489 |
| Wage accruals[2] | 235,237 | 214,321 | 235,237 | 214,321 |
| Convertible notes | - | 12,412,846 | - | 12,412,846 |
| Related party payables | - | - | 21,493,181 | 613,434 |
| Carrying amount of trade and other payables | 8,651,067 | 17,279,456 | 27,972,637 | 16,355,090 |

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

[2] The convertible notes payable amount was paid on 3 July 2008.

## NOTE 21: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Current** | | | | |
| Annual Leave | 276,957 | 242,367 | 276,957 | 242,367 |
| Adverse costs | 280,000 | 900,000 | 280,000 | - |
| Bonus | 3,565,000 | - | 3,565,000 | - |
| | 4,121,957 | 1,142,367 | 4,121,957 | 242,367 |
| Non-Current | | | | |
| Long service leave | 511,109 | 463,431 | 511,109 | 463,431 |
| | 511,109 | 463,431 | 511,109 | 463,431 |

### (a) Movement in provisions

| | Adverse costs $ | Annual leave $ | Employee bonus $ | Long service leave $ | Total $ |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| At 1 July 2008 | 900,000 | 242,367 | - | 463,431 | 1,605,798 |
| Arising during the year | 280,000 | 408,911 | 3,565,000 | 47,678 | 4,301,589 |
| Utilised | (900,000) | (374,321) | - | - | (1,274,321) |
| At 30 June 2009 | 280,000 | 276,957 | 3,565,000 | 511,109 | 4,633,066 |
| Current 2009 | 280,000 | 276,957 | 3,565,000 | - | 4,121,957 |
| Non-current 2009 | - | - | - | 511,109 | 511,109 |
| | 280,000 | 276,957 | 3,565,000 | 511,109 | 4,633,068 |
| 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 |



## NOTE 21: CURRENT AND NON-CURRENT LIABILITIES – PROVISIONS

| | Adverse costs $ | Annual leave $ | Employee bonus $ | Long service leave $ | Total $ |
|---|---|---|---|---|---|
| **Parent** | | | | | |
| At 1 July 2008 | - | 242,367 | - | 463,431 | 705,798 |
| Arising during the year | 280,000 | 408,911 | 3,565,000 | 47,678 | 4,301,589 |
| Utilised | - | (374,321) | - | - | (374,321) |
| At 30 June 2009 | 280,000 | 276,957 | 3,565,000 | 511,109 | 4,633,066 |
| Current 2009 | 280,000 | 276,957 | 3,565,000 | - | 4,121,957 |
| Non-current 2009 | - | - | - | 511,109 | 511,109 |
| | 280,000 | 276,957 | 3,565,000 | 511,109 | 4,633,066 |
| Current 2008 | - | 242,367 | - | - | 242,367 |
| Non-current 2008 | - | - | - | 463,431 | 463,431 |
| | - | 242,367 | - | 463,431 | 705,798 |

### (b) Nature and timing of provisions

*Adverse costs*

In 2008 an adverse costs provision was raised in an amount of $900,000 in respect of the Group's obligation to pay the adverse costs in the matter known as Doran. These costs were paid during 2009. At 30 June 2009 the Group has raised a provision of $280,000 in respect of its possible obligation in the Concept Equity matter.

*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: CONTRIBUTED EQUITY

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| *Contributed equity* | | | | |
| Issued and fully paid ordinary shares | 38,671,387 | 37,671,944 | 38,671,387 | 37,671,944 |

## NOTE 22: CONTRIBUTED EQUITY (CONTINUED)

### (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 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 |
| Exercise of employee options | 1,224,665 | 999,443 |
| As at 30 June 2009 | 120,386,819 | 38,671,387 |

### (b) Share options

At 30 June 2009, there were 3,010,000 (2008: 4,234,665) unissued ordinary shares in total in respect of which options were outstanding, as follows:

| | 2009 | 2008 |
|---|---|---|
| Director Options (see note 27) | 2,000,000 | 2,000,000 |
| Employee options (see note 27) | 1,010,000 | 2,234,665 |
| **Options issued as at 30 June** | 3,010,000 | 4,234,665 |

### (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 they can be fully franked and where there is capital surplus to the needs of the business. The Group has been able to pay franked dividends from 1 July 2008.

Management has determined that as at 30 June 2009 the Group has cash surplus to its requirements. Management intends to reduce this surplus cash between 2009 and 2010 through a mixture of paying fully franked dividends 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 23: RETAINED EARNINGS AND RESERVES

### (a) Movement in retained earnings were as follows:

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Balance 1 July | 16,480,867 | (679,146) | 18,777,042 | 3,870,391 |
| Net profit for the year | 20,762,817 | 17,160,013 | 15,789,519 | 14,906,651 |
| Dividend paid | (11,970,682) | - | (11,970,682) | - |
| Dividend accrued - unpaid | (12,249,682) | - | (12,249,682) | - |
| Transfer of general reserve | 8,689,605 | - | - | - |
| Balance 30 June | 21,712,925 | 16,480,867 | 10,346,197 | 18,777,042 |

### (b) Movement in reserves were as follows:

| | General Reserve<br>$ | Option Premium Reserve<br>$ | Net unreal--ised gains reserve | Convertible Note Reserve<br>$ | Total reserves<br>$ |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| At 1 July 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 |
| At 30 June 2009 | - | 3,403,720 | 3,953 | 984,139 | 4,391,812 |
| **Parent** | | | | | |
| At 1 July 2007 | - | 3,403,720 | - | 984,139 | 4,387,859 |
| At 30 June 2008 | - | 3,403,720 | - | 984,139 | 4,387,859 |
| At 30 June 2009 | - | 3,403,720 | 3,953 | 984,139 | 4,391,812 |

### (c) Nature and purpose of reserves

*(i) General reserve*

The general reserve contained amounts of retained profits that were 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 and was transferred to retained earnings on 31 December 2008.

*(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) Net unrealised gains reserve*

This reserve is used to record the unrealised gain on available for sale investments.

*(iv) Convertible note reserve*

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

## NOTE 24: CASH FLOW STATEMENT RECONCILIATION

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **(a) Reconciliation of net profit after tax to net cash flows from operations** | | | | |
| Net profit/(loss) attributable to members of the parent | 20,762,817 | 17,160,013 | 15,789,519 | 14,906,651 |
| *Adjustments for:* | | | | |
| Depreciation | 171,235 | 156,470 | 171,235 | 156,470 |
| Interest accretion - convertible notes | - | 482,640 | - | 482,640 |
| Loss on derecognition of financial liability | - | 761,543 | - | 761,543 |
| Loss recognised on remeasurement to fair value | 238,563 | 160,453 | 238,563 | 160,453 |
| Loss on divestment of joint venture entity | 284,043 | | 1,234,010 | |
| Share of loss of joint venture | 551,902 | 380,201 | - | - |
| Net loss on foreign exchange | 7,747 | 23,247 | 7,747 | 5,383 |
| Profit on sale of shares | (6,271) | - | (6,271) | - |
| Other | 210,726 | (1,029) | - | (167,544) |
| Dividend from subsidiary (non-cash) | - | - | (17,000,000) | - |
| *Changes in assets and liabilities* | | | | |
| Decrease/(Increase) in receivables | 5,703,079 | (2,845,447) | 6,624,895 | (390,682) |
| Decrease/(Increase) in other current assets and financial assets | (182,107) | 224,856 | 101,578 | (1,599,001) |
| Decrease/(Increase) in intangible assets | (4,152,567) | 2,200,581 | (15,530,780) | 1,866,624 |
| Decrease/(Increase) in investment in subsidiary | - | - | (5,196,368) | - |
| Increase/(Decrease) in trade creditors and accruals | 3,784,455 | 3,112,515 | 3,150,646 | 3,134,749 |
| Increase/(Decrease) in provisions | 3,027,270 | 1,004,366 | 3,927,269 | 104,366 |
| Increase/(Decrease) in deferred tax liabilities | 1,216,168 | 4,948,502 | 4,093,631 | 5,453,199 |
| Increase/(Decrease) in current income tax liability | 1,297,467 | 2,738,549 | 1,297,467 | 2,738,549 |
| Net cash from/(used in) operating activities | 32,914,527 | 30,507,460 | (1,096,859) | 27,613,400 |

### (b) Disclosure of financing facilities

Refer to note 12.



## NOTE 25: RELATED PARTY DISCLOSURE

**Transactions with director related entities**

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

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Transactions with related parties | 6,476 | 12,047 | 6,476 | 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 notes 13 and 20).

## NOTE 26: KEY MANAGEMENT PERSONNEL

**(a) Details of Key Management Personnel**

**(i) Directors**

Robert Ferguson Non-Executive Chairman

Hugh McLernon Managing Director

John Walker Executive Director

Alden Halse Non-Executive Director

Michael Bowen Non-Executive Director

**(ii) Executives**

Clive Bowman Executive Investment Manager

Charlie Gollow Investment Manager

Diane Jones Chief Operating Officer, 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.

## NOTE 26: KEY MANAGEMENT PERSONNEL (CONTINUED)

### (b) Compensation of Key Management Personnel

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| Short-term employee benefits | 2,906,549 | 3,595,812 | 2,906,549 | 3,595,812 |
| Post-employment benefits | 73,225 | 108,576 | 73,225 | 108,576 |
| Share Based Payment/Bonuses | 4,709,000 | 255,166 | 4,709,000 | 255,166 |
| Other[1] | 239,410 | 91,065 | 239,410 | 91,065 |
| | 7,928,184 | 4,050,619 | 7,928,184 | 4,050,619 |

[1]Other refers to directors and officers insurance premiums and professional indemnity insurance premiums.

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

| | Balance | Granted as | Options | Net change | Balance | Vested at 30 June 2009 | | Not Vested/ |
|---|---|---|---|---|---|---|---|---|
| *Directors* | 01-Jul-08 | Remuneration | Exercised | Other | 30-Jun-09 | Total | Exercisable | Exercisable |
| Robert Ferguson | - | - | | | | | | |
| Hugh McLernon | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| John Walker | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Alden Halse | - | - | - | - | - | - | - | - |
| Michael Bowen | - | - | - | - | - | - | - | - |
| | | | | | - | - | - | |
| *Executives* | | | | | | | | |
| Clive Bowman | 1,184,094 | - | (584,094) | - | 600,000 | 600,000 | 600,000 | - |
| Charlie Gollow | 450,000 | - | (200,000) | - | 250,000 | 250,000 | 250,000 | - |
| Diane Jones | - | - | - | - | - | - | - | - |
| **Total** | 3,634,094 | - | (784,094) | - | 2,850,000 | 2,850,000 | 2,850,000 | - |





## NOTE 26: KEY MANAGEMENT PERSONNEL (CONTINUED)

| | Balance | Granted as | Options | Net change | Balance | Vested at 30 June 2008 | | Not Vested/ |
|---|---|---|---|---|---|---|---|---|
| *Directors* | 01-Jul-07 | Remuneration | Exercised | Other[1] | 30-Jun-08 | Total | Exercisable | Exercisable |
| Robert Ferguson | | | | | | | | |
| Hugh McLernon | 5,900,000 | - | - | (4,900,000) | 1,000,000 | 1,000,000 | 1,000,000 | - |
| John Walker | 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 | | | | | | | | |
| Clive Bowman | 2,098,188 | - | (254,094) | (660,000) | 1,184,094 | 1,184,094 | 1,184,094 | - |
| 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.

### (d) Shareholdings of Key Management Personnel

| | Balance 30-Jun-08 | Received as Remuneration | Options Exercised | Net Change Other | Balance 30-Jun-09 |
|---|---|---|---|---|---|
| *Directors* | | | | | |
| Robert Ferguson | 2,500,000 | - | - | - | 2,500,000 |
| John Walker | 6,966,831 | - | - | - | 6,966,831 |
| Hugh McLernon | 10,713,798 | - | - | - | 10,713,798 |
| Alden Halse | 891,251 | - | - | - | 891,251 |
| Michael Bowen | 813,751 | - | - | - | 813,751 |
| | | | | | |
| *Executives* | | | | | |
| Clive Bowman | 618,314 | - | 584,094 | (459,101) | 743,307 |
| Charlie Gollow | 110,000 | - | 200,000 | (100,000) | 210,000 |
| Diane Jones | 20,000 | - | - | - | 20,000 |
| **Total** | 22,965,164 | - | 784,094 | (880,320) | 22,868,938 |

## NOTE 26: KEY MANAGEMENT PERSONNEL (CONTINUED)

### (d) Shareholdings of Key Management Personnel (continued)

| | 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* | | | | | |
| Clive Bowman | 601,594 | - | 254,094 | (237,374) | 618,314 |
| Andrew Charles | 205,079 | - | - | 126,140 | 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 |

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

### (e) Loans to Key Management Personnel

There have been no loans provided to key management personnel in 2009 (2008: nil).

## NOTE 27: SHARE-BASED PAYMENT PLAN

### (a) Recognised share-based payment expenses

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

### (b) Types of share-based payment plans

In 2007 the Company implemented a STI, which replaced the 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.



## NOTE 27: SHARE-BASED PAYMENT PLAN (CONTINUED)

### (c) Summaries of options

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

The outstanding balance as at 30 June 2009 is represented by:

| | 2009 Number | 2009 WAEP | 2008 Number | 2008 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 4,234,665 | $1.08 | 15,319,330 | $0.92 |
| Granted during the year | - | - | - | - |
| Exercised during the year | (1,224,665) | $0.82 | (1,094,665) | ($0.28) |
| Expired during the year | - | - | (9,990,000) | ($0.93) |
| Outstanding at the end of the year | 3,010,000 | $1.16 | 4,234,665 | $1.08 |

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

| | Number of Options | Exercise Price | Grant Date | Expiry Date |
|---|---|---|---|---|
| Director Options | 2,000,000 | $1.35 | 01-Jul-06 | 01-Jul-09 |
| Employee Options | 1,010,000 | $0.80 | 24-Mar-06 | 24-Mar-11 |
| | 3,010,000 | $1.16 | (WAEP) | |

### (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 2009 is between 1 and 2 years (2008: 1 and 3 years).

### (e) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.80 to $1.35 (2008: $0.20 to $1.35).

### (f) Weighted average fair value

No options were granted during 2008 or 2009.

## NOTE 28: COMMITMENTS AND CONTINGENCIES

### (a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases for its premises. These leases have a life of between 1 and 7 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

## NOTE 28: COMMITMENTS AND CONTINGENCIES (CONTINUED)

### (a) Operating lease commitments – Group as lessee (continued)

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

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Within one year | 411,251 | 317,533 | 411,251 | 317,533 |
| After one year but no more than five years | 1,130,138 | 813,641 | 1,130,138 | 813,641 |
| After more than five years | - | 184,070 | - | 184,070 |
| Total minimum lease payments | 1,541,389 | 1,315,244 | 1,541,389 | 1,315,244 |

### (b) Remuneration commitments

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable: | | | | |
| Within one year | 6,297,183 | 5,394,072 | 6,297,183 | 5,394,072 |
| After one year but no more than five years | - | - | - | - |
| | 6,297,183 | 5,394,072 | 6,297,183 | 5,394,072 |

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

## NOTE 29: ECONOMIC DEPENDENCY

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

## NOTE 30: EVENTS AFTER THE BALANCE SHEET DATE

### 1. Declaration of a final dividend

On 25 June 2009 the directors announced a final dividend for 2009 of $12,249,682 or 10.0 cents per share. The record date for this dividend was 10 July 2009. The dividend was paid on 24 July 2009.

### 2. Intangible assets

On 24 July 2009 the creditors of **Opes Prime** supported the Scheme of Company Arrangement proposed by the company with its creditors. On 4 August 2009 the Court also approved the Scheme. The Group expects to receive approximately $6,000,000 under the Scheme, having invested approximately $3,500,000 and capitalising overheads of approximately $1,500,000 ( for its funding of the Opes Prime matter and the Beconwood matter).

The **Peninsula Shipping** matter was conditionally settled on 7 July 2009 and the Group received $839,507 on 12 August 2009, generating a small loss after taking into account capitalised overheads.



## NOTE 30: EVENTS AFTER THE BALANCE SHEET DATE (CONTINUED)

### 2. Intangible assets (continued)

On 24 August 2009, the Company announced the confidential conditional settlement of a matter, which, if finalised, will (along with other payments) result in revenue of about $18,000,000 to the Group. The settlement (including the identity of the parties to the litigation) is currently confidential to the parties and subject to a number of conditions precedent. The Company hopes to be in a position to make further announcements concerning this settlement shortly.

### 3. Exercise of Options

On 1 July 2009 the executive directors exercised 2,000,000 options with an exercise price of $1.35. Further, on 7 July 2009 employees exercised 110,000 options with an exercise price of $0.80. Accordingly, as at 10 July 2009 there were 900,000 unissued ordinary shares in total in respect of which options were outstanding.

### 4. Contributed equity

As at result of the exercise of options, the issued capital as at the date of this report can be summarised as follows:

| | Number | $ |
|---|---|---|
| **Movements in ordinary shares on issue** | | |
| As at 30 June 2009 | 120,386,819 | 38,671,387 |
| Exercise of employee options | 110,000 | 88,000 |
| Exercise of director options | 2,000,000 | 2,700,000 |
| As at 26 August 2009 | 122,496,819 | 41,459,387 |

### 5. Share buy-back

On 10 August 2009 the Group announced an on market buy-back of up to 12,249,681 of its shares to enhance its capital management strategies.

## NOTE 31: AUDITORS' REMUNERATION

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

| | Consolidated | | IMF (Australia) Ltd | |
|---|---|---|---|---|
| | 2009<br>$ | 2008<br>$ | 2009<br>$ | 2008<br>$ |
| 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 | 144,500 | 179,739 | 144,500 | 179,739 |
| Other services in relation to the entity and any other entity in the consolidated group | | | | |
| Tax compliance, including capital return submission | 120,597 | 58,365 | 120,597 | 58,365 |
| | 265,097 | 238,104 | 265,097 | 238,104 |

# DIRECTOR'S 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 2009 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 section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board

ROBERT FERGUSON
Executive Chairman

HUGH MCLERNON
Managing Director

Dated this 26th day of August 2009

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# Independent audit report to members of IMF (Australia) Limited

## Report on the Financial Report

We have audited the accompanying financial report of IMF (Australia) Limited, which comprises the balance sheet as at 30 June 2009, 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.

## 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 2009 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 Regulations 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 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
26 August 2009



# CORPORATE GOVERNANCE STATEMENT

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

| | **Recommendation** | **Comply Yes / No** |
|---|---|---|
| 1.1 | Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions. | Yes |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives. | Yes |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1 | Yes |
| 2.1 | A majority of the Board should be independent directors. | No |
| 2.2 | The chair should be an independent director. | No |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual. | Yes |
| 2.4 | The Board should establish a nomination committee. | No |
| 2.5 | Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors. | Yes |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2. | Yes |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to: | |
| | • the practices necessary to maintain confidence in the Company's integrity; | Yes |
| | • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; | Yes |
| | • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes |
| 3.2 | Companies should establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy. | Yes |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3. | Yes |
| 4.1 | The Board should establish an audit committee. | Yes |
| 4.2 | The audit committee should be structured so that it: | |
| | • consists of only non-executive directors: | Yes |
| | • consists of a majority of independent directors; | Yes |
| | • is chaired by an independent chair, who is not chair of the Board; | Yes |
| | • has at least three members. | Yes |
| 4.3 | The audit committee should have a formal charter. | Yes |

| | Recommendation | Comply Yes / No |
|---|---|---|
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4. | Yes |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5. | Yes |
| 6.1 | Companies should design and disclose a communication policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | Yes |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6. | Yes |
| 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 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | Yes |
| 7.3 | The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to reporting risks. | Yes |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7. | Yes |
| 8.1 | The Company should establish a remuneration committee. | Yes |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of directors' and senior executives. | Yes |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | Yes |

IMF (Australia) Ltd's corporate governance practices were in place throughout the year ended 30 June 2009.

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.

## 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 to 18 March 2009 the Chairperson was not independent and there was not a majority of independent directors, following the appointment of RobFerguson as Executive Chairman and Chief Executive Officer. Although Rob Ferguson has now reverted to his former role of Chairman and Hugh McLernon has become the Company's Managing Director, the ASX Corporate Governance Principles and Recommendations indicates Mr Ferguson is not independent.

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 are considered to be independent:

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

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

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

| Name | Position |
|---|---|
| Robert Ferguson | Non-Executive Chairman |
| Hugh McLernon | Managing Director |
| John Walker | Executive Director |
| Alden Halse | Non-Executive Director |
| Michael 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 are non-executive directors.

The members of the Audit Committee during the year were:

Alden Halse (Chairman)

Michael Bowen

Robert Ferguson

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

**Risk**

The Board determines the 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:

**Risk (continued)**

- 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.

**Managing Director and Chief Financial Officer Certification**

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

- their view provided on the 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.



**Performance (continued)**

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

- the annual report which is distributed to all shareholders;
- the half-yearly report circulated to the Australian Securities Exchange 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

Robert Ferguson

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

# 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 31 July 2009.**

## (a) Distribution of Shareholders

*Ordinary Share Capital*
*122,496,819 fully paid ordinary shares are held by 2,407 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.*

Options
900,000 options are held by 9 individual option holders. Options do not carry a right to vote.

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

| | Fully Paid Ordinary Shares | Options |
|---|---|---|
| 1-1,000 | 451 | - |
| 1,001 - 5,000 | 795 | - |
| 5,001 -10,000 | 456 | 1 |
| 10,001 - 100,000 | 593 | 4 |
| 100,001 - and over | 112 | 4 |
| | 2,407 | 9 |

## (b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at **20 August 2009** are:

| Shareholder | No. of Ordinary Shares | % of issued capital |
|---|---|---|
| Acorn Capital Limited | 17,379,080 | 14.19% |
| Warrakirri Asset Management Pty Limited | 10,094,695 | 8.24% |
| Hugh McLernon, McLernon Group Superannuation Pty Limited, Christine McLernon, Toronto Holdings Pty Limited and Capital Consulting Pty Limited | 10,058,592 | 8.21% |
| Legal Precedents Pty Limited, John Walker, Mary Walker, Don Walker, Margaret Walker and Caroline Walker | 7,424,537 | 6.06% |
| | 44,956,904 | 36.70% |



### (c) 20 Largest Holders of Quoted Equity Securities as at 11 August 2009

| Ordinary Shares | | Number of ordinary shares | % of issued capital |
|---|---|---|---|
| 1 | ANZ Nominees Limited | 15,941,637 | 13.01% |
| 2 | National Nominees Limited | 15,386,058 | 12.564% |
| 3 | J P Morgan Nominees Australia Limited | 8,529,287 | 6.96% |
| 4 | McLernon Group Superannuation | 4,855,081 | 3.96% |
| 5 | Legal Precedents Pty Limited | 4,814,287 | 3.93% |
| 6 | Redsummer Pty Ltd | 4,342,600 | 3.55% |
| 7 | Mr Hugh McLernon | 2,567,125 | 2.10% |
| 8 | Mr Robert Alexander Ferguson | 2,500,000 | 2.04% |
| 9 | Mr Hugh McLernon | 2,176,125 | 1.78% |
| 10 | Citicorp Nominees Pty Limited | 1,821,340 | 1.49% |
| 11 | John Walker | 1,806,250 | 1.47% |
| 12 | HSBC Custody Nominees (Australia) Limited | 1,633,285 | 1.33% |
| 13 | HSBC Custody Nominees (Australia) Limited - A/C 2 | 1,498,498 | 1.22% |
| 14 | Escor Investments Pty Limited | 1,178,572 | 0.96% |
| 15 | Citicorp Nominees Pty Limited | 1,129,384 | 0.92% |
| 16 | Bond Street Custodians Limited | 1,074,880 | 0.88% |
| 17 | Equity Trustees Limited <SGH PI Smaller Co's Fund> | 893,540 | 0.73% |
| 18 | Botanibay Pty Limited | 875,000 | 0.71% |
| 19 | Warrawi Investments Pty Ltd | 733,800 | 0.60% |
| 20 | Mr Dennis Banks and Mrs Janine Banks | 650,089 | 0.53% |
| | | 74,406,838 | 65.12% |

### (d) Options as at 11 August 2009 – unquoted

| Class of option | Number | Exercise price | Expiry |
|---|---|---|---|
| Employee options | 900,000 | 0.80 | 24-Mar-11 |

### (e) Securities subject to escrow

There are no securities subject to escrow.

# CORPORATE INFORMATION

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

A description of the Group's operations and of its principle activities is included in the review of operations and activities in the directors' report on pages 9 to 29. The directors' report is not part of the financial report.

## DIRECTORS

| | |
|---|---|
| Robert Ferguson | Non-Executive Chairman |
| Hugh McLernon | Managing Director |
| John Walker | 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
GPO Box 2975
MELBOURNE VIC 3001
Phone: 1300 557 010

## AUDITORS

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

## BANKERS

NATIONAL AUSTRALIA BANK LIMITED
255 George Street
Sydney NSW 2000

MACQUARIE BANK LIMITED
Bond Street
Sydney, NSW, 2000

The Company is listed on the Australian Securities Exchange, with Sydney, Australia as its home exchange. Its ASX code is "IMF" and its shares were trading as at the date of this report.

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IMF
(AUSTRALIA) LTD


www.imf.com.au

| | | |
|---|---|---|
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