

Appendix 4D

IMF Bentham Limited ("IMF" or "the Company")

ABN 45 067 298 088

Half-Year ended 31 December 2016

Results for announcement to the market

Current reporting period: Half-year ended 31 December 2016
Previous reporting period: Half-year ended 31 December 2015

		\$A'000
Total income from continuing operations	Up 179%	36,481
Profit from continuing operations after tax attributable to members	Up 3784%	13,992
Net profit for the period attributable to members	Note 1	13,992

Note 1 - In the current period the Group reported a net profit of \$13.992m. In the previous period the Group reported a net loss of \$0.944m and therefore a percentage movement in net profit attributable to members is not considered meaningful.

Dividends

The directors have determined today to pay a fully franked interim dividend of 3.0 cents per share. The record date is 28 March 2017 and the payment date is 21 April 2017. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 12 October 2016 a final fully franked dividend of 7.5 cents per share was declared in respect of the 2016 financial year. This dividend was paid on 21 October 2016.

In the year ended 30 June 2016 there was no interim dividend.

On 21 October 2016 the Company issued 1,734,555 shares under its Dividend Reinvestment Plan at \$1.755 per share.

Net tangible assets per ordinary share

	31-Dec-16 cents/share
Basic net tangible assets per ordinary share (cents per share)	26.74
Basic net assets per ordinary share (cents per share)	121.29

Earnings per share (EPS)

	31-Dec-16 cents/share
Basic EPS (cents per share)	8.22
Diluted EPS (cents per share)	8.22

Entities over which control was gained or lost during the period

The Company did not gain or lose control over any entities during the period.

IMF incorporated two subsidiaries in the US during the period; Bentham IMF 1 LLC and Security Finance 1 LLC.

Explanation of Results

The attached Financial Report for the half-year ended 31 December 2016 forms part of this document. This interim financial report is to be read in conjunction with the most recent annual financial report. A copy of the 2016 annual financial report and other documents are available on IMF's website at www.imf.com.au or on the ASX website at www.asx.com.au.

Review Statement

The unqualified review statement of the Company's auditors, Ernst & Young, is attached to this document.



Julia Yetsenga
Chief Financial Officer

Date: 23 February 2017

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Half-Year Report

Half-Year Ended 31 December 2016

IMF Bentham Limited

ABN 45 067 298 088

Consolidated Financial Report for the half-year ended 31 December 2016

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IMF Bentham Limited

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Consolidated Financial Report for the half-year ended 31 December 2016

Directors' Report

Your directors submit their report for the half-year ended 31 December 2016.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are as below. The directors were in office for this entire period.

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

Review and results of operations

Total income for the Group increased from \$13.094m for the half-year ended 31 December 2015, to \$36.481m for the half-year ended 31 December 2016. Six cases concluded during the half-year, (five in the corresponding period to 31 December 2015), one of which is on appeal, generating total income from litigation contracts of \$66.654m, a 154% increase over the corresponding period last year. The consolidated net profit from continuing operations after tax for the half-year was \$13.992m (31 December 2015: profit of \$0.360m). The Group's cash position was \$166.141m as at 31 December 2016 (30 June 2016: \$142.529m) whilst its investment in cases was \$161.856m at 31 December 2016. This represents a 11% increase over the value at 30 June 2016 of \$145.634m. The Company raised share capital during the period totalling \$3.044m as a result of its dividend reinvestment plan.

The following summarises the cases finalised and income generated from cases during the period:

Litigation contract's matter name	Portfolio value included in case investment portfolio at 30 June 2016 \$'000	Total litigation contracts' income \$'000	Litigation expenses (including capitalised overheads) \$'000	Net gain on disposal of intangible asset \$'000
River City	250,000	40,128	(11,470)	28,658
Confidential settlement	122,000	19,735	(16,761)	2,974
Others	26,218	6,791	(7,334)	(543)
	398,218	66,654	(35,565)	31,089

Outlook

The estimated portfolio value of IMF's cases as at 31 December 2016 was \$3.370bn. This represents a marginal decrease in the six month period from 30 June 2016 at which time the maximum portfolio value was \$3.438bn. IMF funded ten new cases during the period, of which five were in the USA and five in Australia, which have a total maximum portfolio value at 31 December 2016 of \$0.390bn (During the corresponding period in 2015, thirteen new cases were funded which had a maximum portfolio value of \$0.794bn). Six cases with a total maximum portfolio value of \$0.398bn have completed in the period, of which one was in the USA, (during the half-year ended 31 December 2015 five matters were completed).

The portfolio value of the thirty-three cases funded in the US and Canada at 31 December 2016 was \$1.906bn. At 31 December 2015, twenty-four cases were funded in the US and Canada and the portfolio value was \$1.190bn. IMF has taken the policy position not to disclose specific details about investments in the US until after the resolution of the cases and all appeal avenues have been finalised.

The Group has not withdrawn from any investments during the period (2016: nil cases) and continues to provide the ASX with a summary of the cases funded by IMF (Case Investment Portfolio Report). This Report is updated on a quarterly basis.

The Group does not provide forecasts in light of the difficulty in predicting the finalisation of its cases, but does provide an indication of its views of the possible completion dates and estimated recoverable amounts in the quarterly portfolio.

IMF Bentham Limited

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Consolidated Financial Report for the half-year ended 31 December 2016

Directors' Report (continued)

Outlook (continued)

An update on IMF's principal investments from that noted in the 2016 Annual Report is as follows:

In the Westgem matter, interlocutory procedures are almost complete prior to trial commencement in March 2018.

Evidence in reply has now been served by the representative applicant in the class action concerning Wivenhoe Dam, which is on behalf of persons who suffered loss due to increased flooding in the Brisbane floods in 2011, alleged to have been caused by the negligence of the Dam operators. There is a participation agreement between IMF and the Co-Funder to share equally the costs (including any adverse costs) of, and to share any return from, this claim. The trial is scheduled to commence in October 2017.

Case updates are provided on the Company's website: www.imf.com.au

The Company announced the launch of its first investment vehicle, Bentham IMF 1 LLC (Bentham IMF Funding Vehicle) on 13 February 2017.

A special purpose vehicle funded, advised and managed by affiliates of Fortress Credit Advisors LLC (collectively, Fortress) will invest up to US\$100 million by way of subscription for Class B stock, with provision for a further US\$50 million of Class B Stock subject to the joint consent of the Company and Fortress.

IMF has committed to invest US\$33.3 million by way of subscription for Class A stock in Bentham IMF Funding Vehicle, with provision to increase this investment to US\$50 million subject to the joint consent of IMF and Fortress.

Dividends

The directors have determined that a fully franked interim dividend of 3.0 cents will be paid in respect of the period ended 31 December 2016. The record date is 28 March 2017 and the payment date is 21 April 2017. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend. No interim dividend was paid in the previous corresponding period.

Rounding

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

Auditor's independence declaration

We have obtained the following independence declaration from our auditors, Ernst & Young, which is contained on page 6 of this report.

Signed in accordance with a resolution of the directors.



Michael Kay
Chairman

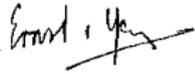
Date: 23 February 2017

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

As lead auditor for the review of IMF Bentham Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Robert A Kirkby
Partner
23 February 2017

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IMF Bentham Limited

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Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2016

	Notes	Consolidated	
		Half-year ended 31-Dec-16 \$'000	Half-year ended 31-Dec-15 \$'000
Continuing operations			
Revenue	4	1,550	1,338
Other income	5	34,931	11,756
Total income		36,481	13,094
Finance costs	6(a)	432	271
Depreciation expense	6(b)	283	161
Employee benefits expense	6(c)	9,700	7,288
Corporate and office expense	6(d)	4,308	4,104
Other expenses	6(e)	480	557
Profit / (loss) from continuing operations before income tax		21,278	713
Income tax expense		7,286	353
Net profit / (loss) from continuing operations		13,992	360
Discontinued operations			
Profit / (loss) after tax from discontinued operations	19	-	(1,304)
Profit / (loss) for the period		13,992	(944)
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve		(283)	190
Other comprehensive income for the period, net of tax		(283)	190
Total comprehensive income/ (loss) for the period		13,709	(754)
Earnings / (loss) per share attributed to the ordinary equity holders of the Company (cents per share)			
Basic earnings / (loss) per share (cents per share)		8.22	(0.56)
Diluted earnings / (loss) per share (cents per share)		8.22	(0.56)
Earnings / (loss) per share attributed to continuing operations (cents per share)			
Basic earnings / (loss) per share (cents per share)		8.22	0.21
Diluted earnings / (loss) per share (cents per share)		8.22	0.21

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

IMF Bentham Limited

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Consolidated Statement of Financial Position as at 31 December 2016

	Notes	Consolidated	
		31-Dec-16	30-Jun-16
		\$'000	\$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	166,141	142,529
Trade and other receivables	8	6,832	47,723
Other assets		1,435	739
Total Current Assets		174,408	190,991
Non-Current Assets			
Plant and equipment		1,963	1,406
Trade and other receivables	8	4,508	1,484
Intangible assets	9	161,856	145,634
Other assets		450	-
Total Non-Current Assets		168,777	148,524
TOTAL ASSETS		343,185	339,515
LIABILITIES			
Current Liabilities			
Trade and other payables		20,879	15,250
Income tax payable		3,190	5,073
Other liabilities		146	56
Provisions		12,841	19,238
Total Current Liabilities		37,056	39,617
Non-Current Liabilities			
Provisions		338	297
Other liabilities		450	-
Interest-bearing loans and borrowings	10	79,874	79,504
Deferred tax liabilities		17,833	18,709
Total Non-Current Liabilities		98,495	98,510
TOTAL LIABILITIES		135,551	138,127
NET ASSETS		207,634	201,388
EQUITY			
Contributed equity	11	122,166	119,122
Reserves		10,101	8,182
Retained earnings		75,367	74,084
TOTAL EQUITY		207,634	201,388

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

IMF Bentham Limited

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Consolidated Statement of Cash Flows for the half-year ended 31 December 2016

	Notes	Consolidated	
		Half-year ended 31-Dec-16 \$'000	Half-year ended 31-Dec-15 \$'000
Cash flows from operating activities			
Payments to suppliers and employees		(21,099)	(14,395)
Interest income		1,590	1,176
Interest paid		(2,768)	(1,596)
Income tax paid		(9,806)	(4,376)
Net cash flows used in operating activities		(32,083)	(19,191)
Cash flows from investing activities			
Proceeds from litigation funding - settlements, fees and reimbursements		98,887	32,208
Payments for litigation funding and capitalised suppliers and employee costs		(39,979)	(41,546)
Purchase of plant and equipment		(918)	(969)
(Loans made to) / repayment of third party loans		403	-
Loans made to joint venture		-	(679)
Investment in joint venture		-	(2,332)
Proceeds on disposal of joint venture		5,850	-
Net cash flows from/(used in) investing activities		64,243	(13,318)
Cash flows from financing activities			
Dividend paid		(9,665)	(6,187)
Net cash flows (used in)/from financing activities		(9,665)	(6,187)
Net increase/(decrease) in cash and cash equivalents held		22,495	(38,696)
Net foreign exchange difference		1,117	2,200
Cash and cash equivalents at beginning of period		142,529	130,108
Cash and cash equivalents at end of period	7	166,141	93,612

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

IMF Bentham Limited

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Consolidated Statement of Changes in Equity for the half-year ended 31 December 2016

	Issued Capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Other capital reserves \$'000	Retained earnings \$'000	Total \$'000
As at 1 July 2016	119,122	658	288	7,236	74,084	201,388
Profit for the period	-	-	-	-	13,992	13,992
Other comprehensive income	-	-	(283)	-	-	(283)
Total comprehensive income for the period	-	-	(283)	-	13,992	13,709
Equity transactions						
Dividend paid	-	-	-	-	(12,709)	(12,709)
Share based payments	-	2,202	-	-	-	2,202
Shares issued under the Dividend Reinvestment Plan	3,044	-	-	-	-	3,044
As at 31 December 2016	122,166	2,860	5	7,236	75,367	207,634
As at 1 July 2015	116,921	-	190	7,236	61,552	185,899
Loss for the period	-	-	-	-	(944)	(944)
Other comprehensive income	-	-	190	-	-	190
Total comprehensive income for the period	-	-	190	-	(944)	(754)
Equity transactions						
Dividend paid	-	-	-	-	(8,388)	(8,388)
Share based payments	-	117	-	-	-	117
Shares issued under the Dividend Reinvestment Plan	2,201	-	-	-	-	2,201
As at 31 December 2015	119,122	117	380	7,236	52,220	179,075

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

IMF Bentham Limited

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 1: Corporate Information

The interim condensed consolidated financial statements of IMF Bentham Limited ("the Company" or "IMF") and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 23 February 2017.

IMF Bentham Limited is a for profit company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX code: IMF).

The principal activities of the Group are the investigation, management and funding of litigation.

Note 2: Summary of Significant Accounting Policies

a. Basis of preparation

This interim condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

The half-year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the ASX Listing Rules.

b. Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2016, except for the adoption of new standards and interpretations effective as of 1 July 2016, which do not have a material impact on the interim condensed financial report of the Group.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half-year ended 31 December 2016. The Group will assess the impact of these new standards during the reporting period to which they are applicable.

c. Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of IMF Bentham Limited and its subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc., Bentham Capital LLC, Security Finance LLC, Bentham IMF 1 LLC, Security Finance 1 LLC, Bentham IMF Capital Limited and Lien Finance Canada Limited as at 31 December 2016.

d. Foreign currency

For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional and presentation currency for the Company.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 3: Segment Information

For management purposes, the Group is organised into one operating segment which provides only one service, being litigation funding. Accordingly, all operating disclosures are based upon analysis of the Group as one segment. Geographically, the Group operates in Australia, United States of America and Canada

Other income can be represented geographically as follows:

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-16	31-Dec-15
	\$'000	\$'000
Australia	36,114	12,481
United States	(952)	(725)
Canada	(231)	-
Total other income	<u>34,931</u>	<u>11,756</u>

Non-Current assets can be represented geographically as follows:

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
Australia	92,301	87,712
United States	76,426	60,805
Canada	50	7
Net exposure	<u>168,777</u>	<u>148,524</u>

Note 4: Revenue

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-16	31-Dec-15
	\$'000	\$'000
Finance revenue		
Bank interest received and accrued	1,550	1,081
Fees from joint venture	-	257
	<u>1,550</u>	<u>1,338</u>

Note 5: Other income

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-16	31-Dec-15
	\$'000	\$'000
Other income		
Litigation contracts - settlements and judgments	66,654	14,485
Litigation contracts - expenses	(34,416)	(14,933)
Litigation contracts - written-down	(1,149)	(2,019)
Net gain on derecognition of intangible assets	<u>31,089</u>	<u>(2,467)</u>
Net gain/(loss) on receivable measured at amortised cost	-	11,708
Foreign exchange gain	3,681	2,506
Other	161	9
	<u>34,931</u>	<u>11,756</u>

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 6: Expenses

	Consolidated	
	Half-year ended 31-Dec-16 \$'000	Half-year ended 31-Dec-15 \$'000
(a) Finance costs		
Other finance charges	432	271
(b) Depreciation expense		
Depreciation	283	161
(c) Employee benefits expense		
Wages and salaries	6,344	5,957
Superannuation expense	769	680
Directors' fees	207	260
Payroll tax	723	424
Share based payments	1,538	117
Long service leave	119	(150)
	<u>9,700</u>	<u>7,288</u>
(d) Corporate and office expense		
Insurance expense	369	1,093
Communications expense	265	152
Marketing expense	870	1,006
Occupancy expense	736	368
Professional fee expense	1,444	840
Recruitment expense	58	135
Travel expense	566	510
	<u>4,308</u>	<u>4,104</u>
(e) Other expenses		
ASX listing fees	51	51
General expenses	105	257
Postage, printing and stationary	242	146
Repairs and maintenance	13	21
Share registry costs	69	82
	<u>480</u>	<u>557</u>

IMF Bentham Limited

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 7: Cash and Cash Equivalents

For the purpose of the half-year Consolidated Statement of Cash Flows, cash and cash equivalents comprised the following:

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
Cash at bank	44,156	64,318
Short-term deposits	121,985	78,211
Total cash and cash equivalents	<u>166,141</u>	<u>142,529</u>

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

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

Bank Guarantees

Bank guarantees are issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for matters funded under litigation funding agreements. As at 31 December 2016, guarantees of \$1,363,800 were outstanding (30 June 2016: \$526,000). The guarantees are secured by an offset agreement with a term deposit of \$5,000,000 (30 June 2016: \$5,000,000).

Note 8: Trade and Other Receivables

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
Current		
Trade receivables	(i) 6,376	40,497
Interest receivable	(ii) 456	1,240
Receivable from joint venture	-	5,986
	<u>6,832</u>	<u>47,723</u>
Non-Current		
Trade receivables	(iii) 4,508	1,484
	<u>4,508</u>	<u>1,484</u>

(i) Trade receivables are non-interest bearing and generally on 0-90 day terms. There is \$nil included in current trade receivables which is subject to appeal (30 June 2016: \$nil).

(ii) Interest receivable is payable upon the maturity of the Group's short term deposits (between one day and three months)

(iii) Non-current trade receivables occur either as a result of settlements with a repayment plan greater than 12 months or where a judgment is subject to appeal and the appeal is not expected to be heard within the next 12 months. \$3,023,800 (30 June 2016: \$nil) of the non-current trade receivable balance is subject to appeal.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 9: Intangible Assets

a. Description of the Group's intangible assets

Intangible assets consist of Litigation Contracts In Progress. The carrying value of Litigation Contracts In Progress includes the capitalisation of external costs of funding the litigation, such as solicitors' fees, counsels' fees and experts' fees, the capitalisation of certain directly attributable internal costs of managing the litigation, such as certain wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described in note 9(d).

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

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
Capitalised external costs	135,406	119,472
Capitalised internal costs	16,869	17,565
Capitalised borrowing costs	9,581	8,597
	<u>161,856</u>	<u>145,634</u>

b. Write off of intangible assets

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

c. Impairment testing of intangible assets

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

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

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

Apart from assumptions associated with the successful outcome of cases, any reasonable changes in the key assumptions to the cash flow projections would not result in the carrying value of any of the litigation contracts in progress exceeding its recoverable amount.

d. Capitalised borrowing costs

The Group has determined that Litigation Contracts In Progress meet the definition of a qualifying asset. The amount of borrowing costs capitalised during the period ended 31 December 2016 was \$2,759,843 (31 December 2015: \$1,601,100). The rate used to determine the borrowing costs eligible for capitalisation was 6.73% for the bonds. The rate represents the effective interest rate.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 10: Non-Current Liabilities

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
IMF Bentham Bonds ¹	48,865	48,656
Fixed Rate Notes ¹	31,009	30,848
	<u>79,874</u>	<u>79,504</u>

¹ Includes transaction costs, net of amortisation of \$2,126,300

On 18 April 2016, the Company issued 32,000 Fixed Rate Notes with a face value of \$1,000 each. The interest rate payable to Noteholders is 7.40% per annum payable half yearly. The Fixed Rate Notes are due to mature on 30 June 2020 and are secured by a security interest over all present and after-acquired property to IMF. IMF has an early redemption option on these Fixed Rate Notes on 30 June 2019. The issuer may redeem some or all of the Notes on the optional redemption date by payment of 101% of the outstanding principle amount of each Note being redeemed together with any accrued interest, if any, to, but excluding, the date of redemption.

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

Note 11: Contributed Equity

	Consolidated	
	At	At
	31-Dec-16	30-Jun-16
	\$'000	\$'000
Issued and fully paid ordinary shares	122,166	119,122

(a) Ordinary shares

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

	Consolidated		Consolidated	
	At		At	
	31-Dec-16		30-Jun-16	
	Number	\$'000	Number	\$'000
Movement in ordinary shares				
Balance at 1 July	169,456,064	119,122	167,760,971	116,921
Shares issued under the dividend reinvestment plan	1,734,555	3,044	1,695,093	2,201
Balance at period end	<u>171,190,619</u>	<u>122,166</u>	<u>169,456,064</u>	<u>119,122</u>

On 21 October 2016 the Company issued 1,734,555 shares under its Dividend Reinvestment Plan at \$1.755 per share.

(b) Share Performance Rights

As at 31 December 2016 there were 11,177,055 unissued ordinary shares in respect of which share performance rights were outstanding (30 June 2016: 4,811,086).

During the half-year ended 31 December 2016, 6,365,969 performance rights were granted as detailed in Note 12 below. Upon meeting certain performance conditions over the three year performance period, the vesting of each right will result in the issue of one ordinary share.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 12: Share-Based Payments

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

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

6,365,969 share performance rights were issued in the half-year ending 31 December 2016.

Valuation Date	18 November 2016
5-day VWAP at commencement of measurement period	\$1.458
Expected volatility	25%
Dividend yield	5.80%
Risk-free rate	1.86%
Performance Period	3 years ending 30 June 2019
Model used	Monte Carlo and Binomial
Tranche 1 - relative TSR (value per right \$)	\$1.188
Tranche 2 - CAGR (value per right \$)	\$1.553

Note 13: Dividends Paid and Proposed

On 12 October 2016 a final fully franked dividend of 7.5 cents per share was declared in respect of the 2016 financial year. This dividend was paid on 21 October 2016.

Recognised amounts:

	Consolidated	
	At	At
	31-Dec-16	31-Dec-15
	\$'000	\$'000
Declared and paid during the period		
Final fully franked dividend for 2016: 7.5 cents per share (2015: 5.0 cents per share)	12,709	8,388

The directors have determined to pay a fully franked interim dividend of 3.0 cents per share in respect of the period ended 31 December 2016. The record date is 28 March 2017 and the payment date is 21 April 2017.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 14: Related Party Disclosures

	Consolidated	
	Half-year ended 31-Dec-16 \$'000	Half-year ended 31-Dec-15 \$'000
Fees received from joint venture	-	257
Transactions with related parties ¹	53	99
	<u>53</u>	<u>356</u>

¹ During the period ended 31 December 2016, the Group obtained legal advice from DLA Piper, a legal firm associated with Michael Bowen. The legal advice was obtained at normal market rates.

Note 15: Commitments and Contingencies

As at 31 December 2016, the Group has three cases that are under appeal (30 June 2016: three cases). The net income recognised by the Group from these cases in the current financial period is \$1,220,800 (30 June 2016: nil). The total current and non-current receivables as at 31 December 2016 relating to the cases under appeal is \$3,023,800 (30 June 2016: \$nil).

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

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

As at 31 December 2016 the total amount spent by the Company where undertakings to pay adverse costs have been provided was \$65.3m (30 June 2016 \$63.623m). The potential adverse costs orders using the above methodology would amount to \$45.71m (30 June 2016: \$44.536m). The Company does not currently expect that any of the matters will be unsuccessful. The Company maintains a large cash holding in case one or more matters are unsuccessful and an adverse costs order is made which is not covered by its insurance arrangements.

Note 16: Changes in Composition of the Group

The Group's subsidiaries can be summarised as follows:

Name	Country of Incorporation	Percentage Owned	
		At 31-Dec-16	At 30-Jun-16
Financial Redress Pty Ltd	Australia	100%	100%
Bentham Holdings Inc.	USA	100%	100%
Bentham Capital LLC	USA	100%	100%
Security Finance LLC	USA	100%	100%
Bentham IMF 1 LLC ⁽ⁱ⁾	USA	100%	-
Security Finance 1 LLC ⁽ⁱ⁾	USA	100%	-
Bentham IMF Capital Ltd	Canada	100%	100%
Lien Finance Canada Ltd	Canada	100%	100%

⁽ⁱ⁾ These entities were incorporated 3 November 2016

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 17: Financial Instruments

The value of the Company's financial assets and liabilities will be impacted by changes in interest rates and foreign exchange rates. The carrying amount of the financial assets and liabilities of the Group approximate their fair values, except for the Bonds, Notes and non-current trade receivables. Excluding transaction costs, the IMF Bentham Bond have a carrying value of \$50,000,000 and a fair value of \$50,250,000. The Fixed Rate Notes have a carrying value of \$32,000,000 and a fair value of \$33,056,000. Non current trade receivables have a carrying value of \$4,508,300 and a fair value of \$4,239,000.

Note 18: Earnings per Share

(a) Earnings used in calculating earnings per share

	Consolidated	
	At	At
	31-Dec-16	31-Dec-15
	\$'000	\$'000
<i>For basic and diluted earnings per share</i>		
Net profit attributed to ordinary equity holders of the Parent	13,992	(944)

(b) Weighted average number of shares

	Consolidated	
	At	At
	31-Dec-16	31-Dec-15
	Number	Number
Weighted average number of ordinary shares outstanding for basic earning per share	170,138,512	168,534,818
Effect of dilution:		
Weighted average number of ordinary shares adjusted for the effect of dilution	170,138,512	168,534,818

Note 19: Discontinued Operations

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

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

The Group's interests in Bentham Ventures B.V. was accounted for using the equity method in the consolidated financial statements. The results of Bentham Ventures B.V. attributable to the Group are below:

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-16	31-Dec-15
	\$'000	\$'000
Statement of Comprehensive Income		
Share of loss in joint venture	-	(1,304)
Income tax expense	-	-
	<u>-</u>	<u>(1,304)</u>

Earnings per share attributable to discontinued operations

Basic earnings / (loss) per share (cents per share)	-	(0.77)
Diluted earnings / (loss) per share (cents per share)	-	(0.77)

To calculate the earnings per share for discontinued operations, the weighted average number of ordinary shares for both basic and diluted earnings per share is as per Note 18.

Summarised Statement of Cash Flows

Investing activities	<u>5,850</u>	<u>(3,011)</u>
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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2016

Note 20: Events after the Reporting Date

The Company announced the launch of its first investment vehicle, Bentham IMF 1 LLC (Bentham IMF Funding Vehicle) on 13 February 2017.

A special purpose vehicle funded, advised and managed by affiliates of Fortress Credit Advisors LLC (collectively, Fortress) will invest up to US\$100 million by way of subscription for Class B stock, with provision for a further US\$50 million of Class B Stock subject to the joint consent of the Company and Fortress.

IMF has committed to invest US\$33.3 million by way of subscription for Class A stock in Bentham IMF Funding Vehicle, with provision to increase this investment to US\$50 million subject to the joint consent of IMF and Fortress.

Apart from as disclosed above, no matters or circumstances have arisen since 30 June 2016 that significantly affected or may significantly affect in future years:

- * The operations of the Consolidated Group;
- * The results of those operations; or
- * The state of affairs of the Consolidated Group

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Directors' Declaration

In accordance with a resolution of the directors of IMF Bentham Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001 (Cth)*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard 134 Interim Financial Reporting and the *Corporations Regulations 2001 (Cth)*.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Michael Kay
Chairman

Dated this 23 day of February 2017

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of IMF Bentham Limited, which comprises the statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of IMF Bentham Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

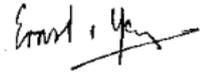
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IMF Bentham Limited is not in accordance with:

The *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ASX Listing Rules as they relate to Appendix 4D.



Ernst & Young



Robert A Kirkby
Partner
Perth
23 February 2017

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IMF Bentham Limited

ABN 45 067 298 088

Corporate Information

ABN 45 067 298 088

This half-year report covers IMF Bentham Limited and its subsidiaries. The Group's presentation currency is AUD (\$).

Directors

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

Company Secretary

Jeremy Sambrook

Changes since 30 June 2016

None

Principal Registered Office in Australia

68 Pitt St , Level 18
Sydney, New South Wales 2000
Phone: (02) 8223 3567
Fax: (02) 8223 3555

Solicitors

DLA Piper
Level 31
Central Park
152-158 St George's Terrace
Perth, Western Australia 6000

Share Registry

ComputerShare Registry
GPO Box 2975
Melbourne, Victoria 3001
Phone: 1300 557 010

Auditors

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

Bankers

National Australia Bank Limited
255 George Street
Sydney, New South Wales 2000

Internet Address

www.imfbenthamltd.com

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