

**IMF**  
**BENTHAM**  
INTERNATIONAL LITIGATION FUNDING



Annual Report **2017**

# Contents

---

**IMF Bentham Limited is a leading global litigation funding company with an unparalleled record of success achieved over 16 years since listing on the Australian Securities Exchange in 2001.**

**IMF operates globally from 11 offices in Australia, USA, Canada and Singapore, providing funding to plaintiffs, law firms and corporations for legal disputes.**

**Our highly experienced team of investment managers ensures the strongest cases receive funding and support to facilitate their successful resolution.**

<b>1</b>	Highlights
<b>2</b>	IMF's Track Record of Success
<b>3</b>	Chairman's and Managing Director's Report
<b>11</b>	Directors' Report
<b>35</b>	Auditor's Independence Declaration
<b>36</b>	Statement of Comprehensive Income
<b>37</b>	Statement of Financial Position
<b>38</b>	Statement of Cash Flow
<b>39</b>	Statement of Changes in Equity
<b>40</b>	Notes to the Financial Statements
<b>75</b>	Directors' Declaration
<b>76</b>	Independent Auditor's Report
<b>81</b>	Corporate Governance Statement
<b>90</b>	Shareholder Information
<b>93</b>	Corporate Information



# Highlights

**INVESTMENTS**  
(\$ Million)



**CASH**  
(\$ Million)



**TOTAL DIVIDEND**  
(cents/share)



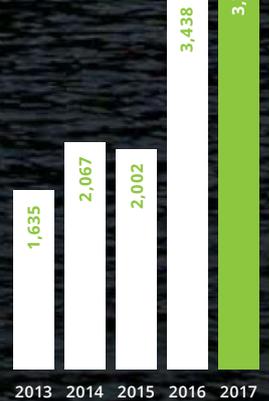
**\$25.7** Million  
Profit before tax

**\$113** Million  
Gross income from  
litigation funding

**NET ASSETS**  
(\$ Million)



**PORTFOLIO**  
(\$ Million)



# IMF's Track Record of Success

**\$2.1 billion**

Total recoveries

**\$1.3 billion**

Returns for funded claimants

**91%**

Success Rate



**2.6 years**

Average case length

**1.6X**

Return on Invested Capital

**162**

Number of cases funded to completion

The Funding Track Record does not include withdrawn cases.

# Chairman's and Managing Director's Report

The 2017 financial year was a productive year for the IMF Bentham Group. Some good case completions delivered positive financial results and significant progress has been made on our five-year business plan which commenced in FY2016. In particular, we continue to reduce risk by increasing the number of our case investments as well as diversifying the geography and type of our investments.

Simultaneously we are also reducing risk and increasing returns through more sophisticated capital management. If we can maintain this course, there exists real potential for strong profitable growth in the years ahead.

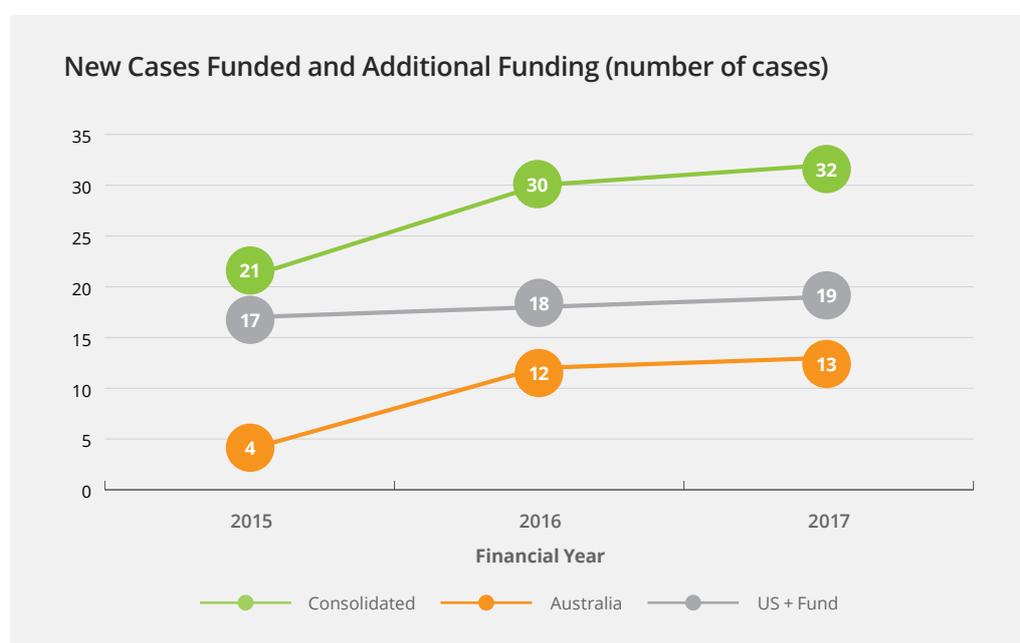
## Financial Results

The financial results for the year ended 30 June 2017 reflect a year of stability as well as consolidation of the gains from the previous year.

Income for the year was derived from several partial completions and 11 full completions, including two large completions that book-ended the year, being Rivercity in the first half, and a confidential Hong Kong matter in the second half. These results represent the second highest gross income in our history and whilst pleasing for shareholders and the company, continue to highlight the concentration risk that will remain until our transition is completed.

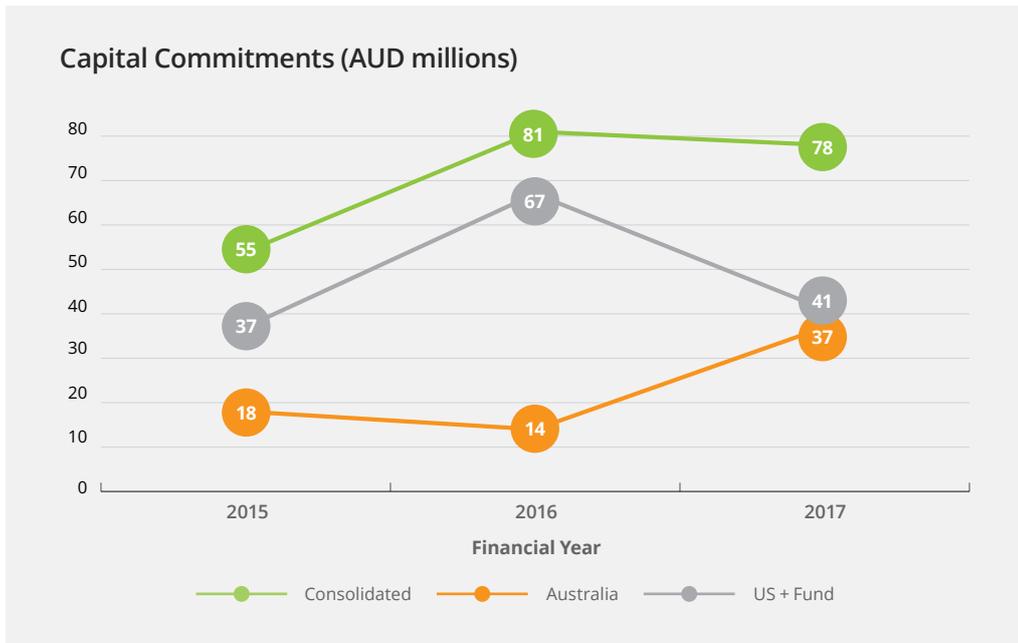
Return on assets has decreased from 6.7% in 2016 to 4.2% for 2017, but shows a 110.0% increase over the 2015 metric of 2.0%. Return on equity comparisons tell a similar story with a fall from 10.8% in 2016 to 7.6% in the current year, but demonstrate a 153.0% increase on 2015 from 3.0%.

We set a target for the year to fund 54 new matters with a total capital commitment of \$107 million. During the year, we committed to fund 26 new matters and committed additional funding for 6 existing matters for a total capital commitment of \$78 million.



# Chairman and Managing Director's Report

(continued)



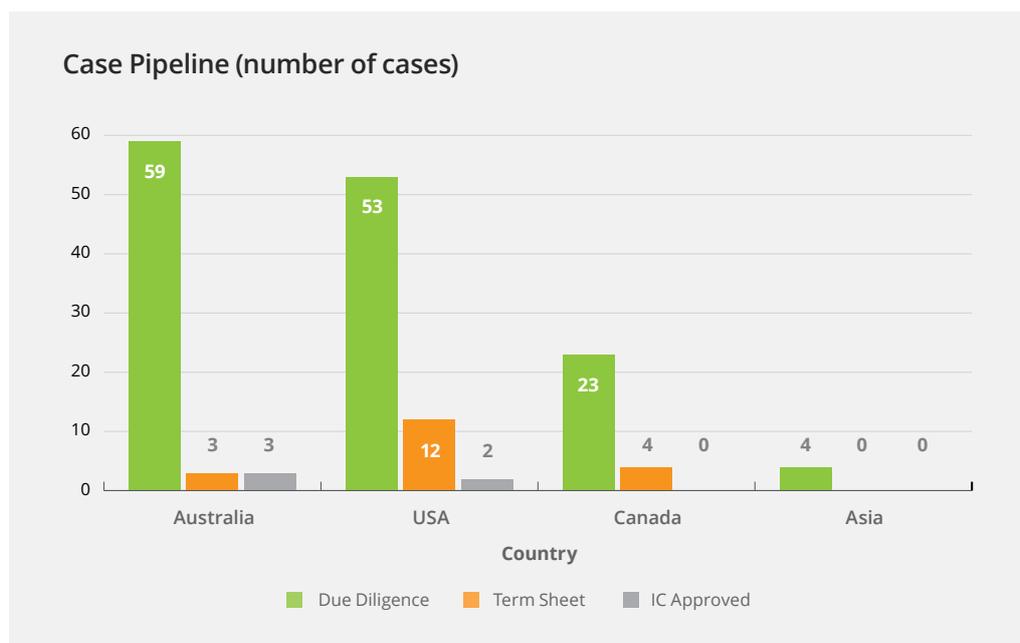
In FY17 we had anticipated an increase in the number of smaller size matters we would fund, largely in Australia, involving insolvency related matters. However, we did not achieve that outcome, which reflects both a limited number of opportunities compared to what we had expected, and a failure to secure those fewer opportunities that were available. We have taken steps to address this, both in terms of the structure of our product offering, and in our staffing.

In addition, the Investment Committees conditionally approved seven matters with capital commitments totalling \$28 million. In aggregate, in FY17 we sourced and committed to, unconditionally and conditionally, 39 matters with total capital commitments of \$106 million. These are new records for the group, both in terms of number of matters and capital commitments, and reflect the successful execution of strategy to diversify our book of investments.

In relation to these additional matters that were conditionally approved, we note that we do not control when a matter will be funded, as conditions for approval, such as bookbuild on multi-party matters or third-party approvals for entering into a litigation funding agreement, are to some extent beyond our control. We also note that a number of these conditionally approved matters have now become unconditional, and will be reflected in the FY18 results.

We now have 65 active matters in Australia, the US, Canada and Asia with a total estimated portfolio value of \$3.8 billion, both of which are significant increases from last year. This has translated to an increase in the value of our investments (in the form of intangible assets) from \$146 million at 30 June 2016 to \$191 million at 30 June 2017, being a 31% increase year-on-year.

Our pipeline for potential new investments is the strongest ever in the history of IMF. The graph below depicts the pipeline at 30 June 2017, of the 163 matters across all jurisdictions:



It should be noted that term sheets have not been widely used in Australia to date, compared to their prevalence in other jurisdictions. As new product offerings are introduced, the use of term sheets will be assessed.

With the strength of the pipeline and infrastructure in all jurisdictions, we aim to achieve new records in FY18 for the number of matters funded, and capital committed. We have set ourselves a target of 64 matters funded and capital commitments of \$138 million.

In summary, our investment into diversification is reflected in the actual results achieved to date, and is expected to be reflected in income in the coming years as cases complete.

### Strategy

In 2015 we undertook a strategic review to identify an approach to stabilise income and mitigate idiosyncratic risk, being the risk associated with the binary outcome of an individual investment, and liquidity risk. That review resulted in a five-year business plan, which was implemented at the start of the 2016 financial year. The business plan identified that, given the duration of our investments, there would be a three-year transition phase, and the effect of this strategy would not be fully reflected at least until FY19.

We are now two years through this process and whilst we continue to execute on this strategy, we remain exposed to idiosyncratic risk associated with two large investments in Wivenhoe and Westgem. These matters are expected to complete in FY18 and FY19, respectively.

The basic theme of our business plan is diversification by geography, as well as the number and types of cases.

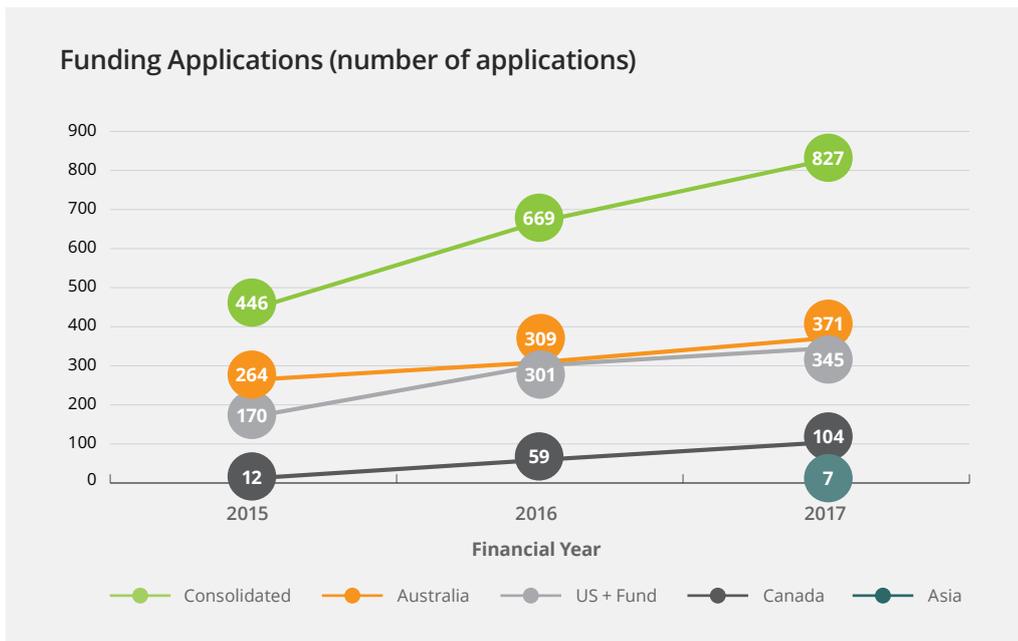
### Operational Diversification

We have initiated several steps to diversify risks at an operational level, starting with an expansion of our geographic footprint. The purpose of this expansion was to mitigate concentration risk associated with operating from only one or two jurisdictions, providing us with exposure to different regulatory regimes, courts, and legal systems.

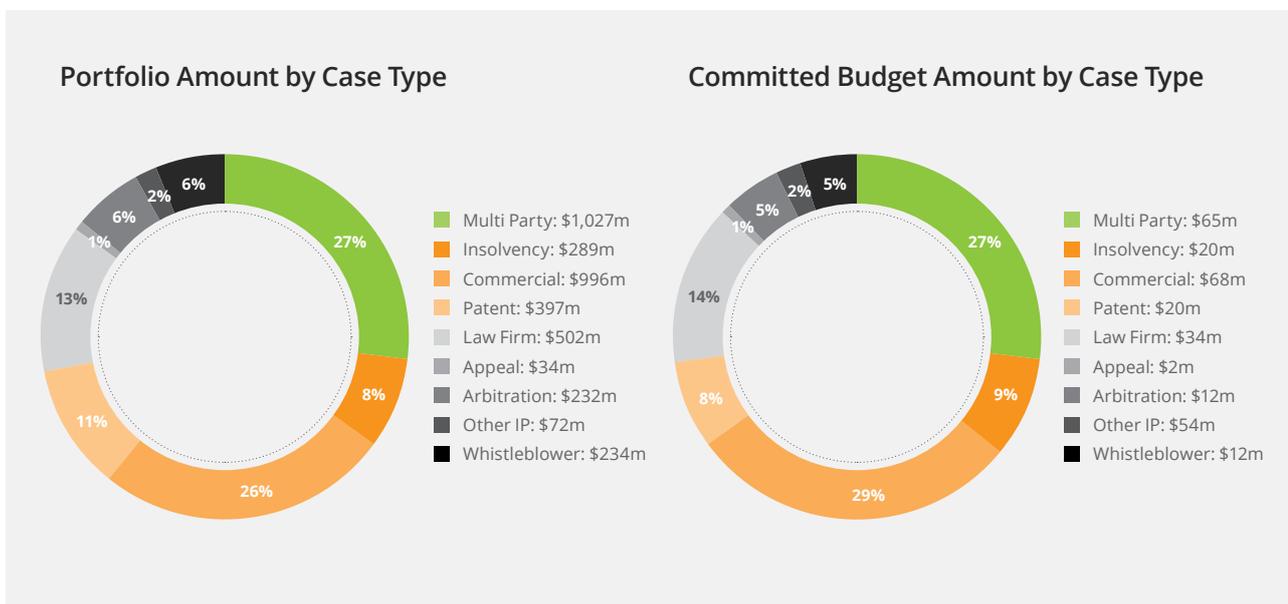
# Chairman and Managing Director's Report

(continued)

We opened offices in San Francisco in May 2015, Toronto in January 2016, Houston in February 2017 and Singapore in April 2017, and now operate from 11 offices around the world. These new offices have provided greater exposure to the new jurisdictions of Canada and Asia, and to further markets in the US. This has improved sourcing of potential investment opportunities, as reflected below:



In addition to expanding our footprint, we have sought to identify different opportunities for funding within each of those relevant jurisdictions. We have developed and rolled out, in various jurisdictions, funding products associated with insolvency, family law, corporate funding, whistleblower and law firm contingent fee portfolio funding.



To support our growth plans we have invested in our operational infrastructure, increasing headcount in all areas of the business from 42 at 30 June 2015 to 63 at the close of the 2017 financial year. We have invested in staff ahead of the growth curve expanding our investment manager cohort, and our finance and legal teams in order to support our plans.

We have also enhanced our client liaison group and IT development teams who now provide us with a comparative difference not only in Australia, but also internationally. During the year, our client group and IT development teams were instrumental in developing and launching our *MyIMF* portal, enabling clients access to case data, correspondence and claim details on a real-time basis. Clients can now monitor the progress of their various claims directly via the portal.

We have also taken steps to enhance our corporate governance through the regeneration of our Board and executive teams, reducing the number of Executive Directors, and increasing the proportion of non-Executive Directors. We have appointed a new Chairman, Managing Director, Company Secretary, Chief Financial Officer, and Chief Investment Officer for the US.

### **Thank you to Alden Halse and welcome to Karen Phin**

It is with an enormous amount of appreciation that we advise that Alden Halse, who has served as a Board member, and former Chairman of the company, is retiring from the Board after 17 years of service. Alden was our inaugural Chairman, has provided service on all committees and has chaired the Audit Committee throughout his tenure. We thank Alden for his service and contribution.

We look forward to welcoming a new Board member, Karen Phin, whose appointment is planned for August 2017. Karen will then retire at the AGM to be formally considered for appointment by the shareholders.

### **Investment Committees**

We have taken steps to enhance our Investment Committee process to address the substantial increase in the volume of cases under consideration. We have created three committees, split by investment size and jurisdiction, although there remains a number of common threads between the committees to ensure a consistent application of risk management. We have also added external resources to our committees in the form of two former judges, Judge Vaughan R. Walker and Mr John Sulan QC, both of whom are an important part of risk management and enhance the quality of our decision making.

Judge Walker served as a United States District Judge for the Northern District of California from 1990 to 2011 and was Chief Judge from 2004 to 2011. Judge Walker is a member of the two Investment Committees which consider US matters for funding.

John Sulan QC served as a Justice of the Supreme Court of South Australia from 2003 until 2016 and in the District Court from 1997 to 2003. John Sulan serves on our Investment Committee to consider large investment opportunities in non-US jurisdictions.

### **Capital Diversification**

To facilitate growth and meet working capital needs in a low completion environment, we accessed the bond market in April 2016 and April 2017 to raise, in aggregate, \$72 million in the form of a fixed-interest note that matures in June 2020. This debt instrument has provided us with the opportunity to raise capital to fund growth without having to access the equity market in a dilutive capital raise. We have reached our maximum appetite for debt at this stage, and do not anticipate further debt issues at this time.

One of the most significant developments for IMF in the past few years has been the launch of our first fund, Bentham Fund No 1 for US investments, in February 2017. This Fund is a critical capital management initiative as it reduces risk and increases returns to shareholders. The IMF Group and affiliated entities of Fortress Credit Advisers LLC have committed up to US\$200 million to this Fund, which provides IMF with the benefits of leveraging our portfolio of investments with non-recourse capital, whilst potentially delivering similar returns to those that can be achieved from a direct investment from our own balance sheet.

The Fund is developing well with 8 new matters funded and further funding provided for 1 existing Bentham Capital investment with total commitments of US\$17.25 million at 30 June 2017. There has been some criticism that the average investment size into this Fund is too small, and that we should be pursuing larger investment opportunities. It is important to note that:

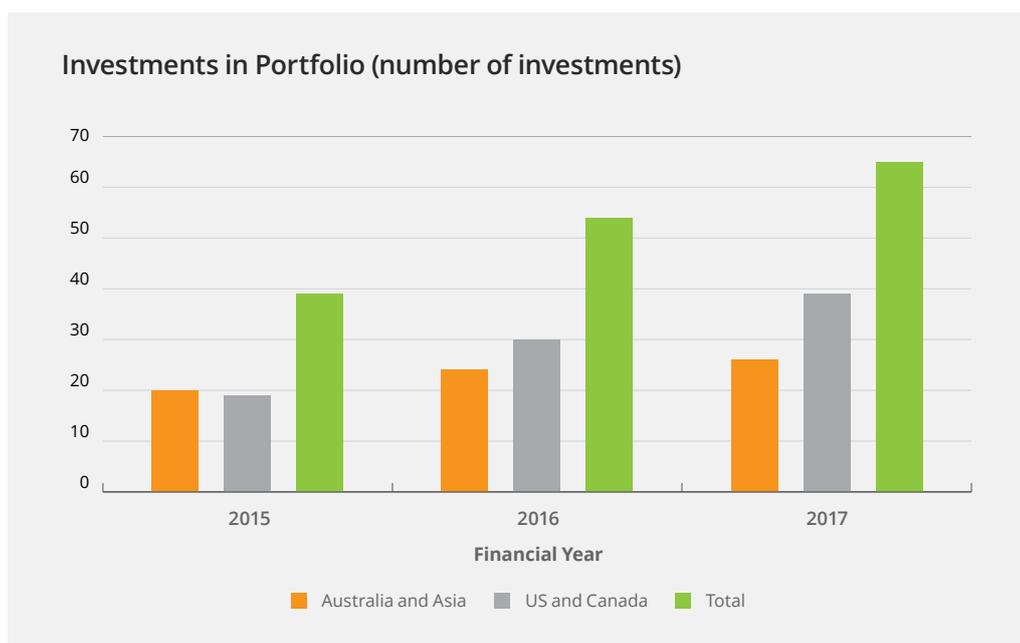
- a. IMF, like all funders, is a deal taker, such that when we are presented with an investment opportunity that meets our commercial and legal criteria, we will fund it, notwithstanding that the investment size may be smaller than our average; and
- b. our intention is to create a diversified portfolio of investments by both claim size and type, so that we avoid concentration risk. To focus exclusively on large investments, simply because we have access to capital through this Fund, ignores the benefits that a systemic approach delivers.

# Chairman and Managing Director's Report

(continued)

## Balance Sheet Risks

We have sought to diversify risk in relation to our balance sheet via operational and capital diversification strategies. These are reflected in several outcomes including a greater than 20% increase in the number of matters we are currently funding, as summarised below:



This is also reflected in the increase in the level of our investments, which has increased from \$100 million in 2015 to \$191 million in 2017. These investments are measured at cost, representing direct expenses and capitalised costs that are required to be recognised by the accounting standards. Our capitalisation rate has decreased over time partly because of the increase in the proportion of US investments that require less management time, and now represent 17% of the intangibles balance. We do not include unrealised gains in our assets, which are highly subjective to measure given the binary nature of litigation outcomes.

In addition, we have taken steps to mitigate the risks associated with our two largest investments, Wivenhoe and Westgem, through a combination of co-funding and adverse cost insurance.

## New Initiatives for FY18

We have implemented several initiatives to support our strategy to diversify, including the roll out of new product offerings and the enhancement of operational efficiencies with the launch of electronic sign-up for multi-party actions. In FY18 we intend to explore the launch of our second fund that will be coupled with a world first adverse cost insurance program. We will also explore further geographic expansion into Europe following the expiry of our restraint period in mid-July 2017 which arose from the sale of our joint venture interest there.

We have added to our product range with the launch of new product offerings in relation to insolvency related funding and corporate funding.

In Australia we have experienced a high level of competition for funding for insolvency matters, both from funders and legal service providers, who are willing to operate on a “no win, no fee” basis, with the insolvency practitioner absorbing the adverse cost risk. As such, it has been necessary to identify an alternative approach, which has evolved from a recent change in the law, to acquire legal claims from insolvency practitioners, who can now dispose of legal claims, both on behalf of the company, and their personal capacity. We are uniquely placed, with the relevant experience, relationships and balance sheet to implement this approach. This product offering will see IMF purchasing the legal claims, for a part payment and a part success fee, which should result in a greater return to IMF than we have previously been able to achieve from the traditional funding model.

In relation to corporate funding, we have traditionally focussed on the insolvent or impecunious plaintiff to provide litigation funding. However, these traditional users of our funding represent a small proportion of the total market. We have launched a product to fund solvent and financial plaintiffs which should expand our potential market. This product is available in all of the jurisdictions in which we operate. The benefits for these plaintiffs include the ability to free up cashflow to use for needs other than funding litigation, to mitigate adverse cost risk, and to reduce management time associated with managing the litigation.

**We are excited about the launch of these offerings, and whilst we expect they will take some time to gain traction, we see these as significant opportunities for the future.**

We have made a significant investment, over a number of years, into the development of our Client Group and IT Development teams. These teams provide IMF with a unique comparative advantage, as we are one of the only funders in the world to have the infrastructure to manage multi-party matters internally. Our teams have successfully managed multi-party actions that involve several thousand group members. As the next step in the evolution of our multi-party capacity, we will launch an electronic sign-up of group members, which will expedite the process for registration, and further improve our efficiency. The Client Group and IT Development teams have been instrumental in the development of this capacity.

At the time of writing we are working on our second fund for investments in all jurisdictions other than the US. Like the fund for US investments, this fund is intended to reduce risk and enhance returns to shareholders. This second fund will provide capital for matters in jurisdictions where there is adverse cost risk, which has been one of the significant impediments to structuring investments in a fund, given the need to retain funds to meet adverse costs, which in turn results in significant capital inefficiencies.

To address this, for the past 15 months we have been working with our insurance brokers on the development of a world first portfolio policy for adverse costs. We understand that IMF is unique in its capacity to obtain this cover, and is a result of the quality of our procedures and processes, and our success rate over a 16-year period. The availability of this cover will enable us to fully deploy the fund, and thereby potentially achieve the full economic benefit of this structure. IMF plans to launch this fund in FY18.

Finally, the restraint period following the sale of our joint venture interest in Europe expired in mid-July 2017. Following the expiry of this restraint period we will be able to fund matters in Europe. We are presently exploring the various options available to us to resume funding in this jurisdiction, including opportunistic investments, re-establishing a "greenfield" office or acquisition.

In summary, this past year has been a period of further consolidation of the strategy implemented in FY16, which is now translating into real outcomes. These outcomes are the result of an enormous effort by the entire IMF staff, and we take this opportunity, on behalf of the Board, to thank them all for their efforts. We remain confident in our strategy and our people to complete the strategic transition that underpins our plans for growth and risk management. We believe we have the right strategy and the right talent to create strong profitable growth in the years ahead in an industry that is still in its infancy in some of the biggest markets in the world.



**Andrew Saker**  
Managing Director and CEO



**Michael Kay**  
Non-Executive Chairman

# Financial Report

The directors of IMF Bentham Limited  
 (“IMF” or “the Company” or “the Parent”)  
 submit their report for the year ended 30 June 2017.

11	Directors’ Report
35	Auditor’s Independence Declaration
36	Statement of Comprehensive Income
37	Statement of Financial Position
38	Statement of Cash Flow
39	Statement of Changes in Equity
40	Notes to the Financial Statements
40	Note 1: Corporate information
40	Note 2: Summary of significant accounting policies
47	Note 3: Financial risk management objective and policies
50	Note 4: Significant accounting judgments, estimates and assumptions
51	Note 5: Segment information
51	Note 6: Revenue
52	Note 7: Other income
52	Note 8: Expenses
53	Note 9: Income tax
56	Note 10: Dividends paid and proposed
57	Note 11: Earnings per share
58	Note 12: Current assets – cash and cash equivalents
58	Note 13: Trade and other receivables
59	Note 14: Current assets – other assets
60	Note 15: Non-current assets – plant and equipment
61	Note 16: Intangible assets
62	Note 17: Current liabilities – trade and other payables
63	Note 18: Current and non-current liabilities – provisions
64	Note 19: Non-current liabilities – debt securities
64	Note 20: Contributed equity
65	Note 21: Retained earnings and reserves
66	Note 22: Statement of cash flows reconciliation
67	Note 23: Related party disclosure
67	Note 24: Key management personnel
68	Note 25: Share-based payments
68	Note 26: Commitments and contingencies
69	Note 27: Economic dependency
69	Note 28: Events after the reporting date
69	Note 29: Auditor’s remuneration
70	Note 30: Parent entity information
71	Note 31: Material partly-owned subsidiaries
73	Note 32: Discontinued operations
75	Directors’ Declaration
76	Independent Auditor’s Report
81	Corporate Governance Statement
90	Shareholder Information
93	Corporate Information

# Directors' Report

The directors of IMF Bentham Limited ("IMF" or "the Company" or "the Parent") submit their report for the year ended 30 June 2017.

## 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

#### Michael Kay

##### (Non-Executive Chairman)

Michael Kay was appointed the Company's Non-Executive Chairman on 1 July 2015. Mr Kay holds a Bachelor of Laws degree from the University of Sydney. Mr Kay brings a wealth of commercial experience to IMF. Most recently he was Chief Executive Officer and managing director of listed salary packaging company McMillan Shakespeare Ltd, a position he held for six years. Previously Mr Kay had been CEO of national insurer AAMI after serving in a variety of senior roles with that company. Prior to joining AAMI he had spent 12 years in private legal practice. He is a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne.

Mr Kay:

- is a non-executive director of RAC Insurance Pty Limited;
- is a non-executive director of Quintis Limited;
- is chairman and non-executive director of Lovisa Holdings Limited; and
- is chairman and executive director of ApplyDirect Limited.

Mr Kay is a member of the audit and risk committee, remuneration committee, corporate governance committee and nomination committee.

During the past three years he has not served as a director of any listed company other than IMF Bentham Limited, Quintis Limited, Lovisa Holdings Limited, ApplyDirect Limited and McMillan Shakespeare Ltd.

#### Andrew Saker

##### (Managing Director and Chief Executive Officer)

Andrew Saker was appointed Managing Director and CEO on 5 January 2015. Mr Saker holds a Bachelor of Commerce degree in Accounting and Finance. He is a Member of the Institute of Chartered Accountants and was an Official Liquidator of the Supreme and Federal Courts until his appointment at IMF.

Mr Saker was a partner at Ferrier Hodgson, a leading provider of corporate recovery, insolvency management and restructuring services throughout Australia and Asia for 16 years.

Mr Saker is a member of the nomination committee.

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

#### Hugh McLernon

##### (Executive Director)

Hugh McLernon is a lawyer by training. He holds a Bachelor of Laws degree from the University of Western Australia. After graduation he worked as a Crown Prosecutor for eight years and then as a barrister at the independent bar for a further nine years, before joining Clayton Utz for three years as 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 and retired from that role on 5 January 2015.

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 an associate member of the Institute of Chartered Accountants and the Australian Institute of Company Directors. Previously Mr Halse 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:

- is a past president and current councillor of the Royal Automobile Club of WA (Inc);
- is a non-executive chairman of RACWA Holdings Pty Ltd; and
- is non-executive chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer.

# Directors' Report

(continued)

Mr Halse was appointed to the board as a non-executive director in December 2001 and is chair of the audit and risk committee and nomination committee and a member of the remuneration committee and corporate governance committee.

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

## Michael Bowen

(Non-Executive Director)

Michael Bowen graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is a Certified Practising Accountant of CPA Australia. Mr Bowen is a partner of the law firm DLA Piper practicing primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources.

Mr Bowen was appointed to the board as a non-executive director in December 2001 and is chair of the remuneration committee and a member of the corporate governance committee, audit and risk committee and nomination committee.

Mr Bowen is also a non-executive director of Trek Metals Limited. During the past three years he has not served as a director of any listed company other than IMF Bentham Limited and Trek Metals Limited.

## Wendy McCarthy

(Non-Executive Director)

Wendy McCarthy AO started her career as a secondary school teacher, graduating from the University of New England with a Bachelor of Arts and Diploma of Education. She moved out of the classroom into public life in 1968 and since then has worked for change across the business, government and not-for-profit sectors, in education, family planning, human rights, public health, overseas aid and development, conservation, heritage, and media.

She has held many significant leadership roles in key national and international bodies including eight years as deputy chair of the Australian Broadcasting Corporation, ten years as Chancellor of the University of Canberra, and 12 years of service to Plan Australia as chair, with three years as global deputy chair for Plan International. She has just stepped down after eight years as chair of headspace, the National Youth Mental Health Foundation.

Ms McCarthy currently chairs Circus Oz and is the deputy-chair of Goodstart Early Learning. She is a patron of the Sydney Women's Fund and Ambassador for 1 Million Women. Ms McCarthy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women's affairs and the Bicentennial celebrations, and received a Centenary of Federation Medal for business leadership. She was also awarded an Honorary Doctorate from the University of South Australia.

Ms McCarthy was appointed to the board as a non-executive director in December 2013 and is chair of the corporate governance committee and a member of the audit and risk committee, remuneration committee and nomination committee.

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

## Julia Yetsenga

(Chief Financial Officer)

Julia Yetsenga has been a member of Chartered Accountants Australia and New Zealand for over 25 years. She holds a Bachelor of Economics from the Australian National University and a graduate diploma in Applied Finance and Investment from FINSIA. She has a wealth of experience in senior finance roles for private and ASX listed companies both in Australia and overseas.

## Jeremy Sambrook

(General Counsel and Company Secretary)

Jeremy Sambrook is an experienced corporate lawyer having practised in the United Kingdom, Hong Kong and the Channel Islands before moving to Australia. He holds a Bachelor of Laws degree from the University of Bristol, United Kingdom, and has a broad based in-house legal and private practice background.

Following seven years working at a leading London law firm, Mr Sambrook moved to one of Europe's largest international hedge fund managers as Corporate Legal Counsel with responsibility for a wide variety of corporate group projects, becoming a partner in 2010 and going on to manage the off-shore head office prior to moving with family to Australia in 2013. Immediately prior to joining IMF, Mr Sambrook was a Special Counsel in the Corporate team at DLA Piper Australia in Perth.

## Interests in shares, bonds and performance rights of the Company

As at the date of this report, the interests of the directors in shares, IMF Bentham Bonds, Fixed Rate Notes and share performance rights of the Company were:

	Number of ordinary shares	Number of IMF Bentham Bonds	Number of Fixed Rate Notes	Number of performance rights
Michael Kay	307,692	–	–	–
Andrew Saker	158,317	–	100	1,018,167
Hugh McLernon	5,299,045	7,500	–	960,292
Michael Bowen	977,234	1,500	–	–
Alden Halse	879,780	750	–	–
Wendy McCarthy	–	–	–	–
<b>Total</b>	<b>7,622,068</b>	<b>9,750</b>	<b>100</b>	<b>1,978,459</b>

Further details of the interests of the directors in the shares, bonds and performance rights of the Company as at the date of this report are set out in the Remuneration Report included within the Directors' Report.

## Dividends

The directors have today declared a final fully franked dividend of 4.0 cents per share for the 2017 financial year totalling \$6.882m. The record date for this dividend is 26 September 2017 and the payment date will be 20 October 2017. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 23 February 2017 the directors declared a fully franked interim dividend of 3.0 cents per share totalling \$5.136m. The record date for this dividend was 28 March 2017 and the payment date was 21 April 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 23 August 2016, the directors declared a final fully franked dividend of 7.5 cents per share for the 2016 financial year totalling \$12.709m. The record date for this dividend was 27 September 2016 and the payment date was 21 October 2016. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

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 12 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

IMF Bentham 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, Security Finance LLC, Bentham IMF Holdings 1 LLC, Bentham IMF 1 LLC, Security Finance 1 LLC, Bentham IMF Capital Limited, Lien Finance Canada Limited and IMF Bentham Pte Limited ("the Group" or "consolidated entity").

# Directors' Report

(continued)

## 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 funding agreements with claimants or law firms to provide these services. The Group does not provide legal advice. 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 from the recovery amount and, depending on the jurisdiction, may also be reimbursed the costs it has paid during the course of the funded litigation. The fee is structured as either a multiple of funds provided or a percentage of the settlement or judgment proceeds and may 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 any 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 the world. Originating in Australia in 2001, the Group expanded into the USA opening an office in New York in 2012. Since that time, offices have been opened in Los Angeles in 2014 and San Francisco in 2015, followed by the newest addition in Houston in early 2017.

The Group has continued to expand its geographic footprint with the opening of an office in Toronto, Canada in January 2016 and in 2017 IMF established a presence in Singapore following the introduction of legislation permitting litigation funding for international arbitration. IMF has also funded three cases in Hong Kong, two of which have now completed.

The Group has funded this expansion by retaining earnings and issuing shares and bonds. During the year the Group issued Secured Fixed Rate Corporate Notes raising \$40.000m. These notes form a single series together with the existing Notes issued in the prior financial year which raised \$32.000m. The interest rate payable to Noteholders is 7.4% per annum paid half yearly and the Notes are due to mature on 30 June 2020.

On 30 June 2016 the Group concluded the sale of its interest in the joint venture established to investigate, manage and fund litigation in Europe. The Group has been restrained from undertaking certain activities in certain areas of Europe for 12 months following the date of termination, which period expired in July 2017. The Group is exploring options in relation to re-entering this market.

In February 2017, the Group launched its first fund, Bentham Fund No 1 for US investments. The Group and affiliated entities of Fortress Credit Advisers LLC have committed up to US\$200.000m to this Fund to be deployed on US cases over a three year period. Benefits to IMF include diversification of risk through a larger investment portfolio while leveraging this portfolio with non-recourse capital and freeing up IMF capital for redeployment into other jurisdictions.

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 are 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 also creates diversification across jurisdictions.

The Group discloses the material cases it funds to the ASX as those cases are funded. The Group also provides, on a quarterly basis, an estimated portfolio value of those cases in the portfolio. The estimated portfolio value is IMF's current best estimate of the claim's recoverable amount (or remaining recoverable amount if there has been partial recovery). It considers, where appropriate, the perceived capacity of the defendant to meet the claim. It is not necessarily the same as the amount being claimed by the funded claimants in the case and it is also not the estimated return to the Group from the case if it is successful. IMF also provides case updates on its website: [www.imf.com.au/cases](http://www.imf.com.au/cases).

## Operating and financial review (continued)

### Investment portfolio report at 30 June 2017

During the financial year, the Group restructured the presentation of its quarterly case investment portfolio and now reports on its US and Canadian cases on the basis of committed and deployed capital. This is due to the fact that in North America, IMF generally makes capped capital investments and usually earns revenues by reference to a multiple of investment. In Australia and Asia, investments are generally uncapped and revenues are usually based on a percentage of proceeds so IMF considers that the estimated portfolio value remains the appropriate reporting methodology for funded cases in these jurisdictions.

#### Consolidated

##### Global

Estimated portfolio value

<\$50m

\$50m – \$100m

>\$100m

**Total portfolio**

	Number of cases	Estimated portfolio value \$m	Percentage of total estimated portfolio value
<\$50m	43	1,011	27%
\$50m – \$100m	11	731	19%
>\$100m	11	2,040	54%
<b>Total portfolio</b>	<b>65</b>	<b>3,782</b>	<b>100%</b>

#### Regional

##### Australia and Asia

Estimated portfolio value

Claims <\$50m

Claims >\$50m

**Total portfolio**

	Number of cases	Estimated portfolio value \$m	Percentage of total estimated portfolio value
Claims <\$50m	18	346	22%
Claims >\$50m	8	1,263	78%
<b>Total portfolio</b>	<b>26</b>	<b>1,609</b>	<b>100%</b>

##### US, US Fund and Canada

#### Invested capital

US and Canada cases

US Fund cases

**Total**

	Number of cases	Capital value \$m	Percentage of total estimated capital value
US and Canada cases	31	86	89%
US Fund cases	8	11	11%
<b>Total</b>	<b>39</b>	<b>97</b>	<b>100%</b>

#### Remaining commitment to be deployed

US and Canada cases

US Fund cases

**Total**

**Total commitments**

US and Canada cases	31	22	66%
US Fund cases	8	11	34%
<b>Total</b>	<b>39</b>	<b>33</b>	<b>100%</b>
<b>Total commitments</b>	<b>39</b>	<b>130</b>	

# Directors' Report

(continued)

## Operating and financial review (continued)

The estimated portfolio value of IMF's cases increased 10% in the year to 30 June 2017 from \$3.438b to \$3.782b. IMF commenced 26 new cases during the year and extended funding on a further 6 cases, which have a maximum claim value at 30 June 2017 of \$1.114b (2016: 27 new cases and extended funding on a further 3 cases which had an estimated portfolio value of \$1.417b).

During the financial year, IMF concluded 11 matters (2016: 12). All were settled and there were no losses (2016: 5) and one withdrawal (2016: one withdrawal). Three matters are currently on appeal (2016: 3).

While the Group has implemented a risk mitigation and diversification strategy by expanding geographically and diversifying its product offering across jurisdictions, case updates to its two largest investments are below.

The trial in the class action concerning Wivenhoe Dam has been delayed to now start on 4 December 2017 and following the court break over Christmas and January will resume on 12 February 2018. The Representative has been given leave to rely on further evidence and to further amend its statement of claim. There is a participation agreement between IMF and the co-funder to share equally the costs (including any adverse costs) of, and to share any return from, this claim.

The Westgem matter is set for trial commencing in March 2018. Interlocutory proceedings (including a further mediation) are likely in the period before the trial commences.

The Group's US operations (Bentham) funded 13 matters (2016: 15) in the US during the reporting period, including 8 cases in the US Fund. Bentham has now funded a total of 53 cases since being established in August 2011. In line with the increase in matters funded, Bentham's contribution to the estimated portfolio value of IMF's investment portfolio has increased by over 32% to \$2.173b (2016: \$1.642b) over the year. This now represents 58% (2016: 48%) of IMF's investment portfolio.

Two US cases were resolved during the year, none of which were losses (2016: 4 losses). There are currently three cases in the US on appeal. Income was also received in relation to 9 matters (2016: 5 matters) involving funding law firms across a portfolio of cases. Gross income generated from these cases was \$1.043m (2016: \$21.219m).

The US business now has 15 staff, including 6 investment managers and 5 legal counsel. The investment managers are all former senior litigation attorneys, each of between 15 to 25 years' legal experience. This enables significant case analysis to be performed in-house, whilst providing great networks to attract new business.

Although uncertainty in US law concerning whether funders' communications are protected from disclosure inhibits IMF's usual transparency about the cases it funds, we can say that Bentham's US business now contains a diverse group of litigation and arbitration matters. These involve commercial, patent, arbitration and qui tam cases across a variety of different jurisdictions. Bentham has also now provided funding to 9 law firms secured across a portfolio of cases being conducted by the law firms on a contingency basis, adding to the growth and diversity of our product offerings in the US. It is worth noting that there are clear signs of growing competition in the US market, but market knowledge of litigation funding remains at a relatively early stage and we consider there remain good prospects for the future growth of our US business.

## Employees

At 30 June 2017, IMF employed 63 permanent staff (full time equivalents), including the two executive directors, providing investigative, computer, accounting and management expertise (2016: 56 full time equivalent 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 2017:

Shareholder Returns	2017	2016
Basic earnings per share (cents per share)	9.04	12.38
Diluted earnings per share (cents per share)	8.68	12.38
Return on assets (NPAT/average assets)	4.2%	6.7%
Return on equity (NPAT/average equity)	7.6%	10.8%
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)

Nine matters (2016: eight) generated income greater than \$0.500m during 2017, underpinning the Group's profitability and shareholder returns. The following summarises cases finalised during 2017:

Date commenced	Litigation contract matter name	Claim value in latest investment portfolio prior to matter finalisation	Total litigation contract income	Total litigation contract expenses (including capitalised overheads)	Net gain/ (loss) on disposal of intangible asset
		\$'000	\$'000	\$'000	\$'000
Completed in the current financial year:					
9 April 2011	River City	250,000	40,128	(11,470)	28,658
9 January 2015	Confidential Hong Kong Matter	82,000	31,193	(9,260)	21,933
19 December 2012	Confidential settlement	86,000	19,668	(16,361)	3,307
25 October 2016	Confidential settlement	24,000	4,128	(1,830)	2,298
2 December 2015	USA Case 030	19,638	2,871	(1,762)	1,109
23 June 2015	USA Case 023	14,608	1,495	(639)	856
4 May 2009	Confidential settlement	5,700	2,957	(1,474)	1,483
5 November 2012	Confidential settlement	5,000	2,708	(1,270)	1,438
31 May 2016	Confidential settlement	5,000	745	(145)	600
	Other - 2 matters	1,580	436	(159)	277
	Further recoveries on completed matters		163	(21)	142
	Further recoveries on continuing matters		6,571	(6,441)	130
	Other <sup>1</sup>		266	(8,398)	(8,132)
			113,329	(59,230)	54,099

1. Other matters include due diligence expenses for cases not funded.

The Group has finalised 162 (2016: 151) investments since listing, excluding withdrawals, with an average investment period of 2.6 years (2016: 2.6 years). The Group has generated a return on every dollar invested of 1.55 times (excluding overheads) (2016: 1.60 times). IMF has a target to complete cases within 2.5 years and to generate a return on every dollar invested of 2 times (excluding overheads).

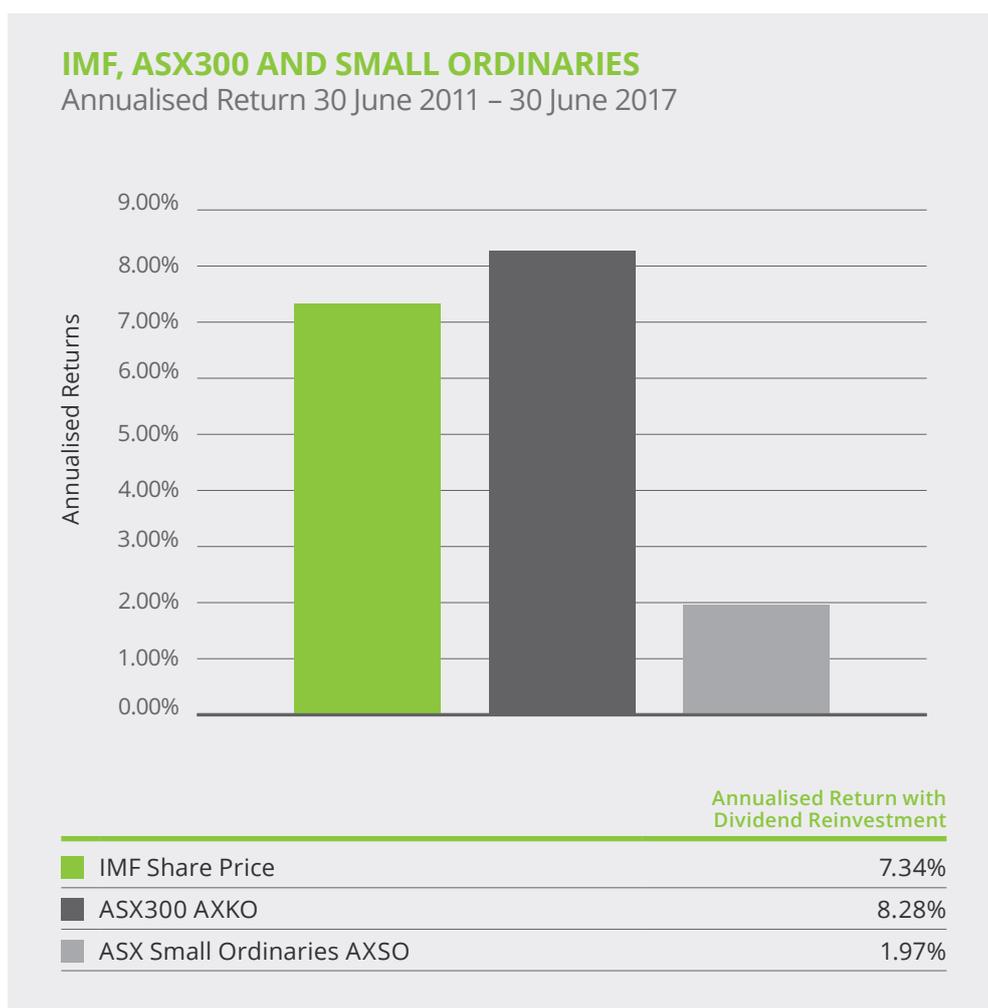
The investment portfolio as at 30 June 2017 has a mixture of both mature and new investments, with 31% of the investment portfolio expected to finalise over the next 12 months (2016: 21%). IMF is focused on replacing and growing the investment portfolio within its conservative investment protocols.

# Directors' Report

(continued)

## Operating and financial review (continued)

IMF's share price closed at \$1.89 per share on 30 June 2017 (2016: \$1.53). IMF entered the ASX top 300 companies on 20 March 2009, when its share price was \$1.15. Since entering the index, IMF has outperformed the ASX Small Ordinaries Index on an annualised basis from 30 June 2011 to 30 June 2017 as detailed 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 2017 of \$4.384m (2016: increase of \$10.241m). Operating activities used \$50.880m of net cash outflows (2016: net cash outflow of \$34.916m), whilst cash flows from investing activities were \$22.219m (2016: \$20.612m), and financing activities raised \$33.045m (2016: \$24.545m) principally as a result of the Fixed Rate Note capital raise.

## Operating and financial review (continued)

### Asset and capital structure

	2017 \$'000	2016 \$'000	Change %
Cash and short term deposits	144,891	142,529	2%
Total debt <sup>1</sup>	(119,469)	(79,504)	50%
Net debt <sup>2</sup>	25,422	63,025	(60%)
Total equity	206,253	201,388	2%
Gearing Ratio <sup>2</sup>	nil	nil	n/a
Interest Cover <sup>3</sup>	n/a	n/a	n/a
Working Capital Ratio	4.2:1	4.8:1	(13%)

- Total debt is \$122.000m. \$50.000m relates to the IMF Bentham Bonds issued in April 2014, while during the financial year, the Company issued Fixed Rate Notes to the value of \$40.000m to form a single series with \$32.000m issued in the prior financial year. Transaction costs of \$3.595m are being written-back to the carrying value of the bonds over their life. (See Note 19)
- Net debt is positive as cash and short term deposits are greater than total debt.
- The application of AASB 123 Borrowing Costs has resulted in the capitalisation of interest associated with the IMF Bentham Bonds and the Fixed Rate Notes as the Company's intangible assets are qualifying assets.

It is the Group's policy to maintain significant cash reserves to ensure sufficient liquidity to fund operating activities and to meet all funding obligations.

In April 2017, the Company issued 40,000 Fixed Rate Notes with a face value of \$1,000 each raising \$40.000m to form a single series with the Notes issued in the prior financial year. In April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of \$1,000 each, raising \$32.000m.

Interest of 7.4% per annum is payable to Noteholders half yearly. The Fixed Rate Notes are due to mature on 30 June 2020 and are secured by a security interest over all present and after-acquired property of IMF. IMF has an early redemption option on these Notes at 30 June 2019.

In April 2014, the Company issued 500,000 IMF Bentham 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 4.2% per annum. The Bonds are due to mature on 30 June 2019 and are secured by a security interest over all present and after-acquired property of IMF.

### Profile of debts

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

	2017 \$'000	2016 \$'000	Change %
Non-current			
IMF Bentham Bonds	(49,104)	(48,656)	1%
Fixed Rate Notes	(70,365)	(30,848)	128%
<b>Total debt<sup>1</sup></b>	<b>(119,469)</b>	<b>(79,504)</b>	<b>50%</b>

- Total debt is \$122.000m. \$50.000m relates to the IMF Bentham Bonds issued in April 2014, while \$82.000m relates to the Fixed Rate Notes of which \$40.000m were issued in April 2017 and \$32.000m were issued in the prior financial year. Transaction costs of \$3.595m are being written-back to the carrying value of the bonds over their life. (See Note 19)

### Shares issued during the year

On 21 April 2017, the Company issued 855,956 shares at \$1.7398 per share and on 21 October 2016, the Company issued 1,734,555 shares at 1.7546 per share under its Dividend Reinvestment Plan.

# Directors' Report

(continued)

## Operating and financial review (continued)

### Capital expenditure

There has been a slight decrease in capital expenditure during the year ended 30 June 2017 to \$0.979m from \$1.109m in the year ended 30 June 2016. The capital expenditure in 2017 relates primarily to the fit-outs of the Sydney and New York offices.

### 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 its 16 years of operation IMF has lost only 15 cases out of 162 matters funded and completed (excluding withdrawals). The Company has an investment protocol in relation to case selection and a rigorous due diligence process which ensures that only cases with a very good chance of success are accepted for funding. The Group also insures a portion of its adverse costs order exposure and enters into co-funding arrangements when appropriate.

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, as required.

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

The Victorian Law Reform Commission is reviewing issues around access to justice in respect of litigation funding and class actions. The review is in the consultation phase and IMF is currently involved in this process and will provide a written submission in September 2017. At the present time, it is too early to be definitive as to whether or not any legislation will be proposed or adopted as a result of the review that will affect IMF's operations in Victoria.

In September 2015, IMF responded to a letter from the United States Senate Committee on the Judiciary seeking information in relation to third party litigation financing. IMF is not aware of any further developments since that letter was issued. State based legislation in the area of litigation funding remains a risk factor for IMF to monitor. While a number of legislative initiatives have focused on consumer-related actions, there remains potential for these to have a non-material impact on IMF's US operations.

The position relating to third party litigation funding in Singapore and Hong Kong has continued to develop over the past twelve months. In Singapore, a law was passed in January 2017 abolishing the torts of maintenance and champerty and permitting third party funding of international arbitration. In Hong Kong, amendments to the Arbitration Ordinance were passed in June 2017 and will come into effect later in 2017. These developments will continue to provide opportunities for the Group to expand its business in Asia.

IMF, like all businesses, faces the risk of damage to its reputation, name or brand which could materialise from various sources. The Group aspires to maintain an excellent reputation for strong risk management discipline, a client-centric approach and an ability to be flexible and innovative. The Group recognises the serious consequences of any adverse publicity or damage to reputation, whatever the underlying cause. We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. Strategic and reputational risk is mitigated as much as possible through detailed processes and governance involving escalation procedures from investment managers to management and from management to the board, and from regular, clear communication with shareholders, clients and all stakeholders. Whilst seeking to clearly differentiate itself in the industry, IMF may suffer indirect reputational damage from the actions of other participants that draw criticism of the industry more broadly.

The Company has considered its exposure to economic, environmental and social responsibility risks and further detail of this assessment and the mitigations in place is included in the Directors' Report. The Company has determined that it does not, at this time, have a material exposure to environmental or social sustainability risks but will continue to monitor this position.

## Corporate Social Responsibility

As IMF has become an integral part of the litigation landscape in Australia, the Group believes it is important that it should support initiatives which make a positive contribution to the operation and effectiveness of the civil litigation process. IMF has a policy to provide funds to support initiatives which are relevant to IMF's funding business and role within the civil justice system and which offer a symbiotic benefit to IMF. An example of recent initiatives are the IMF Bentham Class Actions Research Initiative in conjunction with the University of NSW and in the US, IMF's support for the Civil Justice Research Institute at the University of California.

### Significant changes in the state of affairs

Total equity increased 2% to \$206.253m from \$201.388m at 30 June 2016. 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

There have been no significant events after reporting date.

### Likely developments and expected results

Approximately 31% of the investment portfolio at 30 June 2017 is estimated to complete over the next 12 months. Accordingly, should these cases complete on favourable terms, the directors consider that the Company is likely to generate a profit in this period. The estimated completion period is IMF's current best estimate of the period in which the case may be finalised. The case may finalise earlier or later than the identified period for various reasons. Completion means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded client. It may not follow that the financial result will be accounted for in the year of finalisation. Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.

IMF expects demand for its funding to continue in Australia, particularly as we are the leading funder in this market. The establishment of our subsidiaries in the United States, Canada and Singapore has resulted in increased funding opportunities. Competition, however, is increasing and is expected to increase further in the coming years with new entrants coming into all markets in which IMF operates. 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 11,177,055 share performance rights 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, amongst others:

- a. wilful breach of duty; or
- b. 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 \$449,700 during the current financial year (2016: \$223,000).

#### 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.

# Directors' Report

(continued)

Dear Shareholder,

On behalf of the Board and as Chairman of the Remuneration Committee, I am pleased to present IMF's 2017 Remuneration Report.

IMF implemented a new variable remuneration framework which first applied in the 2016 financial year. The framework is designed to align executive reward and shareholder value and to incentivise achievement of IMF's business strategy over both the shorter and longer terms. The variable remuneration framework applies to the whole group and was developed to reflect industry standards and to ensure that executives are appropriately rewarded for delivering sustained group performance.

The remuneration structure now provides for a material portion of 'at-risk' remuneration linked to both short-term and long-term performance. Levels of fixed remuneration of IMF's senior employees are reflective of the private practice professional services market within which the company competes for talent. Investment managers are invariably at or around the partner level prior to joining IMF. IMF has structured its executive remuneration framework so that it is market competitive and complementary to the reward strategy of the organisation in order to attract and retain high calibre executives.

The variable remuneration framework for Key Management Personnel ("KMP") consists of two components:

- A Short Term Incentive Plan ("STIP") that provides for an annual cash payment, subject to the achievement of four key financial and non-financial performance objectives, measured at the group, regional and individual levels. The target STIP payment is 35% of any employee's Total Fixed Remuneration ("TFR"), with the potential to earn a further 10% as stretch performance if further group performance targets are achieved.
- An equity-based long term incentive plan ("LTIP") that provides for the annual grant of performance rights to KMP. Vesting of awards is contingent on performance against two metrics, positive Relative Total Shareholder Return ("TSR") and Compound Annual Growth Rate ("CAGR") in the intangible asset balance ("Funds Deployed"), both measured over a three-year period.

IMF has achieved sound financial results for 2017 and delivered several key initiatives to support shareholder value. While net profit after tax was slightly less than for the 2016 financial year, IMF has achieved a 10% growth in its investment portfolio since 2016, a 20% growth in the number of currently funded investments and a 31% growth in intangible assets indicating promising potential for the future. Further details of the relevant performance objectives are included in the following report.

The LTIP for KMP, set at 65% of TFR, is designed to complement the STIP as a form of 'at-risk' remuneration tied to long-term performance for key contributors to the business. The LTIP directly aligns shareholders' and participants' interests and also serves as a mechanism to retain senior executives. The performance rights will vest at the end of a three year vesting period if the performance conditions have been achieved.

The Board is confident that IMF's remuneration policies support the Group's financial and strategic goals and we are committed to transparency and an ongoing dialogue with shareholders on executive remuneration.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours faithfully



**Michael Bowen**

Chairman of the Remuneration Committee

## Remuneration report (Audited)

This Remuneration Report outlines the director and KMP remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, KMP 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

Michael Kay	Chairman and Non-Executive Director
Andrew Saker	Managing Director and Chief Executive Officer
Hugh McLernon	Executive Director
Michael Bowen	Non-Executive Director
Alden Halse	Non-Executive Director
Wendy McCarthy	Non-Executive Director

### (ii) Executives

Clive Bowman	Chief Executive – Australia and Asia
Charlie Gollow	Chief Executive – USA

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

## 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 KMP.

The Remuneration Committee assesses the appropriateness of the nature and amount of the emoluments of the directors and KMP 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 KMP.

## Remuneration philosophy

The performance of the Company is heavily dependent upon the quality of its directors and KMP. 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 recognising that the majority of investment professionals are most comparable to partners in private practice professional services businesses; 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 KMP remuneration is separate and distinct. In 2015, the Committee engaged PricewaterhouseCoopers as an external remuneration consultant to assist with a review of our variable remuneration structure. The STIP and LTIP are the product of that review and are reflective of industry standards.

## 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 \$495,000 (including superannuation), as disclosed in the following tables. At the 2015 Annual General Meeting shareholders approved payments up to \$700,000 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.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### 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 (see Executive Employment Contracts).

Compensation consists of the following key elements:

- fixed remuneration; and
- variable remuneration.

### Fixed remuneration

#### Objective

Fixed compensation is reviewed annually by the Remuneration Committee. The process consists of a review of group 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

### Short Term Incentive Plan

The purpose of STIP is to provide an annual 'at-risk' incentive to participants linked to the achievement of specific financial and non-financial performance objectives.

Key features of the STIP include:

- All employees will be eligible to be considered by the Remuneration Committee to participate in the STIP, which will be delivered as an annual cash payment.
- Each participant will have a STIP opportunity expressed as a percentage of his/her total fixed remuneration.
- At the beginning of the financial year, financial and non-financial performance objectives will be set.
- As financial objectives underpin IMF's profitability as a driver of shareholder value, three set financial objectives have been determined which will be assessed at the Group and regional levels. These performance objectives are listed below.
- Stretch targets may be set for one or more of the financial targets where the board believes these additional targets will provide additional shareholder returns.
- The non-financial objectives will be specific to the role of the individual.
- At the end of the financial year, actual performance will be assessed against the pre-set financial and non-financial performance objectives set at the beginning of the year.

The STIP metrics set for the 2017 financial year, which are unchanged from the 2016 financial year, are:

- The target STIP payment has been set at 35% of TFR.
- Three financial targets have been set, as follows:
  - Target 1 – 30% of the STIP opportunity (or 10.5% of the employees' salary) will be awarded to employees if the Group achieves 5% growth in global net profit before tax (before bonus).
  - Target 2 – 30% of the STIP opportunity (or 10.5% of the employees' salary) will be awarded if the employees' region achieves 5% growth in net profit before tax (before bonus);
  - Target 3 – 20% of the STIP opportunity (or 7% of the employees' salary) will be awarded if the Group achieves 5% growth in the total claim value of the investment portfolio.
- Employees will be awarded 20% (or 7% of the employees' salary) of the STIP opportunity if they achieve their non-financial objectives (which are set individually).
- Target 1 attracts an additional outperformance stretch payment if growth in global net profit before tax (before bonus) exceeds 5%. This additional award is up to 10% of the employees' salary if growth in global net profit before tax (before bonus) exceeds 15%. If growth in global net profit before tax (before bonus) lies between 5% and 15% the outperformance stretch is calculated on a pro-rated straight line basis.

## Remuneration report (Audited) (continued)

### Long Term Incentive Plan

The LTIP complements the STIP as a form of 'at-risk' remuneration tied to long-term performance. The LTIP encourages equity ownership and directly aligns shareholders' and participants interests.

Key features of the LTIP include:

- Only key senior employees will be eligible to participate in the LTIP. This will generally be investment managers and above.
- Awards will be granted annually as performance rights over IMF ordinary shares.
- The LTIP opportunity will be expressed as a percentage of TFR.
- Awards will vest subject to performance against two metrics over a three-year period, which are provided equal weighting:
  1. Relative TSR; and
  2. CAGR of the Funds Deployed

*The LTIP metrics set for the performance rights granted during the 2017 financial year, which are unchanged from the 2016 financial year, are as follows:*

- The LTIP opportunity has been set at 65% of TFR calculated on face value by reference to a volume weighted average share price at the start of the applicable period.
- The two performance metrics have been set and the performance rights, or a portion thereof, will vest in three years if:
  - Target 1 – TSR measurements will comprise 50% of the LTIP opportunity:
    - TSR must be positive overall between the issuance of the performance rights and the vesting date.
    - The Company's TSR will then be compared to a peer group, which will include ASX-listed entities in the Diversified Financials industry group, which are between 50% and 200% of IMF's market capitalisation.

- The TSR component will vest in accordance with the following vesting schedule:

TSR Percentile Ranking	Percentage Vesting
Less than the 50th percentile	Nil vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	Between 50% and 100%, determined on a straight-line basis
Equal to the 75th percentile or above	100% vesting

- Target 2 – The Group will measure the compound annual growth rate of Funds Deployed which will comprise 50% of the LTIP opportunity:
  - CAGR of the Funds Deployed component will vest in accordance with the following schedule:

Funds Deployed CAGR	Percentage Vesting
Below 5% CAGR	Nil vesting
At 5% CAGR	50% vesting
Between 5% CAGR and 7% CAGR	Between 50% and 100%, determined on a straight-line basis
7% CAGR and above	100% vesting

These performance conditions have been chosen to ensure the remuneration of executives are aligned with the Group's strategy to increase the IMF portfolio, invest in future income and potential earnings capacity, and creation of shareholder wealth.

LTIP participants are prohibited from entering into any transactions which seek to mitigate any economic risk or exposure in relation to any performance rights.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### Group Performance

The objectives and philosophy of the Remuneration Committee are based upon aligning the performance of the Group's employees with increasing value to shareholders. The graph on page 18 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.

	2013	2014	2015	2016	2017
IMF share price at 30 June	1.76	1.84	1.72	1.53	1.89
Earnings per share (cents per share)	11.21	6.56	3.78	12.38	9.04
Diluted earnings per share (cents per share)	9.78	6.56	3.78	12.38	8.68

### Executive Employment Contracts

Andrew Saker, Managing Director and CEO:

- 5 year contract commenced 5 January 2015;
- gross salary package of \$1,200,000 pa plus super;
- salary may be reviewed by the board from time to time;
- notice period by the employee is 6 months and 12 months' notice by the Company; and
- no other termination payment arrangements apply other than the notice periods specified above.

Hugh McLernon, Executive Director:

- 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 2017 review determining there should be a 0% increase in salary (2016: 0% increase);
- notice period is 12 months; and
- no other termination payment arrangements apply other than the notice period specified above.

Clive Bowman, Chief Executive – Australia and Asia:

- rolling 12 month contract commenced 1 July 2012;
- gross salary package of \$925,000 pa including super;
- salary to be reviewed annually, with the 2017 review determining there should be a 0% increase in salary (2016: 0% increase);
- notice period is 12 months; and
- no other termination payment arrangements apply other than the notice period specified above.

Charlie Gollow, Chief Executive – USA:

- contract commenced 22 April 2003;
- gross salary package of \$600,000 pa including super;
- salary to be reviewed annually, with the 2017 review determining there should be a 0% increase in salary (2016: 0% increase);
- notice period by the employee is 3 months and 6 months' notice by the Company; and
- no other termination payment arrangements apply other than the notice periods specified above.

## Remuneration report (Audited) (continued)

### (a) Remuneration of Key Management Personnel

Table 1: Remuneration for the year ended 30 June 2017

	Short-term benefits		Post-employment	Long term benefits	Share based payments	Termination payments	Total Remuneration	Performance related
	Salary & fees	Cash bonus accrued <sup>1</sup>	Super-annuation	Long service leave	Share performance rights			
2017	\$	\$	\$	\$	\$	\$	\$	%
<i>Directors</i>								
Michael Kay	205,384	–	19,616	–	–	–	225,000	0%
Andrew Saker	1,200,000	170,746	19,616	7,460	389,517	–	1,787,339	31%
Hugh McLernon	1,130,384	161,000	19,616	17,211	367,375	–	1,695,586	31%
Michael Bowen	88,373	–	1,627	–	–	–	90,000	0%
Alden Halse	82,192	–	7,808	–	–	–	90,000	0%
Wendy McCarthy	82,192	–	7,808	–	–	–	90,000	0%
<i>Executives</i>								
Clive Bowman	905,384	129,500	19,616	15,771	291,152	–	1,361,423	31%
Charlie Gollow	580,384	78,000	19,616	9,952	188,855	–	876,807	30%
<b>Total</b>	<b>4,274,293</b>	<b>539,246</b>	<b>115,323</b>	<b>50,394</b>	<b>1,236,899</b>	<b>–</b>	<b>6,216,155</b>	

1. The 2017 bonus has been accrued and will be paid in the 2018 financial year.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

Table 2: Remuneration for the year ended 30 June 2016

2016	Short-term benefits		Post-employment	Long term benefits	Share based payments	Termination payments	Total Remuneration	Performance related
	Salary & fees	Cash bonus accrued <sup>2</sup>	Super-annuation	Long service leave	Share performance rights			
	\$	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>								
Michael Kay <sup>3</sup>	197,122	-	18,552	-	-	-	215,674	0%
Andrew Saker	1,200,000	548,689	19,308	19,620	141,188	-	1,928,805	36%
Hugh McLernon	1,130,692	517,500	19,308	20,479	133,162	-	1,821,141	36%
Michael Bowen	90,000	-	-	-	-	-	90,000	0%
Alden Halse	82,192	-	7,808	-	-	-	90,000	0%
Wendy McCarthy	82,192	-	7,808	-	-	-	90,000	0%
<b>Executives</b>								
Clive Bowman	905,692	400,063	19,308	16,365	34,254	-	1,375,682	32%
Charlie Gollow	579,650	196,500	19,308	15,977	22,219	-	833,654	26%
Diane Jones <sup>4</sup>	336,059	-	14,481	5,854	-	200,068	556,462	0%
<b>Total</b>	<b>4,603,599</b>	<b>1,662,752</b>	<b>125,881</b>	<b>78,295</b>	<b>330,823</b>	<b>200,068</b>	<b>7,001,418</b>	

- The 2016 bonus has been accrued and will be paid in the 2017 financial year.
- Michael Kay was appointed as Non-Executive Chairman 1 July 2015.
- Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered a KMP from that date. She ceased employment on 28 February 2016.

## Remuneration report (Audited) (continued)

The following table outlines the proportion of maximum STIP earned by KMP in the 2017 financial year.

	Maximum STIP opportunity (% of TFR)	% of maximum earned
Andrew Saker	45%	31%
Hugh McLernon	45%	31%
Clive Bowman	45%	31%
Charlie Gollow	45%	29%

The proportion of STIP forfeited is derived by subtracting the actual % of the maximum received from 100%, and was 70% on average for the current financial year.

### (b) Share performance rights awarded, vested and lapsed during the year

2017	Tranche 1 Performance rights awarded during the year Number	Fair value of Tranche 1 Performance Rights at award date <sup>1</sup> \$	Tranche 2 Performance rights awarded during the year Number	Fair value of Tranche 2 Performance Rights at award date <sup>1</sup> \$	Total Performance rights awarded during the financial year Number	Award date	Vesting date	Expiry date	Value of Performance rights granted during the year \$
<i>Directors</i>									
Michael Kay	-	-	-	-	-	-	-	-	-
Andrew Saker	271,794	1,188	271,793	1,553	543,587	18 Nov 2016	30 June 2019	1 July 2031	744,987
Hugh McLernon	256,344	1,188	256,344	1,553	512,688	18 Nov 2016	30 June 2019	1 July 2031	702,639
Michael Bowen	-	-	-	-	-	-	-	-	-
Alden Halse	-	-	-	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-	-	-	-
<i>Executives</i>									
Clive Bowman	206,190	1,188	206,190	1,553	412,380	18 Nov 2016	30 June 2019	1 July 2031	565,167
Charlie Gollow	133,745	1,188	133,745	1,553	267,490	18 Nov 2016	30 June 2019	1 July 2031	366,595
<b>Total</b>	<b>868,073</b>		<b>868,072</b>		<b>1,736,145</b>				<b>2,379,388</b>

1. The fair value of performance rights is determined at the time of grant as prescribed in AASB 2. For details on the valuation of performance rights, including models and assumptions used, refer to Note 25.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

2016	Tranche 1 Performance rights awarded during the year Number	Fair value of Tranche 1 Performance rights at award date <sup>1</sup> \$	Tranche 2 Performance rights awarded during the year Number	Fair value of Tranche 2 Performance rights at award date <sup>1</sup> \$	Total Performance rights awarded during the financial year Number	Award date	Vesting date	Expiry date	Value of Performance rights granted during the year \$
<i>Directors</i>									
Michael Kay	-	-	-	-	-	-	-	-	-
Andrew Saker	237,290	0.575	237,290	1.210	474,580	20 Nov 2015	30 June 2018	1 July 2030	423,563
Hugh McLernon	223,802	0.575	223,802	1.210	447,604	20 Nov 2015	30 June 2018	1 July 2030	399,487
Michael Bowen	-	-	-	-	-	-	-	-	-
Alden Halse	-	-	-	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-	-	-	-
<i>Executives</i>									
Clive Bowman	180,015	0.333	180,015	0.999	360,030	24 Feb 2016	30 June 2018	1 July 2030	239,780
Charlie Gollow	116,766	0.333	116,766	0.999	233,532	24 Feb 2016	30 June 2018	1 July 2030	155,532
Diane Jones <sup>2</sup>	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>757,873</b>		<b>757,873</b>		<b>1,515,746</b>				<b>1,218,362</b>

1. There have been no alterations to the terms and conditions of the performance rights awarded as remuneration since their award date.
2. Diane Jones ceased employment on 28 February 2016. She was not eligible for the LTIP in the 2016 year.

## Remuneration report (Audited) (continued)

### (c) Share performance rights holdings of Key Management Personnel

Performance rights holdings of KMP

2017	Balance 1 July 2016 Number	Granted as remuneration Number	Performance rights exercised Number	Balance 30 June 2017 Number	Exercisable Number	Not exercisable Number
<i>Directors</i>						
Michael Kay	-	-	-	-	-	-
Andrew Saker	474,580	543,587	-	1,018,167	-	1,018,167
Hugh McLernon	447,604	512,688	-	960,292	-	960,292
Michael Bowen	-	-	-	-	-	-
Alden Halse	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-
<i>Executives</i>						
Clive Bowman	360,030	412,380	-	772,410	-	772,410
Charlie Gollow	233,532	267,490	-	501,022	-	501,022
<b>Total</b>	<b>1,515,746</b>	<b>1,736,145</b>	<b>-</b>	<b>3,251,891</b>	<b>-</b>	<b>3,251,891</b>
2016	Balance 1 July 2015 Number	Granted as remuneration Number	Performance rights exercised Number	Balance 30 June 2016 Number	Exercisable Number	Not exercisable Number
<i>Directors</i>						
Michael Kay	-	-	-	-	-	-
Andrew Saker	-	474,580	-	474,580	-	474,580
Hugh McLernon	-	447,604	-	447,604	-	447,604
Michael Bowen	-	-	-	-	-	-
Alden Halse	-	-	-	-	-	-
Wendy McCarthy	-	-	-	-	-	-
<i>Executives</i>						
Clive Bowman	-	360,030	-	360,030	-	360,030
Charlie Gollow	-	233,532	-	233,532	-	233,532
Diane Jones <sup>1</sup>	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,515,746</b>	<b>-</b>	<b>1,515,746</b>	<b>-</b>	<b>1,515,746</b>

1. Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered a KMP from that date. She ceased employment on 28 February 2016.

# Directors' Report

(continued)

## Remuneration report (Audited) (continued)

### (d) Shareholdings of Key Management Personnel

2017	Balance 1 July 2016	Received as remuneration	Share performance rights exercised	Net change other <sup>1</sup>	Balance 30 June 2017
<i>Directors</i>					
Michael Kay	307,692	–	–	–	307,692
Andrew Saker	149,254	–	–	9,063	158,317
Hugh McLernon	7,299,045	–	–	(2,000,000)	5,299,045
Michael Bowen	921,289	–	–	55,945	977,234
Alden Halse	879,780	–	–	–	879,780
Wendy McCarthy	–	–	–	–	–
<i>Executives</i>					
Clive Bowman	–	–	–	–	–
Clive Bowman	1,013,941	–	–	(923,941)	90,000
Charlie Gollow	467,058	–	–	–	467,058
<b>Total</b>	<b>11,038,059</b>	<b>–</b>	<b>–</b>	<b>(2,858,933)</b>	<b>8,179,126</b>

2016	Balance 1 July 2015	Received as remuneration	Share performance rights exercised	Net change other <sup>1</sup>	Balance 30 June 2016
<i>Directors</i>					
Michael Kay	–	–	–	307,692	307,692
Andrew Saker	–	–	–	149,254	149,254
Hugh McLernon	7,755,991	–	–	(456,946)	7,299,045
Michael Bowen	887,127	–	–	34,162	921,289
Alden Halse	879,780	–	–	–	879,780
Wendy McCarthy	–	–	–	–	–
<i>Executives</i>					
Clive Bowman	–	–	–	–	–
Clive Bowman	1,013,941	–	–	–	1,013,941
Charlie Gollow	467,058	–	–	–	467,058
Diane Jones <sup>2</sup>	40,691	–	–	(40,691)	–
<b>Total</b>	<b>11,044,588</b>	<b>–</b>	<b>–</b>	<b>(6,529)</b>	<b>11,038,059</b>

1. Net changes relate to shares obtained or sold on market.

2. Diane Jones resigned from her positions of Company Secretary, Chief Financial Officer and Chief Operating Officer on 30 November 2015 and is not considered to be a KMP from that date. She ceased employment on 28 February 2016.

All equity transactions with KMP other than those arising from the exercise of share performance rights have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

### (e) Loans to Key Management Personnel

There have been no loans provided to Key Management Personnel in 2017 (2016: nil).

### (f) Transactions with Key Management Personnel

During the year the Group obtained legal advice from DLA Piper, a legal firm associated with Michael Bowen, totalling \$160,797 (2016: \$229,071). The legal advice was obtained at normal market prices. Refer to Note 23 for details.

– End of remuneration report –

## Directors' meetings

### Committee membership

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

Audit & Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
A Halse (Chair)	M Bowen (Chair)	A Halse (Chair)	W McCarthy (Chair)
M Bowen	A Halse	A Saker	A Halse
M Kay	M Kay	M Bowen	M Bowen
W McCarthy	W McCarthy	M Kay	M Kay
		W McCarthy	

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 & Risk Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee
<b>Total number of meetings held:</b>	8	2	5	2	1
<b>Meetings Attended:</b>					
M Kay	8	2	5	2	1
A Saker	8	-	-	2	-
H McLernon	7	-	-	-	-
A Halse	7	2	4	2	1
M Bowen	8	2	5	2	1
W McCarthy	7	1	5	2	1

### Rounding

The amounts contained in this report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations Instrument 2016/191. The Company is an entity to which the Instrument applies.

# Directors' Report

(continued)

## 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 2017. This Independence Declaration can be found at page 35.

## 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.

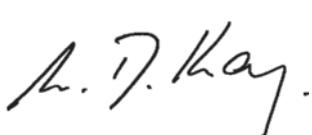
EY received or are due the following amounts for the provision of non-audit services:

- Tax compliance services and other non-audit services \$149,000 (2016: \$210,000).

## Corporate governance

The Company has an extensive Corporate Governance Manual which enables 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 81 of this Annual Report.

Signed in accordance with a resolution of the directors.



**Michael Kay**  
Chairman



**Andrew Saker**  
Managing Director

Sydney 24 August 2017

# Auditor's Independence Declaration



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

## Auditor's Independence Declaration to the Directors of IMF Bentham Limited

As lead auditor for the audit of IMF Bentham Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of IMF Bentham Limited and the entities it controlled during the financial year.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', positioned above the printed name 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Robert A Kirkby', positioned above the printed name 'Robert A Kirkby'.

Robert A Kirkby  
Partner  
24 August 2017

# Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>Continuing Operations</b>			
Revenue	6	2,985	3,448
Other income	7	54,123	52,971
<b>Total Income</b>		<b>57,108</b>	<b>56,419</b>
Finance costs	8(a)	90	596
Depreciation expense	8(b)	591	451
Employee benefits expense	8(c)	20,968	20,784
Corporate and office expense	8(d)	8,624	7,212
Other expenses	8(e)	1,099	1,361
<b>Profit Before Income Tax from Continuing Operations</b>		<b>25,736</b>	<b>26,015</b>
Income tax expense	9	10,296	5,255
<b>Net Profit from Continuing Operations</b>		<b>15,440</b>	<b>20,760</b>
<b>Discontinued Operations</b>			
Profit/(loss) after tax from discontinued operations	32	-	160
<b>Profit for the year</b>		<b>15,440</b>	<b>20,920</b>
<b>Other Comprehensive Income</b>			
Items that may be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve	21(b)	(4,932)	97
Other comprehensive income net of tax		(4,932)	97
<b>Total Comprehensive Income for the Year</b>		<b>10,508</b>	<b>21,017</b>
<b>Attributable to:</b>			
Equity holders of the parent		10,508	21,017
Non-controlling interests		-	-
<b>Earnings per share attributable to the ordinary equity holders of the Company (cents per share)</b>			
Basic profit (cents per share)	11	9.04	12.38
Diluted profit (cents per share)	11	8.68	12.38
<b>Earnings per share attributable to continuing operations (cents per share)</b>			
Basic profit (cents per share)	11	9.04	12.29
Diluted profit (cents per share)	11	8.68	12.29

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

# Statement of Financial Position

As at 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	12	144,891	142,529
Trade and other receivables	13	45,205	47,723
Other assets	14	1,260	739
<b>Total Current Assets</b>		<b>191,356</b>	<b>190,991</b>
<b>Non-Current Assets</b>			
Trade and other receivables	13	1,580	1,484
Plant and equipment	15	1,700	1,406
Intangible assets	16	190,876	145,634
Other assets		388	-
Deferred tax assets	9	6,037	1,722
<b>Total Non-Current Assets</b>		<b>200,581</b>	<b>150,246</b>
<b>TOTAL ASSETS</b>		<b>391,937</b>	<b>341,237</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	22,141	15,250
Income tax payable		4,341	5,073
Provisions	18	18,672	19,238
Other liabilities		531	56
<b>Total Current Liabilities</b>		<b>45,685</b>	<b>39,617</b>
<b>Non-Current Liabilities</b>			
Provisions	18	240	297
Debt securities	19	119,469	79,504
Deferred income tax liabilities	9	20,290	20,431
<b>Total Non-Current Liabilities</b>		<b>139,999</b>	<b>100,232</b>
<b>TOTAL LIABILITIES</b>		<b>185,684</b>	<b>139,849</b>
<b>NET ASSETS</b>		<b>206,253</b>	<b>201,388</b>
<b>EQUITY</b>			
Contributed equity	20	123,654	119,122
Reserves	21(b)	8,554	8,182
Retained earnings	21(a)	71,679	74,084
<b>Equity attributable to equity holders of the parent</b>		<b>203,887</b>	<b>201,388</b>
Non-controlling interests	31	2,366	-
<b>TOTAL EQUITY</b>		<b>206,253</b>	<b>201,388</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 2017

	Consolidated		
	Note	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(35,136)	(27,760)
Interest income		2,742	1,901
Interest paid		(6,919)	(3,752)
Income tax paid		(11,567)	(5,305)
<b>Net cash flows (used in) operating activities</b>	22	(50,880)	(34,916)
<b>Cash flows from investing activities</b>			
Proceeds from litigation funding - settlements, fees and reimbursements		116,256	108,423
Payments for litigation funding and capitalised suppliers and employee costs		(91,449)	(82,605)
Purchase of plant and equipment		(979)	(1,109)
Loans made to third party		(9)	-
Loans (made to)/recovered from joint venture		-	(1,765)
Investment in joint venture		5,850	(2,332)
US fund establishment costs		(7,450)	-
<b>Net cash flows from investing activities</b>		22,219	20,612
<b>Cash flows from financing activities</b>			
Dividends paid		(13,311)	(6,187)
Notes proceeds		40,400	32,000
Cost of issuing notes		(1,253)	(1,268)
Cash inflows from non-controlling interests		7,209	-
<b>Net cash flows from financing activities</b>		33,045	24,545
Net increase in cash and cash equivalents held		4,384	10,241
Net foreign exchange difference		(2,022)	2,180
Cash and cash equivalents at beginning of year		142,529	130,108
<b>Cash and cash equivalents at end of year</b>	12	144,891	142,529

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 2017

CONSOLIDATED	Issued capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Option premium reserve \$'000	Convertible notes reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>As at 1 July 2016</b>	119,122	658	288	3,404	3,832	74,084	201,388	-	201,388
Profit for the year	-	-	-	-	-	15,440	15,440	-	15,440
Other comprehensive income	-	-	(4,932)	-	-	-	(4,932)	-	(4,932)
<b>Total Comprehensive Income for the Year</b>	-	-	(4,932)	-	-	15,440	10,508	-	10,508
<b>Equity Transactions:</b>									
Dividend paid	-	-	-	-	-	(17,845)	(17,845)	-	(17,845)
Share based payments	-	5,304	-	-	-	-	5,304	-	5,304
Shares issued under the Dividend Reinvestment Plan	4,532	-	-	-	-	-	4,532	-	4,532
Contributions from non-controlling interests	-	-	-	-	-	-	-	7,209	7,209
Transaction costs - disposal of non-controlling interest	-	-	-	-	-	-	-	(4,843)	(4,843)
<b>As at 30 June 2017</b>	<b>123,654</b>	<b>5,962</b>	<b>(4,644)</b>	<b>3,404</b>	<b>3,832</b>	<b>71,679</b>	<b>203,887</b>	<b>2,366</b>	<b>206,253</b>
<b>As at 1 July 2015</b>	116,921	-	191	3,404	3,832	61,552	185,900	-	185,900
Profit for the year	-	-	-	-	-	20,920	20,920	-	20,920
Other comprehensive income	-	-	97	-	-	-	97	-	97
<b>Total Comprehensive Income for the Year</b>	-	-	-	-	-	20,920	21,017	-	21,017
<b>Equity Transactions:</b>									
Dividend paid	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
Share based payments	-	658	-	-	-	-	658	-	658
Shares issued under the Dividend Reinvestment Plan	2,201	-	-	-	-	-	2,201	-	2,201
<b>As at 30 June 2016</b>	<b>119,122</b>	<b>658</b>	<b>288</b>	<b>3,404</b>	<b>3,832</b>	<b>74,084</b>	<b>201,388</b>	<b>-</b>	<b>201,388</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2017

## Note 1: Corporate information

The financial report of IMF Bentham Limited ("IMF", "the Company" or "the Parent") for the year ended 30 June 2017 and its subsidiaries (the Group or consolidated entity) was authorised for issue in accordance with a resolution of the directors on 24 August 2017.

IMF Bentham 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).

## Note 2: Summary of significant accounting policies

### a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards 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 \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporate Instrument 2016/191.

### b. Compliance with IFRS

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

### c. New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The following accounting standards relevant to the Company and/or the Group have been issued but are not yet effective and have not been applied in these financial statements.

### AASB 9 Financial Instruments ('AASB 9')

The AASB issued the final version of AASB 9 in December 2014. When operative, this standard will replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 addresses recognition and measurement requirements for financial assets and financial liabilities, impairment requirements that introduce an expected credit loss impairment model and general hedge accounting requirements which more closely align with risk management activities undertaken when hedging financial and non-financial risks. AASB 9 is not mandatorily effective for the Group until 1 July 2018. The Group is in the process of assessing the impact of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements.

### AASB 15 Revenue from Contracts with Customers ('AASB 15')

The AASB issued AASB 15 in October 2015. The standard is not mandatorily effective for the Group until 1 July 2018. AASB 15 contains new requirements for the recognition of revenue and additional disclosures about revenue. AASB 138 *Intangible Assets* has been amended to ensure that for reporting periods beginning on or after 1 January 2018, the derecognition of intangible assets are subject to the principles of AASB 15. It is expected that this standard will not materially change the revenue recognition of the Group, except where cases have become under appeal. AASB 15 may disallow the recognition of revenue where cases are under appeal due to the more prescriptive requirements within the standard for recognition of revenue. Refer to Note 13 for details of revenue receivable at 30 June 2017 where cases are still under appeal. The Group is still to assess and decide on the applicable transition approach on adoption of AASB 15.

### AASB 16 Leases ('AASB 16')

The AASB issued the final version of AASB 16 in February 2016. The standard is not mandatorily effective for the Group until 1 July 2019. AASB 16 requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. The Group is in the process of assessing the impact of AASB 16 and is not yet able to reasonably estimate the impact on its financial statements.

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

### *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. It is not mandatorily effective for the Group until 1 July 2018. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group is in the process of assessing the impact of the amendments and is not yet able to reasonably estimate the impact on its financial statements.

### **d. Basis of consolidation**

The consolidated financial statements comprise the financial statements of IMF Bentham Limited (IMF, the Company or Parent) and its subsidiaries ("the Group") as at 30 June 2017. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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**

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

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

### 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 0-90 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.

#### (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 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.

### 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 4 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.

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

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

Operating lease payments are recognised as an expense in the 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 life of the Litigation Contracts In Progress.

#### *(B) Successful judgment:*

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

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

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

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 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 benefits

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

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave, long service leave and bonuses. Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the periods in which the employees render the related services are recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method.

Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

#### (ii) Long service leave

Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-costs rates and future settlement dates of employees' departures.

#### (iii) Bonuses

Under the IMF Short-Term Incentive Plan, eligible participants have the opportunity to receive an annual cash bonus, subject to performance against clearly defined and measurable financial and non-financial objectives.

### o. Share-based payment transactions

#### (i) Equity-settled transactions

The Company's LTIP awards share performance rights to key senior employees. The cost of equity-settled transactions with employees 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 Monte Carlo and Binomial Model depending on the type of LTIP.

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.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share based payment 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).

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.

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

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. 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.

### q. Revenue recognition

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

#### (i) Interest income

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

### r. 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.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

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

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

### Other taxes

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

- when the GST incurred on a purchase of 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.

### s. 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.

### t. 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.

### u. 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.

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.

### Note 3: Financial risk management objective and policies

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

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 2017, the Group has a \$50,000,000 variable rate bond debt outstanding. These IMF Bentham Bonds require that the Group make a quarterly coupon payment 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	
	2017 \$'000	2016 \$'000
<b>Financial instruments</b>		
Cash and cash equivalents	144,891	142,529
IMF Bentham Bonds	(49,104)	(48,656)
<b>Net exposure</b>	<b>95,787</b>	<b>93,873</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 available, 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 2017, 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)	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
+0.25% (25 basis points) (2016: +0.25%)	168	235	168	235
-0.25% (25 basis points) (2016: -0.25%)	(168)	(235)	(168)	(235)

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## 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 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 2017, 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 IMF Bentham Bonds and Fixed Rate Notes, 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 \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>2017</b>					
<b>Financial Liabilities</b>					
Trade and other payables	22,141	-	-	-	22,141
Bonds and Notes	-	-	122,000	-	122,000
Bonds and Notes interest	4,202	4,202	13,733	-	22,137
	<b>26,343</b>	<b>4,202</b>	<b>135,733</b>	<b>-</b>	<b>166,278</b>
<b>2016</b>					
<b>Financial Liabilities</b>					
Trade and other payables	15,250	-	-	-	15,250
Bonds and Notes	-	-	82,000	-	82,000
Bonds and Notes interest	2,722	2,722	13,257	-	18,701
	<b>17,972</b>	<b>2,722</b>	<b>95,257</b>	<b>-</b>	<b>115,951</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 IMF Bentham Bonds and Fixed Rate Notes. The IMF Bentham Bonds fair value has been determined using the quoted market price at 30 June 2017, and the Fixed Rate Notes fair value has been determined using the price from Austraclear.

Under AASB 13 the fair value measurements used for the Bonds and Notes are both level 1 on the fair value hierarchy.

At 30 June 2017:

	Carrying Value \$'000	Principal \$'000	Fair Value \$'000
IMF Bentham Bonds	49,104	50,000	52,000
Fixed Rate Notes	70,365	72,000	73,620

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

#### Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Group is also exposed to foreign exchange risk arising from the translation of its foreign operations. The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature. In addition, the parent entity has intercompany receivables from its subsidiaries denominated in Australian Dollars which is eliminated on consolidation. The gains or losses on re-measurement of this intercompany receivable from US Dollars to Australian Dollars are not eliminated on consolidation as the loan is not considered to be part of the net investment in the subsidiary.

	USD \$'000	GBP \$'000	Euro \$'000	SGD \$'000	CAD \$'000	HKD \$'000
<b>2017</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	34,727	24	3,660	68	2,967	1,977
Trade and other receivables <sup>1</sup>	20,020	2	-	44	716	48,612
Total assets	54,747	26	3,660	112	3,683	50,589
<b>Financial Liabilities</b>						
Trade Payables	2,842	6	-	-	99	15,840
Total liabilities	2,842	6	-	-	99	15,840
<b>2016</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	25,124	960	2,510	-	67	28,343
Trade and other receivables <sup>1</sup>	46,898	-	4,010	-	1,039	-
Total assets	72,022	960	6,520	-	1,106	28,343
<b>Financial Liabilities</b>						
Payables	2,700	-	-	-	34	-
Total liabilities	2,700	-	-	-	34	-

1. Trade and other receivables balance includes the intercompany loan balance with Bentham Holdings Inc. and Bentham IMF Capital Limited and 2016 also includes the receivable from the sale of the Group's interest in Bentham Ventures B.V.

#### Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the AUD to the listed currencies, with all other variables held constant excluding the impact of the foreign exchange movement on the inter-company loans of \$23,370,000 (2016: \$61,792,000). The sensitivity is based on management's estimate of reasonably possible changes over the financial year.

		Impact on profit or loss before tax (A\$'000)					
		USD	GBP	Euro	SGD	CAD	HKD
2017	+10%	(6,763)	(3)	(545)	10	(359)	(580)
	-10%	6,763	3	545	(10)	359	580
2016	+10%	(9,335)	(173)	(973)	-	(111)	(492)
	-10%	9,335	173	973	-	111	492

# Notes to the Financial Statements

For the year ended 30 June 2017 (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.

### Significant accounting judgments, estimates and assumptions

#### 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 un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future income, operating costs, capital expenditure, dividends and other capital management transactions. 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 in 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.

#### Intangible Assets - Litigation Contracts In Progress

Litigation Contracts in Progress is recognised by the Group as an intangible asset in the financial statements as the Group does not have an unconditional right to receive cash. Rather, it provides the entity with a right to a share of litigation proceeds which may be in the form of cash or other non-financial assets.

#### 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 16).

#### Share Based Payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share performance right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses the Monte-Carlo simulation model for Tranche 1 grants, and the binomial model for Tranche 2 grants. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 25.

#### 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 16.

#### 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)

##### *Provision for adverse costs*

The Group raises a provision for adverse costs when it has lost a matter which it has funded. When a matter is lost and an appeal is lodged, the Group raises a provision. 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, the United States of America, Canada and Singapore.

Aside from the locations listed above, the Group continues to investigate other markets and has identified the following markets as being favourable to litigation funding: Hong Kong, New Zealand and Europe.

Interest received from National Australia Bank Ltd of \$886,943 (2016: \$1,210,000), Bankwest of \$904,591 (2016: \$682,000), and Westpac Banking Group Ltd was \$890,051 (2016: nil) contributed more than 99% of the Group's bank interest revenue (2016: 99%).

Other income can be represented geographically as follows:

	Consolidated	
	2017 \$'000	2016 \$'000
Australia	53,173	45,870
United States	1,043	7,101
Canada	(93)	-
Singapore	-	-
<b>Total other income</b>	<b>54,123</b>	<b>52,971</b>

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

	Consolidated	
	2017 \$'000	2016 \$'000
Australia	94,744	87,130
United States	102,535	61,625
Canada	1,334	7
Singapore	-	-
<b>Net exposure</b>	<b>198,613</b>	<b>148,762</b>

#### Note 6: Revenue

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Revenue</b>		
Bank interest received and accrued	2,684	1,894
Fees from Joint Venture	-	347
Unrealised foreign exchange gain	301	1,207
	<b>2,985</b>	<b>3,448</b>

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 7: Other income

### Other income

Litigation contracts - settlements and judgments	113,329	99,797
Litigation contracts - expenses	(51,073)	(22,540)
Litigation contracts - written-down <sup>1</sup>	(2,924)	(11,389)
Net gain on derecognition of intangible assets	59,332	65,868
Loss on derecognition of intangible assets/receivables as a result of losing a matter or appeal <sup>2</sup>	(5,233)	(12,923)
Other income	24	26
	54,123	52,971

Consolidated	
2017	2016
\$'000	\$'000
113,329	99,797
(51,073)	(22,540)
(2,924)	(11,389)
59,332	65,868
(5,233)	(12,923)
24	26
54,123	52,971

1. Included in this balance are costs related to the Group's initial assessment of the case and cases not pursued by the Group due to the cases not meeting the Group's required rate of return.
2. Included in this balance are costs related to cases lost by the Group. 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

### (a) Finance costs

Borrowing cost amortisation	-	540
Other finance charges	90	56
	90	596

### (b) Depreciation expense

Depreciation expense	591	451
----------------------	-----	-----

### (c) Employee benefits expense

Wages and salaries	15,200	18,035
Superannuation expense	1,123	562
Directors' fees	431	467
Payroll tax	1,324	1,412
Share based payments	2,775	492
Long service leave provision	115	(184)
	20,968	20,784

**Note 8: Expenses (continued)**

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(d) Corporate and office expense</b>		
Insurance expense	1,070	1,588
Network expense	597	154
Marketing expense	1,378	1,766
Occupancy expense	1,370	908
Professional fees expense	2,651	1,480
Recruitment expense	432	442
Telephone expense	130	137
Travel expense	996	737
	<b>8,624</b>	<b>7,212</b>
<b>(e) Other expenses</b>		
ASX listing fees	94	87
General expenses	367	702
Postage, printing and stationery	485	387
Repairs and maintenance	20	30
Share registry costs	111	129
Software supplies	22	26
	<b>1,099</b>	<b>1,361</b>

**Note 9: Income tax**

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Consolidated statement of profit &amp; loss</b>		
The major components of income tax expense are:		
<b>Current income tax</b>		
Current income tax charge	5,505	7,786
Adjustment in respect of current income tax expense of previous year	1,990	731
Current year losses moved to deferred tax asset	3,270	-
Income tax attributable to a discontinued operation	-	(1,267)
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	1,369	1,081
Other	265	(5)
Use of prior year losses not previously recognised	-	(1,671)
Current year losses moved to deferred tax asset	(3,270)	-
Adjustment in respect of deferred tax of previous year	1,167	(1,400)
Income tax expense reported in the statement of profit & loss	<b>10,296</b>	<b>5,255</b>

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 9: Income tax (continued)

	Consolidated	
	2017 \$'000	2016 \$'000
Accounting profit before income tax from continuing operations	25,736	26,015
Profit/(loss) before tax from a discontinued operation	-	1,427
Accounting profit before tax	25,736	27,442
At the Group's statutory income tax rate of 30% (2016: 30%)	7,720	8,233
Adjustment in respect of income and deferred tax of previous years	3,157	(669)
Expenditure not allowable for income tax purposes	1,588	821
Non-assessable income	(754)	-
Foreign tax rate adjustment	(63)	(219)
State income tax	(1,095)	(328)
Foreign exchange impact on tax expense	-	361
Relating to deferred tax asset not recognised previously	(482)	-
Use of prior year losses not previously recognised	-	(1,671)
Other	225	(6)
Income tax expense reported in the Statement of Comprehensive Income	10,296	5,255
Income tax attributable to a discontinued operation	-	1,267

**Note 9: Income tax (continued)**

	Statement of Financial Position		Statement of Comprehensive Income	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Deferred income tax</b>				
Deferred income tax at 30 June relates to the following:				
<i>CONSOLIDATED</i>				
<i>Deferred tax liabilities</i>				
Intangibles	29,411	25,769	(3,642)	(2,390)
Accrued interest & unrealised foreign exchange differences	134	149	15	1,509
Gross deferred tax liabilities	29,545	25,918	(3,627)	(881)
<i>Deferred tax assets</i>				
Accruals and provisions/bond raising costs	5,527	5,460	68	1,209
Share based payments	2,818	-	1,347	-
Expenditure deductible for income tax over time	910	27	(249)	(6)
Gross deferred tax assets	9,255	5,487	1,166	1,203
Net deferred tax liabilities	<b>20,290</b>	<b>20,431</b>		
<i>Foreign deferred tax assets</i>				
Accruals and provisions	79	-	79	-
Intercompany loans	568	-	568	-
Expenditure deductible for income tax over time	1,475	-	-	-
Deferred tax assets - Foreign net operating losses - federal and state	3,915	1,722	2,192	1,722
Deferred tax assets	6,037	1,722	2,839	1,722

**Unrecognised temporary differences and tax losses**

At 30 June 2017 the Group had no (2016: nil) unrecognised temporary differences and tax losses.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 10: Dividends paid and proposed

	Consolidated	
	2017 \$'000	2016 \$'000
<b>(a) Cash dividends on ordinary shares declared and paid</b>		
Final dividend for 2016: 7.5 cents per share (2015: 5.0 cents per share)	12,709	8,388
Interim dividend for 2017: 3.0 cents per share (2016: 0.0 cents per share)	5,136	–
	17,845	8,388
<b>(b) Proposed dividends for ordinary shares:</b>		
Final dividend for 2017: 0.0 cents per share (2016: 7.5 cents per share)	6,882	12,709

On 24 August 2017, the directors declared a final fully franked dividend of 4.0 cents per share for the 2017 financial year, totalling \$6,881,863. The record date for this dividend is 26 September 2017 and the payment date will be 20 October 2017. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 24 February 2017 the Directors declared a fully franked interim dividend of 3.0 cents per share totalling \$5,136,000. The record date for this dividend was 27 March 2017 and the payment date was 21 April 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 23 August 2016, the directors declared a final fully franked dividend of 7.5 cents per share for the 2016 financial year, totalling \$12,709,000. The record date for this dividend was 27 September 2016 and the payment date was on 21 October 2016. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend. An interim dividend was not declared for the half year ended 31 December 2015.

	IMF Bentham Limited	
	2017 \$'000	2016 \$'000
<b>(c) Franking credit balance</b>		
The amount of franking credits for the subsequent financial year are:		
– Franking account balance as at the end of the previous financial year at 30%	6,732	8,316
– Franking debits that arose from the payment of last year's final dividend	(5,447)	(3,595)
– Franking debits that arose from the payment of current year's interim dividend	(2,201)	–
– Franking credits that arose from the payment of income tax payable during the financial year	11,155	2,011
	10,239	6,732
– Franking credits that will arise from the (refund)/payment of income tax (receivable)/payable as at the end of the financial year	5,799	7,497
– Impact of franking debits that will arise from the payment of the final dividend	(2,949)	(5,447)
	13,089	8,782

## (d) Tax rates

The tax rate at which paid dividends have been franked is 30% (2016: 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.

During the year ended 30 June 2017, 6,365,969 performance rights (2016: 4,811,086) were granted as detailed in Note 25. Upon meeting certain performance conditions over the three year performance period, the vesting of each right will result in the issue of 1 ordinary share. The performance shares are considered dilutive to the extent performance hurdles are met as at year end.

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

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

	Consolidated	
	2017 \$'000	2016 \$'000
<b>For basic earnings per share</b>		
Total net profit attributable to ordinary equity holders of the Parent	15,440	20,920

	Consolidated	
	2017 \$'000	2016 \$'000
<b>For basic earnings per share</b>		
Total net profit attributable to continuing operations	15,440	20,760

### (b) Weighted average number of shares

	Number \$'000	
	2017	2016
Weighted average number of ordinary shares outstanding	170,818	168,988
Effect of dilution:		
Performance rights <sup>1</sup>	6,993	-
Weighted average number of ordinary shares	177,811	168,988

1 Performance rights granted under the Long Term Incentive Plan are only included in dilutive earnings per ordinary share where the performance hurdles are met as at year end.

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 2017 there were no options issued over shares in the Company (2016: nil).

#### (ii) Bonds and Notes

The bonds and notes are not considered to be dilutive.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

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

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

	Consolidated	
	2017 \$'000	2016 \$'000
Cash at bank	38,583	64,318
Short-term deposits	106,308	78,211
	144,891	142,529

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 2017, all short term deposits are due to mature in less than 90 days from inception and earn interest at the respective short-term deposit rates.

### 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 2017 guarantees of \$1,059,000 were outstanding (2016: \$526,000). The Group has a total guarantee facility limit of \$1,433,000 (2016: \$5,000,000) that is secured by an offset arrangement with deposits of \$1,633,000 (2016: \$5,000,000).

## Note 13: Trade and other receivables

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade receivables <sup>1</sup>	37,202	40,497
Other receivables <sup>2</sup>	8,003	1,240
Receivable from sale of joint venture	-	5,986
	45,205	47,723
<b>Non current</b>		
Trade receivables <sup>3</sup>	1,580	1,484
	1,580	1,484

- Trade receivables are non-interest bearing and generally on 30-90 day terms. There is \$2,870,000 included in current trade receivables which is subject to appeal as at 30 June 2017 (2016: \$nil).
- Other receivables comprise interest receivable upon the maturity of the Group's short term deposits (between 30 and 90 days), Receivables from Co-Funders of Litigation Contracts in Progress, Short term loans and deposits receivable.
- Non-current trade receivables 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.

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

At 30 June 2017 and 30 June 2016 the non-current trade receivable was non-interest bearing and related to the Company's expected income from the Lehman matter.

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

	0-30 days \$'000	31-90 days \$'000	91-180 days \$'000	+180 days <sup>1</sup> \$'000	Total \$'000
2017 Consolidated	38,923	396	–	7,466	46,785
2016 Consolidated	38,602	3,814	–	6,791	49,207

#### (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 is adjusted to reflect future cash flows 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.

### Note 14: Current assets – other assets

	Consolidated	
	2017 \$'000	2016 \$'000
Prepayments	670	485
Rental deposits	661	254
Lease incentive receivable	(71)	–
	1,260	739

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

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

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

	Consolidated	
	2017 \$'000	2016 \$'000
Cost	2,895	3,967
Accumulated depreciation	(1,195)	(2,561)
Net carrying amount	1,700	1,406

	Consolidated Plant and equipment \$'000
<b>Cost</b>	
Balance as at 1 July 2015	2,860
Additions	1,109
Disposals	(2)
At 30 June 2016	3,967
Additions	961
Disposals	(2,033)
<b>At 30 June 2017</b>	<b>2,895</b>
<b>Accumulated depreciation</b>	
Balance as at 1 July 2015	2,111
Depreciation charge for the year	451
Disposals	(1)
At 30 June 2016	2,561
Depreciation charge for the year	591
Disposals	(1,957)
<b>At 30 June 2017</b>	<b>1,195</b>
<b>Net book value</b>	
At 30 June 2017	1,700
At 30 June 2016	1,406

The useful life of the assets was estimated between 4 to 15 years for both 2017 and 2016.

Plant and Equipment of the Company is subject to a fixed charge to secure the Company's debt due to Bondholders. See Note 19 for further details.

## Note 16: Intangible assets

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

	<b>Consolidated \$'000</b>
<b>Year ended 30 June 2017</b>	
Balance as at 1 July 2016, net of accumulated amortisation and impairment	145,634
Additions	99,539
Disposals	(51,073)
Write-down of Litigation Contracts	(3,224)
<b>At 30 June 2017, net of accumulated amortisation and impairment</b>	<b>190,876</b>
<b>Year ended 30 June 2016</b>	
Balance as at 1 July 2015, net of accumulated amortisation and impairment	99,483
Additions	93,003
Disposals	(35,463)
Write-down of Litigation Contracts	(11,389)
<b>At 30 June 2016, net of accumulated amortisation and impairment</b>	<b>145,634</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 below. The capitalised wages in 2017 equated to approximately 26.8% of the total salary costs (2016: 28.5%). The other internal capitalised expenses equated to approximately 36.2% of related overhead costs (2016: 35.6%).

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying assets and that 100% of borrowing costs are eligible for capitalisation. The amount of borrowing costs capitalised during the year ended 30 June 2017 was \$6,900,000 (2016: \$3,700,000).

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

	<b>Consolidated</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
Capitalised external costs	158,723	119,472
Capitalised internal costs	19,179	17,565
Capitalised borrowing costs	12,974	8,597
<b>Balance at 30 June</b>	<b>190,876</b>	<b>145,634</b>

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 16: Intangible assets (continued)

### (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 9.0% and 10.5% (2016: between 10.0% and 11.5%).

No impairment has been identified as a result of impairment testing performed.

## Note 17: Current liabilities – trade and other payables

	Consolidated	
	2017 \$'000	2016 \$'000
Trade payables <sup>1</sup>	20,335	13,981
Wage accruals	1,057	461
Interest accruals	749	808
	22,141	15,250

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 18: Current and non-current liabilities – provisions

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Current</b>		
Annual leave and long service leave	2,325	1,847
Adverse costs	14,500	11,200
Bonus	1,847	6,191
	<b>18,672</b>	<b>19,238</b>
<b>Non-Current</b>		
Make good	86	-
Long service leave	154	297
	<b>240</b>	<b>297</b>

### (a) Movement in provisions

	Adverse costs \$'000	Annual leave \$'000	Employee bonus/STIP \$'000	Long service leave \$'000	Make good \$'000	Total \$'000
As at 1 July 2016	11,200	1,042	6,191	1,102	-	19,535
Arising during the year	5,232	1,247	1,817	115	-	8,411
Utilised	(1,932)	(1,024)	(6,161)	(3)	86	(9,034)
As at 30 June 2017	<b>14,500</b>	<b>1,265</b>	<b>1,847</b>	<b>1,214</b>	<b>86</b>	<b>18,912</b>
Current 2017	14,500	1,265	1,847	1,060	-	18,672
Non-current 2017	-	-	-	154	86	240
	<b>14,500</b>	<b>1,265</b>	<b>1,847</b>	<b>1,214</b>	<b>86</b>	<b>18,912</b>
Current 2016	11,200	1,042	6,191	805	-	19,238
Non-current 2016	-	-	-	297	-	297
	<b>11,200</b>	<b>1,042</b>	<b>6,191</b>	<b>1,102</b>	<b>-</b>	<b>19,535</b>

### (b) Nature and timing of provisions

#### *Adverse costs*

During the financial year 2017 the Group raised a further provision of \$4,932,000 for estimated adverse costs obligations. The provision raised is the Group's best estimate of the amount of adverse costs it will have to remit. The adverse costs provision on Lynx recognised in 2016 was paid in the current year as the appeal to the High Court was unsuccessful.

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

#### *Make Good*

The make good provision relates to amounts recognised for make good requirements on operating leases of office space.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 19: Non-current liabilities – debt securities

	Consolidated	
	2017 \$'000	2016 \$'000
IMF Bentham Bonds <sup>1</sup>	49,104	48,656
Fixed Rate Notes <sup>1</sup>	70,365	30,848
	119,469	79,504

1. Includes net carrying value of transaction costs and debt premium of \$2,500,000.

On 18 April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of \$1,000 each ("Tranche 1 Notes"). The interest rate payable to Noteholders is 7.40% per annum payable half yearly. The Fixed Rate Notes are due to mature on 30 June 2020 and are secured by a security interest over all present and after-acquired property of IMF. IMF has an early redemption option on these Fixed Rate Notes on 30 June 2019. The issuer may redeem some or all of the Notes on the optional redemption date by payment of 101 percent of the outstanding principal amount of each Note being redeemed together with any accrued interest, if any, to, but excluding, the date of redemption. No fair value has been attributed to the early redemption option.

On 6 April 2017, the Company issued 40,000 Fixed Rate Notes with a face value of \$1,000 each ("Tranche 2 Notes"). Tranche 2 Notes were consolidated and formed a single series with the existing Tranche 1 Notes. The terms and conditions of the Tranche 2 Notes are identical to the conditions on Tranche 1 Notes.

The application of AASB 123 Borrowing Costs (revised 2007) has resulted in the capitalisation of \$6,940,000 (2016: \$3,764,000) during the current financial year as part of the Litigation Contracts in Progress intangible assets which are deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009 (refer to Note 16).

The IMF Bentham Bonds issued in April 2014 have a variable rate of interest based on the Bank Bill rate plus a fixed margin of 4.20% per annum, paid quarterly. The maturity date is 30 June 2019.

## Note 20: Contributed equity

	Consolidated	
	2017 \$'000	2016 \$'000
<i>Contributed equity</i>		
Issued and fully paid ordinary shares	123,654	119,122

### (a) Ordinary shares

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

	Number '000	\$'000
<b>Movement in ordinary shares</b>		
As at 30 June 2015	167,761	116,921
Shares issued under the Dividend Reinvestment Plan	1,695	2,201
As at 30 June 2016	169,456	119,122
Shares issued under the Dividend Reinvestment Plan	2,591	4,532
As at 30 June 2017	172,047	123,654

On 21 April 2017, the Company issued 855,956 shares at \$1.7398 per share, and on 21 October 2016 the company issued 1,734,555 shares at \$1.7546 per share under its Dividend Reinvestment Plan.

On 9 October 2015 the Company issued 1,695,093 shares under its Dividend Reinvestment Plan at \$1.2984 per share.

## Note 20: Contributed equity (continued)

### (b) Share options

At 30 June 2017, there were 11,177,055 share performance rights over unissued ordinary shares (2016: 4,811,086).

### (c) Capital management

Capital includes bonds, 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 Group is not subject to any externally imposed capital requirements. However, if the cash and receivables balances of the Company fall below 75% of the Group financial indebtedness or retained earnings are less than \$52.000 million, or an event of default is subsisting under the IMF Bentham Bonds or Fixed Rate Notes, the Company is not permitted to pay a dividend to ordinary shareholders (this calculation is to be undertaken both before and after the proposed dividend).

## Note 21: Retained earnings and reserves

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

	Consolidated	
	2017 \$'000	2016 \$'000
Balance 1 July	74,084	61,552
Net profit for the year	15,440	20,920
Dividend paid	(17,845)	(8,388)
Balance 30 June	71,679	74,084

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

	Share based payment reserve \$'000	Foreign currency translation reserve \$'000	Other Reserves		Total reserves \$'000
			Option premium reserve \$'000	Convertible notes reserve \$'000	
At 1 July 2015	–	191	3,404	3,832	7,427
Movements in reserves during the period	658	97	–	–	755
At 30 June 2016	658	288	3,404	3,832	8,182
Movements in reserves during the period	5,304	(4,932)	–	–	372
At 30 June 2017	5,962	(4,644)	3,404	3,832	8,554

### (c) Nature and purpose of reserves

#### (i) Share based payment reserve

The share based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel as part of their remuneration. Refer to Note 25 for further details of this plan.

#### (ii) Foreign currency translation reserve

This reserve is used to record differences on the translation of the assets and liabilities of overseas subsidiaries.

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 21: Retained earnings and reserves (continued)

### (iii) 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. This reserve relates to the previous plan for options already vested.

### (iv) Convertible note reserve

This reserve was used to record the equity portion on the convertible notes (issued on 13 December 2010), which were fully redeemed by the Company during December 2013.

## Note 22: Statement of cash flows reconciliation

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

	Consolidated	
	2017 \$'000	2016 \$'000
<b>Net profit attributable to members of the Parent</b>	15,440	20,920
<i>Adjustments for:</i>		
Net impact of the reclassification of litigation intangibles related cashflows to cashflows (from) investing activities	(24,806)	(25,818)
Depreciation	591	451
Share based payments	2,775	492
Unrealised foreign exchange gain	(334)	211
Share of loss in joint venture	-	2,670
Debt amortisation	-	518
Loss on disposal of fixed assets	80	-
Lease incentive adjustments	159	-
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in receivables	(6,049)	692
Decrease/(increase) in other current assets	(521)	(418)
Decrease/(increase) in intangibles	(43,373)	(46,151)
Increase/(decrease) in trade creditors and accruals	6,891	5,175
Increase/(decrease) in provisions	(623)	5,063
Increase/(decrease) in deferred tax assets and liabilities	(378)	(2,044)
Increase/(decrease) in current income tax liability	(732)	3,323
Net cash (used in) operating activities	(50,880)	(34,916)

### (b) Disclosure of financing facilities

Refer to Note 12 and Note 19.

## Note 23: 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	
	2017 \$'000	2016 \$'000
Fee revenue from Joint Venture	-	347
Transactions with related parties <sup>1</sup>	161	229
	161	576

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

## Note 24: 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	
	2017 \$'000	2016 \$'000
Short-term employee benefits - salaries and wages	4,274	4,604
Short-term employee benefits - accrued and unpaid	540	1,663
Post-employment benefits	115	125
Long service leave accrued during the year	50	78
Share based payments	1,237	331
Termination payment	-	200
	6,216	7,001

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 25: Share-based payments

### Long Term Incentive Plan

Under the LTIP, awards are made to executives and other key personnel who have an impact on the Group's performance. LTIP awards are delivered in the form of performance rights over shares which vest after a period of three years subject to meeting performance measures. The Group uses relative TSR and CAGR of Funds Deployed as the performance measures.

For the portion of the LTIP subject to the relative TSR performance measure, the fair value of share performance rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the share performance rights were granted. For the portion of the LTIP based on the achievement of CAGR of Funds Deployed, the Binomial model is used.

6,365,969 share performance rights were issued during 2017 (2016: 4,811,086). Specific assumptions for all grants are below:

Valuation Date	18 November 2016	24 February 2016	20 November 2015
5-day Volume Weighted Average Price at commencement of measurement period	\$1.46	\$1.67	\$1.67
Expected volatility (%)	25%	32%	28%
Dividend yield (%)	5.8%	5.0%	5.0%
Risk-free rate (%)	1.86%	1.77%	2.10%
Performance period	3 years ending 30 June 2019	3 years ending 30 June 2018	3 years ending 30 June 2018
Model used	Monte Carlo and Binomial	Monte Carlo and Binomial	Monte Carlo and Binomial
Tranche 1 - relative TSR (value per right \$)	\$1.188	\$0.333	\$0.575
Tranche 2 - CAGR (value per right\$)	\$1.553	\$0.999	\$1.210

## Note 26: 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	
	2017 \$'000	2016 \$'000
Within one year	1,910	1,198
After one year but no more than five years	5,198	1,230
After more than five years	2,804	-
Total minimum lease payments	9,912	2,428

### (b) Remuneration commitments

	Consolidated	
	2017 \$'000	2016 \$'000
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	4,390	7,305
After one year but no more than five years	-	-
	4,390	7,305

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

## Note 26: Commitments and contingencies (continued)

### (c) Contingencies

As at 30 June 2017, the Group has three cases, under appeal (2016: three cases). The total income recognised by the Group from the cases remaining on appeal in the current financial year is \$2,870,000 (2016: nil). The total current and non-current receivables as at 30 June 2017 relating to cases under appeal is \$2,870,000 (2016: nil).

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.

At 30 June 2017 the total amount spent on currently funded matters by the Company where undertakings to pay adverse costs have been provided was \$70,309,000 (2016: \$63,623,000). The potential adverse costs orders using the above methodology would amount to \$49,216,000 (2016: \$44,536,000). The Company does not currently expect that any of the matters will be unsuccessful. The Company maintains a large cash holding in the event that one or more matters are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

On 30 June 2016, the Group sold its 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. Refer to Note 32 for further details of the sale. As a result of the termination of the joint venture arrangements, IMF will no longer have an interest in the Tesco and VW cases, but will remain as a joint and several guarantor for current clients' exposure for the costs of the litigation and any adverse costs exposure, to the extent not covered by applicable insurance, with IMF being indemnified by certain affiliates of its former joint venture partner with respect to certain of these contingent liabilities.

### Note 27: Economic dependency

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

### Note 28: Events after the reporting date

On 24 August 2017, the directors declared a final fully franked dividend of 4.0 cents per share for the 2017 financial year, totalling \$6.882m. The record date for this dividend is 26 September 2017 and the payment date will be 20 October 2017. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

Other than the abovementioned matters, no other circumstances has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entities' operations, the results of those operations, or the consolidated entities state of affairs in the future financial years.

### Note 29: Auditor's remuneration

The auditor of IMF Bentham Limited is EY.

	Consolidated	
	2017 \$'000	2016 \$'000
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	235	283
Other services in relation to the Parent and any other entity in the consolidated Group:		
Tax compliance	118	52
Other	31	158
	<b>384</b>	<b>493</b>

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 30: Parent entity information

	2017 \$'000	2016 \$'000
<b>Information relating to IMF Bentham Limited:</b>		
Current assets	180,789	188,308
Total assets	356,326	347,623
Current liabilities	(39,897)	(34,666)
Total liabilities	(178,501)	(143,678)
<b>Net assets</b>	<b>177,825</b>	<b>203,945</b>
Issued capital	123,654	119,122
Retained earnings	40,975	76,929
Reserves	13,196	7,894
<b>Total shareholders' equity</b>	<b>177,825</b>	<b>203,945</b>
Profit or loss of the Parent	23,104	26,515
<b>Total comprehensive income of the Parent</b>	<b>23,104</b>	<b>26,515</b>

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

Details of the contingent liabilities of the Parent are contained in Note 26(c). The parent has no contingent liabilities in relation to the subsidiaries.

Details of the contractual commitments of the Parent are contained in Notes 26(a) and 26(b). The parent has no contractual commitments in relation to the subsidiaries.

### Tax consolidation

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

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

	IMF Bentham Limited	
	2017 \$'000	2016 \$'000
Total increase in tax liability and cost of investment in subsidiaries of IMF Bentham Limited	-	(374)

### Note 30: Parent entity information (continued)

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

Name	Country of Incorporation	Percentage owned	
		2017 %	2016 %
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
Bentham IMF Holdings 1 LLC <sup>(1)</sup>	USA	100	–
Bentham IMF 1 LLC <sup>(1)</sup>	USA	50	–
Security Finance 1 LLC <sup>(1)</sup>	USA	50	–
Bentham IMF Capital Limited	Canada	100	100
Lien Finance Canada Limited	Canada	100	100
IMF Bentham Pte. Limited <sup>(2)</sup>	Singapore	100	–

1. These entities were incorporated 3 November 2016. 50% ownership became effective on 13 February 2017

2. This entity was incorporated on 8 March 2017

### Note 31: Material partly-owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below:

Name	Country of Incorporation	Non-controlling interest	
		2017 %	2016 %
Proportion of equity interest held by non-controlling interests:			
Bentham IMF 1 LLC <sup>(1)</sup>	USA	50	–
Security Finance 1 LLC <sup>(1)</sup>	USA	50	–

1. These entities were incorporated 3 November 2016. 50% ownership became effective on 13 February 2017.

	2017 AUD \$'000	2016 AUD \$'000
<b>Accumulated balances of material non-controlling interest:</b>		
Bentham IMF 1 LLC	7,209	–
Security Finance 1 LLC	–	–
Transaction costs - disposal of non-controlling interest	(4,843)	–
	(2,366)	–
<b>Profit/(loss) allocated to material non-controlling interest:</b>		
Bentham IMF 1 LLC	–	–
Security Finance 1 LLC	–	–
	–	–

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 31: Material partly-owned subsidiaries (continued)

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

	Bentham IMF 1 LLC \$'000	Security Finance 1 LLC \$'000
<b>Summarised statement of financial position as at 30 June 2017</b>		
Current assets	5,561	-
Total assets	15,893	-
Current liabilities	1,439	-
Total liabilities	1,439	-
<b>Net assets</b>	<b>14,454</b>	<b>-</b>
Issued capital	14,417	-
Retained earnings	122	-
Reserves	(85)	-
<b>Total shareholders' equity</b>	<b>14,454</b>	<b>-</b>
Attributable to:		
Equity Holders of the parent	7,245	-
Non-Controlling interest	7,209	-
<b>Summarised statement of profit or loss for 2017</b>		
Revenue	155	-
Expenses	34	-
<b>Total comprehensive income</b>	<b>121</b>	<b>-</b>
Attributable to non-controlling interests	-	-
Dividends paid to non-controlling interests	-	-
<b>Summarised Statement of Cash flows for year ended 30 June 2017</b>		
Operating	(1,648)	-
Financing	7,209	-
<b>Net increase in cash and cash equivalents</b>	<b>5,561</b>	<b>-</b>

On 3 November 2016 IMF established Bentham IMF 1 LLC and its subsidiary Security Finance 1 LLC (collectively "the Fund"). The Fund has been part of the Group and consolidated into the results since this time as it was controlled by IMF.

On 10 February 2017, the Group undertook a transaction to dispose of a non-controlling interest in the Fund. At date of disposal the change in equity of the Group was recorded as follows:

	2017 AUD \$'000	2016 AUD \$'000
<b>Change in equity on disposal of non-controlling interest:</b>		
Bentham IMF 1 LLC	-	-
Security Finance 1 LLC	-	-
Transaction costs - disposal of non-controlling interest	(4,843)	-
	<b>(4,843)</b>	<b>-</b>

### Note 31: Material partly-owned subsidiaries (continued)

The Fund is comprised of Class A and B Stock. The non-controlling interest is comprised of Class B Stock. IMF retains control and ownership of the Fund via its interest in Class A stock. The Class B Stock carries an entitlement to receive a capped priority return on invested capital and a further preferred return on committed but undrawn capital. Upon satisfaction of the Class B priority returns the Class A Stock held by IMF is entitled to a manager return. After satisfaction of the Priority Return and the Manager Return residual net cash flows are to be distributed 85% to the Class A Stock and 15% to the Class B Stock.

The Class B member has no right to redemption but may upon the occurrence of certain portfolio impairment levels step into management of the Fund. Such step in will not alter the distribution rights of IMF's Class A Stock.

The non-controlling interest has committed to invest up to US\$100.000 million in Class B Stock and IMF has committed to invest US\$33.300 million into the Fund. The Fund is likely to draw down this capital over a three-year period, with minimum annual tranches applying. Such capital will be used to invest in US cases and matters. IMF will direct all US opportunities to the Fund for three years or such shorter period as required to deploy the committed capital.

### Note 32: Discontinued operations

The Bentham Ventures B.V. joint venture was incorporated in March 2014 and on 30 June 2016, the Group announced the sale of its 50% interest in Bentham Ventures B.V. for \$5,986,000, with an effective date of 30 June 2016.

The Group had 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.

IMF recognised \$nil profit before tax on the sale at 30 June 2017 (30 June 2016: \$4,097,000). After deducting losses, and tax, the profit from discontinued operations was \$nil (2016: \$160,000). The 2016 profit from discontinued operations is set out below:

	2016 \$'000
Sales consideration	5,986
Write off carrying value of investment	9
Share of loss in current period	(2,670)
FCTR adjustment brought forward	(191)
Derecognise loan owing from Bentham Ventures B.V.	(1,707)
Profit from discontinued operations	1,427
Tax payable	(1,267)
Profit from discontinued operations	160

# Notes to the Financial Statements

For the year ended 30 June 2017 (continued)

## Note 32: Discontinued operations (continued)

The Group's interests in Bentham Ventures B.V., were 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:

	2017 \$'000	2016 \$'000
<b>Summarised Statement of Financial Position of Bentham Ventures B.V.</b>		
Current assets	–	1,283
Non-current assets	–	4,008
Current liabilities	–	(5,273)
<b>Equity</b>	–	18
Proportion of the Group's ownership	0%	50%
Carrying amount of the investment	–	9
<b>Summarised Statement of Profit or Loss of Bentham Ventures B.V.</b>		
Corporate and office expense	–	2,358
Employee expense	–	2,252
Other expenses	–	695
<b>Loss before tax</b>	–	5,305
Income tax expense	–	34
Loss for the year	–	5,339
<b>Share of loss in joint venture entity</b>	–	2,670
<b>Other comprehensive income</b>		
Proportion of Group's ownership	0%	0%
Group share of other comprehensive income	–	–
<b>Summarised Statement of Cash Flows of Bentham Ventures B.V.</b>		
Operating	–	(9,728)
Investing	5,850	(6)
Financing	–	10,441
Net cash (outflow)/inflow	5,850	707
<b>Earnings per share attributable to the ordinary equity holders of the company</b>		
Basic profit/(loss) for the year from discontinued operations (cents per share)	–	0.09
Diluted profit/(loss) for the year from discontinued operations (cents per share)	–	0.09

To calculate the EPS for discontinued operations, the weighted average number of ordinary shares for both the basic and diluted EPS is as per Note 11. The following table provides the profit/(loss) amount used:

	2017 \$'000	2016 \$'000
Profit/(loss) attributable to ordinary equity holders of the parent from discontinued operations for the basic and diluted EPS calculations	–	160

# Directors' Declaration

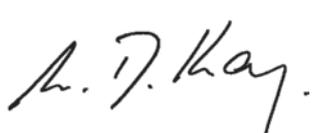
---

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

In the opinion of the Directors:

- a. the financial statements and notes of IMF Bentham Limited for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of its financial position as at 30 June 2017 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 ended 30 June 2017.

On behalf of the board



**Michael Kay**  
Non-Executive Director  
Sydney, 24 August 2017



**Andrew Saker**  
Managing Director

# Independent Auditor's Report



Ernst & Young  
11 Mounts Bay Road  
Perth WA 6000 Australia  
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436  
ey.com/au

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of IMF Bentham Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



## Impairment assessment of intangible assets

### Why significant

Litigation contracts in progress are recognised as intangible assets and assessed for impairment by the Group using updated cash flow forecasts.

The carrying value of litigation contracts are contingent on future cash flows and there is a risk that if these cash flows do not meet the Group's expectations, or if significant judgments such as the discount rates change, that the assets will be impaired.

We focused on this area because it requires a high level of judgment and changes in these assumptions might lead to a significant change in the carrying values of the related assets.

Refer to note 16 to the financial report for the amounts recognised by the Group as at 30 June 2017 and related disclosure.

### How our audit addressed the key audit matter

We evaluated the Group's assessment of the carrying value of intangible assets. In obtaining sufficient audit evidence, we:

- ▶ Examined the Group's impairment calculations and tested the reasonableness of key assumptions including cash flow forecasts, estimated completion date and discount rates, with the involvement of our valuation specialists;
- ▶ Completed sensitivity analyses to ascertain the impact of reasonably possible changes to key assumptions on the available headroom;
- ▶ Made inquiries about significant case matters with the Chief Executives of Australia and the United States of America and respective Case Investment Managers to obtain an update on the litigation contracts in progress; and
- ▶ Considered the Group's intention and ability to continue to fund the relevant matters.

## Income recognition

### Why significant

During the year ended 30 June 2017, a number of cases were successfully resolved in the Group's favour and a net gain on de-recognition of intangible assets of \$54.1 million was recorded on the consolidated statement of comprehensive income.

The Group's accounting policies set out a number of strict guidelines as to the manner in which income can be recognised following outcomes on litigation matters funded by the Group.

Given the magnitude and judgment involved in the timing of income recognition, income recognition was a key audit matter.

Refer to note 7 to the financial report for the amounts recognised by the Group as at 30 June 2017 and related disclosure.

### How our audit addressed the key audit matter

We evaluated the Group's assessment of case outcomes and income recognised for the year. In obtaining sufficient audit evidence, we:

- ▶ Tested the timing of income recognition based on settlement terms agreed with the counterparties including liquidators where applicable, court rulings and inquiries with legal representatives;
- ▶ Examined a sample of settlement agreements; and
- ▶ Checked other income recognised to payments received.

# Independent Auditor's Report

(continued)



## Existence and collectability of trade receivables

### Why significant

At 30 June 2017, the Group had trade receivables of \$37.2 million which were significant to the Group. The collectability of trade receivables is a key element of IMF's working capital management.

Given the magnitude and judgment involved in the collectability assessment of trade receivables, existence and collectability of trade receivables was a key audit matter.

Refer to note 13 to the financial report for the amounts recognised by the Group as at 30 June 2017 and related disclosure.

### How our audit addressed the key audit matter

We evaluated the Group's assessment of the carrying value of trade receivables at 30 June 2017. In obtaining sufficient audit evidence, we:

- ▶ Tested a sample of key balances where no provision was recognised to assess for indicators of impairment;
- ▶ Considered whether the amount recognised is appropriate where trade receivables are not expected to be received within the short term and performed recalculations where appropriate; and
- ▶ Checked whether payments had been received since year end, reviewed historical payment patterns and any correspondence with counterparties including liquidators where applicable.

## Provision for adverse costs

### Why significant

The Group raises a provision for adverse costs when it has lost a matter which it has funded. When a matter is lost and an appeal is lodged, the Group raises a provision based on its best estimate of the amount of adverse costs it will have to remit were the appeal to be lost.

We focused on this area because it requires a high level of judgment and changes in these assumptions might lead to a significant change in the amount of adverse costs the Group will have to pay.

Refer to Note 18 to the financial report for the amounts recognised by the Group as at 30 June 2017 and related disclosure.

### How our audit addressed the key audit matter

We evaluated the Group's assessment of the provision for adverse costs. In obtaining sufficient audit evidence, we:

- ▶ Obtained the calculation of provision for adverse costs and where possible, compared assumptions to external sources including estimates provided by the Group's legal counsel; and
- ▶ Considered the consistency of the application of policy for recognising provisions with the prior year. Specifically we considered both the value of the prior years' provision utilised for payments of adverse costs during the current year and the value of prior year provision amounts not utilised and released.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

# Independent Auditor's Report

(continued)



- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the remuneration report

### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 23 to 32 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of IMF Bentham Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

Ernst & Young

Robert A Kirkby  
Partner  
Perth  
24 August 2017

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

RK:JH:IMF:025

# Corporate Governance Statement

The Board of Directors of IMF Bentham Limited (“**IMF**” or “**Company**”) 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 (“**ASX CG Guidance**”) 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 A listed entity should disclose:	
(a) the respective roles and responsibilities of its board and management; and	Yes
(b) those matters expressly reserved to the board and those delegated to management.	Yes
1.2 A listed entity should:	
(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and	Yes
(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Yes
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes
1.5 A listed entity should:	
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;	Yes
(b) disclose that policy or a summary of it; and	Yes
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity’s diversity policy and its progress towards achieving them, and either:	
(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or	Yes
(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.	N/A
1.6 A listed entity should:	
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and	Yes
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes
1.7 A listed entity should:	
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and	Yes
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes

# Corporate Governance Statement

(continued)

Recommendation	Comply Yes/No
2.1 The board of a listed entity should:	
(a) have a nomination committee which:	
(1) has at least three members, a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the members of the committee; and	Yes
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	N/A
2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes
2.3 A listed entity should disclose:	
(a) the names of the directors considered by the board to be independent directors;	Yes
(b) if a director has an interest, position, association or relationship of the type described but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and	Yes
(c) the length of service of each director.	Yes
2.4 A majority of the board of a listed entity should be independent directors.	Yes
2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Yes
2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes
3.1 A listed entity should:	
(a) have a code of conduct for its directors, senior executives and employees; and	Yes
(b) disclose that code or a summary of it.	Yes
4.1 The board of a listed entity should:	
(a) have an audit committee which:	
(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director, who is not the chair of the board,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the relevant qualifications and experience of the members of the committee; and	Yes
(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes

Recommendation	Comply Yes/No
(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	N/A
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes
5.1 A listed entity should:	
(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	Yes
(b) disclose that policy or a summary of it.	Yes
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Yes
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes
7.1 The board of a listed entity should:	
(a) have a committee or committees to oversee risk, each of which:	Yes
(1) has at least three members, a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the members of the committee; and	Yes
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	N/A
7.2 The board or a committee of the board should:	
(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	Yes
(b) disclose, in relation to each reporting period, whether such a review has taken place.	Yes
7.3 A listed entity should disclose:	
(a) if it has an internal audit function, how the function is structured and what role it performs; or	N/A
(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Yes

# Corporate Governance Statement

(continued)

Recommendation	Comply Yes/No
7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes
8.1 The board of a listed entity should:	
(a) have a remuneration committee which:	
(1) has at least three members, a majority of whom are independent directors; and	Yes
(2) is chaired by an independent director,	Yes
and disclose:	
(3) the charter of the committee;	Yes
(4) the members of the committee; and	Yes
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Yes
(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	N/A
8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes
8.3 A listed entity which has an equity-based remuneration scheme should:	
(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and	Yes
(b) disclose that policy or a summary of it.	Yes

The Board and management of the Company understand and recognise the importance of achieving good corporate governance across the Group. Throughout the year ended 30 June 2017, the Company adopted and carried out its corporate governance practices in compliance with each of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

This statement discusses various aspects of the corporate governance policies and practices adopted by the Company. For further information on corporate governance policies and procedures adopted by the Company please refer to our website <http://www.imf.com.au/shareholders/corporate-governance>.

### 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 operations 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 its responsibilities.

Whilst the Board at all times 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 and Risk;
- Remuneration;
- Nomination; and
- Corporate Governance.

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

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
- appointing and monitoring the performance of Key Management Personnel.

### Structure of the Board

The skills, experience and expertise relevant to the position of director of 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 or 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 two 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 judgments 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 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.

# Corporate Governance Statement

(continued)

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:

Name	Position
Michael Kay	Non-Executive Chairman
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

In accordance with ASX CG Guidance, the Board has considered the independence of Michael Bowen and Alden Halse. Both have been Directors of the Company for more than 10 years and Michael Bowen is also a partner at DLA Piper, a law firm who provides legal services to the Company on certain engagements (see Note 23 of the Financial Statements). The Board has determined that these factors do not impact on their independence because in the exercise of their duties they demonstrate independent judgment and objective assessment of matters before the Board.

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

Name	Position
Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
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 Directors' Report and the Company's website.

## Audit and Risk Committee

The Board has an Audit and Risk 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 Audit and Risk Committee supports the Board in establishing and maintaining a framework of internal control and ethical standards.

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 and Risk Committee are non-executive directors.

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.

During the 2017 financial year, following the further geographic expansion of the Group's activities, under the direction of the Board and with input from an external consultant, Management undertook a review of risk management and reporting procedures. The implementation of any procedural updates is due to be completed in the first half of the 2018 financial year.

The members of the Audit and Risk Committee during the year were: Alden Halse (Chairman), Michael Bowen, Wendy McCarthy and Michael Kay.

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

#### Managing Director and Chief Financial Officer Certification

The Managing Director and the 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 are assessed are aligned with the financial and non-financial objectives of the Group, as summarised in the diagram below.



Board Skills Matrix

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of directors is reviewed annually by the chairperson. During the 2017 financial year, the chairperson undertook a performance evaluation of each director and key executive.

For details on director attendance at Board and Board committee meetings during the year ended 30 June 2017, refer to the Directors' Report.

# Corporate Governance Statement

(continued)

## Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality executive Directors and key management personnel by remunerating such individuals 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 non-executive directors. Members of the Remuneration Committee throughout the year were: Michael Bowen (Chairman), Alden Halse, Wendy McCarthy and Michael Kay.

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.

## Nomination

The Company understands that the appointment and reappointment of directors to the Board is critical to the performance of the Company. In recognition of this, the Board has established the Nomination Committee to provide transparency, focus and independent judgement to decisions regarding the composition of the Board.

## 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 and practices that promote the following:

- equal opportunities;
- attraction and retention of a diverse range of people;
- awareness of the differing needs of a diverse range of employees;
- provision of flexible work arrangements; and
- promotion of a culture that is free from discrimination, harassment and bullying.

In order to monitor the Company's gender diversity, the Board receives a report on an annual basis that provides the female representation at all levels within the Group. The 2017 report provides the following information (full time equivalent):

- total female employees: 34 (2016: 30); total male employees: 29 (2016: 26); total employees: 63 (2016: 56);
- total female investment managers: 10 (2016: 12); total male investment managers: 16 (2016: 13); total investment managers: 26 (2016: 25); and
- total female Key Management Personnel: Nil (2016: Nil); total male Key Management Personnel: 4 (2016: 4); total Key Management Personnel: 4 (2016: 4).

The Gender Equality Remuneration Review undertaken in 2016 by the Remuneration Committee demonstrated that IMF's remuneration was gender neutral and meritocratic. It is proposed to undertake further periodic reviews.

The Board considers that progress is being made towards achieving the Company's objective to support female representation at senior leadership and Board levels, including by the welcoming of 8 new female employees to the Company during the 2017 financial year and the promotion of Ms Allison Chock to the role of Chief Investment Officer for the United States.

The Nomination Committee will endeavour to improve the gender diversity at Board level at any time nominations are required to fill a Board position. In the 2017 financial year the Corporate Governance Committee undertook a review of IMF's diversity policy as part of its regular periodic review of IMF's corporate governance policies and procedures.

### 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.

In addition, the policy prohibits, subject to certain exceptions, dealing in the Company's securities 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; and
- the two weeks prior to and 24 hours after the holding of the Annual General Meeting.

Following the annual review of the Securities Trading Policy, in 2017 the closed periods were extended in respect of a specified group of persons, including directors, the Company Secretary, General Counsel and the Chief Financial Officer to include:

- 12.01am AEST on 1 July of each year until 10.00am AEST on the ASX trading day after the day on which the Company's full-year results are released; and
- 12.01am AEDT on 1 January of each year until 10.00am AEDT on the ASX trading day after the day on which the Company's half-year result are released.

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 Securities Trading Policy is available on its website.

### Continuous Disclosure

The Company's Continuous Disclosure Policy includes controls to ensure that the Company at all times complies with the requirements of ASX and the Corporations Act 2001 in relation to its continuous disclosure obligations.

The Continuous Disclosure Policy forms part of the Company's Corporate Governance Manual and is available on the Company's website.

### Shareholder Communication

The Board of Directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company and its 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.

Shareholders are encouraged to ask questions of their directors at the Annual General Meeting and other shareholder meetings called by the Company or to contact the Company Secretary to discuss matters pertaining to corporate governance or any other matter relating to the Company, at their convenience.

This Corporate Governance Statement is provided as at the date of the Director's Report and has been approved for issue by the Board.

As permitted by ASX Listing Rule 4.10.3, it is proposed that in the 2018 annual report the URL for the page on the IMF website where the Corporate Governance Statement will be located will be provided in place of extracting the Corporate Governance statement in the annual report.

# Shareholder Information

The information set out below is current as at 31 July 2017.

## (a) Distribution of Shareholders

### Ordinary Share Capital

172,046,575 fully paid ordinary shares are held by 5,643 individual shareholders. All issued ordinary shares carry one vote per share and carry the right to dividends.

### IMF Bentham Bonds

There are 500,000 bonds issued held by 427 individual bond holders. The IMF Bentham Bonds do not carry the right to vote.

### Options

There are no options issued over ordinary shares.

### Share Performance Rights

11,177,055 share performance rights were issued to 32 rights holders.

### Fixed Rate Notes

There are 72,000 Fixed Rate Notes.

### Distribution of Securities

The number of shareholders by size of holding, in each class are as at 31 July 2017:

	Number	Fully paid ordinary shares	Number	Bonds
1 – 1,000	1,108	544,841	383	117,058
1,001 – 5,000	1,925	5,525,402	37	76,110
5,001 – 10,000	1,042	7,769,872	3	24,480
10,001 – 100,000	1,466	38,249,782	3	171,514
100,001 and over	102	119,956,678	1	110,838
	5,643	172,046,575	427	500,000

### Non-marketable Parcels

There were 315 holders of less than a marketable parcel of ordinary shares.

## (b) Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 31 July 2017 are:

Shareholder	Number of ordinary Shares '000	% of issued capital
Celeste Funds Management Limited	10,488	6.10
Kabouter Management, LLC	8,891	5.17
Perpetual Investment Management	10,687	6.21
	30,066	17.48

**(c) 20 Largest Holders of Quoted Equity Securities as at 31 July 2017**

Ordinary Shares	Number of ordinary Shares '000	% of issued capital
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,286	13.53
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	18,732	10.89
3. CITICORP NOMINEES PTY LIMITED	12,186	7.08
4. UBS NOMINEES PTY LTD	11,397	6.62
5. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	8,615	5.01
6. BNP PARIBAS NOMS PTY LTD <DRP>	5,578	3.24
7. NATIONAL NOMINEES LIMITED	5,163	3.00
8. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,305	2.50
9. MCLERNON GROUP SUPERANNUATION PTY LTD	3,355	1.95
10. ZERO NOMINEES PTY LTD	2,243	1.30
11. MR DENNIS JOHN BANKS <BANKS FAMILY A/C>	1,858	1.08
12. MR HUGH MCLERNON	1,201	0.70
13. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	888	0.52
14. BOUCHI PTY LTD	616	0.36
15. B F A PTY LTD	586	0.34
16. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	580	0.34
17. MCLERNON GROUP SUPERANNUATION PTY LTD	507	0.29
18. PHILADELPHIA INVESTMENTS PTY LTD	504	0.29
19. HALSE HOLDINGS PTY LTD <THE ALDEN HALSE FAMILY A/C>	500	0.29
20. NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	500	0.29
	102,600	59.62

**(d) Options as at 31 July 2017 – 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 IMF Bentham Bonds as at 31 July 2017

Bond Holders	Number of Bonds '000	% of units
1. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	110,838	22.17
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	77,063	15.41
3. CITICORP NOMINEES PTY LIMITED	69,869	13.97
4. BNP PARIBAS NOMS PTY LTD <DRP>	24,582	4.92
5. INVIA CUSTODIAN PTY LIMITED <TORRYBURN SF - FIXED IN A/C>	8,980	1.80
6. NAMANGI PTY LIMITED	8,000	1.60
7. MCLERNON GROUP SUPERANNUATION PTY LTD <MCLERNON SUPER FUND A/C>	7,500	1.50
8. MR SIMON PETER PRICE + MS RACHEL EMMA FERGUSON <GIRAFFE SUPER FUND A/C>	5,000	1.00
9. NATIONAL NOMINEES LIMITED	4,483	0.90
10. BESSFAM PTY LTD	4,074	0.81
11. CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	4,073	0.81
12. FERNANE PTY LTD	4,073	0.81
13. FORETELLER PTY LTD <KELINNI A/C>	2,985	0.60
14. FAITHFUL COMPANIONS OF JESUS PROPERTY ASSOCIATION <FCJ SOCIETY A/C>	2,733	0.55
15. ST HEDWIG VILLAGE	2,698	0.54
16. BJM INCOME INVESTMENTS PTY LTD	2,500	0.50
17. DYSPO PTY LTD <HENTY SUPER FUND A/C>	2,500	0.50
18. TWENTY SECOND NATRO PTY LTD <CAP SUPERANNUATION FUND A/C>	2,500	0.50
19. CONTINENTAL HOLDINGS PTY LTD <WILLOUGHBY NO 1 A/C>	2,000	0.40
20. LEVIEN FOUNDATION PTY LTD <D LEVIEN FOUNDATION A/C>	2,000	0.40
	348,451	69.69

# Corporate Information

This annual report covers both IMF Bentham Limited as an individual entity and the consolidated entity comprising IMF Bentham 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 11 to 34. The Directors' Report is not part of the financial report.

## Directors

Michael Kay	Non-Executive Chairman
Andrew Saker	Managing Director
Hugh McLernon	Executive Director
Alden Halse	Non-Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director

## Company Secretary

Jeremy Sambrook

## Registered office and principal place of business in australia

Level 18, 68 Pitt Street  
Sydney NSW 2000

Phone: (02) 8223 3567  
Fax: (02) 8223 3555

## Solicitors

### DLA PIPER

Level 31, Central Park  
152-158 St George's Terrace  
Perth WA 6000

## 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

## Internet address

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

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.



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

**Sydney**

+61 2 8223 3567

Level 18,  
68 Pitt Street  
Sydney NSW 2000

GPO Box 5457,  
Sydney NSW 2001

**Perth**

+61 8 9225 2300

Level 6,  
37 St George's Terrace  
Perth WA 6000

PO Box Z5106,  
Perth WA 6831

**Brisbane**

+61 7 3108 1310

Level 4,  
320 Adelaide Street  
Brisbane QLD 4000

**Melbourne**

+61 3 9913 3301

Level 3, Bourke Place,  
600 Bourke Street  
Melbourne VIC 3000

**Adelaide**

+61 8 8122 1010

50 Gilbert St,  
Adelaide SA 5000

**New York**

+1 (212) 488 5331

437 Madison Avenue,  
19th Floor  
New York, NY 10022

**Los Angeles**

+1 (213) 550 2687

555 West Fifth Street  
Suite 3310  
Los Angeles, CA 90013

**San Francisco**

+1 (415) 231 0363

Two Rincon Center,  
121 Spear Street  
Suite 405  
San Francisco, CA 94105

**Houston**

+1 (713) 965 7920

Lyondell Basell Tower,  
1221 McKinney Street  
Suite 3840  
Houston, TX 77010

**Toronto**

+1 (416) 583 5720

250 The Esplanade,  
Suite 127  
Toronto, ON M5A 1J2

**Singapore**

+65 6622 5396

25-05, One Raffles  
Quay North Tower  
Singapore 048583