



IMF (Australia) Ltd

**Annual Report
For the year ended
30 June 2003**

IMF (AUSTRALIA) LTD

ABN 45 067 298 088

CORPORATE INFORMATION

Directors

Alden Halse
Hugh McLernon
John Walker
Michael Bowen

Company Secretary

Mirian Picton

Principal Registered Office in Australia

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37 St Georges Terrace
Perth, Western Australia 6000
Phone: (08) 9225 2300 Fax: (08) 9225 2399

Solicitors

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

Share Registry

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

Auditors

Ernst & Young
Central Park
152 St Georges Terrace
Perth, Western Australia 6000

Bankers

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

Internet Address

www.imf.com.au

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

IMF (AUSTRALIA) LTD

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IMF (AUSTRALIA) LTD

CHAIRMAN'S REPORT

On behalf of the Board of Directors of IMF (Australia) Limited ("IMF"), I am delighted to present our second annual report since the company was restructured and re-listed in October, 2001.

There have been some significant developments and results during the Financial Year 2003, which I would like to discuss briefly.

- **Geographical Expansion**

IMF has opened an office in Melbourne, headed by long-term senior executive Clive Bowman. This initiative is considered essential to provide a national coverage for our business operations. The Melbourne operation complements the Sydney and Perth operations.

- **Human Resources**

As part of the company's strategic plan, IMF has recruited three senior lawyers to cater for the growth which was expected, and which is occurring. The Board is very satisfied with the quality of the Company's human resources at all levels.

- **Name Change**

Further to the decision taken at the 2002 Annual General Meeting, the company's name has changed from Insolvency Management Fund Limited to IMF (Australia) Ltd. This name change is significant as it indicates more properly the national nature of the company's business, and it lessens the notion that the Company predominantly funds insolvency related matters. In fact, the major matters funded are now more often in the general corporate, financial and commercial areas.

- **Matters Funded**

There has been excellent growth in the portfolio of substantial matters that the company funds, and also in the enquiry rate in respect of our services. Obviously, this forms the basis of our business operating profitably.

- **Successful Cases**

Success in a number of major matters has contributed to the consolidated entity's result for the year. Examples include:

- (i) the Tobacco Retailers Case where we funded an action by about 8,000 retailers throughout Australia to successfully recover approximately \$70 million from major tobacco companies;

IMF (AUSTRALIA) LTD**CHAIRMAN'S REPORT (Cont'd)**

- (ii) the Whyalla Airlines matter, where we funded a successful action by the families of the eight victims who tragically perished in an aircraft accident some years ago, the action being against a USA engine manufacturer;
- (iii) the Advanced Communications case where we funded a receiver to recover a large number of shares in a listed company.

These successes, and a number of other completed actions, have led to our sound result for the year.

- **Financial Result**

IMF has recorded an operating profit for the year ended 30 June 2003 of \$9,164,605. This is an excellent result for the year and provides a sound foundation for the future growth of the company. The directors have resolved not to declare a dividend in respect of the Financial Year 2003, and will consider paying a dividend when the cash reserves of the company have built up to approximately \$20 million. Currently the cash reserves of the company are approximately \$11 million.

- **Capital Reduction**

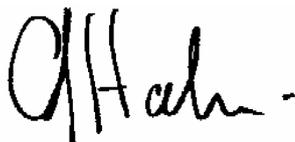
You will see from the notice of meeting and attached papers that the company is seeking shareholder agreement to a reduction of capital.

The reason for this reduction is to effectively remove the losses carried forward that were incurred prior to the October 2001 restructure of IMF. The Board believes that the Financial Statements of the Consolidated Entity, subsequent to the capital reduction, will more accurately represent the post-restructure operations and the interests of shareholders.

The Board of IMF is optimistic that the Financial Year 2004 will be a profitable year for the company and the Board will continue to prudently oversee its operations, in accordance with proper corporate governance principles, in order to protect and grow shareholders' interests.

Finally, I would like to use this report to sincerely thank all the staff of IMF for their outstanding efforts during the year. At times the workload has been onerous, and at those times, and indeed at all times, the staff of this company work extraordinarily hard and extraordinarily diligently. Thank you to all staff.

I encourage you to attend our Annual General Meeting.



ALDEN HALSE
Chairman

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT

Your Directors' submit their report for the year ended 30 June 2003.

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

DIRECTORS

Alden Halse

(Non-Executive Chairman)

Alden Halse is a Chartered Accountant and has been a long-term principal of national chartered accountancy firm, Ferrier Hodgson. Prior to that, he spent 15 years with chartered accounting firms Irish Young & Outhwaite and Pannell Kerr Forster.

He is registered as an Official Liquidator, Tax Agent and Trustee in Bankruptcy.

Over the last 15 years he has lectured and written extensively in relation to directors' duties, corporate governance issues and corporate and personal insolvency issues.

Mr Halse is an associate member of the Institute of Chartered Accountants, the Insolvency Practitioners Association of Australia and the Australian Institute of Company Directors.

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

Mr Halse mentors the company secretary and is a member of the audit committee. He also plays an active role in the promotion of the Company to shareholders, investors, brokers and the media.

Michael Bowen

(Non-Executive Director)

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

Mr Bowen 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.

Mr Bowen also has experience in merchant banking and accounting and as a director of listed Australian industrial companies.

Mr Bowen supports the managing director on matters concerning Corporations Law and is the chairman of the audit committee.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

**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 3 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. The Group operated in the finance, mining, property, insurance and investment arenas of Australia.

Mr McLernon is the managing director and a member of the audit committee.

**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 (formerly Insolvency Management Fund Pty Ltd) and was the initial Managing Director until the entity was purchased by Insolvency Management Fund Ltd in 2001.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

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 are:

	IMF (Australia) Ltd	
	Ordinary Shares Fully Paid	Options over Ordinary Shares
A Halse	585,001	450,000
H McLernon	5,175,360	6,749,280
M Bowen	507,501	450,000
J Walker	2,950,000	4,949,280

EARNINGS PER SHARE

	Cents
Basic Earnings (Loss) per Share	13.03
Diluted Earnings (Loss) per Share	11.59

DIVIDENDS

No dividend has been paid or recommended during the financial year.

CORPORATE INFORMATION**Corporate Structure**

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

Nature of Operations and Principal Activities

The consolidated entity operations formally began in October 2001 with the successful purchase by IMF of all issued shares in ILF.

The first order of business was to set up the operations of the consolidated entity and to secure premises, staff and systems for those operations.

Once that was successfully completed, the consolidated entity set about identifying and pursuing high value litigation opportunities around Australia.

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT (Cont'd)

CORPORATE INFORMATION

Nature of Operations and Principal Activities (Cont'd)

The consolidated entity made an early decision to expand its operations from funding pure insolvency matters to funding large scale multi plaintiff, class type actions.

After the last annual general meeting, the Board decided to open and staff a Melbourne office. This decision was brought about by the fact that the majority of funding opportunities are sourced from Sydney and Melbourne. Clive Bowman, who had been the understudy to John Walker in the Sydney office, was selected to head up the new Melbourne office.

IMF now has three offices, in Sydney, Melbourne & Perth. Each office is headed up by a senior ex-lawyer (John Walker in Sydney, Clive Bowman in Melbourne and Hugh McLernon in Perth). Each state leader has an ex-lawyer as an understudy and the state offices are supported by a group of investigators and other support staff.

The Sydney office is responsible for matters emanating from New South Wales and Queensland. The Melbourne office is responsible for matters emanating from Victoria and Tasmania and the Perth office is responsible for matters emanating from Western Australia, South Australia and the Northern Territory.

The company is now structured to move forward over the next two years or so without the requirement for further offices or senior staff.

Employees

Other than Executive Directors, as at 30 June 2003, the consolidated entity had twenty one permanent staff and two casual employees (2002:16 permanent, 2 casual).

REVIEW & RESULTS OF OPERATIONS

1. During the year, the company continued to develop the four pieces of major litigation referred to in the 2002 report to shareholders.
2. The action for 3,000 victims of the finance broking scandal against the Finance Brokers Supervisory Board ("FBSB") and various solicitors, continued throughout the year. The FBSB has now lodged its defence and an application by the victims is about to be heard in the Supreme Court, whereby the victims seek to have major parts of the defence struck out, as disclosing no true defence to their action. The solicitor actions have been held up by applications by the solicitors to stay the proceedings, which were unsuccessful. An appeal lodged by the solicitors has been heard by a five judge bench of the full court of the Supreme Court of Western Australia. We are awaiting judgement.
3. The action by the pilots against their financial advisors (Sentinel) has now been completed and we are awaiting the judgement of the Supreme Court of Victoria.
4. The action by the families of the eight people who died in the Whyalla plane crash, has been settled and finalised.
5. The action by the 8,000 tobacco retailers has been settled and is on the verge of completion. The company reduced its fee by 25% in order to ensure settlement

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

REVIEW & RESULTS OF OPERATIONS (Cont'd)

- occurred. As a result, the final income will be \$14 million rather than the \$20 million referred to in the 2002 report.
6. In addition to these cases, the company also undertook funding of a number of other large pieces of litigation throughout the year:
 - i. The company has funded an action by the receiver of Geneva Finance to recover \$20 million from auditors to the company. That action is taking place in the Supreme Court of Western Australia and a trial is expected during 2004.
 - ii. The company is funding an action by six former employees of Pilbara Manganese, to recover \$6 million in the Supreme Court of Western Australia. A trial is expected during 2004.
 - iii. The company has funded an action by Coplex Resources NL against a previous administrator of the company, to recover approximately \$20 million in the Supreme Court of Western Australia. That action is not expected to be completed during 2004.
 - iv. The company is funding an action against Marsden Partners by the liquidators of Global Finance, to recover approximately \$12 million. That matter is expected to go to trial during 2004.
 - v. The company is funding an action by investors who took part in a film finance scheme, to make the Bruce Willis movie, Mercury Rising. That action is for approximately \$20 million in the Supreme Court of Victoria and (unless settled) is not expected to be finalised during 2004.
 - vi. The company is funding an action against Ord Minnett by Global Markets Pty Ltd, to recover approximately \$20 million in the Supreme Court of Western Australia. That action is expected to come to trial during 2004.
 - vii. The company is funding a potential action by a group of creditors of Pan Pharmaceuticals. If their claims are not settled during 2004, then it is not likely that the ensuing litigation will occur until after the end of the 2004 financial year.
 7. The company is also funding about ten other medium sized cases, half of which are expected to either settle or come to trial during 2004.
 8. The company is receiving applications for funding on a regular basis and is choosing the best amongst those applications.
 9. During the course of the financial year, the company continued to husband the group of cases inherited from the acquisition of ILF in October 2001. The company continued to repay Expectation Pty Ltd the \$3 million outstanding at the time of the purchase. At the date of this report, the whole of the \$3 million has been repaid.
 10. The Board is comfortable with the level of income and profit for the 2003 financial year and has budgeted for at least that level of income to continue over the next two years.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)****OPERATING RESULTS, FINANCIAL YEAR 2003**

The following summary of operating results reflects the consolidated entity's performance for the year ended 30 June 2003:

	2003 \$	2002 \$
Total Revenue	20,708,870	4,220,336
Operating profit/(loss) after income tax	8,689,605	(762,764)
Total shareholders' equity	20,430,605	11,741,000

Shareholders Returns

Basic earnings per share (cents)	13.03	(1.51)
Diluted earnings per share (cents)	11.59	

REVIEW OF FINANCIAL CONDITION

The financial year to 30 June 2003 was the first full financial year of operations by IMF.

The Company has adopted the reporting discipline of advising ASX whenever it takes on, settles, wins or loses a case in which we expect to make \$1 million or more in fee income.

During the course of the year we have also built up our web site and shareholders can get a good insight into the Company's activities by reference to that site, (www.imf.com.au).

The year was underpinned by the Tobacco Retailers Case in which we successfully settled the claims of 8,000 tobacco retailers against Philip Morris and British American Tobacco. The Company is looking to have at least one case of this size coming to fruition each financial year. Such cases are important because they are of such a size as to ensure the profitability of the Company's operations.

We also completed four medium sized cases during the year – Ezishop, Advanced Communications, Whyalla Airlines and Global. A fuller report of each of these cases as well as the Tobacco case can be found in the review and results of operations section of this report and on the web site.

The income from all of these cases has been returned in the profit and loss report for the Company to 30 June 2003. The Company returns as income all matters which are settled or proceed to judgment in the financial year. If a successful judgment is obtained during the course of the financial year but an appeal is lodged against that judgment by the unsuccessful defendant, then the Company continues to recognise the result of the judgment in its income on the basis that the judgment of the court is a definitive statement of the Company's entitlement to payment. A full exposition of the Company's accounting for matters appealed both by and against the interests of the Company can be found in the revenue recognition policy set out in the Company's accounts.

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT (Cont'd)

REVIEW OF FINANCIAL CONDITION (Cont'd)

During the course of the year the Company continued to finalise the raft of smaller cases which it inherited from its purchase of all of the shares in ILF in October 2001. From those cases, the Company has now repaid the \$3 million owing to Expectation Pty Ltd and referred to in our 2002 report. There are approximately twenty one cases remaining from that group of cases.

Since the end of the financial year the Company has settled the NSW Supermarket case for a return of an investment of about \$382,000 and about \$1,198,000 in fees. As the actual settlement occurred after 30 June, this case was not accounted for in the 2003 financial year. The matter is carried as a \$382,000 asset in the litigation portfolio section of the balance sheet.

The Board has made a decision to transfer the 2003 profit to a general reserve rather than off setting it against previous losses (refer to note 14 of the notes to the financial statements).

It is intended to seek shareholder approval to reduce the capital of the company by writing off the \$11,244,702 of accumulated losses. This reserve may be used to pay out future dividends.

As at the date of this report, the trial of the Sentinel case has been concluded in the Supreme Court of Victoria. That case is an action by 200 pilots against Financial Wisdom Limited (a wholly owned subsidiary of the Commonwealth Bank) for approximately \$20 million in damages. The company is awaiting judgment in that case.

All in all, the 2003 financial year has been a successful period for the Company, which is now poised to continue with this level of results through at least the next two years.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

RISK MANAGEMENT

The main risks to the operations of the consolidated entity are as follows:

- (a) choosing to fund inappropriate cases;
- (b) events occurring which change the appropriateness of the original decision to fund;
- (c) a serious blow out in the time taken to conclude funded cases;
- (d) a blow out in the amount of funding required for those cases;
- (e) losing cases; and
- (f) in the past, we have also referred to the risk associated with changes in the law or in the judgements of the Court. In light of recent court judgements, these risks are thought to be minimal.

The Board meets regularly to review the major case list and new cases are not taken on until appropriate funds have been received from earlier cases.

The consolidated entity aims to manage these risks so that it is not left without funds in circumstances where it has a book of lucrative funding contracts.

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT (Cont'd)

RISK MANAGEMENT (Cont'd)

To minimise that risk, the consolidated entity intends to retain the first \$20 million or so of money arising from the major cases referred to above, prior to implementing a policy of returning profit to shareholders by way of dividend.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the Directors of IMF support and have adhered to the principles of good corporate governance. The company's corporate governance statement is contained in the additional ASX information section of the annual report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Nothing has come to the attention of the Directors after balance date that in the Directors opinion would require disclosure.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company will consolidate its position as a market leader over the next two financial years. All necessary offices, staff, systems, cases and funding are in place to ensure that during this two year period, the Company can continue to achieve the same level of results that have been achieved this year.

SHARE OPTIONS

Unissued Shares

Since the date of the last Annual Report, 444,665 five year Employee options were issued and 900,000 five year Director options were issued as detailed in the Notice of Annual General Meeting & Explanatory Statement for the AGM held 15th November 2002. 200,000 options expired on 24 January 2003. At the date of this report, there were 25,800,345 options remaining over ordinary shares as follows:

- 50,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$5.00 and expiring on 24 January 2004.
- 50,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$10.00 and expiring on 24 January 2004.
- 50,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$25.00 and expiring on 24 January 2004.
- 5,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$3.50 and expiring on 4 April 2004.
- 5,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$5.00 and expiring on 4 April 2004.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

SHARE OPTIONS (Cont'd)

- 5,400,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 13 September 2004.
- 18,895,680 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 13 September 2006. These five year options were issued as part of the purchasing of the business of ILF.
- 444,665 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2007.
- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.30 and expiring on 30 January 2008.
- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.40 and expiring on 30 January 2008.
- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.50 and expiring on 30 January 2008.

Shares Issued as a result of the exercise of options.

No options were exercised during the year.

SHARES RELEASED FROM ESCROW

There were no shares released from escrow during the Financial year ended 30 June 2003.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Directors' fees as detailed in the Prospectus of 5th September 2001, have been paid to Non-Executive Directors.

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

There is no relationship between the emoluments and company performance.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)****DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (Cont'd)**

Details of the nature and amount of each element of the emolument of each director of the company for the financial year are as follows:

Emoluments of the Directors of IMF (Australia) Ltd

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Other	Termination & similar payments	Options	Superannuation	
	\$	\$	\$	No. granted	\$	
A Halse	25,000	-	-	(1) 150,000 (2) 150,000 (3) 150,000	6,966 2,897 1,644	2,250
H McLernon	303,686	14,887	-	-	-	81,427
J Walker	291,598	-	-	-	-	2,473
M Bowen	18,750	-	-	(1) 150,000 (2) 150,000 (3) 150,000	6,966 2,897 1,644	-

Emoluments of the most highly paid Executive Officers of the company and the consolidated entity

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Other	Termination & similar payments	Options	Superannuation	
	\$	\$	\$	No. granted	\$	
C Bowman	188,523	-	-	254,094	33,795	11,893
P Rainford	114,243	-	-	190,571	25,346	7,580

The term 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (Cont'd)

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

The company has adopted the fair value measurement provisions of ED 108 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which had not vested as at 1 July 2002. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures). Prior to 1 July 2002, the company had not disclosed the fair value of options granted as an emolument. No amounts have been included in the current year emoluments in respect of options granted in prior periods as all such options had vested prior to the beginning of the current financial year.

From 1 July 2002, options granted as part of director and executive emoluments have been valued using a Black Scholes option pricing model, which take account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. For further details, refer to Note 18 to the financial statements.

AUDIT COMMITTEE

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

The members of the Audit Committee are as follows:

M Bowen
A J Halse
H McLernon

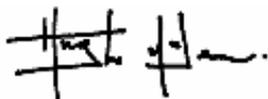
IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

DIRECTORS' MEETINGS

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

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

Signed in accordance with a resolution of the Directors.



Hugh McLernon
Managing Director

Perth 30 September 2003

IMF (AUSTRALIA) LTD**STATEMENT OF FINANCIAL PERFORMANCE**
AS AT 30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenues from ordinary activities	2(b)	20,708,870	4,220,366	1,916,807	381,258
Depreciation	3(a)	(93,456)	(50,302)	(93,116)	(50,095)
Expensing of litigation costs related to settled cases		(9,068,639)	(2,524,969)	(402,699)	(32,439)
Litigation costs relating to Expectation Pty Ltd		(723,449)	(1,569,823)	-	-
Borrowing cost expense	3 (a)	(157,534)	(99,417)	(157,534)	(93,879)
Salaries and employee benefit expense		(345,382)	(221,478)	(345,382)	(307,441)
Other expenses from ordinary activities		(1,155,805)	(517,141)	(888,519)	(364,892)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		9,164,605	(762,764)	29,557	(467,488)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	(475,000)	-	(475,000)	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF IMF (AUSTRALIA) LTD	14	8,689,605	(762,764)	(445,443)	(467,488)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF IMF (AUSTRALIA) LTD		8,689,605	(762,764)	(445,443)	(467,488)
Basis earnings per share (cents per share)	17	13.03	(1.51)		
Diluted earnings per share (cents per share)	17	11.59			

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

IMF (AUSTRALIA) LTD**STATEMENT OF FINANCIAL POSITION**
AS AT 30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
CURRENT ASSETS					
Cash assets		6,662,152	6,504,585	4,567,995	5,704,737
Receivables	5	9,006,023	20,906	6,772,586	5,677,544
Litigation work-in-progress	8	5,588,802	4,297,455	730,570	-
Other	6	47,458	17,558	43,181	16,790
TOTAL CURRENT ASSETS		21,304,435	10,840,504	12,114,332	11,399,071
NON-CURRENT ASSETS					
Plant and equipment	7	362,595	273,403	359,770	270,238
Litigation work-in-progress	8	3,462,615	3,935,160	1,172,302	536,541
Deferred tax asset	4	1,703,000	-	1,703,000	-
Other financial assets	9	25,000	-	1,525,000	1,500,000
TOTAL NON-CURRENT ASSETS		5,553,210	4,208,563	4,760,072	2,306,779
TOTAL ASSETS		26,857,645	15,049,067	16,874,404	13,705,850
CURRENT LIABILITIES					
Payables	10	830,741	342,667	403,359	134,351
Interest – bearing liabilities	11	2,448,861	1,377,139	2,448,861	1,377,139
Provisions	12	969,438	1,535,659	253,351	105,482
TOTAL CURRENT LIABILITIES		4,249,040	3,255,465	3,105,571	1,616,972
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4	2,178,000	-	2,178,000	-
Provisions	12	-	52,602	-	52,602
TOTAL NON CURRENT LIABILITIES		2,178,000	52,602	2,178,000	52,062
TOTAL LIABILITIES		6,427,040	3,308,067	5,283,571	1,669,574
NET ASSETS		20,430,605	11,741,000	11,590,833	12,036,276
EQUITY					
Contributed equity	13	22,985,702	22,985,702	22,985,702	22,985,702
General Reserve	14	8,689,605	-	-	-
Accumulated losses	14	(11,244,702)	(11,244,702)	(11,394,869)	(10,949,426)
TOTAL EQUITY		20,430,605	11,741,000	11,590,833	12,036,276

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

IMF (AUSTRALIA) LTD**STATEMENT OF CASH FLOWS**
YEAR ENDED 30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		11,444,210	3,857,378	1,688,329	32,043
Rent received		41,625	56,125	41,625	56,125
Payments to suppliers and employees		(11,549,274)	(8,383,387)	(2,665,047)	(1,553,434)
Interest received		237,916	306,863	197,109	293,090
Borrowing costs		(157,534)	(99,417)	(157,534)	(93,879)
Payment to Expectation Pty Ltd		(723,449)	(1,569,823)	-	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	15(a)	(706,506)	(5,832,261)	(895,518)	(1,266,055)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of non-current assets		(182,648)	(303,705)	(182,648)	(300,533)
Purchase of equity investments		(25,000)	-	(25,000)	-
Purchase of controlled entity	15(e)	-	(286,516)	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(207,648)	(590,221)	(207,648)	(300,533)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings – convertible notes		-	(2,600,000)	-	(2,600,000)
Proceeds from borrowings – other		1,071,721	1,377,139	1,071,721	1,377,139
Advances to related parties		-	-	(1,105,297)	(5,655,742)
Proceeds from issue of shares		-	9,968,610	-	9,968,610
Payment of share issue costs		-	(471,788)	-	(471,788)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		1,071,721	8,273,961	(33,576)	2,618,219
NET INCREASE/(DECREASE) IN CASH HELD		157,567	1,851,479	(1,136,742)	1,051,631
Add opening cash bought forward		6,504,585	4,653,106	5,704,737	4,653,106
CLOSING CASH CARRIED FORWARD	15 (b)	6,662,152	6,504,585	4,567,995	5,704,737

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of accounting**

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial statements have been prepared in accordance with the historical cost convention.

(b) Changes in accounting policies*Employee benefits*

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The revised policy has not had a material effect on the groups results for the year or opening retained earnings.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising IMF (the parent company) and the entity that IMF controlled during the year and at balance date.

Information from the financial statements of the subsidiary is included from the date the parent company obtain control until such time as control ceases.

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

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(d) Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, held in trust accounts for the Company and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at principal amount. Interest is charged as an expense as it accrues.

(e) Interest-bearing liabilities

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

(f) Provisions

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

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

(g) Contributed equity

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

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

(h) Revenue recognition

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(h) Revenue recognition (Cont'd)*****Litigation Revenue******Successful Judgement:***

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

Appeal by Defendant:

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

Successful Appeal by Defendant:

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

Unsuccessful Appeal by Defendant:

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

Unsuccessful Judgement:

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

Appeal by Client Plaintiff

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

- i. if the appeal is successful, then the amount due to the consolidated entity as a result of the appeal is recognised as revenue and the deferred costs relating to the case are written off; and
- ii. if the appeal is unsuccessful, the deferred costs relating to the case are written off.

Interest

Control of the right to receive the interest payment.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(i) Taxes***Income taxes*

Tax-effect accounting is applied using the liability method, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items

are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods & Services Tax (GST)

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

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

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

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

(j) Employee benefits

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

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(j) Employee benefits (Cont'd)**

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

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements are charged against profits on a net basis in their respective categories.

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

In respect of the consolidated entity's defined benefits superannuation plans, any contributions made to the superannuation plans by entities within the consolidated entity are recognised against the profits when due.

(k) Earnings per share

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

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

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

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

(l) Recoverable amount

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(m) Plant and equipment***Cost and valuation*

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

Depreciation

Depreciation is provided on a reducing balance method on all plant and equipment. Major depreciation rates are:

	2003	2002
Plant and equipment	20-25%	20-25%

(n) Litigation Work-in-progress

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

Deferred litigation costs attributable to settled cases are expensed to the statement of financial performance upon settlement of the applicable case (see Note 1(h)).

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the group, are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(o) Leases (Cont'd)***Finance leases (Cont'd)*

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest

Finance leases (Cont'd)

expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(p) Payables

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

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

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

(q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(r) Company name change

IMF (Australia) Ltd was previously named Insolvency Management Fund Ltd. The name change occurred on 18 November 2002.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
2. REVENUE FROM ORDINARY SHARES					
<i>(a) Revenue from operating activities</i>					
Revenue from settlement of cases		20,429,249	3,857,378	1,678,014	32,043
Total revenue from operating activities		20,429,249	3,857,378	1,678,014	32,043
<i>(b) Revenue from non-operating activities</i>					
Interest					
- Other corporations		237,916	306,863	197,109	293,090
Other income		41,705	56,125	41,684	56,125
Total revenue from non-operating activities		279,621	362,988	238,793	349,215
TOTAL REVENUES FROM ORDINARY ACTIVITIES		20,708,870	4,220,366	1,916,807	381,258
3. EXPENSES AND LOSSES/(GAINS)					
<i>(a) Expenses</i>					
Depreciation of non-current assets					
- Plant and equipment	7(a)	93,456	50,302	93,116	50,095
Borrowing costs expensed:					
Interest expense					
- Other persons		-	5,586	-	48
- Convertible notes		-	51,289	-	51,289
- Other related parties	22(b)	157,534	42,542	157,534	42,542
TOTAL BORROWING COSTS EXPENSED		157,534	99,417	157,534	93,879
Operating lease rental					
- Minimum lease payments		323,731	237,681	204,538	171,076
Bad and doubtful debts – trade debtors		-	29,799	-	-

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
(b) Significant items					
Profit/(loss) from ordinary activities before income tax expense, includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Recoverable amount write down of litigation portfolio		372,072	452,088	-	-
4. INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on operating loss and extraordinary items, differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit/(loss) from ordinary activities at 30%		2,749,381	(228,829)	8,867	(140,246)
Tax effect of timing differences and tax losses not brought to account		-	228,829	-	140,246
Tax effect permanent differences					
Prior year losses utilised		(2,329,664)	-	-	-
Other		2,716	-	-	-
Prior year timing differences brought to account		52,567	-	52,567	-
Tax expense arising on a assumption of tax obligations of subsidiary entities		-	-	413,566	-
Income tax expense attributable to ordinary activities		475,000	-	475,000	-
Deferred tax assets and liabilities					
Provision for deferred income tax (non-current)		2,178,000	-	2,178,000	-
Future income tax benefit (non-current)		(1,703,000)	-	(1,703,000)	-

Included in the future income tax benefit is an amount of \$1,560,000 that relates to tax losses.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, IMF (Australia) Ltd and its 100% owned subsidiaries have formed a tax consolidated group. IMF (Australia) Ltd, as head company of the tax consolidated group, has recognised a net income tax expense of \$475,000 on assumption of the tax obligations of the subsidiary entities. IMF (Australia) Ltd has not formally notified the Australian Taxation Office of the adoption of the tax consolidation regime.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
5. RECEIVABLES					
Current					
Trade debtors	5 (a)(b)	9,007,556	5,767	13,081	5,767
Provision for doubtful debts		(1,533)	(1,533)	(1,533)	(1,533)
Other receivables		-	16,672	-	17,568
Amounts other than trade debts receivable from related parties:					
- controlled entity		-	-	6,761,038	5,655,742
		9,006,023	20,906	6,772,586	5,677,544
(a) Included in trade debtors is an amount of \$798,568 which has been appealed by the defendant. The company has complied with its stated revenue recognition policy in respect of this matter.					
(b) <i>Terms and Conditions</i>					
Terms and conditions relating to the above receivables:					
(i) trade debtors are non-interest bearing and generally on 60 day terms.					
(ii) other non-current receivables are non-interest bearing and have repayment terms between 12 and 20 months					
(iii) details of terms and conditions of related party receivables are set out in note 21.					
6. OTHER CURRENT ASSETS					
Prepayments		47,458	17,558	43,181	16,790
7. PLANT AND EQUIPMENT					
Plant and equipment – at cost		539,879	323,705	536,507	320,333
Accumulated depreciation		(177,284)	(50,302)	(176,737)	(50,095)
		362,595	273,403	359,770	270,238

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
7. PLANT AND EQUIPMENT (Cont'd)					
(a) Reconciliations					
<i>Plant and equipment</i>					
Carrying amount at beginning of year		273,403	20,000	270,238	20,000
Additions		182,648	303,705	182,648	300,333
Depreciation expense		(93,456)	(50,302)	(93,116)	(50,095)
		362,595	273,403	359,770	270,238
8. LITIGATION WORK-IN-PROGRESS					
Current		5,588,802	4,297,455	730,570	-
Non-Current		3,462,615	3,935,160	1,172,302	536,541
9. OTHER FINANCIAL ASSETS					
Investments at cost comprise:					
- controlled entities					
- unlisted shares		-	-	1,500,000	1,500,000
Shares – unlisted		25,000	-	25,000	-
		25,000	-	1,525,000	1,500,000

Interest in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by the Controlling entity		Investment	
		2003 %	2002 %	2003 \$	2002 \$
Insolvency Litigation Fund Pty Ltd (formerly Insolvency Management Fund Pty Ltd)	Australia	100	100	1,500,000	1,500,000

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
10. PAYABLES (CURRENT)					
Trade creditors and accruals	10 (a)	699,248	340,258	270,230	134,351
Other creditors	10 (a)	131,494	2,409	133,129	-
		830,741	342,667	403,359	134,351
(a) Terms and conditions					
Terms and conditions relating to the above financial instruments:					
(i) trade creditors are non-interest bearing and normally settled on 30 day terms;					
(ii) other creditors are non-interest bearing and have an average term of 60 days; and					
(iii) details of terms and conditions of related party loans are set out in note 22					
11. INTEREST-BEARING LIABILITIES					
<i>Current</i>					
Unsecured other loans	22 (b)	2,448,861	1,377,139	2,448,861	1,377,139
		2,448,861	1,377,139	2,448,861	1,377,139
12. PROVISIONS					
<i>Current</i>					
Other Current		-	2,675	-	2,675
Employee entitlements	18	253,351	102,807	253,351	102,807
Provision for potential deferred consideration	23	716,087	1,430,177	-	-
(A description of the provision for deferred consideration is given in note 23).					
		969,438	1,535,659	253,351	105,482
<i>Non-current</i>					
Other non-current		-	11,357	-	11,357
Employee entitlements	18	-	41,245	-	41,245
		-	52,602	-	52,602

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Consolidated		IMF (Australia) Ltd	
	2003 \$	2002 \$	2003 \$	2002 \$
13. CONTRIBUTED EQUITY				
<i>(a) Issued and paid up capital</i>				
66,699,734 ordinary shares fully paid	22,985,702	22,985,702	22,985,702	22,985,702
<i>(b) Movements in shares on issue during financial year</i>				
	2003		2002	
	Number of shares	\$	Number of shares	\$
Beginning of financial year	66,699,734	22,985,702	46,783,333	12,018,267
Issued during the year				
- to original shareholders	-	-	6,666,666	266,667
- as consideration for purchase of IMF (Australia) Ltd	-	-	37,500,000	1,500,000
- Consolidation of shares 5-1	-	-	(72,759,981)	
- as consideration for trade debt settlement	-	-	750,000	150,000
- as consideration for severance settlement	-	-	-	
- to original shareholders – Placement	-	-	12,500,000	2,500,000
- public equity raising – Rights Issue	-	-	35,259,716	7,051,943
Less transaction costs	-	-	-	(501,175)
END OF FINANCIAL YEAR	66,699,734	22,985,702	66,699,734	22,985,702

(c) Terms and conditions of Ordinary Shares

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

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(d) Share Options

At the year-end there were 25,800,345 unissued ordinary shares in total in respect of which options were outstanding as follows:

Employee Share Scheme

During the financial year, no options were issued under the scheme.

At the end of the year there were 10,000 unissued ordinary shares in respect of which options were outstanding. Details are provided in note 18.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

Other Options

During the financial year, 1,344,665 options were issued over ordinary shares, 444,685 are exercisable from the first anniversary from the date of issue at an exercise price of \$0.20, 300,000 are exercisable 12 months from the date of issue at an exercise price of \$0.30, 300,000 are exercisable 24 months from the date of issue at an exercise price of \$0.40 and 300,000 are exercisable 36 months from the date of issue at an exercise price of \$0.50.

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
14. RESERVES AND ACCUMULATED LOSSES					
Accumulated Losses					
Balance at beginning of year		(11,244,702)	(10,481,938)	(10,949,426)	(10,481,938)
Profit/(Loss) attributable to members of IMF (Australia) Ltd		8,689,605	(762,764)	(445,443)	(467,488)
Transfer to general reserve		(8,689,605)	-	-	-
BALANCE AT END OF YEAR		(11,244,702)	(11,244,702)	(11,394,869)	(10,949,426)
General Reserve					
Balance at beginning of year		-	-	-	-
Transfer from accumulated losses	14 (a)	8,689,605	-	-	-
BALANCE AT END OF YEAR		8,689,605	-	-	-

(a) General Reserve

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

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
15. STATEMENT OF CASHFLOWS					
(a) Reconciliation of the operating loss after tax to the net cash flows from operations:					
Profit/(Loss) from ordinary activities after tax		8,689,605	(762,764)	(445,444)	(467,488)
Depreciation of plant and equipment		93,456	50,302	93,116	50,095
CHANGES IN ASSETS AND LIABILITIES					
Increase/(Decrease) in Deferred Tax		2,178,000	-	2,178,000	-
Decrease/(Increase) in future tax benefit		(1,703,000)	-	(1,703,000)	-
Decrease/(Increase) in receivables – current		(9,001,790)	20,665	(7,315)	(896)
(Increase)/Decrease on Litigation portfolio		(818,802)	(5,045,308)	(1,366,328)	(536,541)
Decrease/(Increase) in pre-payments		(29,900)	(11,858)	(26,390)	(11,858)
Decrease/(Increase) in other debtors		16,672	-	17,568	-
Increase/(Decrease) in creditors and accruals		358,990	(34,504)	135,879	(250,573)
Increase/(Decrease) in other creditors		129,084	-	133,129	-
(Increase)/Decrease in receivables – non-current		-	11,408	-	11,408
Increase/(Decrease) in employee entitlements		97,942	155,409	97,942	155,409
Increase/(Decrease) in other provisions		(716,763)	(215,611)	(2,675)	(215,611)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		(706,506)	(5,832,261)	(895,518)	(1,266,055)
(b) Reconciliation of cash					
Cash balances comprise					
Cash at bank		6,662,152	6,504,585	4,567,995	5,704,737

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
15. STATEMENT OF CASH FLOWS (Cont'd)					
<i>(c) Non cash financing and investing activities</i>					
There were no non-cash financing and investing activities during the 2003 year. The item disclosed in note 15 (e) below relates to the 2002 year.					
<i>(d) Financing facilities available</i>					
At balance date, the following financing facilities had been negotiated and were available:					
Total facilities					
- Deposit funding facility	22(b)	2,448,861	1,377,139	2,448,861	1,377,139
		2,448,861	1,377,139	2,448,861	1,377,139
<i>Facilities used at balance date:</i>					
- Deposit funding facility		2,448,861	1,377,139	2,448,861	1,377,139
		2,448,861	1,377,139	2,448,861	1,377,139
<i>Facilities unused at balance date:</i>					
- Deposit funding facility		-	-	-	-
- Convertible notes		-	-	-	-
		-	-	-	-
<i>(e) Acquisition of Controlled Entity</i>					
On 1 July 2001, IMF (Australia) Ltd acquired 100% voting share capital of Insolvency Litigation Fund Pty Ltd.					
Consideration					
- Shares issued				\$	1,500,000
Net Assets of Insolvency Litigation Fund Pty Ltd at 1 July 2001					
- Cash					2,000
- Other assets – deferred litigation costs					2,135,395
- Bank overdraft					(288,516)
- Trade payables					(348,879)
					<u>1,500,000</u>
Net cash effect					
Cash					2,000
Bank overdraft					(288,516)
Cash included in net assets acquired					<u>286,516</u>

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
16. EXPENDITURE COMMITMENTS					
a. Capital expenditure commitments					
Estimated capital expenditure contracted for at balance date, but not provided for payable					
- not later than one year		716,087	795,000	-	-
- later than one year but not later than five years		-	949,000	-	-
		716,087	1,744,000	-	-
(b) Lease expenditure commitments Operating leases (non-cancellable)					
Minimum lease payments					
- no later than one year		199,192	178,747	199,192	101,853
- later than one year but not later than five years		425,828	247,766	425,828	118,829
		625,020	426,513	625,020	220,682
AGGREGATE LEASE EXPENDITURE COMPRISE:					
Amounts not provided for:					
- rental commitments:					
current	16 (c)	199,192	178,747	199,192	101,853
non-current	16 (c)	425,828	247,766	425,828	118,829
AGGREGATED LEASE EXPENDITURE CONTRACTED FOR AT BALANCE DATE		625,020	426,513	625,020	220,682

(c) *These commitments represent payments due for leased premises under non-cancellable operating lease. The average lease term runs for 26 months.*

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

	Consolidated	
	2003 \$	2002 \$
17. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net Profit/(loss)	8,689,605	(762,764)
	Number of shares	
Weighted average number of ordinary shares on issued used in the calculation of basic earnings per share	66,699,734	50,663,929
Effect of dilutive securities		
Share options	8,246,782	
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	74,946,516	

	Notes	Consolidated		IMF (Australia) Ltd	
		2003 \$	2002 \$	2003 \$	2002 \$
18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlements liability is comprised of:					
Provisions (current)	12	158,787	102,807	158,787	102,807
Provisions (non-current)	12	-	41,245	-	41,245
Accrued salaries and wages		94,564	64,634	94,564	64,634
		253,351	208,686	253,351	208,686

Employee Share Option Scheme

The company has an Employee Share Option scheme, where employees of the company may be granted options over the shares in the capital of IMF (Australia) Ltd. The options are granted for nil consideration in accordance with prescribed goals as determined by the directors. The options will not be quoted on the ASX and the granting of options under the Plan does not entitle any Participant to any dividend or voting rights or any other rights held by a Shareholder, until exercise of the options.

During the year, no options over ordinary shares in IMF were granted under this scheme.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)**Employee Share Option Scheme (Cont'd)**

At the date of this report, there were 10,000 employee share options remaining over ordinary shares as follows:

- 10,000 free options over ordinary shares in IMF, of which 5,000 are exercisable at \$3.50 and 5,000 are exercisable at \$5.00, all expiring on 4 April 2004.

	2003		2002	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	10,000	4.25	10,000	4.25
- granted	-	-	-	-
- forfeited	-	-	-	-
- exercised	-	-	-	-
Balance at end of year	10,000	4.25	10,000	4.25
Exercisable at end of year	10,000	4.25	10,000	4.25

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

The following table summaries information about options held by employees as at 1 July 2002:

Number of options	Grant date	Vesting Date	Expiry Date	Weighted average exercise price
10,000	13 Sept 2001	14 December 2001	4 April 2004	4.25

(b) Options granted during the reporting period

The following table summaries information about options granted by IMF (Australia) Ltd to employees during the year:

	2003	2002
Grant date	-	13 Sept 2001
Vesting date	-	14 Dec 2001
Expiry date	-	4 Apr 2004
Weighted average exercise price	-	\$4.25

(c) Options exercised

There were no options exercised during the financial years ended 30 June 2003 or 30 June 2002.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)**(d) Options held at the end of the reporting period:**

The following table summarises information about options held by the employees as at 30 June 2003:

Number of options	Grant date	Vesting Date	Expiry Date	Weighted average exercise price
10,000	13 Sept 2001	14 Dec 2001	4 Apr 2004	4.25

Employee Options

At the date of this report, there were 444,665 employee share options remaining over ordinary shares as follows:

- 444,665 free options over ordinary shares in IMF, all of which are exercisable at \$0.20, all expiring on 30 June 2007.

	2003	
	Number of Options	Weighted average exercise price
Balance at beginning of year	-	-
- granted	444,665	0.20
- forfeited	-	-
- exercised	-	-
Balance at end of year	444,665	0.20
Exercisable at end of year	444,665	0.20

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

There were no options held at the beginning for the reporting period.

(e) Options granted during the reporting period

The following table summaries information about options granted by IMF (Australia) Ltd to employees during the year:

	2003
Grant date	20 Jan 2003
Vesting date	20 Jan 2003
Expiry date	30 Jun 2007
Weighted average exercise price	\$0.20

(f) Options exercised

There were no options exercised during the financial year ended 30 June 2003.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)**(g) Options held at the end of the reporting period:**

The following table summarises information about options held by the employees as at 30 June 2003:

Number of options	Grant date	Vesting Date	Expiry Date	Exercise price
444,665	20 Jan 2003	20 Jan 2003	30 Jun 2007	0.20

Director Options

At the date of this report, there were 6,300,000 Director share options remaining over ordinary shares as follows:

- 5,400,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.20, all expiring on 5 September 2004.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.30, all expiring on 30 June 2007.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.40, all expiring on 30 June 2007.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.50, all expiring on 30 June 2007.

	2003		2002	
	Number of Options	Weighted average exercise price	Number of Options	Number of Options
Balance at beginning of year	5,400,000	0.20	-	0.20
- granted	900,000	0.40	5,400,000	0.20
- forfeited	-	-	-	-
- exercised	-	-	-	-
Balance at end of year	6,300,000	0.23	5,400,000	0.20
Exercisable at end of year	5,400,000	0.20	5,400,000	0.20

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

The following table summarises information about options held by Directors as at 1 July 2002:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
5,400,000	13 Sept 2001	13 Sept 2001	5 Sept 2004	0.20

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)**(b) Options granted during the reporting period**

The following table summaries information about options granted by IMF (Australia) Ltd to employees during the year:

	2003
Grant date	13 Sept 2001
Vesting date	13 Sept 2001
Expiry date	5 Sept 2004
Grant date	31 Jan 2003
Vesting date	31 Jan 2004
Expiry date	31 Jan 2008
Grant date	31 Jan 2003
Vesting date	31 Jan 2005
Expiry date	31 Jan 2008
Grant date	31 Jan 2003
Vesting date	31 Jan 2006
Expiry date	31 Jan 2008
Weighted average exercise price	\$0.23

(c) Options exercised

There were no options exercised during the financial year ended 30 June 2003.

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

Number of options	Grant date	Vesting Date	Expiry Date	Exercise price
5,400,000	13 Sept 2001	13 Sept 2001	5 Sept 2004	0.20
300,000	31 Jan 2003	30 Jan 2004	30 Jan 2008	0.30
300,000	31 Jan 2003	30 Jan 2005	30 Jan 2008	0.40
300,000	31 Jan 2003	30 Jan 2006	30 Jan 2008	0.50

Superannuation Commitments

Employees contribute to their own superannuation plans at various percentages of their wages and salaries and the end benefit is determined by an accumulation of contributions and earnings of the fund.

The company also contribute to these plans at the rate of 9% of gross salaries and wages. These contributions are legally enforceable in Australia.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

	Consolidated		IMF (Australia) Ltd	
	2003	2002	2003	2002
	\$	\$	\$	\$
19. REMUNERATION OF DIRECTORS				
Income paid or payable, otherwise made available in respect of the financial year, to all directors of the consolidated entity and of IMF, directly or indirectly, form the entity or any related party.	740,072	710,072	740,072	710,072
			No.	No.
The number of directors of IMF (Australia) Ltd whose remuneration (including superannuation contributions) falls with the following bands:				
\$0	- \$ 9,999		-	2
\$10,000	- \$ 19,999		1	-
\$20,000	- \$ 29,999		1	2
\$270,000	- \$ 279,999		-	1
\$290,000	- \$ 299,999		1	-
\$380,000	- \$ 299,999		-	1
\$400,000	- \$ 409,999		1	-
20. REMUNERATION OF EXECUTIVES				
Remuneration received to due and receivable by executive officers of the company and consolidated entity whose remuneration is \$100,000 or more, form entities in the consolidated entity or a related party, in connection with the management of the affairs of the entity in the consolidated entity, whether as an executive officer or otherwise.	1,062,311	990,836	1,062,311	990,836
The number of executive officers of IMF (Australia) Ltd whose remuneration (including superannuation contributions) falls within the following bands:				
\$110,000	- \$ 119,999	-	1	-
\$150,000	- \$ 159,999	-	-	-
\$160,000	- \$ 160,000	1	1	1
\$200,000	- \$ 209,999	1	-	-
\$270,000	- \$ 279,999	-	1	-
\$290,000	- \$ 290,999	1	-	-
\$380,000	- \$ 389,999	-	1	-
\$400,000	- \$ 409,999	1	-	-
21. AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity	23,000	20,000	23,000	20,000
- tax compliance	4,081	1,500	4,081	1,500
	27,081	21,500	27,081	21,500

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

22. RELATED PARTY DISCLOSURES

(a) The directors of IMF (Australia) Ltd during the financial year were:

A Halse

M Bowen

H McLernon

J Walker

(b) The following related party transaction occurred during the year:

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

- i. Expectation Pty Ltd agreed to make available to the Company up to \$2,000,000 of the cash flow Expectation Pty Ltd is to receive pursuant to the Shareholders Deed;
- ii. Legal Precedents Pty Ltd and Mr McLernon agreed to make to the Company up to \$500,000 each on the basis that Legal Precedents Pty Ltd and Mr McLernon will each deposit a sum of money with the Company equal to 25% of that sum of money deposited with the Company by Expectation Pty Ltd;
- iii. Interest is payable on the funds deposited with the Company by Expectation Pty Ltd, Legal Precedents Pty Ltd and Mr McLernon at a rate of 8% per annum;
- iv. The term of the facility is five (5) years; and
- v. Expectation Pty Ltd, Legal Precedents Pty Ltd and Mr McLernon may withdraw the funds they have deposited with the Company at any time on demand and these funds may be used by those parties to exercise their IMF Options within 7 days of those funds being withdrawn.

At the balance date, \$1,606,888 was owed to Expectation Pty Ltd, \$499,495 to Legal Precedents Pty Ltd and \$342,478 to Hugh McLernon. During the year \$102,679 interest was charged on the outstanding balance owed to Expectation Pty Ltd, \$34,598 to Legal Precedents Pty Ltd and \$20,257 to Hugh McLernon.

(c) Equity instruments of directors

i. *Interests in the equity instruments of the company held by directors' of the reporting entity and their director-related entities at balance date:*

	Ordinary Shares		Options	
	Fully Paid			
	2003	2002	2003	2002
	No.	No.	No.	No.
A J Halse	585,001	585,001	450,000	-
M Bowen	507,501	507,501	450,000	-
H McLernon	5,543,209	5,858,077	6,749,280	6,749,280
J Walker	3,150,000	3,150,000	4,949,280	4,949,280
	9,785,711	10,100,579	12,598,560	11,698,560

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**

30 JUNE 2003

22. RELATED PARTY DISCLOSURES (Cont'd)*(ii) Movements in directors' equity holdings:*

	Ordinary Shares Fully Paid		Options	
	2003	2002	2003	2002
	No.	No.	No.	No.
A J Halse	-	585,001	450,000	-
M Bowen	-	507,501	450,000	-
H McLernon	(314,868)	4,122,957	-	5,858,077
J Walker	-	3,150,000	-	3,150,000

(ii) Movements in directors' equity holdings:

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arms length. All equity movements were made for cash at \$0.20 per share, with the exception of 1,875,000 shares acquired by H McLernon and 1,687,500 shares acquired by J Walker, as part of the acquisition of IMF (Australia) Ltd.

Directors' options were issued on 5 September 2001, with an exercise price of \$0.20 and an average option life of 4.1 years. No options lapsed, were forfeited or were exercised during the year.

23. EXPECTATION PTY LTD

Prior to the acquisition of Insolvency Litigation Fund Pty Ltd by the Company, the then shareholders in Insolvency Litigation Fund Pty Ltd entered into a shareholders deed pursuant to which Expectation Pty Ltd ("Expectation") agreed to pay all of Insolvency Litigation Fund Pty Ltd funding expenses ("Funding Agreement"). In return for accepting the financial obligations of Insolvency Litigation Fund Pty Ltd, Expectation became entitled to receive 100% if any proceeds received by Insolvency Litigation Fund Pty Ltd on the settlement of any litigation dispute that had been funded by Expectation until such time as Expectation had been repaid an amount equivalent to 133.33% of Expectation's largest level of funding at any one time during the Funding Agreement.

As at 30 June 2001 (the time at which the Funding Agreement terminated). Expectation's maximum level of funding was approximately \$2.25 million, entitling Expectation to approximately the first \$3,000,000 in future settlement proceeds received by Insolvency Litigation Fund Pty Ltd as and when monies are collected from the cases in place as at 30 June 2001.

As at the end of the financial year ended 30 June 2003, Insolvency Litigation Fund Pty Ltd has repaid \$2,293,272 of the total outstanding debt owing to Expectation. \$723,449 of the debt was repaid during the financial year ended 30 June 2003. The remaining balance of \$716,087 was repaid to Expectation subsequent to balance date.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

30 JUNE 2003

24. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets liability's, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Financial Interest Rate maturing in:								Weighted average effective interest rate	
	Floating interest rate		1 year or less		Non-interest bearing		Total		2003	2002
	2003	2002	2003	2002	2003	2002	2003	2002	%	%
	\$	\$	\$	\$	\$	\$	\$	\$		
<i>(i) Financial assets</i>										
Cash	6,662,152	6,504,585	-	-	-	-	6,662,152	6,504,585	4.9	3.2
Receivables – current	-	-	-	-	9,053,481	20,906	9,053,481	20,906	N/A	N/A
TOTAL FINANCIAL ASSETS	6,662,152	6,504,585	-	-	9,053,481	20,906	15,715,633	6,525,491		
<i>(ii) Financial liabilities</i>										
Trade creditors	-	-	-	-	830,741	342,667	830,741	83,741	N/A	N/A
Payable to directors & director related entities	841,973	509,947	-	-	-	-	841,973	841,973	8	8
Other loan – related party	1,606,888	867,192	-	-	-	-	1,606,888	867,192	8	8
	2,448,861	1,377,139	-	-	830,741	342,667	3,279,602	1,719,806		

(b) Net fair values

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

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

(i) Recognised financial instruments

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

Trade receivables and payables, Dividends and Short-term loans: The carrying amount approximates fair value.

Long-term borrowings and convertible notes: The fair value of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

(ii) Credit risk exposure

The consolidated entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the statement of financial position.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**30 JUNE 2003

24. FINANCIAL INSTRUMENTS (Cont'd)

Concentrations of credit risk: The consolidated entity has minimal credit risk due to the nature of its business

25. SEGMENT INFORMATION

The consolidated entity operates in one business segment, being the provision of litigation funding. In the prior year revenue was derived by the company from the information technology sector.

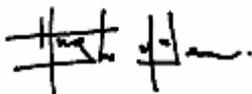
Geographically, the group operates in Australia only.

IMF (AUSTRALIA) LTD**DIRECTORS' DECLARATION****30 JUNE 2003**

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

1. In the opinion of the directors:
 - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Hugh McLernon
Managing Director

Perth 30 September 2003

Independent audit report to members of IMF (Australia) Ltd

Scope

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for IMF (Australia) Ltd (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

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

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

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of IMF (Australia) Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of IMF (Australia) Ltd and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz
Partner
Perth

Date: 30 September 2003

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT**30 JUNE 2003

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

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

Composition of the Board

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

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

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

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

Remuneration Committee

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

Audit Committee

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

Internal Control

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

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT (Cont'd)**

Board Responsibilities

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

Monitoring of the Board's Performance and Communication to Shareholders

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

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

- the annual report which is distributed to all shareholders;
- the half yearly report circulated to the Australian Stock Exchange Limited and the Australian Securities Investment Commission; and
- the annual general meeting and other meetings so called to obtain approval of Board action as appropriate.

IMF (AUSTRALIA) LTD**ASX ADDITIONAL INFORMATION**

30 JUNE 2003

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report as follows. The information is current as at 30 August 2003..

(a) Statement of shareholders – Twenty largest shareholders

<i>Names of the 20 largest shareholders of quoted shares are:</i>	Ordinary Shares Fully Paid		Unquoted Options over Ordinary Shares				
	No. of shares held	% held	No. of shares escrow	No. of holders	No. of Options held	% held	Options in escrow
Redsummer Pty Ltd	12,922,247	19.37					
Expectation Pty Ltd	5,127,000	7.69	3,750,000	1	12,597,120	48.83	12,597,120
Thorney Holdings Pty Ltd	3,600,000	5.40					
Hugh McLernon	3,475,000	5.21	1,875,000	1	6,749,280	26.16	6,749,280
Invia Custodian Pty Ltd	3,300,000	4.95					
Mr Robert Alexander Ferguson	2,500,000	3.75					
Legal Precedents Pty Ltd	1,687,500	2.53	1,687,500	1	3,149,280	12.21	3,149,280
McLernon Group Superannuation	1,600,000	2.40					
Ark Promotions Pty Ltd	1,500,000	2.25					
Classicist Pty Limited	969,600	1.45					
Permanent Trustee Australia Limited	912,222	1.37					
Ocean View WA Pty Ltd	740,000	1.11					
Fortis Clearing Nominees Pty Ltd	679,850	1.02					
Reynolds (Nominees) Pty Ltd	666,000	1.00					
Flue Holdings Pty Ltd	590,000	0.88					
National Nominees Limited	564,268	0.85					
Damian Joseph Kernahan	524,714	0.78					
Mountainside Investments Pty Ltd	515,068	0.77					
Bouchi Pty Ltd	507,501	0.76					
Halse Holdings Pty Ltd	500,001	0.75					
TOTAL	42,880,971	64.29	7,312,500	3	22,495,680	87.20	22,495,680

IMF (AUSTRALIA) LTD

ASX ADDITIONAL INFORMATION (Cont'd)
30 JUNE 2003

(b) Distribution of equity securities

<i> Holding range</i>	<i> Names of the 20 largest shareholders in each class of share are:</i>	Ordinary Shares			Unquoted Options over Ordinary Shares				
			<i> Fully Paid</i>						
		No. of holders	No. of shares held	% held	No. of shares escrow	No. of holders	No. of Options held	% held	Options in escrow
100,001	Top 20	20	42,880,941	64.29	7,312,500	5	25,195,680	97.66	22,495,680
or more	Various others	47	11,451,658	17.17		2	444,665	1.72	
10,001 – 100,000	Various	292	9,946,064	14.91		1	150,000	0.58	
5001 – 10,000	Various	152	1,290,886	1.94					
1,001 – 5,000	Various	347	954,915	1.43		1	10,000	0.04	
1 – 1,000	Various	330	175,270	0.26					
TOTAL		1,188	66,699,734	100	7,312,500	6	25,800,345	100	22,495,680
Number of shareholders holding less than a marketable parcel		228	82,025						

IMF (AUSTRALIA) LTD
ASX ADDITIONAL INFORMATION (Cont'd)
30 JUNE 2003

(c) Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporation Act 2001 are:

Name of Shareholder	Number of Shares
Expectation Pty Ltd	17,398,483
H McLernon	5,175,360
Thorney Holdings Pty Ltd	3,600,000

(d) Voting Rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted Securities

There are 7,312,500 restricted ordinary shares which come out of escrow on 18 October 2003.

(f) Market Buy-Back

There is no current on-market buy-back.

(g) Use of Funds

In the time between admission to the ASX and the balance date, the Company used the cash that it had at the time of admission in a way which was consistent with its business objectives and in accordance with announcements made to the market through the year.

IMF (AUSTRALIA) LTD**OPTIONS**
30 JUNE 2003

In accordance with ASX Listing rule 4.10.14, the Company announces the following:

Unquoted – Options

Class	No. of Options	Exercise price \$	Restricted to	Expiry date
Unlisted Options (IMFAS)	5,000	3.50		4 April 2004
Unlisted Options (IMFAS)	5,000	5.00		4 April 2004
Director Incentive Options (IMFAW)	5,400,000	0.20	19 October 2003	13 September 2004
IMF Options (IMFAY)	18,895,680	0.20	19 October 2003	13 September 2006
Unlisted Options (IMFAI)	50,000	5.00		24 January 2004
Unlisted Options (IMFAK)	50,000	10.00		24 January 2004
Unlisted Options (IMFAO)	50,000	25.00		24 January 2004
Unlisted Options (IMFAM)	444,665	0.20		30 June 2007
Unlisted Options (IMFAA)	300,000	0.30		30 January 2008
Unlisted Options (IMFAA)	300,000	0.40		30 January 2008
Unlisted Options (IMFAA)	300,000	0.50		30 January 2008

Unquoted – Restricted shares fully paid

Class	No. of shares	Restricted to
Restricted securities	7,312,500	19 October 2003

Mirian Picton
Company Secretary