



**Annual Report
For the year ended
30 June 2004**

IMF (AUSTRALIA) LTD

ABN 45 067 298 088

CORPORATE INFORMATION

Directors

Alden Halse
Hugh McLernon
John Walker
Michael Bowen

Company Secretary

Mirian Picton

Principal Registered Office in Australia

Level 4, Citibank House
37 St Georges Terrace
Perth, Western Australia 6000
Phone: (08) 9225 2300 Fax: (08) 9225 2399

Solicitors

Steinepreis Paganin
Level 14, Citibank House
37 St Georges Terrace
Perth, Western Australia 6000

Share Registry

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

Auditors

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

Bankers

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

Internet Address

www.imf.com.au

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

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IMF (AUSTRALIA) LTD

CHAIRMAN'S REPORT

On behalf of the Board of Directors of IMF (Australia) Ltd ("IMF"), I am pleased to present this Annual Report in respect of the financial year ended 30 June 2004. This financial year was one in which IMF built on its successful financial year 2003 by funding a number of significant new matters, obtaining positive results in many matters and continuing to fund matters commenced in prior periods.

The Board is confident that the business model adopted and strategies in place are working successfully and will result in continued success and growth for IMF.

Involvement in a number of significant matters has contributed to the company's result for the year, and will contribute to success in the coming years. Such matters include Pan Pharmaceutical, Sentinel, Aristocrat, Mercury Rising and AM Corporation. Details of some of these are set out in the Directors Report. As important as are the successes, the Board notes that to the extent we have funded unsuccessful matters, the number and extent of those fall within the parameters set in the business model of IMF.

Shareholders may be aware that during the year the Finance Brokers matter being funded by the company received a much publicised setback. The Board considers the setback will be overcome. The Board remains confident that success will be ultimately achieved in this matter for the benefit of the aggrieved parties, and consequently, also for IMF.

With regard to the financial results for the year, IMF has recorded an operating profit before tax of \$1,890,977. Net assets at 30 June 2004 were \$21,950,135 and liquid assets (predominantly cash) at that date were \$10,290,876. The directors have resolved not to declare a dividend in respect of the year, in accordance with the policy set out in last year's annual report, wherein we advised that the company will consider paying a dividend when the cash reserves of the company have built up to a level of approximately \$20 million.

Demand for IMF's product remains high, and has, at times, exceeded our capacity to supply. To overcome this, the company has, since 30 June 2004 raised \$8 million by way of a share placement of \$5 million and a share purchase plan of \$3 million. The successful capital raising which took place in August 2004 was priced at 80 cents per share, and was successful.

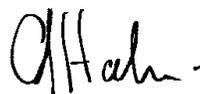
It is vital that IMF has sufficient working capital at any given time to take on significant and positive matters that come before the company.

In this regard, the Board notes that in previous presentations, which are available on the company's website and which have been lodged with the ASX, the company has indicated that in its early years as a listed company, income and profits will be erratic due to the long timespan involved in many major litigated matters. As the company's portfolio of matters increases, the Board believes there will be a smoothing out of the growth in income and profits.

The Board of IMF is optimistic that the financial year 2005 will be a profitable year again for the company and is committed to the continued growth of the company. The Board is also committed to ensuring that the company adheres to sound corporate governance principles in all areas of operations.

Finally, the Board acknowledges the efforts of all the staff of IMF, who work diligently and tirelessly to achieve success for IMF. Thank you to all staff.

I encourage you to attend our Annual General Meeting. It is an important part of the communication process of the company and I hope to see you there.



ALDEN HALSE
Chairman

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT

Your Directors' submit their report for the year ended 30 June 2004.

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

DIRECTORS

Alden Halse (Non-Executive Chairman)

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

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

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

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

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

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

Michael Bowen (Non-Executive Director)

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

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

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

Mr Bowen supports the managing director on matters concerning Corporations Law and is the chairman of the audit committee. He is also a member of the remuneration committee.

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

**Hugh McLernon
(Managing Director)**

Hugh McLernon is a lawyer by training. He holds a Bachelor of Laws degree from the University of Western Australia. After graduation he worked as a Crown Prosecutor for eight years and then as a barrister at the independent bar for a further nine years, before joining Clayton Utz for 3 years as the litigation partner.

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

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

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

**John Walker
(Executive Director)**

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

He then practiced accountancy with Deloitte Haskins and Sells (as it then was) prior to completing a Bachelor of Laws at Sydney University in 1986.

Between 1987 and 1998, Mr Walker practiced as a commercial litigator in Sydney, being a partner in a Sydney CBD firm from 1990.

In 1998, Mr Walker created Insolvency Litigation Fund Pty Ltd (formerly Insolvency Management Fund Pty Ltd) and was the initial Managing Director until the entity was purchased by Insolvency Management Fund Ltd in 2001.

Mr Walker is the understudy to the managing director and is in charge of the Sydney office.

IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)****INTERESTS IN SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report, the interests of the Directors in shares and options of the company are:

	IMF (Australia) Ltd	
	Ordinary Shares Fully Paid	Options over Ordinary Shares
A Halse	591,251	450,000
H McLernon	7,241,610	3,149,280
M Bowen	513,751	450,000
J Walker	4,051,250	3,149,280

EARNINGS PER SHARE

	Cents
Basic Earnings per Share	2.28
Diluted Earnings per Share	1.64

DIVIDENDS

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

CORPORATE INFORMATION**Corporate Structure**

IMF (Australia) Ltd ("IMF") continues to operate in conjunction with its wholly owned subsidiary Insolvency Litigation Fund Pty Ltd ("ILF"). There have been no share issues during the course of the year and the top 20 shareholders remain basically in place. IMF has prepared consolidated financial reports incorporating ILF which was controlled by IMF during the whole of the financial year.

Since the end of the financial year the company has issued 6,250,000 ordinary shares at 80 cents to sophisticated investors and 3,783,750 ordinary shares at 80 cents to IMF shareholders pursuant to a share purchase plan. In addition, a further 1,500,000 shares have been sold by directors Hugh McLernon and John Walker at 80 cents per share to fund the exercise by them of 5,400,000 options. These transactions have added \$9,107,000 in cash to the assets of the company and result in the issue of 15,433,750 new ordinary shares.

The issue was undertaken so as to enable the company to enter into further litigation funding agreements.

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

CORPORATE INFORMATION (Cont'd)**Nature of Operations and Principal Activities**

The operations of the consolidated entity remain in accordance with IMF's business plan created in 2001 and are separated into three finite areas of business:

- (i) insolvency cases;
- (ii) non-insolvency cases involving single plaintiffs; and
- (iii) non-insolvency group actions.

The majority of cases fall within the insolvency arena but we are attracting more and more requests for the funding of group actions. By way of example IMF is funding an action by a large group of shareholders against Aristocrat Leisure Limited in the Federal Court of Australia claiming an amount in excess of \$120 million for many thousands of individual investors.

The court systems around Australia have been unanimous in accepting litigation funding for insolvency practitioners. In some cases in Western Australia, objections have been taken to IMF funding in non-insolvency cases.

In December 2003 the Full Court of the Supreme Court of Western Australia, on appeal, upheld, by majority, the arguments of the defendants in the Finance Broking Case that the IMF funding arrangements in that case were not acceptable. The court ordered a temporary stay of the litigation. IMF, in conjunction with the 3,500 clients and the solicitors acting for those clients, amended the terms of the funding arrangements and lodged an application for the stay to be lifted. That application was heard on 7 September 2004 and a decision is pending.

Other than the Finance Broking Case one other objection has been taken to IMF funding, again in Western Australia. That objection has been taken in the Pilbara Manganese case and will be heard in the Supreme Court of Western Australia in due course.

In the Finance Broking Case the Full Court held that, although litigation funding for non-insolvency cases is acceptable, the court would oversee the funding arrangements in each case and would, in appropriate cases, stay proceedings until it is satisfied with the funding arrangements.

Another multi-party non-insolvency case funded by IMF was the Sentinel litigation in Victoria. In that case some 200 pilots sued a subsidiary of the Commonwealth Bank for about \$70 million plus interest. No objection was taken to the IMF funding. IMF in fact entered into a guarantee arrangement with the bank's subsidiary whereby it directly guaranteed the legal costs of the bank's subsidiary should it be successful in the litigation.

On 29 June 2004 the Supreme Court of Victoria held in favour of the Sentinel plaintiffs against the bank's subsidiary in relation to a test case involving 11 of the 200 plaintiffs. The defendant has subsequently appealed from that decision.

If no settlement can be reached with the defendant and the appeal is unsuccessful then the balance of the plaintiffs will present their cases to the court after the appeal or upon any date on which the court is prepared to hear them.

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

CORPORATE INFORMATION (Cont'd)**Nature of Operations and Principal Activities (Cont'd)**

Other multi party cases include the 312 plaintiff case in the Mercury Rising matter in the Supreme Court of Victoria and the 1,100 plaintiff proposed claim against AM Corporation Limited and its associates.

IMF has implemented a program of providing ASX with a list of the cases funded by IMF in which it stands to make at least \$500,000 per case. That report will be refreshed every three months and will provide information on the current case list of the Company to shareholders and investors alike.

As expected, it has become clear that the large majority of business for IMF emanates from Sydney and Melbourne and the Company will therefore progressively move the management and control structures of the company to Sydney.

Employees

Each of the three State offices in Sydney, Melbourne and Perth are managed by a senior ex lawyer with a less senior ex lawyer as an understudy. This management group is supported by 18 employees distributed throughout the three offices providing investigative, computer, accounting and management expertise. Other than Executive Directors, as at 30 June 2004, the consolidated entity employed 21 permanent staff (2003: 21 permanent, 2 casual).

REVIEW & RESULTS OF OPERATIONS

As set out in last year's managing director's report the Company expects to finalise at least one major case per year in order for that case to underpin the financial results for the particular year.

During the course of the current financial year we all but finalised such a case when the Sentinel judgment was handed down on 29 June 2004. Because we adopted the stratagem of using 11 of the 200 plaintiffs as a test case there will need to be further hearings for the balance of the plaintiffs (although they will be very much shorter hearings because of the decisions that were made by the trial judge during the course of the test case).

Nevertheless, the decision in the case came too late in the year to enable us to bring the full benefit of it to account in the 2004 financial report.

IMF continues to receive a stream of good litigation funding opportunities. The Company has announced funding agreements where the likely income is more than \$500,000, but there are numerous smaller cases which are also funded from time to time in order to even out the income stream. These types of cases gave rise to most of the \$9.5 million of income for 2004.

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

REVIEW & RESULTS OF OPERATIONS (Cont'd)

During the course of the year the company has received numerous requests for litigation funding from outside Australia.

To date IMF has not accepted any such funding requests.

IMF has spent the last three months or so studying the UK market for litigation funding. That market has the following advantages:

- (i) the UK court system is very much in favour of litigation funders;
- (ii) the size of the market is intuitively at least ten times the Australian market;
- (iii) there is little or no competition; and
- (iv) the legal system is very much the same as the Australian legal system.

As a result, IMF is likely to commence providing funding for UK investments during the course of this financial year.

OPERATING RESULTS, FINANCIAL YEAR 2004

The following summary of operating results reflects the consolidated entity's performance for the year ended 30 June 2004:

	2004 \$	2003 \$
Total Revenue	9,454,965	20,708,870
Operating profit after income tax	1,519,530	8,689,605
Total shareholders' equity	21,950,135	20,430,604

Shareholders Returns

Basic earnings per share (cents)	2.28	13.03
Diluted earnings per share (cents)	1.64	11.59

REVIEW OF FINANCIAL CONDITION

Because the Sentinel case was decided so late in the 2004 financial year it has not been possible to bring very much income from that case to account in the income for this year.

It is not possible to say whether the remaining 189 plaintiffs will achieve the same level of award as the initial 11 plaintiffs but if that were to occur then IMF would expect income of at least \$20 million from the Sentinel case during the coming year.

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

REVIEW OF FINANCIAL CONDITION (Cont'd)

During the course of this financial year we lost one case (Doran) which brought to two the total number of cases lost in the first three years of our operations.

An appeal is being prepared in the Doran case and the Company is confident that it will be successful. In the meantime the funds expended on the case have been written off against the 2004 income.

During the course of the year a further \$750,000 was paid out of income to Expectation Pty Ltd in final repayment of its debt of \$3 million. From this point on all income arising from cases will stay with IMF.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

RISK MANAGEMENT

The major risk for the Company will always be in the choice of cases to be funded. The extent of that risk can best be identified, from time to time, by reference to the fact that, in the first three years of operation, we have lost two cases and expect to win one of those back on appeal. The Company has an investment protocol in relation to case selection and a rigorous system which ensures that only cases with very good chances of success are accepted for funding. The only other risk which has emerged in recent times is that presented by the decision in the Finance Broking Case. The following factors are relevant to the risk in that area i.e. the risk of the courts preventing litigation funding in particular cases:

- (i) litigation funding for insolvency practitioners is beyond question;
- (ii) two thirds of our current funded cases are insolvency based;
- (iii) the Company could operate solely on insolvency cases;
- (iv) courts in the three common law countries (Australia, the United Kingdom and Canada) have now stated that litigation funding for non-insolvency cases is acceptable subject to the supervision of the court;
- (v) the UK courts have come out very strongly in favour of litigation funding.

If IMF commences operating in the UK, it will provide a geographical diversification for IMF in relation to this risk area. It is entirely feasible that the Company could be sourcing 50% of its cases from the UK market within the next two or three years.

IMF (AUSTRALIA) LTD

DIRECTORS' REPORT (Cont'd)

CORPORATE GOVERNANCE

The Company has now prepared an extensive Corporate Governance Manual which includes a compliance program and complaint handling procedures which will enable the Company to interact with its clients and the public in a consistent and transparent manner. Further details can be found on page 48 of this report.

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of IMF (Australia) Ltd support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this Annual Report.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Nothing has come to the attention of the directors after balance date that, in the directors' opinion, would require disclosure other than the share issues referred to above and options issued as disclosed in note 26.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the course of the 2005 financial year the Company expects to conclude two or three major pieces of litigation either by settlement or judgment. In addition the Company will work on the finalisation of the Sentinel litigation.

The Company has now had some three years as a listed litigation funder and expects to have at least two more years before any serious competition arises. By this time the Company should have well and truly established its name and reputation as the leader in Australian litigation funding.

SHARE OPTIONS

Unissued Shares

Since the date of the last Annual Report, 544,665 five year Employee options were issued. 150,000 options expired on 24 January 2004 and a further 10,000 options expired on 4 April 2004. At the date of this report, there were 21,289,675 options remaining over ordinary shares as follows:

- 18,895,680 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 13 September 2006. These five year options were issued as part of the purchasing of the business of ILF.
- 444,665 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2007.
- 100,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2008.
- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.30 and expiring on 30 June 2008.
- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.40 and expiring on 30 June 2008.

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

SHARE OPTIONS (Cont'd)

- 300,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.50 and expiring on 30 June 2008.
- 444,665 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2008.
- 100,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2009.
- 60,000 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.70 and expiring on 30 June 2009.
- 444,665 options over ordinary shares in IMF (Australia) Ltd exercisable at \$0.20 and expiring on 30 June 2009.

Shares Issued as a result of the exercise of options.

No options were exercised during the year.

SHARES RELEASED FROM ESCROW

There were 7,312,500 shares released from escrow during the financial year ended 30 June 2004.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

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

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

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

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

Emoluments of the Directors of IMF (Australia) Ltd

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Other	Termination & similar payments	Options		Superannuation
	\$	\$	\$	No. granted	\$	
A Halse	25,000	-	-	-	-	2,250
H McLernon	510,110	28,033	-	-	-	23,278
J Walker	473,860	-	-	-	-	9,893
M Bowen	25,000	-	-	-	-	-

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

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Other	Termination & similar payments	Options		Superannuation
	\$	\$	\$	No. granted	\$	
C Bowman	234,102	-	-	254,094	39,130	15,893
P Rainford	137,551	-	-	190,571	29,348	47,447
M Picton	101,855	-	-	-	-	9,356

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

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

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

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

The company has adopted the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which had not vested as at 1 July 2004. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e., forfeitures). Prior to 1 July 2003, the company had not disclosed the fair value of options granted as an emolument. No amounts have been included in the current year emoluments in respect of options granted in prior periods as all such options had vested prior to the beginning of the current financial year.

From 1 July 2004, options granted as part of director and executive emoluments have been valued using a Black Scholes option pricing model, which take account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. For further details, refer to Note 18 to the financial statements.

AUDIT COMMITTEE

	Meetings Attended	No. of meetings held whilst in office
Total number of meetings held: 4		
M Bowen	4	4
A J Halse	4	4
H McLernon	4	4

The members of the Audit Committee are as follows:

M Bowen
A J Halse
H McLernon

REMUNERATION COMMITTEE

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

The members of the Remuneration Committee are as follows:

M Bowen
A J Halse

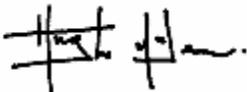
IMF (AUSTRALIA) LTD**DIRECTORS' REPORT (Cont'd)**

DIRECTORS' MEETINGS

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

	Meetings Attended	No. of meetings held whilst in office
Total number of meetings held: 5		
A J Halse	5	5
H McLernon	5	5
M Bowen	5	5
J F Walker	4	5

Signed in accordance with a resolution of the Directors.



Hugh McLernon
Managing Director

Perth 29 September 2004

IMF (AUSTRALIA) LTD**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenues from ordinary activities	2	9,454,965	20,708,870	938,594	1,916,807
Depreciation	3(a)	(136,735)	(93,456)	(136,735)	(93,116)
Expensing of litigation costs related to settled cases		(4,430,749)	(8,828,437)	(295,762)	(407,019)
Litigation costs relating to Expectation Pty Ltd		(716,087)	(723,449)	-	-
Borrowing cost expense	3 (a)	(262,667)	(157,534)	(262,667)	(157,534)
Salaries and employee benefit expense		(995,638)	(419,673)	(995,638)	(419,673)
Network expense		(103,204)	(78,721)	(105,068)	(49,391)
Professional fee expenses		(190,724)	(230,084)	(190,724)	(221,248)
Other expenses from ordinary activities		(728,184)	(1,012,911)	(780,791)	(539,269)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,890,977	9,164,605	(1,828,791)	29,557
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	(371,447)	(475,000)	(371,447)	(475,000)
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF IMF (AUSTRALIA) LTD	14	1,519,530	8,689,605	(2,200,238)	(445,443)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF IMF (AUSTRALIA) LTD		1,519,530	8,689,605	(2,200,238)	(445,443)
Basis earnings per share (cents per share)	17	2.28	13.03		
Diluted earnings per share (cents per share)	17	1.64	11.59		

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

IMF (AUSTRALIA) LTD**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
CURRENT ASSETS					
Cash assets		10,290,876	6,662,152	6,074,043	4,567,995
Receivables	5	4,821,347	9,006,023	3,170,338	6,772,586
Litigation work-in-progress	8	7,793,352	6,023,333	2,818,386	730,570
Other	6	64,256	40,197	60,446	35,920
TOTAL CURRENT ASSETS		22,969,831	21,731,705	12,123,213	12,107,071
NON-CURRENT ASSETS					
Plant and equipment	7	375,878	362,594	373,053	359,770
Litigation work-in-progress	8	4,678,043	3,028,084	450,630	1,172,302
Deferred tax asset	4	2,747,014	1,703,000	2,747,014	1,703,000
Other financial assets	9	25,000	25,000	1,525,000	1,525,000
TOTAL NON-CURRENT ASSETS		7,825,935	5,118,678	5,095,697	4,760,072
TOTAL ASSETS		30,795,766	26,850,383	17,218,910	16,867,143
CURRENT LIABILITIES					
Payables	10	1,393,192	689,675	375,875	262,293
Interest – bearing liabilities	11	3,460,287	2,448,861	3,460,287	2,448,860
Provisions	12	546,890	1,103,243	546,890	387,157
TOTAL CURRENT LIABILITIES		5,400,369	4,241,779	4,383,052	3,098,310
NON-CURRENT LIABILITIES					
Deferred tax liabilities	4	3,445,262	2,178,000	3,445,262	2,178,000
TOTAL NON CURRENT LIABILITIES		3,445,262	2,178,000	3,445,262	2,178,000
TOTAL LIABILITIES		8,845,631	6,419,779	7,828,314	5,276,310
NET ASSETS		21,950,135	20,430,604	9,390,596	11,590,833
EQUITY					
Contributed equity	13	11,741,000	22,985,702	11,741,000	22,985,702
General reserve	14	8,689,605	8,689,605	-	-
Accumulated profit/(loss)	14	1,519,530	(11,244,703)	(2,350,404)	(11,394,869)
TOTAL EQUITY		21,950,135	20,430,604	9,390,596	11,590,833

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

IMF (AUSTRALIA) LTD**STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2004**

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		13,203,000	11,444,210	677,549	1,688,329
Rent received		-	41,625	-	41,625
Payments to suppliers and employees		(9,745,373)	(11,549,274)	(3,554,189)	(2,665,047)
Interest received		436,641	237,916	261,045	197,109
Borrowing costs		-	(157,534)	-	(157,534)
Income Tax paid		(148,199)	-	(148,199)	-
Payment to Expectation Pty Ltd		(716,087)	(723,449)	-	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	15(a)	3,029,982	(706,506)	(2,763,794)	(895,518)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of non-current assets		(150,018)	(182,648)	(150,018)	(182,648)
Purchase of equity investments		-	(25,000)	-	(25,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(150,018)	(207,648)	(150,018)	(207,648)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings – other		748,760	1,071,721	748,760	1,071,721
Advances to related parties		-	-	3,671,100	(1,105,297)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		748,760	1,071,721	4,419,860	(33,576)
NET INCREASE/(DECREASE) IN CASH HELD		3,628,724	157,567	1,506,048	(1,136,742)
Add opening cash bought forward		6,662,152	6,504,585	4,567,995	5,704,737
CLOSING CASH CARRIED FORWARD	15 (b)	10,290,876	6,662,152	6,074,043	4,567,995

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2004**

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

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

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

(b) Changes in accounting policies

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

(c) Principles of consolidation

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

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

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

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

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

(d) Cash and cash equivalents

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

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

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(e) Interest-bearing liabilities**

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

(f) Provisions

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

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

(g) Contributed equity

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

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

(h) Revenue recognition

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

Litigation Revenue***Successful Judgement:***

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

Appeal by Defendant:

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(h) Revenue recognition (Cont'd)***Successful Appeal by Defendant:*

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

Unsuccessful Appeal by Defendant:

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

Unsuccessful Judgement:

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

Appeal by Client Plaintiff

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

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

(i) Taxes*Income taxes*

Tax-effect accounting is applied using the liability method, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****30 JUNE 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(i) Taxes (Cont'd)***Goods & Services Tax (GST)*

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

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

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

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

(j) Employee benefits

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

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

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

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

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(k) Earnings per share**

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

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

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

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

(l) Recoverable amount

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

(m) Plant and equipment*Cost and valuation*

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

Depreciation

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

	2004	2003
Plant and equipment	20-25%	20-25%

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**(n) Litigation Work-in-progress**

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

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

(o) Leases

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

Operating leases

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

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

(p) Payables

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

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

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

(q) Comparatives

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

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
2. REVENUE FROM ORDINARY SHARES					
<i>(a) Revenue from operating activities</i>					
Revenue from settlement of cases		9,018,324	20,429,249	677,549	1,678,014
Total revenue from operating activities		9,018,324	20,429,249	677,549	1,678,014
<i>(b) Revenue from non-operating activities</i>					
Interest					
- Other corporations		436,641	237,916	261,045	197,109
Other income		-	41,705	-	41,684
Total revenue from non-operating activities		436,641	279,621	261,045	238,793
TOTAL REVENUES FROM ORDINARY ACTIVITIES		9,454,965	20,708,870	938,594	1,916,807
3. EXPENSES AND LOSSES/(GAINS)					
<i>(a) Expenses</i>					
Depreciation of non-current assets					
- Plant and equipment	7(a)	136,735	93,456	136,735	93,116
Borrowing costs expensed:					
Interest expense					
- Other related parties	20(h)	262,667	157,534	262,667	157,534
TOTAL BORROWING COSTS EXPENSED		262,667	157,534	262,667	157,534
Operating lease rental					
- Minimum lease payments		533,283	323,731	533,283	204,538

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
(b) Significant items					
Profit/(loss) from ordinary activities before income tax expense, includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Recoverable amount write down of litigation portfolio		-	372,072	-	-
4. INCOME TAX					
The prima facie tax, using tax rates applicable in the country of operation, on operating loss and extraordinary items, differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit/(loss) from ordinary activities at 30%		567,293	2,749,381	(548,637)	8,867
Tax effect of timing differences and tax losses not brought to account in prior years		(209,124)	-	-	-
Tax effect permanent differences					
Prior year losses utilised		-	(2,329,664)	-	-
Other		13,278	2,716	-	-
Prior year timing differences brought to account		-	52,567	-	52,567
Tax expense arising on a assumption of tax obligations of subsidiary entities		-	-	920,084	413,566
Income tax expense attributable to ordinary activities		371,447	475,000	371,447	475,000
Deferred tax assets and liabilities					
Provision for deferred income tax (non-current)		3,445,262	2,178,000	3,445,262	2,178,000
Future income tax benefit (non-current)		2,747,014	1,703,000	2,747,014	1,703,000

Included in the future income tax benefit is an amount of \$2,626,210 that relates to tax losses.

Tax Consolidation

Effective 1 July 2003, for the purposes of income taxation, IMF (Australia) Ltd and its 100% owned subsidiaries have formed a tax consolidated group. IMF (Australia) Ltd, as head company of the tax consolidated group, has recognised a net income tax expense of \$371,447 on assumption of the tax obligations of the subsidiary entities. IMF (Australia) Ltd has formally notified the Australian Taxation Office of the adoption of the tax consolidation regime.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
5. RECEIVABLES					
Current					
Trade debtors	5 (a)(b)	4,822,880	9,007,556	81,934	13,082
Provision for doubtful debts		(1,533)	(1,533)	(1,533)	(1,533)
Amounts other than trade debts receivable from related parties:					
- controlled entity		-	-	3,089,937	6,761,037
		4,821,347	9,006,023	3,170,338	6,772,586
<i>(a)</i>	Included in trade debtors for the financial year ended 30 June 2004 is an amount of \$798,568 which has been appealed by the defendant. The company has complied with its stated revenue recognition policy in respect of this matter.				
<i>(b)</i>	Terms and Conditions				
	Terms and conditions relating to the above receivables:				
<i>(i)</i>	trade debtors are non-interest bearing and generally on 60 day terms.				
<i>(ii)</i>	details of terms and conditions of related party receivables are set out in note 21.				
6. OTHER CURRENT ASSETS					
Prepayments		64,256	40,197	60,446	35,920
7. PLANT AND EQUIPMENT					
Plant and equipment – at cost		689,896	539,878	686,525	536,507
Accumulated depreciation		(314,018)	(177,284)	(313,472)	(176,737)
		375,878	362,594	373,053	359,770

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
7. PLANT AND EQUIPMENT (Cont'd)					
(a) Reconciliations					
<i>Plant and equipment</i>					
Carrying amount at beginning of year		362,595	273,403	359,770	270,238
Additions		150,018	182,648	150,018	182,648
Depreciation expense		(136,735)	(93,456)	(136,735)	(93,116)
		375,878	362,595	373,053	359,770
8. LITIGATION WORK-IN-PROGRESS					
Current		7,793,352	6,023,333	2,818,386	730,570
Non-Current		4,678,043	3,028,084	450,630	1,172,302
9. OTHER FINANCIAL ASSETS					
Investments at cost comprise:					
- controlled entities					
- unlisted shares		-	-	1,500,000	1,500,000
Shares – unlisted		25,000	25,000	25,000	25,000
		25,000	25,000	1,525,000	1,525,000

Interest in subsidiaries

Name	Country of Incorporation	Percentage of equity interest held by the Controlling entity		Investment	
		2004 %	2003 %	2004 \$	2003 \$
Insolvency Litigation Fund Pty Ltd (formerly Insolvency Management Fund Pty Ltd)	Australia	100	100	1,500,000	1,500,000

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

		Consolidated		IMF (Australia) Ltd		
	Notes	2004 \$	2003 \$	2004 \$	2003 \$	
10.	PAYABLES (CURRENT)					
	Trade creditors and accruals	10 (a)	1,393,192	685,550	375,875	261,357
	Other creditors	10 (a)	-	4,125	-	936
			1,393,192	689,675	375,875	262,293
(a)	Terms and conditions					
	Terms and conditions relating to the above financial instruments:					
	<ul style="list-style-type: none"> trade creditors are non-interest bearing and normally settled on 30 day terms; other creditors are non-interest bearing and have an average term of 60 days; and details of terms and conditions of related party loans are set out in note 21 					
11.	INTEREST-BEARING LIABILITIES					
	Current					
	Unsecured other loans	20 (h)	3,460,287	2,448,860	3,460,287	2,448,861
			3,460,287	2,448,860	3,460,287	2,448,861
	<ul style="list-style-type: none"> details of terms and conditions of interest – bearing liabilities are set out in note 20(h) 					

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

		Consolidated		IMF (Australia) Ltd	
		2004	2003	2004	2003
		\$	\$	\$	\$
12. PROVISIONS					
<i>Current</i>					
Employee entitlements	18	546,890	387,157	546,890	387,157
Provision for potential deferred consideration (A description of the provision for deferred consideration is given in note 24).	22	-	716,086	-	-
		546,890	1,103,243	546,890	387,157

		Consolidated		IMF (Australia) Ltd	
		2004	2003	2004	2003
		\$	\$	\$	\$
13. CONTRIBUTED EQUITY					
<i>(a) Issued and paid up capital</i>					
66,699,734 ordinary shares fully paid		11,741,000	22,985,702	11,741,000	22,985,702

(b) Movements in shares on issue during financial year

	2004		2003	
	Number of shares	\$	Number of shares	\$
Beginning of financial year	66,699,734	22,985,702	66,699,734	22,985,702
Carried forward retained losses off set against paid up capital	-	(11,244,702)	-	-
End of financial year	66,699,734	11,741,000	66,699,734	22,985,702

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

Terms and conditions of Ordinary Shares

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

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

Share Options

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

Employee Share Scheme

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

At the end of the year there were 100,000 unissued ordinary shares in respect of which options were outstanding. Details are provided in note 18.

Losses off set against paid up capital

Up to the end of the 2002 financial year, the Company had incurred substantial operating losses from its previous activities as a designer and retailer of compact disc products.

On 5 September 2001 shareholders approved the Company undertaking a new activity, litigation funding. The directors determined it to be appropriate for the Company's accumulated losses from its previous activities to be applied against its share capital.

On the 21 November 2003 the shareholders approved the carried forward losses to be offset against paid up capital.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****30 JUNE 2004****Other Options**

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

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
14. RESERVES AND RETAINED PROFIT/(ACCUMULATED LOSSES)					
Retained Profit/(Accumulated Losses)					
Balance at beginning of year		(11,244,703)	(11,244,703)	(11,394,869)	(10,949,426)
Profit/(Loss) attributable to members of IMF (Australia) Ltd		1,519,530	8,689,605	(2,200,238)	(445,443)
Transfer to general reserve		-	(8,689,605)	-	-
Write off of accumulated losses		11,244,703	-	11,244,703	-
BALANCE AT END OF YEAR		1,519,530	(11,244,703)	(2,350,404)	(11,394,869)
General Reserve					
Balance at beginning of year		-	-	-	-
Transfer from accumulated losses	14 (a)	8,689,605	8,689,605	-	-
BALANCE AT END OF YEAR		8,689,605	8,689,605	-	-

(a) General Reserve

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

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
15. STATEMENT OF CASHFLOWS					
<i>Reconciliation of the operating loss after tax to the net cash flows from operations:</i>					
Profit/(Loss) from ordinary activities after tax		1,519,530	8,689,605	(2,200,238)	(445,444)
NON CASH ITEMS					
Depreciation of plant and equipment		136,735	93,456	136,735	93,116
Borrowing costs		262,667	-	262,667	-
CHANGES IN ASSETS AND LIABILITIES					
Increase/(Decrease) in Deferred Tax		1,267,262	2,178,000	1,267,262	2,178,000
Decrease/(Increase) in future tax benefit		(1,044,014)	(1,703,000)	(1,044,014)	(1,703,000)
Decrease/(Increase) in receivables – current		4,184,676	(9,001,790)	-	(7,315)
(Increase)/Decrease on Litigation portfolio		(3,419,978)	(818,802)	(1,366,144)	(1,366,328)
Decrease/(Increase) in pre-payments		(24,060)	(29,900)	(24,529)	(26,390)
Decrease/(Increase) in other debtors		-	16,672	(68,849)	17,568
Increase/(Decrease) in creditors and accruals		703,517	358,990	140,860	135,879
Increase/(Decrease) in other creditors		-	129,084	-	133,129
(Increase)/Decrease in receivables – non-current		-	-	-	-
Increase/(Decrease) in employee entitlements		159,733	97,942	132,456	97,942
Increase/(Decrease) in other provisions		(716,086)	(716,763)	-	(2,675)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		3,029,982	(706,506)	(2,763,794)	(895,518)
(b) Reconciliation of cash					
Cash balances comprise					
Cash at bank		10,290,876	6,662,152	6,074,043	4,567,995

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

15. STATEMENT OF CASH FLOWS (Cont'd)

(c) Non cash financing and investing activities

There were no non-cash financing and investing activities during the 2004 year.

(d) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

Total facilities

- Deposit funding facility	20(h)	3,460,288	2,448,861	3,460,288	2,448,861
		3,460,288	2,448,861	3,460,288	2,448,861

Facilities used at balance date:

- Deposit funding facility		3,460,288	2,448,861	3,460,288	2,448,861
		3,460,288	2,448,861	3,460,288	2,448,861

Facilities unused at balance date:

- Deposit funding facility		-	-	-	-
- Convertible notes		-	-	-	-
		-	-	-	-

- details of terms and conditions of deposit facility funding are set out in note 20(h)

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

	Notes	Consolidated		IMF (Australia) Ltd	
		2004 \$	2003 \$	2004 \$	2003 \$
16. EXPENDITURE COMMITMENTS					
<i>Capital expenditure commitments</i>					
Estimated capital expenditure contracted for at balance date, but not provided for payable					
- not later than one year		-	716,087	-	-
		-	716,087	-	-
<i>Lease expenditure commitments Operating leases (non-cancellable)</i>					
Minimum lease payments					
- no later than one year		240,245	199,192	240,245	199,192
- later than one year but not later than five years		293,038	425,828	293,038	425,828
		533,283	625,020	533,283	625,020
AGGREGATE LEASE EXPENDITURE COMPRISE:					
Amounts not provided for:					
- rental commitments:					
current		240,245	199,192	240,245	199,192
non-current		293,038	425,828	293,038	425,828
AGGREGATED LEASE EXPENDITURE CONTRACTED FOR AT BALANCE DATE		533,283	625,020	533,283	625,020

These commitments represent payments due for leased premises under non-cancellable operating lease. The average lease term runs for 22 months.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

	Consolidated	
	2004	2003
	\$	\$
17. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share		
Net Profit	1,519,530	8,689,605
	Number of shares	
Weighted average number of ordinary shares on issued used in the calculation of basic earnings per share	66,699,734	66,699,734
Effect of dilutive securities		
Share options	26,185,010	8,246,782
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	92,884,744	74,946,516

	Notes	Consolidated		IMF (Australia) Ltd	
		2004	2003	2004	2003
		\$	\$	\$	\$
18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlements liability is comprised of:					
Provisions (current)	12	429,529	292,593	429,529	292,593
Accrued salaries and wages		117,361	94,564	117,361	94,564
		546,890	387,157	546,890	387,157

Employee Share Option Scheme

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

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004**18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)****Employee Share Option Scheme (Cont'd)**

At the 30th June 2004, there were 100,000 employee share options remaining over ordinary shares as follows:

100,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.20 and all expiring on 30 June 2008.

	2004		2003	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	10,000	4.25	10,000	4.25
- granted	100,000	0.20	-	-
- forfeited	10,000	4.25	-	-
- exercised	-	-	-	-
Balance at end of year	100,000	0.20	10,000	4.25
Exercisable at end of year	100,000	0.20	10,000	4.25

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

The following table summarises information about options held by employees as at 1 July 2003:

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

(b) Options granted during the reporting period

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

	2004	2003
Grant date	1/7/03	-
Vesting date	1/7/03	-
Expiry date	30/6/08	-
Weighted average exercise price	\$0.20	-

(c) Options exercised

There were no options exercised during the financial years ended 30 June 2003 or 30 June 2004.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004**EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)****(d) Options held at the end of the reporting period:**

The following table summarises information about options held by the employees as at 30 June 2004:

Number of options	Grant date	Vesting Date	Expiry Date	Weighted average exercise price
100,000	1 July 2003	1 July 2003	30 June 2008	0.20

Employee Options

As at 30 June 2004 there were 889,330 employee share options remaining over ordinary shares as follows:

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

444,665 free options over ordinary shares in IMF, all of which are exercisable at \$0.20, all expiring on 30 June 2008.

	2004	
	Number of Options	Weighted average exercise price
Balance at beginning of year	444,665	0.20
- granted	444,665	0.20
- forfeited	-	-
- exercised	-	-
Balance at end of year	889,330	0.20
Exercisable at end of year	889,330	0.20

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

The following table summarises information about employee share options held by employees as at 1 July 2003:

Number of options	Grant date	Vesting Date	Expiry Date	Weighted average exercise price
444,665	1 July 2002	1 July 2002	30 June 2007	0.20

(b) Options granted during the reporting period

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

	2004
Grant date	1 July 2003
Vesting date	1 July 2003
Expiry date	30 June 2008
Weighted average exercise price	0.20

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd) 30 JUNE 2004

18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)

(c) Options exercised

There were no employee share options exercised during the financial year ended 30 June 2004.

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

The following table summarises information about employee share options held by the employees as at 30 June 2004:

Number of options	Grant date	Vesting Date	Expiry Date	Exercise price
444,665	1 July 2002	1 July 2002	30 June 2007	\$0.20
444,665	1 July 2003	1 July 2003	30 June 2008	\$0.20

Director Options

As at 30 June 2004, there were 6,300,000 Director Share options remaining over ordinary shares as follows:

- 5,400,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.20, all expiring on 5 September 2004.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.30, all expiring on 30 January 2008.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.40, all expiring on 30 January 2008.
- 300,000 free options over ordinary shares in IMF, all of which are exercisable at \$0.50, all expiring on 30 January 2008.

	2004		2003	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	6,300,000	\$0.23	5,400,000	0.20
- granted	-	-	900,000	0.40
- forfeited	-	-	-	-
- exercised	-	-	-	-
Balance at end of year	6,300,000	\$0.20	6,300,000	0.23
Exercisable at end of year	5,700,000	\$0.20	5,400,000	0.20

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

The following table summarises information about Director Options held by Directors as at 1 July 2003:

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
5,400,000	13 Sept 2001	13 Sept 2001	5 Sept 2004	0.20
300,000	31 Jan 2003	30 Jan 2004	30 Jan 2008	0.30
300,000	31 Jan 2003	30 Jan 2005	30 Jan 2008	0.40
300,000	31 Jan 2003	30 Jan 2006	30 Jan 2008	0.50

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004**18. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont'd)****(b) Options granted during the reporting period**

There were no director options granted during the reporting period.

(c) Options exercised

There were no director options exercised during the financial year ended 30 June 2004.

(d) Director options held at the end of the reporting period:

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

Superannuation Commitments

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

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

	Consolidated		IMF (Australia) Ltd	
	2004	2003	2004	2003
	\$	\$	\$	\$
19. AUDITOR'S REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity	28,050	23,000	28,050	23,000
- tax compliance	24,000	4,081	24,000	4,081
	52,050	27,081	52,050	27,081

20. DIRECTOR AND EXECUTIVE DISCLOSURES**(a) Details of Specified Directors and Specified Executives****(i) Specified directors**

H. McLernon	Managing Director
J. Walker	Director
A. Halse	Non Executive Director - Chairman
M. Bowen	Non Executive Director

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

20. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont'd)*(ii) Specified executives*

C. Bowman	Victorian State Manager
P. Rainford	Senior Investigator
M. Picton	Chief Financial Officer / Company Secretary

(b) Remuneration of Specified Directors and Specified Executives*(i) Remuneration Policy*

The Remuneration Committee of the Board of Directors of IMF (Australia) Ltd is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and specified executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument 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 for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company' financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Employee Share Incentive Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

20. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont'd)

(ii) *Remuneration of Specified Directors and Specified Executives*

Specified Directors	Salary & Fees	Cash Bonus	Non Monetary benefits	Options	Superannuation	Total
A. Halse						
2004	25,000	-	-	-	2,250	27,250
2003	25,000	-	-	11,507	2,250	38,757
H. McLernon						
2004	460,110	50,000	28,033	-	23,278	561,421
2003	303,686	-	14,887	-	81,427	400,000
J. Walker						
2004	386,360	43,750	-	-	9,843	439,953
2003	291,598	-	-	-	2,473	294,071
M. Bowen						
2004	25,000	-	-	-	-	25,000
2003	25,000	-	-	-	-	25,000
Total Remuneration : Specified Directors						
2004	896,470	93,750	28,033	-	35,371	1,053,624
2003	645,284	-	14,887	11,507	86,150	757,828
Specified Executives						
C. Bowman						
2004	234,102	-	-	39,130	15,893	289,125
2003	188,523	-	-	33,795	11,893	234,211
P. Rainford						
2004	137,551	-	-	29,348	47,447	214,346
2003	114,243	-	-	25,346	35,201	174,790
M. Picton						
2004	101,855	-	-	-	9,356	111,211
2003	87,402	-	-	-	7,866	95,268
Total Remuneration : Specified Executives						
2004	473,508	-	-	68,478	72,696	614,682
2003*	390,168	-	-	59,141	54,960	504,269

* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

(c) **Remuneration options: Granted and vested during the year**

During the financial year 444,665 options were granted as equity compensation benefits to specified directors and specified executives.

(d) **Shares issued on exercise of remuneration options**

During the financial year no shares were issued on exercise of remuneration options.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****30 JUNE 2004**

20. DIRECTOR AND EXECUTIVE DISCLOSURES (Cont'd)**(g) Loans to specified directors and specified executives**

There were no loans made to specified directors or specified executives.

(h) Other transactions and balances with specified directors and specified executives

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

Expectation Pty Ltd agreed to make available to the Company up to \$2,000,000 of the cash flow Expectation Pty Ltd is to receive pursuant to the Shareholders Deed;

Legal Precedents Pty Ltd and Mr McLernon agreed to make to the Company up to \$500,000 each on the basis that Legal Precedents Pty Ltd and Mr McLernon will each deposit a sum of money with the Company equal to 25% of that sum of money deposited with the Company by Expectation Pty Ltd;

Interest is payable on the funds deposited with the Company by Expectation Pty Ltd, Legal Precedents Pty Ltd and Mr McLernon at a rate of 8% per annum;

The term of the facility is five (5) years; and

Expectation Pty Ltd, Legal Precedents Pty Ltd and Mr McLernon may withdraw the funds they have deposited with the Company at any time on demand and these funds may be used by those parties to exercise their IMF Options within 7 days of those funds being withdrawn.

At the balance date, \$2,303,803 was owed to Expectation Pty Ltd, \$592,775 to Legal Precedents Pty Ltd and \$563,709 to Hugh McLernon. During the year \$173,379 interest was charged on the outstanding balance owed to Expectation Pty Ltd, \$44,667 to Legal Precedents Pty Ltd and \$39,840 to Hugh McLernon.

21. RELATED PARTY DISCLOSURES

IMF Provides funding to Insolvency Litigation Fund Pty Ltd, a wholly owned subsidiary. The opening balance at 1 July 2003 was \$6,761,038 and the closing balance as at 30 June 2004 was \$3,089,938. No interest was charged during the 2004 financial year. The funds were used as working capital.

22. EXPECTATION PTY LTD

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

As at 30 June 2001 (the time at which the Funding Agreement terminated). Expectation's maximum level of funding was approximately \$2.25 million, entitling Expectation to approximately the first \$3,000,000 in future settlement proceeds received by Insolvency Litigation Fund Pty Ltd as and when monies are collected from the cases in place as at 30 June 2001. As at the end of the financial year ended 30 June 2004, Insolvency Litigation Fund Pty Ltd has repaid all of the total outstanding debt owing to Expectation. \$716,087 of the debt was repaid during the financial year ended 30 June 2004.

IMF (AUSTRALIA) LTD

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
30 JUNE 2004

23. FINANCIAL INSTRUMENTS

Interest rate risk

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

Financial Instruments	Financial Interest Rate maturing in:								Weighted average effective interest rate	
	Floating interest rate		1 year or less		Non-interest bearing		Total		2004	2003
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	%	%
<i>(i) Financial assets</i>										
Cash	10,290,876	6,662,152	-	-	-	-	10,290,876	6,662,152	7.4	4.9
Investment					25,000	25,000	25,000	25,000	N/A	N/A
Receivables – current	-	-	-	-	4,821,347	9,006,023	4,821,347	9,006,023	N/A	N/A
TOTAL FINANCIAL ASSETS	10,290,876	6,662,152	-	-	4,846,347	9,031,023	15,137,223	15,693,175		
<i>(ii) Financial liabilities</i>										
Trade creditors		-	-	-	1,393,192	830,741	1,393,192	830,741	N/A	N/A
Payable to directors & director related entities	1,156,484	841,973			-	-	1,156,484	841,973	8	8
Other loan – related party	2,303,803	1,606,888	-	-	-	-	2,303,803	1,606,888	8	8
	3,460,287	2,448,861	-	-	1,393,192	830,741	4,853,479	3,279,602		

Net fair values

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

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

Recognised financial instruments

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

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

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

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)**
30 JUNE 2004

23. FINANCIAL INSTRUMENTS (Cont'd)*Credit risk exposure*

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

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

24. SEGMENT INFORMATION

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

Geographically, the group operates in Australia only.

25. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

IMF (Australia) Ltd has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As IMF (Australia) Ltd has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when IMF (Australia) prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of IMF (Australia). At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Impairment of Assets

Under the Australian equivalent to IAS 36 *Impairment of Assets* the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****30 JUNE 2004**

25. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (Cont'd)*Share based payments*

Under AASB 2 *Share based payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity base remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income Taxes

Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any material impact as a result of adoption of this standard.

Revenue Recognition

The consolidated entities revenue recognition policy is set out in note 1(h).

At the date of this report the consolidated entity has not determined if the current policy of recognising revenue will be acceptable under the IASB standards.

26. SUBSEQUENT EVENTS

The following options have been issued after 30 June 2004.

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
100,000	1 July 2004	1 July 2004	30 June 2009	0.20
60,000	1 July 2004	1 July 2004	30 June 2009	0.70
444,665	1 July 2004	1 July 2004	30 June 2009	0.20

The following options have been exercised after 30 June 2004.

Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted average exercise price
3,600,000	5 Sept 2001	19 Oct 2003	13 Sept 2004	0.20
1,800,000	5 Sept 2001	19 Oct 2003	13 Sept 2004	0.20

IMF (AUSTRALIA) LTD**NOTES TO THE FINANCIAL STATEMENTS (Cont'd)****30 JUNE 2004**

26. SUBSEQUENT EVENTS

The following shares have been issued after 30 June 2004.

Number of Shares	Holder	Issue	Weighted average exercise price
3,600,000	H McLernon	Exercise of Options	0.20
1,800,000	J Walker	Exercise of Options	0.20
6,250,000	Various	Placement	0.80
3,750,000	Various	Share Purchase Plan	0.80

The company has issued 6,250,000 ordinary shares at 80 cents per share to sophisticated investors and 3,750,000 ordinary shares at 80 cents per share to IMF shareholders pursuant to a share purchase plan.

A further 1,500,000 shares were sold by directors Hugh McLernon and John Walker at 80 cents per share to fund the exercises by them of 5,400,000 options.

These transactions have added a further, 9,107,000 in cash to the assets of the company.

IMF (AUSTRALIA) LTD**DIRECTORS' DECLARATION**
30 JUNE 2004

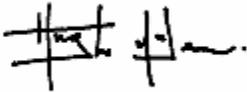
In accordance with a resolution of the directors of IMF (Australia) Ltd, I state that:

In the opinion of the directors:

the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
- complying with Accounting Standards and Corporations Regulations 2001; and
- there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Hugh McLernon
Managing Director

Perth 29th September 2004

Independent audit report to members of IMF (Australia) Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for IMF (Australia) Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

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

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

Independence

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

Audit opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of IMF (Australia) Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz
Partner
Perth
29 September 2004

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT
30 JUNE 2004**

1. The board of directors of IMF has adopted a formal corporate governance plan.
2. The purpose of the plan is to guide and monitor the business and affairs of IMF on behalf of shareholders by whom the board was elected and to whom the board is accountable.
3. To ensure that the board and management can discharge their responsibilities the board has adopted the following guidelines as set out in the corporate governance plan.

Board/Management Functions

4. The board has delegated to management all management functions other than:
 - (a) all fundraising;
 - (b) any acquisition of property (other than a litigation funding agreement) in excess of \$250,000;
 - (c) any disposal of property (other than a litigation funding agreement) in excess of \$250,000; and
 - (d) any litigation funding agreement where the liability of the Company may exceed 10% of the assets of the Company.

Composition of the Board

5. The corporate governance plan provides that:
 - (a) at least 50% of the board are to be independent directors;
 - (b) the chairman is to be an independent director;
 - (c) the role of chairman and chief executive officer is not to be exercised by the same person.

Nomination Committee

6. The board has established a nomination committee consisting of the chairman (Mr Halse) and the other independent director (Mr Bowen).

Compliance Programme

7. The corporate governance plan contains:
 - (a) an overview of the business of IMF and how the business is to be operated;
 - (b) a full compliance program;
 - (c) a complaints handling procedure.

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT (Cont'd)****30 JUNE 2004**

Code of Conduct (Cont'd)

8. The corporate governance plan has established a code of conduct to guide the directors, the chief executive officer, the chief financial officer and all key executives as to:
 - (a) the practices necessary to maintain confidence in the Company's integrity;
 - (b) the responsibility and accountability of individuals within the Company for reporting and investigating reports of unethical practices.

Share Trading

9. The corporate governance plan sets out the basis upon which directors, officers and employees can trade in the securities of the Company.
10. Trading may occur in the one month period after the lodgement of the six monthly and annual accounts of the Company so long as the other continuous disclosure responsibilities of the Company have been fulfilled.
11. In addition, trading may occur throughout the year with the approval of the chairman after notification of intention to trade has been provided.
12. These rules relate to the shares, options and any derivatives based upon those shares and options of the Company.

Financial Reports

13. The corporate governance plan require the chief executive officer and the chief financial officer to state in writing to the board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Audit

14. The board has established an audit committee pursuant to the provisions of the corporate governance plan.
15. The audit committee consists of the chairman (Mr Halse), the other independent director (Mr Bowen) and the managing director (Mr McLernon).
16. A majority of the audit committee members are both non-executive and independent directors.
17. Mr Bowen (who is not the chairman of the Company) is the independent chairman of the audit committee.
18. The board has complied with the principle that there should be at least three members of the audit committee but has been unable to appoint three independent directors because there are only two independent directors of the Company. In addition, the board believes that the managing director should be a member of the audit committee in order to assist the two independent directors.
19. The audit committee has a formal charter within the provisions of the corporate governance plan.

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT (Cont'd)****30 JUNE 2004**

Compliance

20. The corporate governance plan contains a compliance program in relation to the Commonwealth and State laws which govern the operations of the Company. Details of the compliance plan can be found on the Company website.

Shareholder Contact

21. The corporate governance plan contains a communication strategy to promote effective communication with shareholders and to encourage effective participation at general meetings of the Company.
22. In addition, the Company has requested the external auditor (Ernst & Young) to attend the annual general meeting and to be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Risk Management

23. The corporate governance plan sets out the methodology by which the board and management oversee and control the risks associated with the Company business.
24. The chief executive officer and the chief financial officer are required by the corporate governance plan to state in writing to the board each year that the Company's risk management and internal compliance and control systems are operating efficiently and effectively in all material effects.

Board Performance

25. The Company is a small developing group of some 20 executives and employees so that the daily performance of each person within the group is monitored by all other members of the group.
26. Accordingly the board has not established a formal evaluation process for board members and key executives at this time. The board will consider the development of such a process during the course of this financial year.

Remuneration Policy

27. The corporate governance plan sets out the remuneration policy as being that which will be sufficient to recognise the training, experience and expertise of the employee while at the same time being sufficient to induce the employee to accept and to remain in the position.
28. The board believes that it can retain senior employees by the granting of options over unissued shares in the Company at an exercise price at or above the share price at the time of employment or renewal of employment.
29. Because of the need to conserve cash within the Company no bonus payments are made. Three year written contracts are the norm for senior management while junior management are generally on one year terms.
30. The board has established a remuneration committee consisting of the chairman (Mr Halse) and the other independent director (Mr Bowen).
31. The two non-executive directors of the Company are paid an annual director's fee of \$25,000 per year plus industry superannuation. Each non-executive director receives a grant of options over a three year period.

IMF (AUSTRALIA) LTD**CORPORATE GOVERNANCE STATEMENT (Cont'd)****30 JUNE 2004**

Code of Conduct

32. The corporate governance manual sets out rules and regulations whereby the Company, its board, its senior management and its employees interact with shareholders, clients, investors and the general public. In particular the plan deals with:
- (a) rules in relation to the operation of the business;
 - (b) compliance programs in relation to the licences held by the Company;
 - (c) compliance programs in relation to the laws, rules and regulations set up by Commonwealth and State Parliaments;
 - (d) continuous disclosure to ASX;
 - (e) the investment protocol for the Company;
 - (f) the privacy rules adopted by the Company;
 - (g) the email policy of the Company.
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IMF (AUSTRALIA) LTD**ASX ADDITIONAL INFORMATION**
30 JUNE 2004

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report as follows. The information is current as at 7th September 2004.

Statement of shareholders – Twenty largest shareholders

<i>Names of the 20 largest shareholders of quoted shares are:</i>	Ordinary Shares			Unquoted Options over Ordinary Shares			
	<i>Fully Paid</i>		No. of shares escrow	% held			Options in escrow
	No. of shares held	% held		No. of holders	No. of Options held	% held	
National Nominees Limited	8,662,854	11.06					
Redsummer Pty Ltd	7,975,802	10.18		1	12,597,120	60.61	12,597,120
Hugh McLernon	5,535,000	7.06		1	3,149,280	15.15	3,149,280
Thorney Holdings Pty Ltd	3,600,000	4.59					
Invia Custodian Pty Ltd	3,000,000	3.83					
Robert Alexander Ferguson	2,500,000	3.19					
Westpac Custodian Nominees Limited	2,350,760	3.00					
ANZ Nominees Limited	2,028,622	2.59					
John Walker	1,800,000	2.30					
UBS Nominees Limited	1,690,655	2.16					
McLernon Group Superannuation Pty Ltd	1,600,000	2.04					
Legal Precedents Pty Limited	1,437,500	1.83		1	3,149,280	15.15	3,149,280
J P Morgan Nominees Australia Limited	1,397,979	1.78					
National Nominees Limited	1,372,877	1.75					
Healthsuper Pty Ltd	1,000,000	1.28					
Invia Custodian Pty Ltd	1,000,000	1.28					
Classicist Pty Limited	969,600	1.24					
Permanent Trustee Australia Limited	813,780	1.04					
Invia Custodian Pty Limited	800,000	1.02					
Ark Promotions Pty Ltd	750,000	0.96					
TOTAL	50,285,429	64.18	-	3	18,895,680	90.91	18,895,680

IMF (AUSTRALIA) LTD

ASX ADDITIONAL INFORMATION (Cont'd)
30 JUNE 2004

Distribution of equity securities

<i>Holding range</i>	<i>Names of the 20 largest shareholders in each class of share are:</i>	Ordinary Shares				Unquoted Options over Ordinary Shares			
		<i>Fully Paid</i>				No. of holders	No. of Options held	% held	Options in escrow
		No. of holders	No. of shares held	% held	No. of shares escrow				
100,001 or more	Top 20 Various others	20	50,285,429	64.18	-	3	18,895,680	90.91	18,895,680
10,001 – 100,000	Various	369	10,867,203	13.87		2	100,000	0.48	
5001 – 10,000	Various	209	1,765,796	2.25					
1,001 – 5,000	Various	440	1,321,313	1.69					
1 – 1,000	Various	409	224,550	0.29					
TOTAL		1,188	78,349,734	100	-	9	20,785,010	100	18,895,680
Number of shareholders holding less than a marketable parcel		-	-						

IMF (AUSTRALIA) LTD**ASX ADDITIONAL INFORMATION (Cont'd)**
30 JUNE 2004

Substantial Shareholders

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

Name of Shareholder	Number of Shares
Acorn Capital Limited	10,228,829
Redsummer Pty Ltd	8,079,314
H McLernon	7,210,360
John Walker	4,015,000

Voting Rights

All ordinary shares carry one vote per share without restriction.

Restricted Securities

There are no restricted ordinary shares as at 30 June 2004.

Market Buy-Back

There is no current on-market buy-back.

Use of Funds

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

IMF (AUSTRALIA) LTD**OPTIONS**

30 September 2004

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

Unquoted – Options

Class	No. of Options	Exercise price \$	Expiry date
IMF Options (IMFAY)	18,895,680	0.20	13 September 2006
Unlisted Options (IMFAM)	444,665	0.20	30 June 2007
Unlisted Options (IMFAA)	300,000	0.30	30 January 2008
Unlisted Options (IMFAA)	300,000	0.40	30 January 2008
Unlisted Options (IMFAA)	300,000	0.50	30 January 2008
Unlisted Options (IMFAM)	444,665	0.20	30 June 2008
Unlisted Options (IMFAB)	100,000	0.20	30 June 2008
Unlisted Options	444,665	0.20	30 June 2009
Unlisted Options	100,000	0.20	30 June 2009
Unlisted Options	60,000	0.70	30 June 2009

Unquoted – Restricted shares fully paid

There were no unquoted restricted securities as at 30 September 2004.



Mirian Picton
Company Secretary