

Appendix 4D
Half Year Report
For the half year ended 31 December 2017

Name of entity

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

ABN

45 067 298 088

Reporting period

1 July 2017 to 31 December 2017

Previous corresponding period

1 July 2016 to 31 December 2016

Results for announcement to the market

	Changes from the corresponding period	31-Dec-17 \$'000
Total revenue ("revenue from ordinary activities")	Down by 65% to	12,750
Net operating loss for the half year ("loss from ordinary activities after tax attributable to members")	Down by 131% to	(4,385)
Net loss for the period attributable to members	Down by 131% to	(4,385)

Commentary on results

The attached Financial Report for the half-year ended 31 December 2017 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 2017 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.

Interim dividend

	Amount per security	Franked amount per security
Interim dividend (to be paid on the 24 April 2018)	3.00 cents	3.00 cents
Previous comparative period (paid on 21 April 2017)	3.00 cents	3.00 cents
Final dividend (paid on 20 October 2017)	4.00 cents	4.00 cents

Interim dividend:

Ex-dividend date: 23 March 2018
Record date: 26 March 2018
DRP election date: 4 April 2018
Payment date: 24 April 2018

Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

The directors have determined they will consider, and where appropriate, implement, a regular semi-annual dividend which reflects the cash position of the Company at the time of the dividend and the likely demand for cash over the ensuing 12 month period. The Company has put in place a dividend reinvestment plan and, on appropriate occasions, will arrange underwriting to reduce the impact a particular dividend might otherwise have on cash.

On the 20 October 2017 the company issued 900,253 shares under its dividend reinvestment plan at \$2.0239 per share.

Net tangible assets per ordinary share

	31-Dec-17 cents/share	30-Jun-17 cents/share
Basic net tangible assets per ordinary share (cents per share)	1.01	8.94
Basic net assets per ordinary share (cents per share)	129.98	119.88

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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 Australia during the period - IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd.

Review Statement

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

Julia Yetsenga
Chief Financial Officer

Date: 22 February 2018

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Half-Year Report

Half-Year Ended 31 December 2017

IMF Bentham Limited

ABN 45 067 298 088

Consolidated Financial Report for the half-year ended 31 December 2017

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IMF Bentham Limited

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Consolidated Financial Report for the half-year ended 31 December 2017

Directors' Report

Your directors submit their report for the half-year ended 31 December 2017.

Directors

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

Michael Kay	Chairman and Non-Executive Director
Andrew Saker	Managing Director and CEO
Hugh McLernon	Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director
Karen Phin	Non-Executive Director (appointed 25 August 2017)
Alden Halse	Non-Executive Director (resigned 24 November 2017)

Review and results of operations

Total income for the Group decreased from \$36.481m for the half-year ended 31 December 2016, to \$12.750m for the half-year ended 31 December 2017. The majority of the income was generated from 3 of the 4 cases which concluded during the half-year (6 in the corresponding period to 31 December 2016). Income from litigation contracts was \$48.813m, a 27% decrease over the corresponding period last year. The consolidated net loss from continuing operations after tax for the half-year was \$4.385m (31 December 2016: profit of \$13.992m).

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

Litigation contract's matter name	Total litigation contracts'	Litigation contracts'	Net gain on disposal of
	income	expenses (including	intangible asset
	\$'000	capitalised overheads)	\$'000
		\$'000	
Treasury Wine Estates	22,479	(11,051)	11,428
Confidential Hong Kong Matter	17,370	(16,580)	790
USA Case 036	2,917	(1,138)	1,779
USA Fund Case 003	-	(4,036)	(4,036)
Further recoveries on completed matters	2,613	(206)	2,407
Further recoveries on continuing matters	3,425	(2,802)	623
Other	9	(324)	(315)
	48,813	(36,137)	12,676

The Group's cash position was \$132.239m as at 31 December 2017 (30 June 2017: \$144.891m). Its investment in cases was \$223.054m at 31 December 2017, a 17% increase over the value at 30 June 2017 of \$190.876m. The Company raised share capital during the period totalling \$1.821m as a result of its dividend reinvestment plan.

Outlook

IMF funded 16 new cases during the period, comprising 8 investments outside the USA and 8 USA investments. The new non-USA investments have a total Estimated Portfolio Value at 31 December 2017 of \$696.664m. The new US investments have capital commitments of \$38.126m (during the corresponding period in 2016, ten new cases were funded).

IMF's Investment Portfolio at 31 December 2017 includes 77 investments, comprising 33 investments outside of the USA and 44 USA investments. The non-USA investments have a total Estimated Portfolio Value (EPV) of \$2.103 billion and the USA investments constitute \$163.909 million in capital commitments. 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 investments funded by IMF (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.

An update on IMF's principal investments from that noted in the 2017 Annual Report is as follows:

The trial in Westgem is due to commence on 3 April 2018 and to proceed for about 14 weeks. No further mediation is programmed so that the likely judgement date will be in the second half of FY2019. Final preparations for trial are underway.

The trial in the class action concerning Wivenhoe Dam started on 4 December 2017 and ran to 15 December 2017. It resumes on 12 February 2018 in the Supreme Court of New South Wales. 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.

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

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Consolidated Financial Report for the half-year ended 31 December 2017

Directors' Report (continued)

The Company announced the launch of further investment vehicles, IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd, on 3 October 2017. The two investment vehicles have aggregated committed capital of \$150.000m and will fund future investments in Australia, Asia, Canada and Europe.

Partners Capital Phoenix Fund II Limited, a fund managed by Partners Capital, will invest up to \$90.000m by way of subscription for Class B Shares in Fund 2. Amitell Capital Pte Ltd, a Singapore-based private investment firm, will invest up to \$30.000m by way of subscription for Class B Shares in Fund 3.

IMF has committed to invest up to \$30.000m by way of subscription for Class A Shares, split between Fund 2 and Fund 3. IMF will fund its capital commitment to Fund 2 and Fund 3 from its internal cash resources.

Dividends

The directors have determined that a fully franked interim dividend of 3.00 cents will be paid in respect of the period ended 31 December 2017. The record date is 26 March 2018 and the payment date is 24 April 2018. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 24 August 2017 the directors declared a final fully franked dividend of 4.00 cents per share for the 2017 financial year, totalling \$6.882m. The record date for this dividend was 26 September 2017 and the payment date was 20 October 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

On 24 February 2017 the directors declared a fully franked interim dividend of 3.00 cents per share totalling \$5.136m. The record date for this dividend was 28 March 2017 and the payment date was 21 April 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

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 7 of this report.

Signed in accordance with a resolution of the directors.

Michael Kay
Chairman

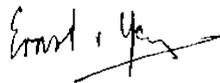
Date: 22 February 2018

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 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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
22 February 2018

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IMF Bentham Limited

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Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2017

	Notes	Consolidated	
		Half-year ended 31-Dec-17 \$'000	Half-year ended 31-Dec-16 \$'000
Continuing operations			
Revenue	4	1,111	1,550
Other income	5	11,639	34,931
Total income		12,750	36,481
Finance costs	6(a)	32	432
Depreciation expense	6(b)	303	283
Employee benefits expense	6(c)	10,811	9,700
Corporate and office expense	6(d)	3,541	4,308
Other expenses	6(e)	695	480
		(2,632)	21,278
Income tax expense	7	1,753	7,286
(Loss) / Profit for the period		(4,385)	13,992
Attributable to:			
Equity holders of the parent		(4,385)	13,992
Non-controlling interests		-	-
		(4,385)	13,992
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Movement in foreign currency translation reserve		(1,799)	(283)
Other comprehensive income for the period, net of tax		(1,799)	(283)
Total comprehensive (loss) / income for the period		(6,184)	13,709
(Loss) / earnings per share attributed to the ordinary equity holders of the Company (cents per share)			
Basic (loss) / earnings per share (cents per share)		(2.54)	8.22
Diluted (loss) / earnings per share (cents per share)		(2.38)	8.22
(Loss) / earnings per share attributed to continuing operations (cents per share)			
Basic (loss) / earnings per share (cents per share)		(2.54)	8.22
Diluted (loss) / earnings per share (cents per share)		(2.38)	8.22

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 of 31 December 2017

	Notes	Consolidated	
		31-Dec-17 \$'000	30-Jun-17 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	132,239	144,891
Trade and other receivables	9	13,536	45,205
Other assets		1,675	1,260
Total Current Assets		147,450	191,356
Non-Current Assets			
Trade and other receivables	9	1,580	1,580
Plant and equipment		1,481	1,700
Intangible assets	10	223,054	190,876
Other assets		11,984	388
Deferred tax assets		6,766	6,037
Total Non-Current Assets		244,865	200,581
TOTAL ASSETS		392,315	391,937
LIABILITIES			
Current Liabilities			
Trade and other payables		15,783	22,141
Income tax payable		1,727	4,341
Provisions		17,032	18,672
Other liabilities		698	531
Total Current Liabilities		35,240	45,685
Non-Current Liabilities			
Other payables		248	-
Provisions		254	240
Interest-bearing loans and borrowings	11	119,969	119,469
Deferred tax liabilities		11,811	20,290
Total Non-Current Liabilities		132,282	139,999
TOTAL LIABILITIES		167,522	185,684
NET ASSETS		224,793	206,253
EQUITY			
Contributed equity	12	125,475	123,654
Reserves		9,493	8,554
Retained earnings		60,412	71,679
Equity attributable to equity holders of the parent		195,380	203,887
Non-controlling interests		29,413	2,366
TOTAL EQUITY		224,793	206,253

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 2017

		Consolidated	
		Half-year ended 31-Dec-17 \$'000	Half-year ended 31-Dec-16 \$'000
	Notes		
Cash flows from operating activities			
Payments to suppliers and employees		(26,853)	(21,099)
Interest income		1,206	1,590
Interest paid		(4,156)	(2,768)
Income tax paid		(10,794)	(9,806)
Net cash flows used in operating activities		(40,597)	(32,083)
Cash flows from investing activities			
Proceeds from litigation funding - settlements, fees and reimbursements		79,506	98,887
Payments for litigation funding and capitalised suppliers and employee costs		(70,389)	(39,979)
Purchase of plant and equipment		(103)	(918)
Repayment of third party loans		263	403
Fund establishment costs		(2,694)	-
Proceeds on disposal of joint venture		-	5,850
Net cash flows from investing activities		6,583	64,243
Cash flows from financing activities			
Dividend payment (net of dividend reinvestment plan)		(5,060)	(9,665)
Cash inflows from non-controlling interests		26,113	-
Net cash flows from / (used in) financing activities		21,053	(9,665)
Net (decrease) / increase in cash and cash equivalents held		(12,961)	22,495
Net foreign exchange difference		309	1,117
Cash and cash equivalents at beginning of period		144,891	142,529
Cash and cash equivalents at end of period	8	132,239	166,141

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

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Consolidated Statement of Changes in Equity for the half-year ended 31 December 2017

	Issued Capital	Share based payments reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total	Non- controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017	123,654	5,962	(4,644)	7,236	71,679	203,887	2,366	206,253
Profit for the period	-	-	-	-	(4,385)	(4,385)	-	(4,385)
Other comprehensive	-	-	(1,799)	-	-	(1,799)	-	(1,799)
Total comprehensive income for the period	-	-	(1,799)	-	(4,385)	(6,184)	-	(6,184)
Equity transactions								
Dividend paid	-	-	-	-	(6,882)	(6,882)	-	(6,882)
Share based payments	-	5,558	-	-	-	5,558	-	5,558
Shares issued under the dividend reinvestment plan	1,821	-	-	-	-	1,821	-	1,821
Contributions from non- controlling interests	-	-	-	-	-	-	26,113	26,113
Transaction costs - disposal of non-controlling interest net of tax	-	-	-	-	-	-	(1,886)	(1,886)
Changes in the proportion of equity held by non- controlling interests	-	-	-	(2,820)	-	(2,820)	2,820	-
As at 31 December 2017	125,475	11,520	(6,443)	4,416	60,412	195,380	29,413	224,793
As at 1 July 2016	119,122	658	288	7,236	74,084	201,388	-	201,388
Loss for the period	-	-	-	-	13,992	13,992	-	13,992
Other comprehensive	-	-	(283)	-	-	(283)	-	(283)
Total comprehensive income for the period	-	-	(283)	-	13,992	13,709	-	13,709
Equity transactions								
Dividend paid	-	-	-	-	(12,709)	(12,709)	-	(12,709)
Share based payments	-	2,202	-	-	-	2,202	-	2,202
Shares issued under the dividend reinvestment plan	3,044	-	-	-	-	3,044	-	3,044
As at 31 December 2016	122,166	2,860	5	7,236	75,367	207,634	-	207,634

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

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017

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 2017 was authorised for issue in accordance with a resolution of the directors on 22 February 2018.

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 2017 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 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 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 2017, except for the adoption of new standards and interpretations effective as of 1 July 2017, 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 2017. 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, Bentham Holdings Inc., Bentham Capital LLC, Security Finance LLC, Bentham IMF Holdings 1 LLC, Bentham IMF 1 LLC, Security Finance 1 LLC, Bentham IMF Capital Limited, Lien Finance Canada Limited, IMF Bentham Pte. Limited, IMF Bentham (Fund 2) Pty Ltd and IMF Bentham (Fund 3) Pty Ltd as at 31 December 2017.

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 2017 (continued)

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, the United States of America, Canada and Singapore.

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

Other income can be represented geographically as follows:

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-17	31-Dec-16
	\$'000	\$'000
Other income		
Australia	14,123	36,114
United States of America	(2,508)	(952)
Canada	59	(231)
Singapore	(35)	-
	<u>11,639</u>	<u>34,931</u>

Non-current assets, excluding financial assets and deferred tax assets can be represented geographically as follows:

	Consolidated	
	At	At
	31-Dec-17	30-Jun-17
	\$'000	\$'000
Net exposure		
Australia	94,225	94,744
United States of America	127,941	97,502
Canada	2,166	330
Singapore	203	-
	<u>224,535</u>	<u>192,576</u>

Note 4: Revenue

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-17	31-Dec-16
	\$'000	\$'000
Finance revenue		
Bank interest received and accrued	1,111	1,550
	<u>1,111</u>	<u>1,550</u>

Note 5: Other Income

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-17	31-Dec-16
	\$'000	\$'000
Other income		
Litigation contracts - settlements and judgments	48,813	66,654
Litigation contracts - expenses	(35,610)	(34,416)
Litigation contracts - written-down	(527)	(1,149)
Net gain on derecognition of intangible assets	12,676	31,089
Foreign exchange gain/(loss)	(1,040)	3,681
Other income	3	161
	<u>11,639</u>	<u>34,931</u>

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 6: Expenses

		Consolidated	
		Half-year ended 31-Dec-17 \$'000	Half-year ended 31-Dec-16 \$'000
(a)	Finance costs		
	Other finance charges	32	432
(b)	Depreciation expense		
	Depreciation	303	283
(c)	Employee benefits expense		
	Wages and salaries	6,738	6,344
	Superannuation expense	715	769
	Directors' fees	247	207
	Payroll tax	1,030	723
	Share based payments	2,032	1,538
	Long service leave	49	119
		<u>10,811</u>	<u>9,700</u>
(d)	Corporate and office expense		
	Insurance expense	381	369
	Network expense	349	265
	Marketing expense	776	870
	Occupancy expense	543	736
	Professional fee expense	752	1,444
	Recruitment expense	310	58
	Travel expense	430	566
		<u>3,541</u>	<u>4,308</u>
(e)	Other expenses		
	ASX listing fees	54	51
	General expenses	384	105
	Postage, printing and stationary	166	242
	Repairs and maintenance	23	13
	Share registry costs	68	69
		<u>695</u>	<u>480</u>

Note 7: Income Tax

		Consolidated	
		Half-year ended 31-Dec-17 \$'000	Half-year ended 31-Dec-16 \$'000
	Accounting profit before income tax from continuing operations	(2,632)	21,278
	At the Group's statutory income tax rate of 30% (2016: 30%)	(790)	6,383
	Adjustment in respect of change in United States of America federal tax rate	2,446	-
	Adjustment in respect of income and deferred tax of previous years	1,027	2,013
	Foreign tax rate adjustment	(294)	683
	Non-assessable income	-	(1,026)
	Other	(636)	(767)
	Income tax expense reported in the Statement of Comprehensive Income	<u>1,753</u>	<u>7,286</u>

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 8: Cash and Cash Equivalents

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

	Consolidated	
	At 31-Dec-17 \$'000	At 30-Jun-17 \$'000
Total cash and cash equivalents		
Cash at bank	69,598	38,583
Short-term deposits	62,641	106,308
	<u>132,239</u>	<u>144,891</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 have been issued by the Group's bankers as security for leases over premises, banking facilities and as security for adverse costs orders for matters funded under litigation contracts. As at 31 December 2017 guarantees of \$1.052m were outstanding (30 June 2017: \$1.059m). The Group has a total guarantee facility limit of \$1.426m (30 June 2017: \$1.433m) that is secured by an offset arrangement with deposits of \$1.626m (30 June 2017: \$1.633m).

Note 9: Trade and Other Receivables

	Consolidated	
	At 31-Dec-17 \$'000	At 30-Jun-17 \$'000
Current		
Trade receivables	(i) 10,751	37,202
Other receivables	(ii) 2,785	8,003
	<u>13,536</u>	<u>45,205</u>
Non-Current		
Trade receivables	(iii) 1,580	1,580
	<u>1,580</u>	<u>1,580</u>

(i) Trade receivables are non-interest bearing and generally on 0-90 day terms. There is \$2.804m included in current trade receivables which is subject to appeal (30 June 2017: \$2.870m).

(ii) Other receivables comprise interest receivable upon the maturity of the Group's short term deposits (between 30 and 90 days), receivables from co-funders of Litigation Contracts in Progress, short term loans and deposits receivable.

(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. At 31 December 2017 the non-current trade receivable was non-interest bearing and related to part of the Company's expected income from the Lehman matter.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 10: 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 costs of managing the litigation, such as certain insurance costs, wages, occupancy costs, other out of pocket expenses and the capitalisation of borrowing costs as described in note 10(d).

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

	Consolidated	
	At 31-Dec-17	At 30-Jun-17
	\$'000	\$'000
Capitalised external costs	183,944	158,723
Capitalised costs	22,982	19,179
Capitalised borrowing costs	16,128	12,974
Balance at 31 December 2017	223,054	190,876

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 2017 was \$4.646m (31 December 2016: \$2.760m). 100% of borrowing costs are eligible for capitalisation.

Note 11: Non-Current Liabilities

	Consolidated	
	At 31-Dec-17	At 30-Jun-17
	\$'000	\$'000
IMF Bentham Bonds ¹	49,330	49,104
Fixed Rate Notes ¹	70,639	70,365
	119,969	119,469

¹ Includes transaction costs, net of amortisation of \$2.031m.

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

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

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.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 12: Contributed Equity

	Consolidated	
	At	At
	31-Dec-17	30-Jun-17
	\$'000	\$'000
Issued and fully paid ordinary shares	125,475	123,654

(a) Ordinary shares

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

	Consolidated		Consolidated	
	At		At	
	31-Dec-17		30-Jun-17	
	Number	\$'000	Number	\$'000
Movement in ordinary shares				
Balance at 1 July	172,046,575	123,654	169,456,064	119,122
Shares issued under the dividend reinvestment plan	900,253	1,821	2,590,511	4,532
Balance at period end	172,946,828	125,475	172,046,575	123,654

On 20 October 2017 the Company issued 900,253 shares under its Dividend Reinvestment Plan at \$2.024 per share.

(b) Share Performance Rights

As at 31 December 2017 there were 14,930,394 unissued ordinary shares in respect of which share performance rights were outstanding (30 June 2017: 11,177,055).

During the half-year ended 31 December 2017, 5,052,524 performance rights were granted as detailed in Note 13 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.

Note 13: 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. Fifty percent of the LTIP is based on relative TSR and fifty percent 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, both the Binomial and Black Scholes models are used.

5,052,524 share performance rights were issued in the half-year ending 31 December 2017. Specific assessment for all grants are below.

Valuation Date	1 July 2017	18 November 2016	24 February 2016	20 November 2015
5-day Volume Weighted Average Price at commencement of measurement	\$ 1.89	\$ 1.46	\$ 1.67	\$ 1.67
Expected Volatility (%)	20%	25%	32%	28%
Dividend yield (%)	3.20%	4.32%	5.00%	5.00%
Risk-free rate (%)	1.94%	1.86%	1.77%	2.10%
Performance period	3 years ending 30 June 2020	3 years ending 30 June 2019	3 years ending 30 June 2018	3 years ending 30 June 2018
Models used	Monte Carlo & Black Scholes	Monte Carlo & Black Scholes	Monte Carlo & Binomial	Monte Carlo & Binomial
Tranche1 -relative TSR (value per right \$)	\$ 0.95	\$ 1.19	\$ 0.33	\$ 0.58
Tranche 2 -CAGR (value per right \$)	\$ 1.72	\$ 1.55	\$ 1.00	\$ 1.21

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 14: Dividends Paid and Proposed

On 24 August 2017 the directors declared a final fully franked dividend of 4.00 cents per share for the 2017 financial year, totalling \$6.882m. The record date for this dividend was 26 September 2017 and the payment date was 20 October 2017. Shareholders were able to elect to participate in the dividend reinvestment plan in relation to this dividend.

Recognised amounts:

Consolidated	
At	At
31-Dec-17	31-Dec-16
\$'000	\$'000

Declared and paid during the period

Final fully franked dividend for 2017: 4.00 cents per share (2016: 7.50 cents per share)

6,882	12,709
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The directors have determined to pay a fully franked interim dividend of 3.00 cents per share in respect of the period ended 31 December 2017. The record date is 26 March 2018 and the payment date is 24 April 2018. Shareholders are able to elect to participate in the dividend reinvestment plan in relation to this dividend.

Note 15: Related Party Disclosures

Consolidated	
Half-year ended	Half-year ended
31-Dec-17	31-Dec-16
\$'000	\$'000

Transactions with related parties¹

405	53
405	53

¹ During the period ended 31 December 2017, 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 16: Commitments and Contingencies

As at 31 December 2017, the Group has 3 cases that are under appeal (30 June 2017: 3 cases). The net income recognised by the Group from these cases in the current financial period is nil (30 June 2017:\$2.780m). The total current and non-current receivables as at 31 December 2017 relating to the cases under appeal is \$2.804m (30 June 2017:\$2.870m).

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 2017 the total amount spent by the Company where undertakings to pay adverse costs have been provided was \$61.405m (30 June 2017 \$70.309m). The potential adverse costs orders using the above methodology would amount to \$42.984m (30 June 2017: \$49.216m). 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.

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 17: Changes in Composition of the Group

The Group's subsidiaries can be summarised as follows:

Name	Country of Incorporation	Percentage Owned	
		At 31-Dec-17	At 30-Jun-17
Financial Redress Pty Ltd	Australia	100%	100%
Bentham Holdings Inc.	USA	100%	100%
Bentham Capital LLC	USA	100%	100%
Security Finance LLC	USA	100%	100%
Bentham IMF Holdings 1 LLC	USA	100%	100%
Bentham IMF 1 LLC ¹	USA	50%	50%
Security Finance 1 LLC ¹	USA	50%	50%
Bentham IMF Capital Ltd	Canada	100%	100%
Lien Finance Canada Ltd	Canada	100%	100%
IMF Bentham Pte. Limited ²	Singapore	100%	100%
IMF Bentham (Fund 2) Pty Ltd ³	Australia	20%	-
IMF Bentham (Fund 3) Pty Ltd ³	Australia	20%	-

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

² This entity was incorporated 8 March 2017

³ These entities were incorporated 13 September 2017. 20% ownership became effective on 3 October 2017

Note 18: 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 \$50.000m and a fair value of \$51.250m. The Fixed Rate Notes have a carrying value of \$72.000m and a fair value of \$74.880m.

Note 19: Earnings per Share

(a) Earnings used in calculating earnings per share

For basic earnings per share

Total net profit attributable to ordinary equity holders of the Parent

Consolidated	
At 31-Dec-17	At 31-Dec-16
\$'000	\$'000
(4,385)	13,992

For basic earnings per share

Total net profit attributable to continuing operations

Consolidated	
At 31-Dec-17	At 31-Dec-16
\$'000	\$'000
(4,385)	13,992

(b) Weighted average number of shares

Weighted average number of ordinary shares outstanding .

Consolidated	
At 31-Dec-17	At 31-Dec-16
Number	Number
172,405,692	170,138,512

Effect of dilution:

¹ Performance rights

11,524,712

Weighted average number of ordinary shares

183,930,404 170,138,512

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

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Notes to the Consolidated Financial Statements for the half-year ended 31 December 2017 (continued)

Note 20: Events after the Reporting Date

The Company announced on 5 February 2018 that its wholly owned subsidiary, Bentham Capital LLC (Bentham), has agreed to transfer all its rights in relation to the majority of its investments in its US investment portfolio to Bentham IMF 1 LLC (Fund 1). The sale will be at book value being the total capital deployed by Bentham in the Sale Investments plus associated investment expenses less capital previously returned.

IMF will receive gross consideration of US\$57.4 million, of which IMF will have invested US\$9.6 million as its pro rata contribution to the funding of Fund 1. In addition, IMF will be entitled to 85% of any profits on the Sale Investments realised by Fund 1 after payment of preferred dividends and other expenses of the fund.

Bentham has chosen to retain ownership of five investments in the US investment portfolio. These investments were excluded from the disposal to Fund 1 for various case specific reasons. The aggregate capital invested in the retained investments amounts to US\$6.3 million. No further deployments of capital are expected with respect to these investments.

Apart from the disclosed above, no matters or circumstances have arisen since 30 June 2017 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

IMF Bentham Limited

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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 2017 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 22 day of February 2018

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

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of IMF Bentham Limited, which comprises the consolidated statement of financial position as at 31 December 2017, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

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

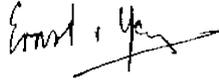
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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.

For personal use only

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Ernst & Young



Robert A Kirkby
Partner

Perth
22 February 2018

For personal use only

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 and Non-Executive Director
Andrew Saker	Managing Director and CEO
Hugh McLernon	Executive Director
Michael Bowen	Non-Executive Director
Wendy McCarthy	Non-Executive Director
Karen Phin	Non-Executive Director (appointed 25 August 2017)
Alden Halse	Non-Executive Director (resigned 24 November 2017)

Company Secretary

Jeremy Sambrook

Principal Registered Office in Australia

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Share Registry

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Auditors

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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.