

## Appendix 4E - Final Report

**Bentham IMF Limited**  
**ABN 45 067 298 088**

**Financial year ended**  
**30 June 2014**

### Results for announcement to the market

Current reporting period: 30 June 2014  
 Previous reporting period: 30 June 2013

### Revenue and Net Profit

	Up/Down	Percentage Change	\$'000s
Revenues from ordinary activities (interest)	Down	(12%)	2,628
Total income	Up	1%	27,924
Profit from ordinary activities after tax attributable to members	Down	(29%)	9,868
Net profit for the period attributable to members	Down	(29%)	9,868

	Cents per share
Today the Directors have declared a final fully franked dividend which will be paid on 3 October 2014. The Record date is 19 September 2014 and the shares will trade ex dividend from 17 September 2014.	5.0
A fully franked interim dividend was paid on 4 April 2014. The record date for that dividend was 21 March 2014.	5.0
Total dividends per share for the current reporting period	10.0
In the previous reporting period the Directors declared a final fully franked dividend on 21 August 2013. The record date was 18 October 2013. This dividend was paid on 31 October 2013. There was no interim dividend declared during the previous reporting period.	5.0

The final dividend declared today is an Eligible Dividend under the Company's Dividend Reinvestment Plan. The 2014 interim dividend was also an Eligible Dividend under the Dividend Reinvestment Plan.

### Net Tangible Asset Backing

	Consolidated	
	2014	2013
	\$	\$
Net tangible asset per ordinary share	\$0.56	\$0.32
Net asset per ordinary share	\$1.16	\$1.02

Additional Appendix 4E disclosure requirements can be found in the Directors' Report, Financial Statements and the Notes to the Financial Statements contained in the Bentham IMF Limited Annual Report for the year ended 30 June 2014.

### Audit Report

This Appendix 4E (Final Report) is based on the audited financial statements for the year ended 30 June 2014, which are contained within the Bentham IMF Limited Annual Report, attached.



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# HIGHLIGHTS

BENTHAM IMF LIMITED IS THE LEADING LITIGATION FUNDER IN AUSTRALIA. WE WERE THE FIRST TO LIST ON THE AUSTRALIAN SECURITIES EXCHANGE AND HAVE NOW BEEN LISTED FOR OVER 12 YEARS.

WE HAVE AN EXPERIENCED TEAM TO ENSURE THE STRONGEST CASES RECEIVE FUNDING AND ARE MANAGED TO FACILITATE THEIR SUCCESSFUL RESOLUTION.

**\$9.9**

Million

**NET PROFIT**

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

**\$25.3**

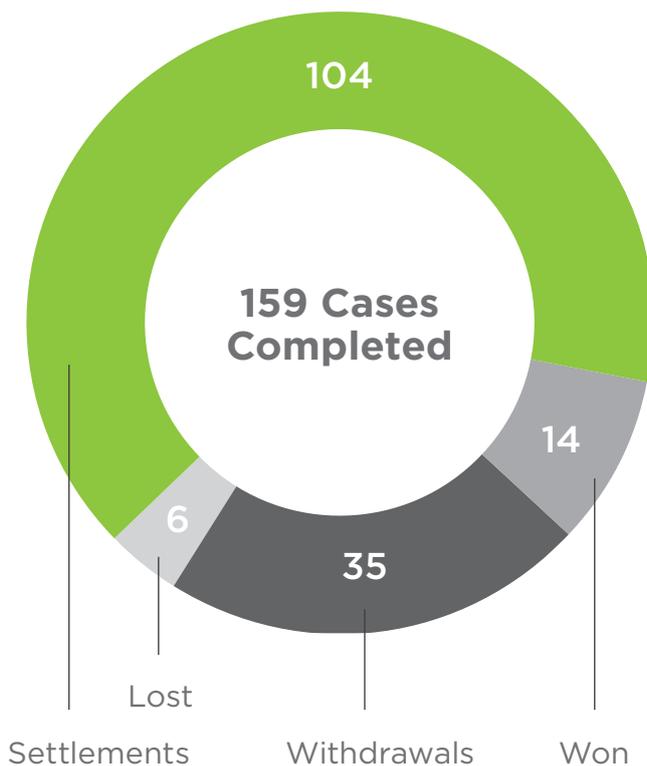
Million

**NET INCOME FROM LITIGATION FUNDING**

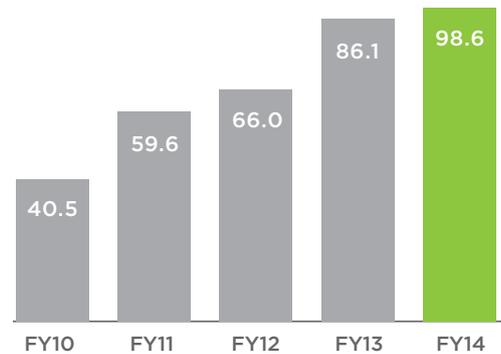
**CASH** (\$ Million)



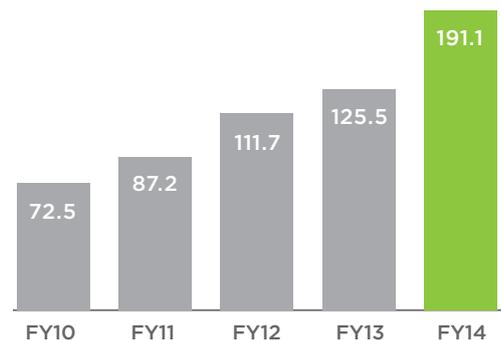
## IMF'S TRACK RECORD



**INVESTMENTS** (\$ Million)



**NET ASSETS** (\$ Million)



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## BOARD OF DIRECTORS AND SENIOR MANAGEMENT



**Back from left to right:** John Walker, Alden Halse, Clive Bowman, Michael Bowen and Hugh McLernon  
**Front from left to right:** Diane Jones, Robert Ferguson and Wendy McCarthy

### Board of Directors

**John Walker**

Executive Director

**Alden Halse**

Non-Executive Director

**Clive Bowman**

Executive Director –  
Director Of Operations

**Michael Bowen**

Non-Executive Director

**Hugh McLernon**

Managing Director

**Robert Ferguson**

Non-Executive  
Chairman

**Wendy McCarthy**

Non-Executive Director

### Company Secretary

**Diane Jones**

Company Secretary,  
Chief Operating Officer  
and Chief Financial  
Officer

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# MANAGING DIRECTOR'S REPORT

## BENTHAM IMF LIMITED IS ON THE CUSP OF A NEW ERA IN GLOBAL LITIGATION FUNDING.

Three funders have separated from the pack and are attempting to create a multinational presence - IMF coming out of Australia, Burford coming out of the US and Harbour coming out of the UK. Each of us is expanding into funding cases in the others' original territory. Bentham IMF now has offices in New York and Los Angeles in the US and London and Amsterdam in Europe. We are also actively funding in Hong Kong. Such geographical diversification provides protection against regulatory and court room changes and ensures a steady flow of funding opportunities.

It is our belief that there is only room for one major multinational funder so we have geared up to ensure that IMF fills that position. Real competition was always going to arrive sooner or later and now it is upon us. Such competition indicates the increasing maturity of the industry while at the same time putting downward pressure on fee levels.

We have also prepared the company to meet with this competition in other ways. We have sought after, found and contracted to appoint our first managing director who will not also be a fee earner. Andrew Saker, late of Ferrier Hodgson, will become Managing Director in January next year. We have also beefed up our accounting numbers with the appointment of Ehinomen Akhabue as an understudy to our Chief Financial Officer, Diane Jones.

In the first decade of our existence we were busy creating, not just a business, but rather an industry, and now is the time to adjust the structure of the company to a more traditional form. To that end we have invited Wendy McCarthy AO onto the board so that we now have a majority of non-executive directors. We have also sought to manage our European operations by establishing a joint venture in Europe, as well as a co-funding arrangement in the Asia Pacific, with Elliott Partners of New York. Finally, we have taken the step of increasing our cash position by the issue of \$50 million of vanilla bonds and the establishment of a more aggressive cash holding position.

Over the past few months, the Board has considered the future dividend policy of the Company. It is a well known fact that our annual income is uneven. Some analysts have referred to that income as "lumpy". It is now the law that dividends need not be paid out of profits. As a result, and taking into account the lumpy nature of our income, the Board has resolved to consider, and where appropriate implement, a regular semi-annual dividend which reflects the cash position of the Company at the time of the dividend and the likely demand for cash over the ensuing twelve month period.

The Company has put in place a dividend reinvestment plan and, on appropriate occasions, will arrange underwriting to reduce the impact a particular dividend might otherwise have on cash. This approach will enable the Company to consider its dividend position over a two to three year period so that in some years the dividend might exceed the net profit after tax while in other years it may fall well short of that net profit.

We have also taken the further step of establishing more extensive insurance arrangements to cover adverse costs in Europe, and are looking to do the same in Australia, so that if we lose cases, the impact will not be as severe as it might otherwise have been. Such insurance has the usual effect of reducing both profit and risk!

Good corporate governance requires that, as a departing Managing Director, I provide as much space as possible for my replacement. I will therefore be resigning as a Director of your company in January 2015 although, at the invitation of the Board, I will continue working with Andrew and the management team for the foreseeable future.

Both the Board and the management team are acutely aware of the perils involved in growth and especially offshore growth. We will therefore continue the step-by-step approach to such growth which we have adopted since we opened our first US office.

This year we suffered our first major case loss of about \$15 million in the Bank of Queensland case. This could have been much worse had we not established insurance cover for such an eventuality. We are funding an appeal and we are quietly sanguine about the outcome. That said, the status quo is that we are in a loss position on that matter and it is our clients who have the burden of changing that status. We are hoping for a hearing of the appeal around the first quarter of calendar 2015.



**Hugh McLernon**

Managing Director

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# 2014 DIRECTORS' REPORT

## THE DIRECTORS OF BENTHAM IMF LIMITED (FORMERLY IMF (AUSTRALIA) LTD) ("IMF" OR "THE COMPANY" OR "THE PARENT") SUBMIT THEIR REPORT FOR THE YEAR ENDED 30 JUNE 2014.

### Directors

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

### NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

#### Robert Ferguson

(NON-EXECUTIVE CHAIRMAN)

Robert Ferguson was appointed Non-Executive Director on 26 November 2004 and was Executive Chairman and Chief Executive Officer between 18 June 2007 and 18 March 2009. On 19 March 2009 he resumed his role as Non-Executive Chairman.

Mr Ferguson graduated from Sydney University with a Bachelor of Economics (Honours) degree. He commenced employment in 1971 with Bankers Trust Australia Ltd and was its CEO between 1985 and 1999 and Chairman from 1999 to 2001. Mr Ferguson:

- a. was a director of Westfield Holdings Ltd from 1994 to 2004;
- b. was chairman and non-executive director of Vodafone Australia until November 2002;
- c. was a director of Racing NSW from 2004 to 2009;
- d. was chairman of MoneySwitch Limited from 14 November 2005 to 18 February 2010. He continued as a non-executive director since 18 February 2010;
- e. was deputy chair of the Sydney Institute, from April 1998 to February 2013;
- f. is a director of the Lowy Institute, from April 2003;
- g. has been chairman of GPT Group since 10 May 2010 and prior to this was a director and deputy chair from 25 May 2009;
- h. has been chairman of Primary Health Care since 1 July 2009; and
- i. is a non-executive director of Watermark Market Neutral Fund Limited, since 25 May 2013.

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

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

#### Hugh McLernon

(MANAGING DIRECTOR)

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

In 1988, Mr McLernon retired from legal practice and introduced the secondary life insurance market into Australia through the Capital Life Exchange. He also pioneered the funding of large-scale litigation into Australia through McLernon Group Limited. From 1996 to 2001, Mr McLernon was the Managing Director of the Hill Group of companies which operates in the finance, mining, property, insurance and investment arenas of Australia.

Mr McLernon has been an Executive Director of IMF since December 2001 and was the inaugural Managing Director through to December 2004. He became the Managing Director again on 18 March 2009.

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

#### John Walker

(EXECUTIVE DIRECTOR)

John Walker obtained a Bachelor of Commerce degree from Melbourne University in 1981, with qualifications as an accountant and economist.

He then practiced accountancy with Deloitte Haskins and Sells (as it then was) prior to completing a Bachelor of Laws degree at Sydney University in 1986. Between 1987 and 1998, Mr Walker practiced as a commercial litigator in Sydney.

In 1998, Mr Walker incorporated Insolvency Management Fund Pty Ltd and was the inaugural Managing Director until the entity was purchased by IMF in 2001. Since then, Mr Walker has been an Executive Director of IMF and was its Managing Director between December 2004 and June 2007.

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

### **Clive Bowman**

(EXECUTIVE DIRECTOR – DIRECTOR OF OPERATIONS)

Clive Bowman has a degree in Economics and an honours degree in Law from the Australian National University. He also holds a graduate diploma in Applied Finance and Investment from the Securities Institute of Australia and has completed the Insolvency Practitioners Association of Australia (“IPAA”) Advanced Insolvency course.

Mr Bowman began his career at law firm Minter Ellison and then moved to Denton Hall (now SNR Denton) in London, where he continued to practice as a litigation lawyer. In 1997 Mr Bowman became involved in litigation funding and has been with IMF since its listing.

Mr Bowman became an Executive Director of IMF on 23 February 2011 and heads up IMF’s investment committee.

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

### **Alden Halse**

(NON-EXECUTIVE DIRECTOR)

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

Over the last 30 years he has lectured and written extensively in relation to directors’ duties, corporate governance issues and corporate and personal insolvency issues. Mr Halse:

- a. is an associate member of the Institute of Chartered Accountants, ARITA and the Australian Institute of Company Directors;
- b. is a past president and current councillor of the Royal Automobile Club of WA (Inc);
- c. is a non-executive director of RACWA Holdings Pty Ltd;
- d. is chairman of RAC Insurance Pty Limited, Western Australia’s largest home and motor insurer; and
- e. was a non-executive director of Count Financial Ltd (resigned on 29 November 2011).

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

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

### **Michael Bowen**

(NON-EXECUTIVE DIRECTOR)

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

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

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

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

- a. MOD Resources Ltd (formerly Medical Corporation Australasia Limited) (appointed 18 October 2004, resigned 13 April 2011); and
- b. Sherwin Iron Limited (formerly Batavia Mining Limited) (appointed on 28 November 2008, resigned 20 July 2011).

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

### **Wendy McCarthy**

(NON-EXECUTIVE DIRECTOR)

Wendy McCarthy AO was appointed a non-executive director of Bentham IMF Limited on 11 December 2013.

An experienced company director, Ms McCarthy has an extensive record of achievement in business, government and the not-for-profit sector.

Her previous leadership roles included eight years as Deputy Chair of the Australian Broadcasting Corporation and a decade as Chancellor of the University of Canberra. Ms McCarthy currently chairs a wide range of organisations including Headspace – Australia’s National Youth Mental Health Foundation, Circus Oz and McGrath Estate Agents. She is also a director of national not-for-profit childcare operator, Goodstart Childcare.

In 1989 Ms McCarthy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, womens’ affairs and the Bicentennial celebrations (having served as a senior executive with the National Bicentennial Authority).

# 2014 DIRECTORS' REPORT

CONTINUED

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

### Diane Jones

Diane Jones has been the Company Secretary since 14 June 2006. She has been a member of the Institute of Chartered Accountants for over 20 years and holds a Masters of Business Administration degree and a Bachelor of Economics degree from the University of Sydney.

After graduating Ms Jones spent ten years with a big four accounting firm before moving to a consulting and private equity firm as a consultant and their Chief Financial Officer. Ms Jones is IMF's Chief Operating Officer whilst retaining her previous roles as Chief Financial Officer and Company Secretary.

## INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

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

	Number of ordinary shares	Number of bonds	Number of options over ordinary shares
Robert Ferguson	1,853,000	10,000	-
Hugh McLernon	7,755,991	7,500	-
John Walker	4,958,292	9,000	-
Alden Halse	879,780	750	-
Michael Bowen	845,098	1,500	-
Clive Bowman	1,013,941	-	-
Wendy McCarthy	-	-	-
<b>Total</b>	<b>17,306,102</b>	<b>28,750</b>	<b>-</b>

Further details of the interests of the Directors in the shares and options of the Company as at the date of this report are set out in the Remuneration Report included with the Directors' Report.

## Dividends

The Directors have today declared a final fully franked dividend of 5.0 cents per share for the 2014 financial year totalling \$8,268,513. The record date for this dividend is 19 September 2014 and the payment date will be 3 October 2014. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 10 February 2014 the Directors declared a fully franked interim dividend of 5.0 cents per share totalling \$8,219,005. The record date for this dividend was 21 March 2014 and the payment date was 4 April 2014.

The Directors declared a fully franked dividend of 5.0 cents per share for the 2013 financial year totalling \$6,160,470. The record date for this dividend was 18 October 2013 and the payment date was 31 October 2013. No interim dividend for 2013 was declared.

The Directors have determined they will consider, and where appropriate, implement, a regular semi-annual dividend which reflects the cash position of the Company at the time of the dividend and the likely demand for cash over the ensuing twelve month period. The Company has put in place a dividend reinvestment plan and, on appropriate occasions, will arrange underwriting to reduce the impact a particular dividend might otherwise have on cash.

## Corporate information

### Corporate structure

Bentham IMF Limited is a company limited by shares which is incorporated and domiciled in Australia. IMF has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, being Financial Redress Pty Ltd (formerly Insolvency Litigation Fund Pty Ltd), Bentham Holdings Inc., Bentham Capital LLC and Security Finance LLC (the Group or consolidated entity).

## Operating and financial review

### Nature of operations and principal activities

The principal activities of the Group during the financial year were the investigation, management and funding of litigation. The Group enters into a contract, a litigation funding agreement, with claimants to provide these services. The Group does not provide legal advice under the litigation funding agreement. The key business driver is to manage and fund the litigation to a successful conclusion. If the litigation is successful, the Group earns a fee and, depending on the jurisdiction, may also be reimbursed the costs it has paid during the course of the funded litigation, payable from the recovery. The fee is generally a percentage of the settlement or judgment proceeds and will be lower the earlier the litigation is resolved. If the litigation is unsuccessful the Group does not generate any income and will write off its investment in the litigation. In certain jurisdictions the litigation funding agreement contains an undertaking to the client that the Group will pay adverse costs ordered in respect of the costs incurred by the defendant(s) during the period of funding.

The Group undertakes these activities through offices around Australia and has done so since 2001. In 2011 the Group expanded into the USA by opening an office in New York. During the current financial year a further office was opened in Los Angeles. Also during the current financial year the Group entered into a joint venture to investigate, manage and fund cases in Europe. Consequently the Group now also has a presence in London and Amsterdam.

The Group has funded this expansion by retaining earnings and issuing shares and bonds (refer to Notes 20, 21 and 22).

In any given year the Group's profitability is dependent upon the outcome of funded cases resolved in that year, however, the successful completion of a case and the timing of that completion is not ultimately within the Group's control. Legislative, regulatory, judicial and policy changes may have an impact on future profitability.

The Group endeavours to have a mix of cases it is funding at any one time. These can broadly be categorised as commercial claims, insolvency claims and group actions. The expansion overseas creates diversification across jurisdictions.

The Group discloses the cases it manages and funds to the ASX as those cases are funded. The Group also provides an estimated claim value of those cases on a portfolio basis quarterly.

### Investment portfolio report at 30 June 2014

	Number of claims	Estimated claim value	Percentage of total estimated claim value
Claims <\$10M	6	\$32,000,000	2%
Claims \$10M - \$50M	14	\$395,000,000	19%
Claims >\$50M	10	\$1,640,000,000	79%
<b>Total portfolio</b>	<b>30</b>	<b>\$2,067,000,000</b>	<b>100%</b>

The estimated claim value of IMF's cases increased 26% in the year to 30 June 2014 from \$1,635,000,000 to \$2,067,000,000. IMF commenced eight new cases during the year, which have a maximum claim value at 30 June 2014 of \$765,000,000 (2013: nine new cases which had a maximum claim value of \$465,000,000) including the Wivenhoe Dam case.

An update on IMF's principal funded cases is as follows:

In the **Bank Fees** case (an action by customers to recover unfair exception fees charged to their bank accounts and credit cards) proceedings have been issued against a number of banks. On 5 February 2014 the Court delivered its judgment in the case the Company funded against the ANZ Banking Group Limited ("ANZ"). The findings in favour of the Company's clients were that late payment fees were penalties at law and that certain inter-account exception fees had been charged by ANZ in breach of contract. Our clients were not successful in relation to their claims concerning honour fees, dishonour fees and over the limit fees charged by ANZ.

The Company currently estimates that the successful part of the action against ANZ represents about 25% of the total claim being made in that action. The Company is presently not able to reliably measure the impact, if any, of the decision on its revenue or profit for the year ending 30 June 2014. Both the ANZ and the clients' representative in the case are appealing, and the hearing of the appeal commenced on 18 August 2014.

# 2014 DIRECTORS' REPORT

CONTINUED

## Operating and financial review (continued)

Further open class actions have or will soon be instituted against the major banks in relation to late fees. These actions will include those members of each class who were not members of the class in the initial proceedings. The Company will fund those further proceedings and will seek a common fund order from the Court to validate the funding arrangements. Should the current appeals (or any subsequent appeal to the High Court) be won by the banks then it is unlikely that the further proceedings would continue.

Proceedings for damages against Bankwest have been filed in the **Westgem** matter. The Bank has applied to the Court to strike out parts of the claim and that application is to be heard on 2 October 2014. The Bank is also pursuing other interlocutory applications (one of which, to remove the clients' solicitors from the action, it recently lost).

The **Rivercity** claim against Aecom and two Rivercity companies, alleging misleading and deceptive conduct and omissions in relation to the traffic forecast included in the product disclosure statement, also continues through the Court, with expert evidence being prepared. The case has a trial date commencing on 7 September 2015.

Proceedings were filed in December 2013 in the Netherlands, by the Foundation (incorporated in the Netherlands called "**Stichting Ratings Redress**" ("SRR")) to pursue claims in respect of losses suffered by investors in CPDOs, arranged by ABN Amro and rated by S&P. SRR has entered into a funding agreement with IMF pursuant to which IMF will fund claims assigned to SRR by CPDO purchasers. S&P has filed proceedings in the UK seeking declarations and currently the matters are before the UK and Netherlands courts to determine which court(s) have jurisdiction.

The claim in the **Wivenhoe Dam** case by persons who suffered loss due to the Brisbane floods in 2011 caused by the alleged negligence of the Dam operators, was filed in the NSW Supreme Court on 8 July 2014. IMF has entered into a participation agreement with interests associated with its European joint venturer to share equally the costs (including any adverse costs) of, and any return from, this claim.

IMF is funding a claim by investors against McGraw Hill ("S&P") for the balance of their losses not likely to form part of any distribution by Lehman Bros Australia (the **S&P Lehman** case). The claim was filed in April 2013 and is proceeding through interlocutory processes.

Bentham Capital LLC (IMF's wholly owned United States subsidiary) had funded seven cases since being established in August 2011 by 30 June 2014. One was completed in the 2013 financial year and one small matter (income of less than \$130,000) was completed in the 2014 financial year. The claim value of the five remaining cases funded in the US was \$322,000,000 and is included in the Investment Portfolio as at 30 June 2014. IMF has taken the policy position not to disclose specific details about Bentham's investments until after the resolution of the cases and all appeal avenues have been finalised.

IMF did not withdraw from any investments during 2014 (2013: two cases). IMF continues to provide the ASX with a summary of the cases funded by IMF in which IMF's potential fee is greater than \$500,000 per case (IMF's Investment Portfolio Report). This Report is updated every three months. IMF also provides case updates on its website: [www.benthamimflimited.com.au](http://www.benthamimflimited.com.au).

## Employees

At 30 June 2014, IMF employed 32 permanent staff, including the three Executive Directors, providing investigative, computer, accounting and management expertise (2013: 28 permanent staff).

## Operating results for the financial year

The following summary of operating results reflects the Group's performance for the year ended 30 June 2014:

Shareholder Returns	2014	2013
Basic earnings per share (cents per share)	6.56	11.21
Diluted earnings per share (cents per share)	6.56	9.78
Return on assets % (NPAT/Total Assets)	3.51%	7.12%
Return on equity % (NPAT/Total Equity)	5.16%	11.01%
Net debt/equity ratio %*	nil	nil

\* Net debt (cash and short term deposits less total debt) is positive as cash and short term deposits are greater than total debt.

## Operating and financial review (continued)

Six matters generated income greater than \$500,000 during 2014, underpinning the Group's profitability and shareholder returns. The following summarises the major cases finalised during 2014:

Date commenced	Litigation contract's matter name	Claim value included in investment portfolio report at 30 June 2013	Total litigation contract's income	Total litigation contract's expenses (including capitalised overheads)	Net gain/ (loss) on disposal of intangible asset
		\$	\$	\$	\$
Apr-09	Lehman Bros Australia*	160,000,000	31,955,560	(12,285,852)	19,669,708
Mar-12	MCC Mining	20,000,000	5,037,388	(3,256,673)	1,780,715
Dec-10	Downer	30,000,000	11,340,578	(1,248,367)	10,092,211
Jan-12	Hastings Capital	5,000,000	1,952,072	(796,090)	1,155,982
Jun-09	Great Southern	80,000,000	12,291,261	(4,581,760)	7,709,501
Oct-08	Air Cargo	80,000,000	7,333,495	(5,763,093)	1,570,402
May-10	Bank of Queensland	20,000,000	-	(15,402,670)	(15,402,670)
	Other matters	-	5,997,286	(6,619,102)	(621,816)
		<b>395,000,000</b>	<b>75,907,640</b>	<b>(49,953,607)</b>	<b>25,954,033</b>

\* The Lehman Bros Australia income relates to IMF's share of income generated during the period. An additional amount of income totalling \$10,960,217 was included from this matter in the 2013 financial year. This matter is not finalised as IMF expects to receive additional income from this matter in future years.

The Group has finalised 159 (2013: 149) investments since listing, with an average investment period of 2.4 years (2013: 2.3 years). The Group has generated a gross return on every dollar invested of 2.73 times (excluding overheads) (2013: 2.90 times). IMF has a target to complete cases within 2.5 years and to generate a gross return on every dollar invested of 3 times (excluding overheads).

The investment portfolio as at 30 June 2014 has a mixture of both mature and new investments, with 34% of the investment portfolio expected to finalise over the next 12 months (2013: 44%). IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols. During the course of the year IMF again received numerous requests for litigation funding from inside and outside of Australia.

IMF's share price closed at \$1.84 per share on 30 June 2014 (2013: \$1.76). However, as at 1 August 2014 the IMF share price was \$2.04, representing a 16% increase since 30 June 2013. IMF entered the ASX top 300 companies on 20 March 2009, when its share price was \$1.15. Since entering this index and up to 1 August 2014, IMF's share price has increased 77%, which exceeds the index movement of 59% in that same period. IMF's share price has outperformed the major indices on an annualised basis from 1 August 2010 to 1 August 2014 as detailed below:

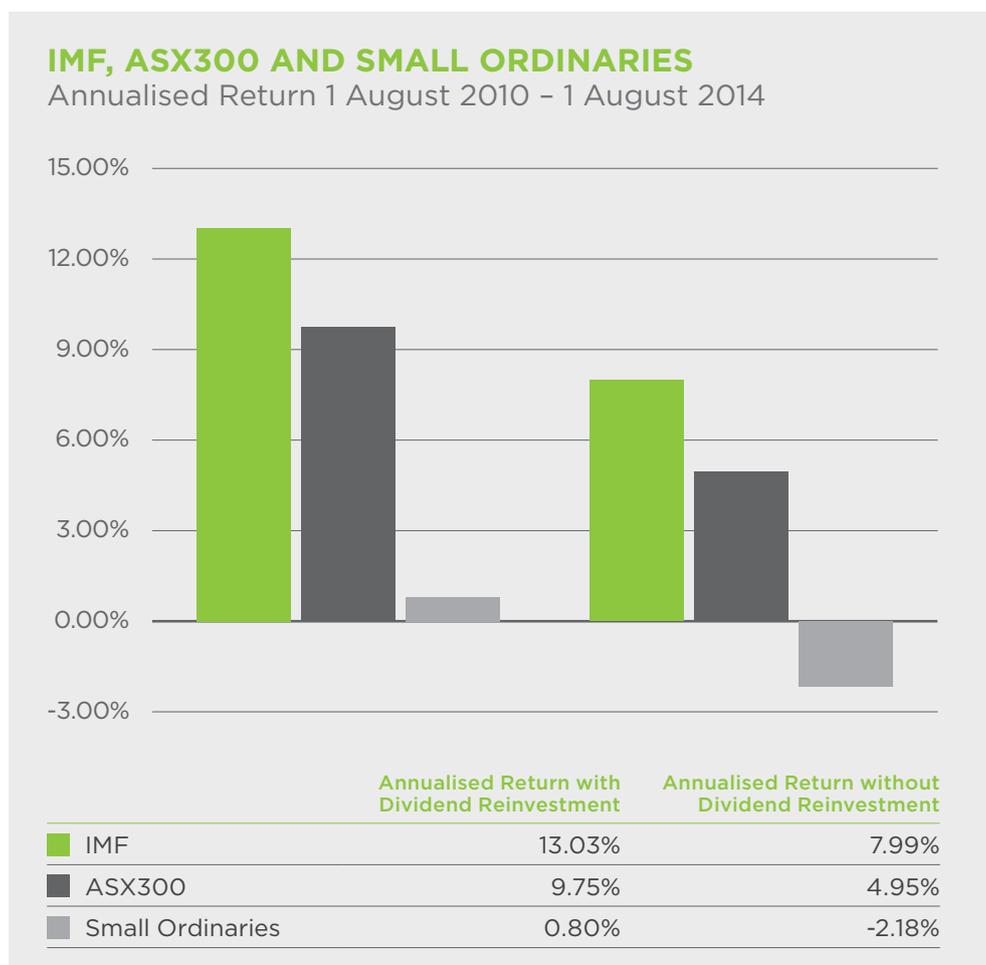
	IMF Share Price	ASX300 AXKO	Small Ords AXSO
Annualised return with dividends reinvested	13.03%	9.75%	0.80%
Annualised return without dividends reinvested	7.99%	4.95%	-2.18%

# 2014 DIRECTORS' REPORT

CONTINUED

## Operating and financial review (continued)

This share price analysis is shown graphically below:



## Liquidity and capital resources

The consolidated Statement of Cash Flows illustrates that there was an increase in cash and cash equivalents for the year ended 30 June 2014 of \$37,644,737 (2013: increase of \$4,668,857). Operating activities used \$8,779,105 of net cash outflows (2013: net cash outflow of \$26,805,154), whilst investing activities used \$18,195,957 of net cash outflows (2013: net cash inflow of \$43,794,777), and financing activities generated \$64,619,799 of net cash inflows (2013: net cash outflow of \$12,320,766) principally as a result of the capital raising, including the institutional placement, share placement plan and bond issue undertaken during the year.

## Operating and financial review (continued)

### Asset and capital structure

	2014 \$	2013 \$	Change %
Cash and short term deposits	105,576,733	67,984,284	55%
Total debt	(47,758,026)	(36,324,499)	31%
<b>Net debt</b>	<b>57,818,707</b>	<b>31,659,785</b>	<b>83%</b>
<b>Total equity</b>	<b>191,131,272</b>	<b>125,504,384</b>	<b>52%</b>
Gearing Ratio <sup>1</sup>	nil	nil	n/a
Interest Cover <sup>2</sup>	n/a	n/a	n/a
Working Capital Ratio	8.5	11.5	26%

1 Net debt is positive as cash and short term deposits are greater than debt.

2 The application of AASB 123 Borrowing Costs has resulted in the capitalisation of interest associated with the Bentham IMF Bonds as the Company's intangible assets are qualifying assets.

During April 2014, the Company issued 500,000 Bentham IMF Bonds at \$100 each. The interest is paid to bondholders quarterly at a variable rate based on the Bank Bill Rate plus a fixed margin of 4.20% per annum. The Bentham IMF Bonds will mature on 30 June 2019.

During December 2013, the outstanding balance of the convertible notes (which were issued on 13 December 2010) were redeemed by the Company.

### Profile of debts

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

	2014 \$	2013 \$	Change %
Current			
Interest bearing loans and borrowings	-	-	-
Non current			
Bonds	(47,758,026)	-	N/A
Convertible notes	-	(36,324,499)	-100%
<b>Total debt</b>	<b>(47,758,026)</b>	<b>(36,324,499)</b>	<b>32%</b>

### Shares issued during the year

On 14 October 2013 the Company issued 18,481,406 shares to sophisticated and institutional investors at \$1.70 per share. On 1 November 2013 the Company issued 6,242,196 shares under its Share Purchase Plan at \$1.70 per share.

Between 14 October 2013 and 20 December 2013 16,447,169 convertible notes were converted into shares at \$1.68 per share (see Note 20). On 4 April 2014 the Company issued 990,126 shares under its Dividend Reinvestment Plan at \$1.69 per share.

### Capital expenditure

There has been an increase in capital expenditure during the year ended 30 June 2014 to \$170,941 from \$70,120 in the year ended 30 June 2013. The capital expenditure in 2014 and 2013 mainly related to the purchase of new computer equipment.

### Risk management

The major risk for the Company continues to be the choice of cases to be funded. The extent of the mitigation of that risk can best be identified, from time to time, by reference to the fact that in the first 12 years of operation IMF has lost only six cases out of 159 matters funded and completed. The Company has an Investment Protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with very good chances of success are accepted for funding. The Group also insures a portion of its adverse costs order exposure.

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

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# 2014 DIRECTORS' REPORT

CONTINUED

## Operating and financial review (continued)

### Risk management (continued)

In addition, IMF constantly monitors proposed legislative, regulatory, judicial and policy changes that may affect litigation funding in the markets in which it operates.

In Australia, the Productivity Commission has foreshadowed, in its draft report on Access to Justice, its view that Australian lawyers should be permitted to charge contingency fees and that litigation funders be subject to financial services regulation. The Company made detailed submissions to the Commission and the final report is due in September 2014. The Company has long supported regulation of litigation funders in Australia and will seek to engage constructively with regulators in the design of any regulatory regime.

The Group is not aware of any other material regulatory developments in the other markets in which it operates.

### Pro bono

As IMF has become an integral part of the litigation landscape in Australia it is important that it participates in the honourable tradition of those involved in litigation giving free support for worthy public causes. IMF has a pro bono program under which it makes time and funds available for such causes. Support provided by IMF includes donations to Austlii (Australian Legal Information Institute) and financial assistance to PIAC (Public Interest Advocacy Centre) and some of PIAC's clients.

### Significant changes in the state of affairs

Total equity increased 52% to \$191,131,272 from \$125,504,384. This was mainly as a result of the Group's capital raising activities. There have been no significant changes in the Company's state of affairs during this reporting period other than as is disclosed in this report.

### Significant events after reporting date

#### Intangible Assets

On 18 June 2014 the litigation funded by the Company against KPMG was settled in principle. IMF is unable to estimate the revenue or profit from this settlement until certain steps in the settlement are undertaken. It is envisaged these steps will be completed by the end of December 2014.

On 7 July 2014 the litigation funded by the Company by the Liquidator of ZYX Learning Centres Limited (Receivers & Managers Appointed) (In Liquidation) (formerly ABC Learning Centres Limited) was settled in principle and a Deed of Settlement has now been entered into. It is estimated that IMF will receive approximately \$17,000,000 from the settlement and generate a total profit after capitalised overheads of approximately \$5,000,000 (before tax) from this matter and the shareholder claims against ABC Learning that IMF is also funding.

## Likely developments and expected results

Approximately 34% of the investment portfolio as at 30 June 2014 is expected to mature over the next 12 months. Accordingly, the Directors consider that the Company is likely to generate a profit in this period.

IMF expects demand for its funding to continue in Australia, particularly as we are the leading funder in this market. The establishment of our first wholly owned subsidiary in the United States of America and the joint venture in Europe should also result in increased funding opportunities in these jurisdictions.

Competition, however, is increasing and is expected to increase further in the coming years with new entrants coming into the Australian market and new entrants in overseas markets. Litigation funding is considered non-cyclical or uncorrelated to underlying economic conditions.

## Environmental regulation and performance

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

## Share options

### Unissued shares

As at the date of this report there were no options on issue.

## Indemnification and insurance of directors and officers

During the financial year the Company has paid premiums in respect of an insurance contract insuring all the Directors and Officers of the Group against any legal costs incurred in defending proceedings for conduct other than:

- wilful breach of duty; or
- contravention of sections 182 or 183 of the Corporations Act 2001, as may be permitted by section 199B of the Corporations Act 2001.

The total amount of premiums paid under the insurance contract referred to above was \$142,061 during the current financial year. (During the year ending 30 June 2013 there were nil payments made as the previous payments were for an 18 month period.)

## Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year.

## Remuneration report (Audited)

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

### Key management personnel

Details of IMF's key management personnel are:

#### (i) Directors

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director
Clive Bowman	Executive Director – Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

#### (ii) Executives

Diane Jones	Chief Operating Officer, Chief Financial Officer and Company Secretary
Charlie Gollow	Managing Director, Bentham Capital LLC

There were no changes to IMF's key management personnel after the reporting date and before the financial report was authorised for issue. However, Andrew Saker will commence as the Group's new Managing Director in January 2015.

### Remuneration committee

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

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

### Remuneration philosophy

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

The Company embodies the following principles in its remuneration framework:

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

### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct. Historically, the Company obtained assistance from remuneration experts in relation to setting its remuneration structure. There were no consultations in relation to remuneration during the current year.

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

### Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the non-executive directors. Non-executive directors' fees and payments totalled \$295,808 (including superannuation), as disclosed in the following tables. At the 2013 Annual General Meeting shareholders approved payments up to \$500,000 to non-executive directors.

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

### Executive remuneration

#### Objective

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

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

#### Structure

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

Compensation consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

# 2014 DIRECTORS' REPORT

CONTINUED

## Remuneration report (Audited) (continued)

### Fixed remuneration

#### Objective

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

#### Structure

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

### Variable remuneration

#### Objective

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

#### Structure

The short term executive incentive plan ("STI") was designed and implemented with the assistance of external remuneration consultants, Mastertek Pty Limited, in 2007. This STI replaced the Employee Share Option Plan. All executives have the opportunity to qualify for participation in the STI when specified criteria are met. The Group has not implemented any long term incentive plans, although the Remuneration Committee may elect to make payments under the STI in the form of cash, options or shares.

From time to time remuneration consultants are engaged by, and report directly to, the Remuneration Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interest and requires independence from the Group's Key Management Personnel and other executives as part of their terms of engagement. The Remuneration Committee is in the process of engaging remuneration consultants to review the STI which may result in changes to its structure in the future. No remuneration consultants were engaged in the current or prior period.

The Group has pre-determined benchmarks that must be met in order to trigger payments under the STI. In summary, the benchmarks set by the Remuneration Committee for 2014 and 2013 were as follows:

- A minimum "hurdle" of net profit before tax ("NPBT") must be achieved prior to any incentive being calculated. From 2008 this hurdle was set at 20% of weighted net assets of the prior year. From 2011 this hurdle was increased to 25% of weighted net assets of the prior year. This hurdle was not met in the current financial year and therefore there was no bonus pool generated from the current year's profits in the year ended 30 June 2014.
- A fixed percentage of NPBT above this hurdle may be allocated to the incentive pool. From 2008 this was set at 35% (i.e. 35% of any NPBT over the hurdle may be allocated to the incentive pool).
- The incentive pool is capped at the total salaries paid to those employees eligible to participate (there is no individual cap within the pool).
- Once the pool size is quantified, the Remuneration Committee determines the amount, if any, of the STI to be allocated to each employee following consideration of the individual employee's contribution. Since 2008 the Remuneration Committee has not distributed the full amount of the total incentive pool available. The unallocated portion of prior years' incentive pools may be used in calculating future incentive pools at the discretion of the Remuneration Committee.
- The unallocated portion carried forward has not been distributed by the Remuneration Committee in any prior periods. However, the Remuneration Committee took the following factors into account in its deliberations in determining whether it should consider the unallocated portion of prior years' incentive pools to create a 2014 pool:
  - i. During the last two years the investment portfolio has grown 68% from \$1.2B to over \$2B;
  - ii. The establishment of the Group's operations in the USA has been consolidated such that growth opportunities from this market can be pursued;
  - iii. The Group has established a presence in the European market;
  - iv. The Group has implemented the approved capital strategy during the current financial year to underpin future growth;
  - v. For the first time since the establishment of the STI in 2007 there was no bonus pool generated by the benchmarks for two years in a row, yet there was a sizable unallocated portion of prior years' incentive pools not distributed; and
  - vi. Employment environment in Australia and overseas.

Given the above factors the Remuneration Committee determined that it was appropriate to award a bonus pool in 2014 from the unallocated portion of prior years' incentive pools even though the benchmarks had not been achieved. As the STI is currently being reviewed, it is unlikely that any remaining unallocated pool will be considered in the future.

## Remuneration report (Audited) (continued)

The Remuneration Committee determined that a total allocation under the 2014 STI should be \$3,000,500. The total allocation under the 2013 STI was nil. This amount has been accrued in the current financial year and will be paid during the 2015 financial year. Details of allocations made under the STI to Key Management Personnel are set out in Table 1 on page 16.

### Group performance

The objectives and philosophy of the Remuneration Committee are based upon aligning the performance of the Group's employees with increasing shareholders' wealth. The graph on page 10 shows the performance of the Group as measured by its share price and compared to other shares listed on the ASX.

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

	2010	2011	2012	2013	2014
IMF share price at 30 June	1.58	1.54	1.46	1.76	1.84
Earnings per share (cents per share)	9.77	18.56	34.87	11.21	6.56
Diluted earnings per share (cents per share)	9.70	17.32	29.84	9.78	6.56

### Employment contracts

- a. Hugh McLernon, Managing Director:
  - new rolling 12 month contract commenced 1 July 2007;
  - gross salary package of \$1,150,000 pa including super;
  - salary to be reviewed annually, with the 2014 review determining there should be a 11% increase in salary (2013: 4% increase); and
  - notice period is 12 months.
- b. John Walker, Executive Director
  - new rolling 12 month contract commenced 1 July 2007;
  - gross salary package of \$925,000 pa including super;
  - salary to be reviewed annually, with the 2014 review determining there should be a 11% increase in salary (2013: 4% increase); and
  - notice period is 12 months.
- c. Clive Bowman, Executive Director - Director of Operations:
  - new rolling 12 month contract commenced 1 July 2012;
  - gross salary package of \$925,000 pa including super;
  - contract to be reviewed annually with the 2014 review determining there should be a 11% increase in salary (2013: 4% increase); and
  - notice period is 12 months.
- d. Diane Jones, Chief Operating Officer, Chief Financial Officer & Company Secretary:
  - contract commenced 5 June 2006;
  - gross salary package of \$475,000 pa including super;
  - contract to be reviewed annually with minimum CPI increases, with the 2014 review determining an increase in salary of 11% (2013: 4% increase); and
  - notice period is 3 months.
- e. Charlie Gollow, Managing Director of Bentham Capital LLC:
  - contract commenced 22 April 2003;
  - gross salary package of \$575,000 pa including super;
  - contract to be reviewed annually with minimum CPI increases, with the 2014 review determining an increase in salary of 20% (2013: 4% increase); and
  - notice period by the employee is 3 months and 6 months' notice by the Company.

# 2014 DIRECTORS' REPORT

CONTINUED

## Remuneration report (Audited) (continued)

### (a) Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2014

2014	Short-term		Post Employment Super	2014 LSL Accrued <sup>2</sup>	Total <sup>2</sup>	Performance Related	2013 Bonus Paid <sup>1</sup>	2014 Unpaid Bonus <sup>1</sup>
	Salary & Fees	2014 Bonus Accrued <sup>1</sup>						
<i>Directors</i>								
Robert Ferguson	109,840	-	10,160	-	120,000	0%	-	-
Hugh McLernon	1,022,225	390,000	17,775	45,130	1,475,130	26%	-	390,000
John Walker	814,225	390,000	17,775	34,320	1,256,320	31%	-	390,000
Alden Halse	64,073	-	5,927	-	70,000	0%	-	-
Michael Bowen	70,000	-	-	-	70,000	0%	-	-
Clive Bowman	814,225	390,000	17,775	37,219	1,259,219	31%	-	390,000
Wendy McCarthy	32,776	-	3,032	-	35,808	0%	-	-
<i>Executives</i>								
Charlie Gollow	460,625	177,000	17,775	28,375	683,775	26%	-	177,000
Diane Jones	408,625	177,000	17,775	17,662	621,062	28%	-	177,000
<b>Total</b>	<b>3,796,614</b>	<b>1,524,000</b>	<b>107,994</b>	<b>162,706</b>	<b>5,591,314</b>	<b>27%</b>	<b>-</b>	<b>1,524,000</b>

Table 2: Remuneration for the year ended 30 June 2013

2013	Short-term		Post Employment Super	2013 LSL Accrued <sup>2</sup>	Total <sup>2</sup>	Performance Related	2012 Bonus Paid <sup>1</sup>	2013 Unpaid Bonus <sup>1</sup>
	Salary & Fees	2013 Bonus Accrued <sup>1</sup>						
<i>Directors</i>								
Robert Ferguson	110,092	-	9,908	-	120,000	0%	-	-
Hugh McLernon	983,530	-	16,470	26,885	1,026,885	0%	1,200,000	-
John Walker	783,530	-	16,470	13,363	813,363	0%	1,000,000	-
Alden Halse	64,220	-	5,780	-	70,000	0%	-	-
Michael Bowen	70,000	-	-	-	70,000	0%	-	-
Clive Bowman	783,530	-	16,470	21,571	821,571	0%	1,000,000	-
<i>Executives</i>								
Charlie Gollow	443,530	-	16,470	8,004	468,004	0%	375,000	-
Diane Jones	393,530	-	16,470	7,711	417,711	0%	350,000	-
<b>Total</b>	<b>3,631,962</b>	<b>-</b>	<b>98,038</b>	<b>77,534</b>	<b>3,807,534</b>	<b>0%</b>	<b>3,925,000</b>	<b>-</b>

1. The 2014 Bonus has been accrued and is payable in the 2015 financial year. There was no bonus awarded by the Remuneration Committee under the STI in the 2013 financial year (accordingly, there was no bonus accrual as at 30 June 2013).
2. Total Key Management Personnel remuneration recognised in the Statement of Comprehensive Income. The insurance premium for directors and officers was \$142,061 in the current period (2013: Nil). This insurance has not been allocated to specific individuals as the Directors do not believe there is a reasonable basis for allocation.
3. Long Service Leave accrued during the period.

## Remuneration report (Audited) (continued)

### (b) Compensation and remuneration options

No options were granted to Key Management Personnel in 2014 or 2013. No options expired in 2014 or 2013.

### (c) Shareholdings of key management personnel

	Balance 01-Jul-13	Received as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30-Jun-14
<i>Directors</i>					
Robert Ferguson	1,853,000	-	-	-	1,853,000
Hugh McLernon	7,738,346	-	-	17,645	7,755,991
John Walker	4,958,292	-	-	-	4,958,292
Alden Halse	876,251	-	-	3,529	879,780
Michael Bowen	813,751	-	-	31,347	845,098
Clive Bowman	1,013,941	-	-	-	1,013,941
Wendy McCarthy	-	-	-	-	-
<i>Executives</i>					
Charlie Gollow	460,000	-	-	7,058	467,058
Diane Jones	20,000	-	-	18,764	38,764
<b>Total</b>	<b>17,733,581</b>	<b>-</b>	<b>-</b>	<b>78,343</b>	<b>17,811,924</b>
	Balance 01-Jul-12	Received as remuneration	Options exercised	Net change other <sup>1</sup>	Balance 30-Jun-13
<i>Directors</i>					
Robert Ferguson	2,500,000	-	-	(647,000)	1,853,000
Hugh McLernon	8,301,846	-	-	(563,500)	7,738,346
John Walker	5,667,792	-	-	(709,500)	4,958,292
Alden Halse	876,251	-	-	-	876,251
Michael Bowen	813,751	-	-	-	813,751
Clive Bowman	1,013,941	-	-	-	1,013,941
<i>Executives</i>					
Charlie Gollow	460,000	-	-	-	460,000
Diane Jones	20,000	-	-	-	20,000
<b>Total</b>	<b>19,653,581</b>	<b>-</b>	<b>-</b>	<b>(1,920,000)</b>	<b>17,733,581</b>

1. The net changes relate to shares obtained through either the conversion of the convertible notes, or the share purchase plan, or the dividend reinvestment plan, or sold on market.

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

### (d) Loans to Key Management Personnel

There have been no loans provided to Key Management Personnel in 2014 (2013: nil).

### (e) Transactions with Key Management Personnel

During the year the Group obtained legal advice from Hardy Bowen, a legal firm associated with Michael Bowen. Refer to Note 24 for details.

- End Of Remuneration Report -

# 2014 DIRECTORS' REPORT

CONTINUED

## Directors' meetings

The number of meetings of Directors held during the period under review and the number of meetings attended by each Director were as follows:

	Board Meetings	Audit Committee	Remuneration Committee
<b>Total number of meetings held:</b>	6	2	3
<b>Meetings Attended:</b>			
R Ferguson	6	2	3
M Bowen	6	2	3
A J Halse	6	2	3
H McLernon	6	-	-
J F Walker	6	-	-
C Bowman	6	-	-
W McCarthy (appointed 11 December 2013)	4	-	3

## Committee membership

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

Audit Committee	Remuneration Committee	Nomination Committee
A J Halse (Chairman)	M Bowen (Chairman)	R Ferguson (Chairman)
M Bowen	A J Halse	H McLernon
R Ferguson	R Ferguson	
	W McCarthy	

On 13 August 2014 the Board determined that the Company should form a Corporate Governance Committee.

## Rounding

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

## Auditor's independence declaration

EY, the Company's auditors, have provided a written declaration to the Directors in relation to its audit of the Financial Report for the year ended 30 June 2014. This Independence Declaration can be found at page 20.

On 26 June 2013 the Board approved the extension of the Lead Audit Partner rotation period from five years to seven years in accordance with section 324DAB of the Corporations Act 2001 and the Corporations Legislation Amendment (Audit Enhancement) Act 2012.

The reasons why the Board approved the extension included:

- Mr Meyerowitz, the Lead Audit Partner, has a detailed understanding of the Group's business and strategies, its systems and controls. This knowledge is considered to be invaluable to the Board at this point in time.
- The existing independence and service metrics in place with EY and Mr Meyerowitz, are sufficient to ensure that auditor independence would not be diminished in any way by such an extension.
- Mr Meyerowitz will continue to abide by the independence guidance provided in APES 110 'Code of Ethics for Professional Accountants' as issued by the Accounting Professional and Ethical Standards Board and EY's own independence requirements.
- The threats of self-interest and familiarity have been mitigated as EY appointed a new Engagement Quality Review Partner.
- The Board of Directors are of the view that Mr Meyerowitz's continued involvement with the Group as the Lead Audit Partner will not in any way diminish the audit quality provided to the Group.

## Directors' meetings (continued)

### Non-audit services

The Directors are satisfied that the provision of non audit services by EY to the Group is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

EY received or are due the following amounts for the provision of non-audit services:

Tax compliance services and other non-audit services \$129,448 (2013: \$109,301).

## CORPORATE GOVERNANCE

The Company has an extensive Corporate Governance Manual which includes a compliance program, Conflicts Management Policy and complaint handling procedures which will enable the Company to interact with its clients and the public in a consistent and transparent manner. The Company's corporate governance statement is noted from page 66 of this Annual Report.

Signed in accordance with a resolution of the Directors.



**Robert Ferguson**

Chairman

Sydney 21 August 2014



**Hugh McLernon**

Managing Director

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# AUDITOR'S INDEPENDENCE DECLARATION



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## Auditor's independence declaration to the directors of Bentham IMF Limited

In relation to our audit of the financial report of Bentham IMF Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz  
Partner  
Perth  
21 August 2014

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
Revenue	6	2,627,549	2,971,843
Other income	7	25,296,909	24,625,335
<b>Total Income</b>		<b>27,924,458</b>	<b>27,597,178</b>
Finance costs	8(a)	(1,140,294)	(146,508)
Depreciation expense	8(b)	(222,654)	(246,362)
Employee benefits expense	8(c)	(6,623,530)	(4,692,615)
Corporate and office expense	8(d)	(2,748,902)	(1,647,113)
Other expenses	8(e)	(927,266)	(723,697)
Share of loss in joint venture	32	(653,721)	-
<b>Profit Before Income Tax</b>		<b>15,608,091</b>	<b>20,140,883</b>
Income tax expense	9	(5,739,741)	(6,326,816)
<b>Net Profit for the Year</b>		<b>9,868,350</b>	<b>13,814,067</b>
<b>Other Comprehensive Income</b>			
Items that may be subsequently reclassified to profit and loss:			
Transfer from net unrealised gains reserve to profit and loss upon disposal of available-for-sale assets		-	(30,332)
Other comprehensive income for the year, net of tax		-	(30,332)
<b>Total Comprehensive Income for the Year</b>		<b>9,868,350</b>	<b>13,783,735</b>
<b>Earnings per share attributable to the ordinary equity holders of the Company (cents per share)</b>			
Basic profit (cents per share)	11	6.56	11.21
Diluted profit (cents per share)	11	6.56	9.78

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	105,576,733	67,984,284
Trade and other receivables	13	60,375,749	23,927,978
Other assets	14	251,581	94,015
<b>Total Current Assets</b>		<b>166,204,063</b>	<b>92,006,277</b>
<b>Non-Current Assets</b>			
Trade and other receivables	13	14,353,414	15,252,854
Plant and equipment	15	570,712	622,425
Financial assets	16	-	18,890
Intangible assets	17	98,636,050	86,127,315
Investment held in joint venture	32	1,153,499	-
<b>Total Non-Current Assets</b>		<b>114,713,675</b>	<b>102,021,484</b>
<b>TOTAL ASSETS</b>		<b>280,917,738</b>	<b>194,027,761</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	7,928,101	7,833,156
Income tax (receivable)/payable		4,705,516	(1,540,364)
Provisions	19	6,905,435	1,644,718
Other liabilities		74,555	74,555
<b>Total Current Liabilities</b>		<b>19,613,607</b>	<b>8,012,065</b>
<b>Non-Current Liabilities</b>			
Provisions	19	539,882	229,026
Debt securities	20	47,758,026	36,324,499
Other liabilities		130,469	205,026
Deferred income tax liabilities	9	21,744,482	23,752,761
<b>Total Non-Current Liabilities</b>		<b>70,172,859</b>	<b>60,511,312</b>
<b>TOTAL LIABILITIES</b>		<b>89,786,466</b>	<b>68,523,377</b>
<b>NET ASSETS</b>		<b>191,131,272</b>	<b>125,504,384</b>
<b>EQUITY</b>			
Contributed equity	21	112,050,208	41,912,195
Reserves	22(b)	7,235,936	7,235,936
Retained earnings	22(a)	71,845,128	76,356,253
<b>TOTAL EQUITY</b>		<b>191,131,272</b>	<b>125,504,384</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(6,751,012)	(8,095,009)
Interest income		2,394,525	3,360,448
Interest paid		(2,920,477)	(3,887,712)
Income tax paid		(1,502,141)	(18,182,881)
<b>Net cash flows used in operating activities</b>	23	<b>(8,779,105)</b>	<b>(26,805,154)</b>
<b>Cash flows from investing activities</b>			
Proceeds from litigation funding - settlements, fees and reimbursements		42,191,361	87,030,664
Payments for litigation funding and capitalised suppliers and employee costs		(57,084,733)	(44,382,824)
Proceeds from loans to external parties		-	800,000
Purchase of plant and equipment		(170,941)	(70,120)
Proceeds from disposal of available-for-sale investments		-	417,057
Loans made to joint venture		(1,324,424)	-
Investment in joint venture		(1,807,220)	-
<b>Net cash flows (used in)/from investing activities</b>		<b>(18,195,957)</b>	<b>43,794,777</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		42,031,791	-
Cost of issuing shares		(1,198,499)	-
Bonds proceeds		50,000,000	-
Cost of issuing bonds		(2,326,739)	-
Payments for redemption of convertible notes		(11,180,756)	-
Dividends paid		(12,705,998)	(12,320,766)
<b>Net cash flows (used in)/from financing activities</b>		<b>64,619,799</b>	<b>(12,320,766)</b>
Net increase in cash and cash equivalents held		37,644,737	4,668,857
Net foreign exchange difference		(52,288)	890,861
Cash and cash equivalents at beginning of year		67,984,284	62,424,566
<b>Cash and cash equivalents at end of year</b>	12	<b>105,576,733</b>	<b>67,984,284</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED	Issued capital \$	Option premium reserve \$	Net unrealised gains reserve \$	Convertible notes reserve \$	Retained earnings \$	Total \$
<b>As at 1 July 2013</b>	41,912,195	3,403,720	-	3,832,216	76,356,253	125,504,384
Profit for the year	-	-	-	-	9,868,350	9,868,350
Other comprehensive income	-	-	-	-	-	-
<b>Total Comprehensive Income for the Year</b>	41,912,195	3,403,720	-	3,832,216	86,224,603	135,372,734
<b>Equity Transactions:</b>						
Dividend paid	-	-	-	-	(14,379,475)	(14,379,475)
Proceeds from shares issued	42,031,791	-	-	-	-	42,031,791
Transaction costs associated with share issue	(1,198,499)	-	-	-	-	(1,198,499)
Shares issued under the Dividend Reinvestment Plan	1,673,477	-	-	-	-	1,673,477
Convertible notes converted	27,631,244	-	-	-	-	27,631,244
<b>As at 30 June 2014</b>	112,050,208	3,403,720	-	3,832,216	71,845,128	191,131,272
<b>As at 1 July 2012</b>	41,909,483	3,403,720	30,332	3,832,216	62,542,186	111,717,937
Profit for the year	-	-	-	-	13,814,067	13,814,067
Other comprehensive income	-	-	(30,332)	-	-	(30,332)
<b>Total Comprehensive Income for the Year</b>	41,909,483	3,403,720	-	3,832,216	76,356,253	125,501,672
<b>Equity Transactions:</b>						
Dividend paid	-	-	-	-	-	-
Convertible notes converted	2,712	-	-	-	-	2,712
<b>As at 30 June 2013</b>	41,912,195	3,403,720	-	3,832,216	76,356,253	125,504,384

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## Note 1: Corporate information

The financial report of Bentham IMF Limited (IMF, the Company or the Parent) for the year ended 30 June 2014 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the Directors on 20 August 2014.

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

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

## Note 2: Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars, being the functional currency of the Parent.

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

### (b) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

For the purposes of preparing the consolidated financial statements, the Parent is a for profit entity.

### (c) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### (i) Changes in accounting policy and disclosures.

The Group has adopted all new and amended Australian Accounting Standards and AASB Interpretations effective as of 30 June 2014, including:

Reference	Title
AASB 10	<b>Consolidated Financial Statements</b>  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation - Special Purpose Entities</i> .  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.  Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.
AASB 11	<b>Joint Arrangements</b>  AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i> .  AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.  Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

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# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Title
AASB 12	<b>Disclosure of Interests in Other Entities</b> <p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.</p>
AASB 13	<b>Fair Value Measurement</b> <p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>
AASB 119 (Revised 2011)	<b>Employee Benefits</b> <p>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>
AASB 2012-2	<b>Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities</b> <p>AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.</p>
AASB 2011-4	<b>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</b> <p>This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.</p>

The adoption of the above amendments resulted in changes to presentation and disclosures, but had no material impact on the financial position or financial performance of the Group.

## Note 2: Summary of significant accounting policies (continued)

(ii) Accounting standards and interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2014 are outlined in the table below. The impact of these new standards and interpretations has not been assessed.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	<i>Levies</i>	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ol>	1 January 2018 <sup>^</sup>	1 July 2018 <sup>^</sup>

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

<sup>^</sup> In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be for annual periods beginning on or after 1 January 2018, however it is available for application now.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9 (continued)	<i>Financial Instruments</i>	<p>d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>- The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p>The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> <li>1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures</li> <li>2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time</li> <li>3. In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.</li> </ol>	1 January 2018 <sup>^</sup>	1 July 2018 <sup>^</sup>
AASB 2013-3	<i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014
AASB 2013-5	Amendments to Australian Accounting Standards - Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	<p>These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 <i>Business Combinations</i> when it obtains control of another entity.</p> <p>These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.</p> <p>These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.</p>	1 January 2014	1 July 2014

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

<sup>^</sup> In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be for annual periods beginning on or after 1 January 2018, however it is available for application now.

## Note 2: Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
Annual Improvements 2010–2012 Cycle <sup>^^^</sup>	Annual Improvements to IFRSs 2010–2012 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>– IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>– IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37.</li> <li>– IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> <li>– IAS 16 &amp; IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>– IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>	1 July 2014	1 July 2014
Annual Improvements 2011–2013 Cycle <sup>^^^</sup>	Annual Improvements to IFRSs 2011–2013 Cycle	<p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>– IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.</li> <li>– IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.</li> </ul>	1 July 2014	1 July 2014

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

<sup>^^^</sup> These IFRS amendments/standards have not yet been adopted by the AASB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1031	<i>Materiality</i>	The revised AASB 1031 is an interim standard that cross-references to other Standards and the <i>Framework</i> (issued December 2013) that contain guidance on materiality.  AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014
AASB 2013-9	<i>Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments</i>	The Standard contains three main parts and makes amendments to a number Standards and Interpretations.  Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.  Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.  Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i> .	^^	^^
Amendments to IAS 16 and IAS 38^^^	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.  The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016

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

^^ The application dates of AASB 2013-9 are as follows:

Part B - periods beginning on or after 1 January 2014 Application date for the Group: period beginning 1 July 2014

Part C - reporting periods beginning on or after 1 January 2015 Application date for the Group: period beginning 1 July 2015

^^^ These IFRS amendments/standards have not yet been adopted by the AASB.

## Note 2: Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
IFRS 15 <sup>^^^</sup>	Revenue from Contracts with Customers	<p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS 15 supersedes:</p> <ul style="list-style-type: none"> <li>a. IAS 11 Construction Contracts</li> <li>b. IAS 18 Revenue</li> <li>c. IFRIC 13 Customer Loyalty Programmes</li> <li>d. IFRIC 15 Agreements for the Construction of Real Estate</li> <li>e. IFRIC 18 Transfers of Assets from Customers</li> <li>f. SIC-31 Revenue—Barter Transactions Involving Advertising Services</li> </ul> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>(a) Step 1: Identify the contract(s) with a customer</li> <li>(b) Step 2: Identify the performance obligations in the contract</li> <li>(c) Step 3: Determine the transaction price</li> <li>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul> <p>Early application of this standard is permitted.</p>	1 January 2017	1 July 2017

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

<sup>^^^</sup> These IFRS amendments/standards have not yet been adopted by the AASB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Bentham IMF Limited (IMF, the Company or Parent) and its subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc, Bentham Capital LLC and Security Finance LLC ("the Group") as at 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

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

### (e) Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the exchange rate ruling at the reporting date. Gains and losses arising from these transactions are recognised in profit or loss.

### (f) Cash and cash equivalents

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

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

### (g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently remeasured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

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

### (h) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its financial assets at initial recognition.

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

#### Recognition and derecognition

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

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

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

#### (ii) Loans and receivables

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

#### (iii) Available-for-sale securities

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

## Note 2: Summary of significant accounting policies (continued)

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

### (i) Plant and equipment

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

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

#### Plant and equipment – over 5 to 15 years.

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

#### *Derecognition*

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

### (j) Leases

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

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

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

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

### (k) Intangible assets

#### *Litigation Contracts In Progress*

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

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

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

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

#### *(A) Actions still outstanding:*

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

- a. demonstration of ability of the Group to complete the litigation so that the asset will be available for use and the benefits embodied in the asset will be realised;
- b. demonstration that the asset will generate future economic benefits;
- c. demonstration that the Group intends to complete the litigation;
- d. demonstration of the availability of adequate technical, financial and other resources to complete the litigation; and
- e. ability to measure reliably the expenditure attributable to the intangible asset during the Litigation Contracts In Progress.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

### *(B) Successful judgment:*

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

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

### *(C) Unsuccessful judgment:*

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

### **(l) Trade and other payables**

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

### **(m) Interest-bearing loans and borrowings**

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

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

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

### **(n) Provisions and employee benefits**

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

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

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

### *Employee leave benefits*

#### *(i) Wages, salaries, annual leave and sick leave*

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

#### *(ii) Long service leave*

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

### **(o) Share-based payment transactions**

#### *(i) Equity-settled transactions*

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

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

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

## Note 2: Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

### (ii) Cash-settled transactions

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

### (p) Convertible notes

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

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

The fair value of any derivative features embedded in the convertible notes, other than the equity component, are included in the liability component. Subsequent to initial recognition, these derivative features are measured at fair value with gains and losses recognised in the profit or loss if they are not closely related to the host contract.

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

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

### (q) Contributed equity

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

### (r) Revenue recognition

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 2: Summary of significant accounting policies (continued)

### (i) Interest income

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

### (ii) Dividends

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

### (iii) Fees

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

### (s) Income tax and other taxes

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

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

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in other comprehensive income are recognised in equity and not in profit or loss.

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

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

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

## Note 2: Summary of significant accounting policies (continued)

### Other taxes

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

- when 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, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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 is classified as part of cash flows from operating activities.

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

### (t) Earnings per share

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

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

- costs of servicing equity (other than dividends);
- the after tax effect of interest dividends associated with dilutive potential ordinary shares that have been recognised; and
- other non-discretionary changes in revenue or expenses during the period that would result from dilution of potential ordinary shares, divided by the weighted average number of shares and dilutive shares, adjusted for any bonus element.

### (u) Borrowing costs

Borrowing costs directly attributable to the acquisition and development of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### (v) Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Statement of Comprehensive Income reflects the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the Statement of Comprehensive Income outside operating profit and represents profit or loss after tax.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss in the 'Share of profit of a joint venture' in the Statement of Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 3: Financial risk management objective and policies

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

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

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

### Risk exposures and responses

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash holdings with a floating interest rate. In addition, as at 30 June 2014, the Group has a \$50,000,000 variable rate bond debt outstanding. This bond requires that the Group make a quarterly coupon payment that is based on the Bank Bill Rate plus a fixed margin of 4.20% per annum.

At reporting date the Group had the following financial instruments exposed to Australian variable interest rate risk:

	Consolidated	
	2014 \$	2013 \$
<b>Financial instruments</b>		
Cash and cash equivalents	105,576,733	67,984,284
Bonds	(47,758,026)	-
<b>Net exposure</b>	<b>57,818,707</b>	<b>67,984,284</b>

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June 2014, if interest rates had moved, as illustrated in the following table, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgment of reasonably possible movements:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 \$	2013 \$	2014 \$	2013 \$
+0.5% (500 basis points) (2013: +0.5%)	202,366	237,945	202,366	237,945
-0.2% (100 basis points) (2013: -0.2%)	80,946	95,178	80,946	95,178

### Note 3: Financial risk management objective and policies (continued)

#### Credit risk

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

The Group's deposits are spread amongst a number of financial institutions to minimise the risk of default of counterparties, all of whom have been pre-approved by the Board, have AA credit ratings and are subject to the prudential regulation of the Reserve Bank of Australia.

The Group assesses the defendants in the matters funded by the Group prior to entering into any agreement to provide funding and continues this assessment during the course of funding. Wherever possible the Group ensures that security for settlement sums is provided, or the settlement funds are placed into solicitors' trust accounts. As at 30 June 2014, a significant portion of the Group's receivables were not under any such security. However, the Group's continual monitoring of the defendants' financial capacity mitigates this risk.

#### Liquidity risk

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

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

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

	< 6 months \$	6-12 months \$	1-5 years \$	>5 years \$	Total \$
<b>2014</b>					
<b>Financial Liabilities</b>					
Trade and other payables	7,928,101	-	-	-	7,928,101
Bonds	-	-	50,000,000	-	50,000,000
Bonds interest	1,718,750	1,718,750	13,750,000	-	17,187,500
	<b>9,646,851</b>	<b>1,718,750</b>	<b>63,750,000</b>	<b>-</b>	<b>75,115,601</b>
<b>2013</b>					
<b>Financial Liabilities</b>					
Trade and other payables	7,833,156	-	-	-	7,833,156
Convertible notes	-	-	38,318,585	-	38,318,585
Convertible notes interest	1,963,827	1,963,827	1,963,827	-	5,891,481
	<b>9,796,984</b>	<b>1,963,827</b>	<b>40,282,413</b>	<b>-</b>	<b>52,043,222</b>

#### Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements. The carrying amounts of financial assets and liabilities of the Group approximate their fair values, except for the Bonds. The Bonds have a carrying value of \$50,000,000 (excluding the transaction costs) and a fair value of \$52,000,000 at 30 June 2014. The fair value has been determined using the market price at 30 June 2014. Under AASB 13 the fair value measurement used is level 1 on the fair value hierarchy.

#### Foreign currency risk

The Group is currently funding cases outside Australia. The investment in these cases and the subsequent income generated by these cases are subject to exchange rate movements. The Group has managed its foreign currency commitments risk by ensuring that it has sufficient levels of the foreign currency available to meet its short term requirements. The Group has not hedged its expected income from its foreign cases. The exposure to foreign currency risk is not considered to be material.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 4: Significant accounting judgments, estimates and assumptions

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

Management has identified the following critical accounting policies for which significant judgments have been made as well as the following key estimates and assumptions that have the most significant impact on the financial statements. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

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

### (i) Significant accounting judgments

#### *Classification of and valuation of investments*

The Group has decided to classify certain investments in listed securities as 'available-for-sale' or 'held for trading' investments and movements in fair value are recognised directly in equity or in the Statement of Comprehensive Income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

#### *Taxation*

The Group's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Statement of Financial Position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

### (ii) Significant accounting estimates and assumptions

#### *Impairment of non-financial assets other than goodwill*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. This includes an assessment of each individual Litigation Contract In Progress as to whether it is likely to be successful, the cost and timing to completion and the ability of the defendant to pay upon completion. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions (refer to Note 17).

#### *Impairment of intangibles with indefinite useful lives*

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

#### *Long service leave provision*

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

## Note 4: Significant accounting judgments, estimates and assumptions (continued)

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience for plant and equipment. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in Note 8(b) and Note 15.

### Provision for adverse costs

The Group raises a provision for adverse costs when it has lost a matter which it has funded and no appeal from that decision is to be made. When a matter is lost and an appeal is lodged, the Group raises a provision if the judgment at first instance is not stayed pending the outcome of the appeal. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit following consultation with external advisors.

## Note 5: Segment information

For management purposes, the Group is organised into one operating segment which provides only one service, being litigation funding. Accordingly, all operating disclosures are based upon analysis of the Group as one segment. Geographically, the Group operates in Australia and the United States of America. The Group also owns 50% of a joint venture operating in Europe (primarily the Netherlands and United Kingdom).

The Group continues to investigate other markets and has identified the following markets outside of Australia, the United States and Europe as being favourable to litigation funding: Hong Kong, Canada and New Zealand.

Interest received from National Australia Bank Ltd of \$1,798,931 (2013: \$2,313,111) and Westpac Banking Group Ltd of \$443,754 (2013: \$461,499) contributed more than 94% of the Group's bank interest revenue (2013: 93%).

Other income can be represented geographically as follows:

	Consolidated	
	2014 \$	2013 \$
Australia	25,153,181	21,020,545
United States	143,728	3,604,790
<b>Total other income</b>	<b>25,296,909</b>	<b>24,625,335</b>

Non-Current assets, excluding trade receivables and financial assets, can be represented geographically as follows:

	Consolidated	
	2014 \$	2013 \$
Australia	81,036,580	81,825,859
United States	19,323,681	4,923,881
<b>Net exposure</b>	<b>100,360,261</b>	<b>86,749,740</b>

## Note 6: Revenue

	Consolidated	
	2014 \$	2013 \$
<b>Revenue</b>		
Bank interest received and accrued	2,375,879	2,971,843
Fees from Joint Venture	251,670	-
	<b>2,627,549</b>	<b>2,971,843</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 7: Other income

	Consolidated	
	2014 \$	2013 \$
<b>Other income</b>		
Litigation contracts in progress – settlements and judgments	75,907,640	43,906,400
Litigation contracts in progress – expenses	(33,467,880)	(18,783,625)
Litigation contracts in progress – written-down <sup>1</sup>	(16,485,727)	(1,359,067)
Net gain on derecognition of intangible assets	25,954,033	23,763,708
Net gain/(loss) on receivable measured at amortised cost & foreign exchange translation	(684,273)	853,654
Other income/(loss)	27,149	7,973
	<b>25,296,909</b>	<b>24,625,335</b>

1 Included in this balance are costs related to cases lost by the Group, or not pursued by the Group due to the cases not meeting the Group's required rate of return. Further, it includes any adverse costs provision raised when a litigation contract in progress has been written-off due to it being lost.

## Note 8: Expenses

	Consolidated	
	2014 \$	2013 \$
<b>(a) Finance costs</b>		
Loss on remeasurement for early redemption of convertible notes	(941,880)	-
Other finance charges	(198,414)	(146,508)
	<b>(1,140,294)</b>	<b>(146,508)</b>
<b>(b) Depreciation</b>		
Depreciation expense	(222,654)	(246,362)
<b>(c) Employee benefits expense</b>		
Wages and salaries	(4,919,020)	(3,022,955)
Superannuation expense	(665,717)	(619,661)
Directors' fees	(286,285)	(242,136)
Payroll tax	(469,850)	(790,125)
Long service leave provision	(282,658)	(17,738)
	<b>(6,623,530)</b>	<b>(4,692,615)</b>
<b>(d) Corporate and office expense</b>		
Insurance expense	(279,849)	(305,956)
Network expense	(137,799)	(112,657)
Marketing expense	(546,666)	(414,322)
Occupancy expense	(118,408)	(106,556)
Professional fee expense	(728,486)	(370,663)
Recruitment expense	(286,102)	(8,117)
Telephone expense	(102,798)	(86,077)
Travel expense	(548,794)	(242,765)
	<b>(2,748,902)</b>	<b>(1,647,113)</b>

## Note 8: Expenses (continued)

	Consolidated	
	2014 \$	2013 \$
<b>(e) Other expenses</b>		
ASX listing fees	(158,816)	(63,058)
General expenses	(326,433)	(328,814)
Postage, printing and stationary	(113,559)	(97,773)
Repairs and maintenance	(16,823)	(30,786)
Share registry costs	(267,752)	(112,124)
Software supplies	(22,284)	(14,961)
Unrealised foreign exchange gain/(loss)	(21,600)	890,861
Net revaluation loss on shares held for trading	-	(2,296)
Impairment of receivables	-	(957,224)
Loss on derecognition of available-for-sale investments	-	(7,522)
	<b>(927,266)</b>	<b>(723,697)</b>

## Note 9: Income tax

	Consolidated	
	2014 \$	2013 \$
The major components of income tax expense are:		
<b>Income statement</b>		
<i>Current income tax</i>		
Current income tax charge	7,499,699	1,663,025
Adjustment in respect of current income tax expense of previous year	248,320	1,080,365
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(1,763,667)	4,317,300
Other	(62,395)	(16,741)
Adjustment in respect of deferred income tax of previous year	(182,216)	(717,133)
Income tax expense reported in the Statement of Comprehensive Income	<b>5,739,741</b>	<b>6,326,816</b>
<b>A reconciliation between tax expense and the product of accounting profit before income multiplied by the Group's applicable income tax rate is as follows:</b>		
Accounting profit before income tax	15,608,091	20,140,883
At the Group's statutory income tax rate of 30% (2013: 30%)	4,682,427	6,042,265
Adjustment in respect of income and deferred tax of previous years	66,105	363,232
Deferred tax assets not recognised	797,462	-
Other	193,747	(78,681)
Income tax expense reported in the Statement of Comprehensive Income	<b>5,739,741</b>	<b>6,326,816</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 9: Income tax (continued)

### Deferred income tax

	Statement of Financial Position		Statement of Comprehensive Income	
	2014 \$	2013 \$	2014 \$	2013 \$
Deferred income tax at 30 June relates to the following:				
<i>CONSOLIDATED</i>				
<i>Deferred income tax liabilities</i>				
Intangibles	24,071,707	24,364,388	(292,681)	4,563,122
Convertible notes	-	427,754	(427,754)	(301,263)
Accrued interest & unrealised F/X	(834,410)	-	(834,410)	-
Receivables	-	(325,686)	325,687	(608,302)
Gross deferred income tax liabilities	23,237,297	24,466,456	(1,229,158)	3,653,557
<i>Deferred income tax assets</i>				
Depreciable assets	-	73,066	73,066	(2,602)
Accruals and provisions/bond raising costs	1,448,376	637,886	(810,490)	(80,271)
Expenditure deductible for income tax over time	44,439	2,743	(41,696)	2,743
Gross deferred income tax assets	1,492,815	713,695	(779,120)	(80,130)
Net deferred income tax liabilities	21,744,482	23,752,761		

### Unrecognised temporary differences and tax losses

At 30 June 2014 the Group had no other unrecognised temporary differences and tax losses apart from the \$797,462 deferred tax asset (2013: nil).

## Note 10: dividends paid and proposed

### (a) Recognised amounts:

*Declared and paid during the year*

Dividends on ordinary shares

2014: 5.0 cents per share

2013: 5.0 cents per share

	Consolidated	
	2014 \$	2013 \$
8,219,005		-
6,160,470		-
14,379,475		-
8,268,513		-
-		6,160,470
8,268,513	6,160,470	

### (b) Unrecognised amounts:

Dividends on ordinary shares

2014: Final 5.0 cents per share unrecognised

2013: Final 5.0 cents per share unrecognised

On 21 August 2014 the Directors declared a final fully franked dividend of 5.0 cents per share for the 2014 financial year, totalling \$8,268,513. The record date for this dividend is 19 September 2014 and the payment date will be 3 October 2014. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

### Note 10: Dividends paid and proposed (continued)

On 10 February 2014 an interim fully franked dividend of 5.0 cents per share was declared in respect of the 2014 financial year. The record date for this dividend was 21 March 2014 and the payment date was 4 April 2014.

On 21 August 2013 a final fully franked dividend of 5.0 cents per share was declared in respect of the 2013 financial year. The record date for this dividend was 18 October 2013 and the payment date was 31 October 2013.

#### (c) Franking credit balance

The amount of franking credits for the subsequent financial year are:

- Franking account balance as at the end of the financial year at 30%
- Franking debits that arose from the payment of last year's final dividend
- Franking debits that arose from the payment of current year's interim dividend
- Franking credits that arose from the payment of income tax payable during the financial year
- Franking credits that will arise from the (refund)/payment of income tax (receivable)/payable as at the end of the financial year

Impact of franking debits that will arise from the payment of the final dividend

Bentham IMF Limited	
2014	2013
\$	\$
11,507,612	14,034,551
(2,640,201)	(5,280,329)
(3,522,432)	
3,046,853	4,293,754
4,705,516	(1,540,364)
<b>13,097,349</b>	<b>11,507,612</b>
<b>(3,543,649)</b>	<b>(2,640,201)</b>
<b>9,553,700</b>	<b>8,867,411</b>

#### (d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2013: 30%).

### Note 11: Earnings per share

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

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

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

#### (a) Earnings used in calculating earnings per share

Consolidated	
2014	2013
\$	\$
For basic earnings per share	
Net profit attributable to ordinary equity holders of the Parent	9,868,350
13,814,067	
For diluted earnings per share	
Net profit from continuing operations attributable to ordinary equity holders of the Parent	9,868,350
13,814,067	
Tax effected interest expense on convertible notes	-
506,919	
Net profit attributable to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	9,868,350
14,320,986	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 11: Earnings per share (continued)

### (b) Weighted average number of shares

	Number	
	2014	2013
Weighted average number of ordinary shares outstanding for basic earnings per share	150,387,689	123,209,372
Effect of dilution:		
Convertible notes	-	23,223,385
Weighted average number of ordinary shares adjusted for the effect of dilution	150,387,689	146,432,757

As at 30 June 2014 there are no new instruments on issue (e.g. share options) that could potentially dilute basic earnings per share in the future. The convertible notes converted or redeemed during the period were found to have an anti-dilutive impact on the calculation. Therefore, at 30 June 2014, the basic earnings per share is equal to the diluted earnings per share. In the prior year the dilutive impact of the convertible notes has been presented.

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

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

#### (i) Options

As at 30 June 2014 there were no options issued over shares in the Company (2013: nil).

#### (ii) Convertible notes

The convertible notes as described in Note 20 were considered to be potential ordinary shares and were included in the determination of diluted earnings per share in the 2014 financial year to the extent they were dilutive. These convertible notes were repaid or converted during December 2013. The convertible notes were not included in the determination of basic earnings per share in the 2014 financial year.

#### (iii) Bonds

The bonds are not considered to be dilutive.

## Note 12: Current assets - cash and cash equivalents

	Consolidated	
	2014 \$	2013 \$
Cash at bank	25,575,133	16,982,685
Short-term deposits	80,001,600	51,001,599
	105,576,733	67,984,284

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

Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group. As at 30 June all short term deposits had less than 90 days to mature and earn interest at the respective short-term deposit rates.

## Note 12: Current assets - cash and cash equivalents (continued)

### Reconciliation to Statement of Cash Flows

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

	Consolidated	
	2014 \$	2013 \$
Cash at bank	25,575,133	16,982,685
Short-term deposits	80,001,600	51,001,599
	<b>105,576,733</b>	<b>67,984,284</b>

#### Bank Guarantees

Bank guarantees have been issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for matters funded under litigation contracts. As at 30 June 2014 guarantees of \$1,682,108 were outstanding (2013: \$1,650,819). The guarantees are secured by an offset arrangement with a term deposit of \$5,000,000 (2013: \$5,000,000).

#### Set off of assets and liabilities

The Group has established a legal right of set off with two banks enabling it to set off certain deposits with the banks against bank guarantees issued totalling \$1,682,108 (2013: \$1,650,819). The total of the bank guarantee facilities is \$5,000,000 (2013: \$5,000,000). The guarantee facility is secured by an offset arrangement against term deposits of \$5,000,000 (2013: \$5,000,000).

## Note 13: Trade and other receivables

	Consolidated	
	2014 \$	2013 \$
<b>Current</b>		
Trade receivables	58,374,813	23,374,525
Interest receivable	534,806	553,453
Receivable from joint venture	1,466,130	-
	<b>60,375,749</b>	<b>23,927,978</b>

	Consolidated	
	\$	\$
<b>Non current</b>		
Trade receivables	14,353,414	15,252,854
	<b>14,353,414</b>	<b>15,252,854</b>

- Trade receivables are non-interest bearing and generally on 30-90 day terms. There is nil included in current trade receivables which is subject to appeal (2013: \$19,979,327).
- Interest receivable is payable upon the maturity of the Group's short term deposits (between 30 and 90 days).
- Non-current trade receivables are interest bearing and occur either as a result of settlements with a repayment plan greater than 12 months or where a judgment is subject to appeal and the appeal is not expected to be heard within the next 12 months. The total non-current trade receivable balance of \$14,353,414 is subject to appeal (2013: \$15,252,854).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 13: Trade and other receivables (continued)

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

	0-30 days \$	31-90 days \$	91-180 days <sup>1</sup> \$	+180 days <sup>1</sup> \$	Total \$
2014 Consolidated	22,277,803	-	-	52,451,360	74,729,163
2013 Consolidated	1,485,626	5,111,891	3,627,455	28,955,860	39,180,832

<sup>1</sup> These amounts are not due and therefore not impaired.

During the year the Group did not write off any receivable balances (2013: \$957,224).

### (a) Fair value and credit risk

Due to the nature of these receivables, the carrying value of the current receivables approximates its fair value. The carrying value of the non-current receivables are adjusted to reflect future cashflows and it is this adjusted carrying value that approximates its fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables. Current receivables greater than 180 days are expected to be received within the following twelve months.

## Note 14: Current assets - other assets

	Consolidated	
	2014 \$	2013 \$
Prepayments	251,581	94,015
	251,581	94,015

## Note 15: Non current assets - plant and equipment

Reconciliation of carrying amounts at the beginning and end of the year

	Consolidated	
	2014 \$	2013 \$
<b>Cost</b>		
Accumulated depreciation	2,453,779	2,282,838
Net carrying amount	(1,883,067)	(1,660,413)
	570,712	622,425
		Consolidated
		Plant and Equipment \$
<b>Cost</b>		
Balance as at 1 July 2012		2,212,718
Additions		70,120
Disposals		-
At 30 June 2013		2,282,838
Additions		170,941
Disposals		-
At 30 June 2014		2,453,779
<b>Accumulated depreciation</b>		
Balance as at 1 July 2012		(1,414,051)
Depreciation charge for the year		(246,362)
Disposals		-
At 30 June 2013		(1,660,413)
Depreciation charge for the year		(222,654)
Disposals		-
At 30 June 2014		(1,883,067)
<b>Net book value</b>		
At 30 June 2014		570,712
At 30 June 2013		622,425

The useful life of the assets was estimated between 5 to 15 years for both 2013 and 2014.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 16: Non-current assets – financial assets

	Consolidated	
	2014 \$	2013 \$
<b>At fair value</b>		
Shares – United Kingdom listed – held for trading	-	18,890
<b>Closing balance as at 30 June</b>	-	18,890

### (a) Listed shares

The fair value of listed financial assets has been determined based on quoted market prices (Level 1). Quoted market price represents the fair value based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

## Note 17: Intangible assets

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

	Consolidated \$
<b>Year ended 30 June 2013</b>	
Cost (gross carrying amount)	66,004,218
Additions	40,265,789
Disposals	(18,783,625)
Write-down of Litigation Contracts In Progress	(1,359,067)
<b>At 30 June 2013, net of accumulated amortisation and impairment</b>	<b>86,127,315</b>
<b>Year ended 30 June 2014</b>	
Balance as at 1 July 2013, net of accumulated amortisation and impairment	86,127,315
Additions	59,962,343
Disposals	(33,467,880)
Write-down of Litigation Contracts In Progress	(13,985,728)
<b>At 30 June 2014, net of accumulated amortisation and impairment</b>	<b>98,636,050</b>

### (b) Description of Group's intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described in Note 17(e). The capitalised wages in 2014 equated to approximately 52% of the total salary costs (2013: 61%). The other internal capitalised expenses equated to approximately 24% of overhead costs (2013: 24%).

## Note 17: Intangible assets (continued)

### (b) Description of Group's intangible assets (continued)

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

	Consolidated	
	2014 \$	2013 \$
Capitalised external costs	71,226,681	58,629,287
Capitalised internal costs	17,991,977	19,005,769
Capitalised borrowing costs	9,417,392	8,492,259
Balance at 30 June	98,636,050	86,127,315

### (c) Write off of intangible assets

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

### (d) Impairment testing of intangible assets

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

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

- The estimated cost to complete a Litigation Contract In Progress is budgeted, based on estimates provided by the external legal advisors handling the litigation.
- The value to the Group of the Litigation Contracts In Progress, once completed, is estimated based on the expected settlement or judgment amount of the litigation and the fees due to the Group under the litigation funding contract.
- The discount rate applied to the cash flow projections is based on the Group's weighted average cost of capital and other factors relevant to the particular Litigation Contracts In Progress. The discount rate applied ranged between 13.0% and 14.5% (2012: 13.5%).

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

### (e) Capitalised borrowing costs

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying asset. The amount of borrowing costs capitalised during the year ended 30 June 2014 was \$925,133 (2013: \$3,695,697). The rate used to determine the borrowing costs eligible for capitalisation was 6.885% for the bonds and 13.5%, for the convertible notes, both rates representing the effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 18: Current liabilities – trade and other payables

	Consolidated	
	2014 \$	2013 \$
Trade payables <sup>1</sup>	6,969,579	6,514,925
Convertible note interest accrual	-	1,011,570
Wage accruals	307,772	306,661
Bond interest accrual	650,750	-
	<b>7,928,101</b>	<b>7,833,156</b>

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

### (a) Fair value

Due to the nature of trade and other payables, their carrying value is assumed to approximate their fair value.

## Note 19: Current and non-current liabilities – provisions

	Consolidated	
	2014 \$	2013 \$
<b>Current</b>		
Annual leave and long service leave	1,404,935	1,371,368
Adverse costs <sup>(1)</sup>	2,500,000	-
Bonus	3,000,500	273,350
	<b>6,905,435</b>	<b>1,644,718</b>
<b>Non-Current</b>		
Long service leave	539,882	229,026
	<b>539,882</b>	<b>229,026</b>

1 At 30 June 2014 the Group raised a provision of \$2,500,000 for estimated adverse costs obligations incurred in respect of the Bank of Queensland matter. The decision is the subject of an appeal and, if the appeal is successful, adverse costs will not be payable.

## Note 19: Current and non-current liabilities – provisions (continued)

### (a) Movement in provisions

	Adverse costs \$	Annual leave \$	Employee bonus \$	Long service leave \$	Total \$
As at 1 July 2013	-	679,957	273,350	920,437	1,873,744
Arising during the year	2,500,000	696,755	3,000,500	306,146	6,503,401
Utilised	-	(634,990)	(273,350)	(23,488)	(931,828)
As at 30 June 2014	2,500,000	741,722	3,000,500	1,203,095	7,445,317
Current 2014	2,500,000	741,722	3,000,500	663,213	6,905,435
Non-current 2014	-	-	-	539,882	539,882
	2,500,000	741,722	3,000,500	1,203,095	7,445,317
Current 2013	-	679,957	273,350	691,411	1,644,718
Non-current 2013	-	-	-	229,026	229,026
	-	679,957	273,350	920,437	1,873,744

### (b) Nature and timing of provisions

#### Adverse costs

During the 2014 financial year the Group raised a provision of \$2,500,000 for its estimated adverse costs obligations in respect of the Bank of Queensland matter, which is being appealed (2013: nil).

#### Annual leave and long service leave

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

#### Employee bonus

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 20: Non-current liabilities – debt securities

	Consolidated	
	2014 \$	2013 \$
Bonds <sup>1</sup>	47,758,026	-
Convertible notes <sup>2</sup>	-	36,324,499

1 Included transaction costs of \$2,326,739.

2 Included transaction costs of \$1,366,366.

### Bonds issued during the year

On 24 April 2014, the Company issued 500,000 Bentham IMF Bonds with a face value of \$100 each. The interest rate payable to Bondholders quarterly will be a variable rate based on the Bank Bill Rate plus a fixed margin of 4.20% per annum. The Bentham IMF Bonds will mature on 30 June 2019. The Bondholders have been granted security over the Company's assets.

The Company is required to pay the Bondholders interest payable quarterly in arrears, with the first interest quarter being 30 June 2014. The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of \$650,750 (2013: \$nil) as part of the Litigation Contracts in Progress intangible assets deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009 (refer to Note 17).

### Convertible notes

On 13 December 2010 the Company issued 23,702,415 convertible notes raising total capital of \$39,108,985 (excluding costs). Each convertible note had a face value of \$1.65 and had the right to convert into one ordinary share. The Noteholders had been granted security over the Company's assets.

The convertible notes were convertible at the option of the Noteholder by 31 December 2014. The Company had the ability to request the Noteholder to elect to either convert or be repaid after 31 December 2012. On 14 October 2013 the Company issued an early redemption notice to all Noteholders to either convert their convertible notes into shares by 13 December 2013 or the Company would redeem the convertible notes. During the redemption period, 16,447,169 convertible notes were converted into ordinary shares.

On 20 December 2013, all of the outstanding convertible notes were redeemed. The security over the Company's assets was subsequently released.

The Company was required to pay the Noteholders interest of 10.25% per annum, payable quarterly in arrears, with the first interest quarter being 31 December 2010. The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of \$274,383 (2013: \$3,695,697) as part of the Litigation Contracts in Progress intangible assets deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009 (refer to Note 17). At 30 June 2013, the carrying amount of the convertible notes approximated their fair values.

The application of AASB 132 Financial Instruments: Disclosure and Presentation has resulted in \$4,068,682 (net of transaction costs before tax) of these convertible notes being classified as equity (refer to Note 22).

## Note 21: Contributed equity

	Consolidated	
	2014 \$	2013 \$
Issued and fully paid ordinary shares	112,050,208	41,912,195

### (a) Ordinary shares

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

	Number	\$
<b>Movement in ordinary shares</b>		
As at 30 June 2012	123,207,662	41,909,483
Convertible notes converted	1,710	2,712
As at 30 June 2013	123,209,372	41,912,195
Shares issued during the year (Placement and SPP)	24,723,602	42,031,791
Transaction costs associated with share issue	-	(1,198,499)
Convertible notes converted	16,447,169	27,631,244
Shares issued under the Dividend Reinvestment Plan	990,126	1,673,477
As at 30 June 2014	165,370,269	112,050,208

On 14 October 2013 the Company issued 18,481,406 shares to sophisticated and institutional investors at \$1.70 per share. On 1 November 2013 the Company issued 6,242,196 shares under its Share Purchase Plan at \$1.70 per share.

Between 1 July 2013 and 18 December 2013 a total of 16,447,169 convertible notes were converted into shares at \$1.68 per share (see Note 20). On 4 April 2014 the Company issued 990,126 under its Dividend Reinvestment Plan at \$1.69 per share.

### (b) Share options

At 30 June 2014, there were no unissued ordinary shares in respect of which options were outstanding (2013: nil).

### (c) Capital management

Capital includes bonds (and in the prior year the convertible notes) and equity attributable to the equity holders of the Parent. When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The earnings of the Group are lumpy and this is forecast to continue into the future. Management's policy is to pay dividends to shareholders from earnings where there is capital surplus to the needs of the business. The present view of management is that the business requires a cash balance of \$100 million.

At 30 June 2014 the cash balance of the Group was above its preferred optimum level of \$100 million.

The Group is not subject to any externally imposed capital requirements. However, if the cash and receivables balances of the Group fall below 75% of the principal due to bondholders, the Group is not permitted to pay a dividend to ordinary shareholders (this calculation is to be undertaken both before and after the proposed dividend).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 22: Retained earnings and reserves

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

	Consolidated	
	2014 \$	2013 \$
Balance 1 July	76,356,253	62,542,186
Net profit for the year	9,868,350	13,814,067
Dividend paid	(14,379,475)	-
Dividend payable	-	-
Balance 30 June	71,845,128	76,356,253

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

	Option premium reserve \$	Net unrealised gains reserve \$	Convertible notes reserve \$	Total reserves \$
At 1 July 2012	3,403,720	30,332	3,832,216	7,266,268
At 30 June 2013	3,403,720	-	3,832,216	7,235,936
Transfer to profit and loss	-	-	-	-
At 30 June 2014	3,403,720	-	3,832,216	7,235,936

### (c) Nature and purpose of reserves

#### (i) Option premium reserve

This reserve is used to record the value of equity benefits provided to employees and directors, including Key Management Personnel, as part of their remuneration. Refer to Note 26 for further details of these payments.

#### (ii) Net unrealised gains reserve

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

#### (iii) Convertible note reserve

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

## Note 23: Statement of cash flows reconciliation

### (a) Reconciliation of net profit after tax to net cash flows used in operations:

	Consolidated	
	2014 \$	2013 \$
<b>Net profit attributable to members of the Parent</b>	9,868,350	13,814,067
<i>Adjustments for:</i>		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows to/(from) investing activities	14,893,372	(42,647,840)
Depreciation	222,654	246,362
Loss recognised on remeasurement to fair value	-	(2,296)
Convertible note accretion	2,487,502	1,381,953
Loss/(Profit) on sale of shares	3,833	37,854
Unrealised foreign exchange (gain)/loss	52,287	(890,861)
Share of loss in joint venture	653,721	-
Bond amortisation	84,765	
Other	(7,036)	(25,739)
<i>Changes in assets and liabilities</i>		
Decrease/(Increase) in receivables	(34,201,818)	43,577,383
Decrease/(Increase) in other current assets	(157,564)	286,341
Decrease/(Increase) in intangible assets	(12,508,735)	(20,123,097)
Increase/(Decrease) in trade creditors and accruals	455,766	(4,445,357)
Increase/(Decrease) in interest accruals	(360,820)	67,034
Increase/(Decrease) in provisions	5,186,162	(6,224,895)
Increase/(Decrease) in deferred tax liabilities	(2,008,281)	3,573,427
Increase/(Decrease) in current income tax liability	6,245,881	(15,429,490)
Increase/(Decrease) in non-current employee entitlements	310,856	-
Net cash (used in) operating activities	(8,779,105)	(26,805,154)

### (b) Disclosure of financing facilities

Refer to Note 12 and Note 20.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 24: Related party disclosure

### Transactions with director related entities

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

	Consolidated	
	2014 \$	2013 \$
Fee revenue from Joint Venture	251,670	-
Transactions with related parties	356,371	22,937
	608,041	22,937

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

## Note 25: Key management personnel

### (a) Details of Key Management Personnel

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

### (b) Compensation of Key Management Personnel

	Consolidated	
	2014 \$	2013 \$
Short-term employee benefits – salaries and wages	3,796,614	3,631,962
Short-term employee benefits – accrued and unpaid <sup>1</sup>	1,524,000	-
Post-employment benefits	107,994	98,038
Long service leave accrued during the year	162,706	77,534
	5,591,314	3,807,534

<sup>1</sup> As at 30 June 2014 bonuses had been declared to be payable over the following nine month period.

## Note 26: Share-based payment plan

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

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

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

In 2007 the Company implemented a STI, which replaced the ESOP, and which may also, at the discretion of the Remuneration Committee, provide benefits to employees in the form of share based payments. STI payments to date have been settled in cash.

Previously, the Company had an ESOP, which provided benefits to directors and employees in the form of share based payments. The options were not quoted on the ASX and the granting of the options under the ESOP did not entitle any option holder to any dividend or voting rights or any other rights held by a shareholder, until exercise of the options. Each option entitled the option holder to one ordinary share in the Parent on exercise. There were no cash settlement alternatives.

### (c) Summaries of options

There are no options outstanding at 30 June 2014 or 30 June 2013.

## Note 27: Commitments and contingencies

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

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

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

	Consolidated	
	2014 \$	2013 \$
Within one year	983,985	697,292
After one year but no more than five years	2,309,360	1,122,354
After more than five years	–	–
Total minimum lease payments	3,293,345	1,819,646

### (b) Remuneration commitments

	Consolidated	
	2014 \$	2013 \$
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities payable:		
Within one year	5,257,348	4,419,257
After one year but no more than five years	–	–
	5,257,348	4,419,257

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

### (c) Contingencies

As at 30 June 2014, the Group has three cases that are under appeal (2013: four cases). The total income recognised by the Group from the cases remaining on appeal in the current financial year is \$nil (previous financial years: \$14,353,414). A provision has been raised in relation to the appeal in the Bank of Queensland case (see Note 19). The total current and non-current receivables as at 30 June 2014 relating to cases under appeal is \$14,353,414 (2013: \$35,232,181).

In certain jurisdictions litigation funding agreements contain an undertaking from the Company to the client that the Company will pay adverse costs awarded to the successful party in respect of costs incurred during the period of funding, should the client's litigation be unsuccessful. It is not possible to predict in which cases such an award might be made or the quantum of such awards. In addition the Company has insurance arrangements which, in some circumstances, will lessen the impact of such awards. In general terms an award of adverse costs to a defendant will approximate 70% of the amount paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant).

Accordingly, an estimate of the total potential adverse costs exposure of the Group which has accumulated from time to time may be made by assuming all cases are lost, that adverse costs equal 70% of the amount spent by the plaintiff and that there is only one defendant per case.

As at 30 June 2014 the total amount spent by the Company where undertakings to pay adverse costs have been provided was \$54,008,238 (2013: \$54,265,117). The potential adverse costs orders using the above methodology would amount to \$37,805,767 (2013: \$37,985,582). The Company does not currently expect that any of the matters will be unsuccessful. The Company maintains a large cash holding in case one or more matters are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 28: Economic dependency

Bentham IMF Limited is not economically dependent on any other entity.

## Note 29: Events after the reporting date

On 18 June 2014 the litigation funded by the Company against KPMG was settled in principle. IMF is unable to estimate the revenue or profit from this settlement until certain steps in the settlement are undertaken. It is envisaged these steps will be completed by the end of December 2014.

On 7 July 2014 the litigation funded by the Company by the Liquidator of ZYX Learning Centres Limited (Receivers & Managers Appointed) (In Liquidation) (formerly ABC Learning Centres Limited) was settled in principle and a Deed of Settlement has now been entered into. It is estimated that IMF will receive approximately \$17,000,000 from the settlement and generate a total profit after capitalised overheads of approximately \$5,000,000 (before tax) from this matter and the shareholder claims against ABC Learning that IMF is also funding.

## Note 30: Auditor's remuneration

The auditor of Bentham IMF Limited is EY.

Amounts received or due and receivable by EY for:

An audit or review of the financial report of the Parent and any other entity in the Group

Other services in relation to the Parent and any other entity in the Group:

Tax compliance

Consolidated	
2014	2013
\$	\$
292,277	259,566
129,448	109,301
<b>421,725</b>	<b>368,867</b>

## Note 31: Parent entity information

### Information relating to Bentham IMF Limited:

Current assets

Total assets

Current liabilities

Total liabilities

### Net assets

Issued capital

Retained earnings

Option premium reserve

Convertible note reserve

### Total shareholders' equity

Profit or loss of the Parent

### Total comprehensive income of the Parent

2014	2013
\$	\$
165,093,474	86,585,654
275,313,909	198,639,840
(21,246,355)	(22,521,126)
(91,419,217)	(83,032,440)
<b>183,894,692</b>	<b>115,607,400</b>
112,050,208	41,912,195
64,608,548	66,459,269
3,403,720	3,403,720
3,832,216	3,832,216
<b>183,894,692</b>	<b>115,607,400</b>
12,528,756	13,825,053
<b>12,528,756</b>	<b>13,825,053</b>

The Parent has not entered into any guarantees with any of its subsidiaries.

### Note 31: Parent entity information (continued)

Details of the contingent liabilities of the Parent are contained in Note 27(c). There are no contingent liabilities in relation to the subsidiaries.

Details of the contractual commitments of the Parent are contained in Notes 27(a) and 27(b). There are no contractual commitments in relation to the subsidiaries.

#### Tax consolidation

##### (i) Members of the tax consolidated group

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

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

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

##### Tax consolidation contributions/(distributions)

IMF has recognised the following amounts as tax-consolidation contribution adjustments:

	<b>Bentham IMF Limited</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Total increase in tax liability and cost of investment in subsidiaries of Bentham IMF Limited	(945)	(3,398)

The consolidated financial statements include the financial statements of IMF and the subsidiaries listed in the following table:

<b>Name</b>	<b>Country of Incorporation</b>	<b>Percentage owned</b>	
		<b>2014</b>	<b>2013</b>
		<b>%</b>	<b>%</b>
Financial Redress Pty Ltd	Australia	100	100
Bentham Holdings Inc	USA	100	100
Bentham Capital LLC	USA	100	100
Security Finance LLC	USA	100	100

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014 (continued)

## Note 32: Interest in a joint venture

The Group has a 50% interest in Bentham Ventures B.V. a jointly controlled entity principally involved in the funding of litigation throughout Europe but primarily in the United Kingdom and the Netherlands. Bentham Ventures B.V. is the parent entity of Bentham Europe Limited which is principally involved in marketing the funding services offered by its parent and the investigation and monitoring of the litigation funded by its parent.

The Group's interests in Bentham Ventures B.V., is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on its Australian Accounting Standards financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below:

	<b>Bentham IMF Limited</b>	
	<b>2014</b>	<b>2013</b>
Current assets	4,813,167	-
Non-current assets	5,833	-
Current liabilities	(2,512,003)	-
Non-current liabilities	-	-
<b>Equity</b>	<b>2,306,997</b>	<b>-</b>
Proportion of the Group's ownership	50%	-
Carrying amount of the investment	1,153,499	-
<b>Summarised statement of profit or loss of Bentham Ventures B.V.</b>		
Revenue	-	-
Other Income	-	-
Corporate and office expense	(913,915)	-
Other expenses	(393,528)	-
<b>Loss before tax</b>	<b>(1,307,443)</b>	<b>-</b>
Income tax expense	-	-
Loss for the year	(1,307,443)	-
Share of loss in joint venture entity	(653,721)	-

The Bentham Ventures B.V. joint venture was incorporated during March 2014.

The joint venture had no contingent liabilities and a total of \$51,228 in commitments as at 30 June 2014.

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## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Bentham IMF Limited, we state that:

In the opinion of the Directors:

- a. the financial statements and notes of Bentham IMF Limited for the financial year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of its financial position as at 30 June 2014 and performance for the year ended on that date; and
  - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2;
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- d. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2014.

On behalf of the Board



**Robert Ferguson**

Chairman

Sydney 21 August 2014



**Hugh McLernon**

Managing Director

# INDEPENDENT AUDITOR'S REPORT



Ernst & Young  
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## Independent auditor's report to the members of Bentham IMF Limited

### Report on the financial report

We have audited the accompanying financial report of Bentham IMF Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

### Independence

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

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# INDEPENDENT AUDITOR'S REPORT



## Opinion

In our opinion:

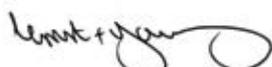
- a. the financial report of Bentham IMF Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 13 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Bentham IMF Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



G H Meyerowitz  
Partner  
Perth  
21 August 2014

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Bentham IMF Limited (“IMF”) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of IMF on behalf of the shareholders by whom they are elected and to whom they are accountable. The following table is a summary of the ASX Corporate Governance Principles and Recommendations and the Group’s compliance with these guidelines and should be read in conjunction with the further details and rationale of the Company’s corporate governance practices in this report.

Recommendation	Comply Yes / No
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes
2.1 A majority of the Board should be independent directors.	Yes
2.2 The chair should be an independent director.	Yes
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4 The Board should establish a nomination committee.	Yes
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>– the practices necessary to maintain confidence in the Company’s integrity;</li> <li>– the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>– the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes Yes Yes
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Yes
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes
4.1 The Board should establish an audit committee.	Yes
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>– consists of only non-executive directors;</li> <li>– consists of a majority of independent directors;</li> <li>– is chaired by an independent chair, who is not chair of the Board; and</li> <li>– has at least three members.</li> </ul>	Yes Yes Yes Yes
4.3 The audit committee should have a formal charter.	Yes
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes

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

The Company's corporate governance practices were in place throughout the year ended 30 June 2014.

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company refer to our website [www.benthamimflimited.com.au](http://www.benthamimflimited.com.au).

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# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## Board Functions

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

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

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

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

To this end the Board has established the following committees:

- Audit;
- Remuneration; and
- Nomination.

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

In addition to the above committees, a Corporate Governance Committee was established on 13 August 2014.

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

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

Other functions reserved to the Board include:

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

## Structure of the Board

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

The composition of the Board consists of three executive directors and four independent non-executive directors. The Board believes that the majority of the individuals on the Board can, and do, make independent judgements in the best interests of the Group on all relevant issues.

The Board has in place a number of policy measures to ensure that independent judgment is achieved and maintained in respect of its decision-making processes, including:

- the Chairman is an independent director and has a casting vote at Board meetings where the votes of the directors are tied;
- the Chairman has been appointed for a fixed term ending on 4 November 2014;
- the directors are able to obtain independent professional advice at the expense of the Group;
- Directors who have a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic; and
- at least half of the Board consists of independent directors.

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

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

<b>Name</b>	<b>Position</b>
Robert Ferguson	Chairman
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

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

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

<b>Name</b>	<b>Position</b>
Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director
Clive Bowman	Executive Director – Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

For additional details regarding Board appointments, please refer to the Group's website.

## **Trading Policy**

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

The policy allows dealing in the Company's securities except during defined closed periods, being:

- the four weeks prior to and the 24 hours after the release of the Company's half-yearly results;
- the four weeks prior to and the 24 hours after the release of the Company's preliminary final results;
- the four weeks prior to and the 24 hours after the release of the Company's final results; nor
- the two weeks prior to and 24 hours after the holding of the Annual General Meeting;

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company. A copy of the Company's trading policy can be obtained from its website.

## **Audit Committee**

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

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

The members of the Audit Committee during the year were: Alden Halse (Chairman), Michael Bowen, and Robert Ferguson.

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

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# CORPORATE GOVERNANCE STATEMENT

CONTINUED

## Risk

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

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

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

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

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

## Managing Director and Chief Financial Officer Certification

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

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

## Performance

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

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

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

- the annual report which is distributed to all shareholders;
- the half-yearly report circulated to the Australian Securities Exchange and the Australian Securities & Investments Commission; and
- the Annual General Meeting and other shareholder meetings so called to obtain approval of Board action as appropriate.

## Remuneration

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

- retention and motivation of key executives;
- attraction of high quality management to the Group; and
- performance incentives that allow executives to share in the success of the Group.

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

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

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were:

Michael Bowen (Chairman)

Alden Halse

Robert Ferguson

Wendy McCarthy has now been appointed to the Remuneration Committee. For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

## Diversity

It is the Company's objective to support female representation at senior leadership and Board levels. Although the Company advocates greater transparency and measurability of progress, it does not endorse female participation quotas.

The Company has implemented policies that promote the following:

- equal opportunity based upon capabilities and performance;
- attraction and retention of a diverse range of talented people;
- awareness of the differing needs of a diverse range of employees;
- provision of flexible work practices and policies to support all employees; and
- promotion of a culture that is free from discrimination, harassment and bullying.

The Board receives a report on an annual basis that provides the following information:

- total female employees: 14 (2013: 12); total employees: 32 (2013: 28);
- total female investment managers: 3 (2013: 2); total investment managers: 13 (2013: 12); and
- total female Key Management Personnel: 1 (2013: 1); total Key Management Personnel: 5 (2013: 5).

The IMF Nomination Committee will endeavour to improve the diversity of the Board at any time nominations are required to fill a Board position, and were pleased to improve the Board's diversity with the appointment of Wendy McCarthy to the Board on 11 December 2013.

# SHAREHOLDER INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 31 July 2014.

## (a) Distribution of Shareholders

### Ordinary Share Capital

165,370,269 fully paid ordinary shares are held by 6,058 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

### Bonds

There are 500,000 bonds issued held by 258 individual bond holders.

### Options

There are no options issued over ordinary shares.

The number of shareholders by size of holding, in each class are as at 31 July 2014:

	Number	Fully paid ordinary shares	Number	Bonds
1 - 1,000	961	504,597	207	81,376
1,001 - 5,000	2,151	6,177,586	38	67,259
5,001 - 10,000	1,278	9,457,702	4	31,980
10,001 - 100,000	1,554	37,530,946	9	319,385
100,001 and over	114	111,699,438	-	-
	6,058	165,370,269	258	500,000

## (b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 31 July 2014 are:

Shareholder	Number of ordinary Shares	% of issued capital
Acorn Capital Limited	9,567,088	5.79%
Ellerston Capital Limited	8,770,756	5.30%
	18,337,844	11.09%

**(c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2014**

<b>Ordinary Shares</b>		<b>Number of ordinary shares</b>	<b>% of issued capital</b>
1.	J P MORGAN NOMINEES AUSTRALIA LIMITED	23,195,917	14.03%
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	17,730,955	10.72%
3.	NATIONAL NOMINEES LIMITED	17,078,543	10.33%
4.	CITICORP NOMINEES PTY LIMITED	6,771,543	4.09%
5.	MCLERNON GROUP SUPERANNUATION PTY LTD	4,855,081	2.94%
6.	LEGAL PRECEDENTS PTY LIMITED <WALKER INVESTMENT A/C>	2,445,530	1.48%
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,421,703	1.46%
8.	BNP PARIBAS NOMS PTY LTD <DRP>	2,373,726	1.44%
9.	MR HUGH MCLERNON	2,176,125	1.32%
10.	AMP LIFE LIMITED	1,757,176	1.06%
11.	MR JOHN WALKER	1,677,633	1.01%
12.	MR ROBERT ALEXANDER FERGUSON	1,670,000	1.01%
13.	MR DENNIS JOHN BANKS <THE BANKS FAMILY A/C>	1,134,841	0.69%
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,132,843	0.69%
15.	BETA GAMMA PTY LTD <WALSH STREET SUPER FUND A/C>	1,081,072	0.65%
16.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	973,388	0.59%
17.	MR CLIVE NORMAN BOWMAN	858,981	0.52%
18.	MR DENNIS JOHN BANKS + MRS JANINE ANNE BANKS <THE BANKS SUPER FUND A/C>	739,893	0.45%
19.	CHARANDA NOMINEE COMPANY PTY LTD <GREYCLIFFE SUPER FUND A/C>	593,341	0.36%
20.	BOUCHI PTY LTD	532,587	0.32%
		<b>91,200,878</b>	<b>55.15%</b>

**(d) Options as at 31 July 2014- unquoted**

There are no options issued.

**(e) Securities subject to escrow**

There are no securities subject to escrow.

# SHAREHOLDER INFORMATION

CONTINUED

## (f) 20 Largest Holders of Quoted Bonds as at 31 July 2014

Bond Holders	Number of Bonds	% of units
1. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PICREDIT>	91,000	18.20%
2. UBS NOMINEES PTY LTD	62,500	12.50%
3. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	52,500	10.50%
4. NATIONAL NOMINEES LIMITED	29,541	5.91%
5. CITICORP NOMINEES PTY LIMITED	24,000	4.80%
6. SANDHURST TRUSTEES LTD <LMA A/C>	20,514	4.10%
7. AUST EXECUTOR TRUSTEES LTD <DDH PREFERRED INCOME FUND>	14,735	2.95%
8. ONE MANAGED INVESTMENT FUNDS LIMITED ACF SANDON CAPITAL INVESTMENTS LI	12,375	2.48%
9. ATKONE PTY LTD	12,220	2.44%
10. INVIA CUSTODIAN PTY LIMITED <TORRYBURN SF - FIXED IN A/C>	8,980	1.80%
11. NAMANGI PTY LIMITED	8,000	1.60%
12. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,500	1.50%
13. MCLERNON GROUP SUPERANNUATION PTY LTD <MCLERNON SUPER FUND A/C>	7,500	1.50%
14. MR SIMON PETER PRICE + MS RACHEL EMMA FERGUSON <GIRAFFE SUPER FUND A/C>	5,000	1.00%
15. JONWEN FINANCIAL SERVICES PL <THE ZUPP FAMILY A/C>	3,500	0.70%
16. TANK LORD PTY LTD	2,750	0.55%
17. AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	2,600	0.52%
18. DYSPO PTY LTD <HENTY SUPER FUND A/C>	2,500	0.50%
19. ESCOR INVESTMENTS PTY LTD <FF A/C>	2,500	0.50%
20. MRS BEVELLY MITCHELL	2,500	0.50%
	372,715	74.55%

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# CORPORATE INFORMATION

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

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 4 to 19. The Directors' Report is not part of the financial report.

## Directors

Robert Ferguson	Non-Executive Chairman
Hugh McLernon	Managing Director
John Walker	Executive Director
Clive Bowman	Executive Director - Director of Operations
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

## Company secretary

Diane Jones

## Principal registered office in Australia

Level 10, 39 Martin Place  
Sydney NSW 2000  
Phone: (02) 8223 3567 | Fax: (02) 8223 3555  
[www.benthamimflimited.com.au](http://www.benthamimflimited.com.au)

## Solicitors

HARDY BOWEN  
Level 1, 28 Ord Street  
West Perth WA 6005

## Share registry

COMPUTERSHARE REGISTRY  
GPO Box 2975  
Melbourne VIC 3001  
Phone: 1300 557 010

## Auditors

EY  
The EY Building  
11 Mounts Bay Road  
Perth WA 6000

## Bankers

NATIONAL AUSTRALIA BANK LIMITED  
255 George Street  
Sydney NSW 2000

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

Standard & Poor's HQ ...

We lost  
the case!

Weird, we gave  
ourselves a  
AAA chance of  
success...



CLEMENT





[www.benthamimflimited.com.au](http://www.benthamimflimited.com.au)

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