

Appendix 4D

Half-Yearly Report

Bentham IMF Limited
(formerly IMF (Australia) Ltd) ("IMF")
ABN 45 067 298 088

Half-Year ended 31 December 2013

Results for announcement to the market

Current reporting period: Half-year ended 31 December 2013

Previous reporting period: Half-year ended 31 December 2012

		\$A'000
Total income from continuing operations	Up 44%	18,868
Profit from continuing operations after tax attributable to members	Up 63%	9,127
Net profit for the period attributable to members	Up 63%	9,127

Dividends

The directors today determined to pay a fully franked interim dividend of 5 cents per share. The record date is 21 March 2014 and the payment date will be 4 April 2014. The shares will trade ex dividend on 17 March 2014. No interim dividend was paid in the corresponding period.

A final fully franked dividend of 5 cents per share for the year ended 30 June 2013 was declared on 21 August 2013 and paid on 31 October 2013.

Net tangible assets per ordinary share

	31-Dec-13 cents/share	31-Dec-12 cents/share
Basic net tangible assets per ordinary share (cents per share)	59.88	34.99
Basic net assets per ordinary share (cents per share)	119.81	95.20

Earnings per share (EPS)

	31-Dec-13 cents/share	31-Dec-12 cents/share
Basic EPS (cents per share)	6.70	4.55
Diluted EPS (cents per share)	6.32	3.99

Entities over which control was gained or lost during the period

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

Explanation of Results

The attached Financial Report for the half-year ended 31 December 2013 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 2013 annual financial report and other documents are available on the Group's website at www.benthamimflimited.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 and highlights no areas of dispute.



Company Secretary
and Chief Operating Officer

Date: 10 February 2014

Bentham IMF Limited

ABN 45 067 298 088

Consolidated Financial Report for the Half-Year ended 31 December 2013

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Bentham IMF Limited

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Consolidated Financial Report for the Half-Year ended 31 December 2013

Directors' Report

Your directors submit their report for the half-year ended 31 December 2013.

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 unless noted.

Robert Ferguson - Non-Executive Chairman
Hugh McLernon - Managing Director
John Walker - Executive Director
Clive Bowman - Executive Director
Alden Halse - Non-Executive Director
Michael Bowen - Non-Executive Director
Wendy McCarthy - Non-Executive Director (Appointed 11 December 2013)

Review and results of operations

The Group experienced an increase in income compared to the corresponding period last year. A total of 2 cases concluded during the half-year (2 in the corresponding period), generating total income from litigation contracts of \$33,557,582, a 63% increase over the corresponding period last year (of \$20,574,012). Consolidated net profit from continuing operations after tax for the half-year was \$9,127,350 (2012: \$5,601,810), representing a 63% increase over the corresponding period last year. The Group's cash position was \$85,823,869 as at 31 December 2013 (30 June 2013: \$67,984,284) whilst its investments in cases was \$98,502,505 at 31 December 2013 (30 June 2013: \$86,127,315). The Company raised capital during the period totalling \$42,031,791. A further \$27,631,244 in equity was raised through convertible noteholders converting into shares, and convertible note redemptions totalled \$11,180,756 as a result of the early redemption of the convertible notes.

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

Litigation contract's matter name	Claim value included in investment portfolio report at 30 June 2013 \$	Total litigation contracts income \$	Litigation contracts expenses (including capitalised overheads) \$	Net gain on disposal of intangible asset \$
Lehman Bros Australia	130,000,000	26,580,588	(10,080,626)	16,499,962
MCC Mining	20,000,000	5,037,388	(3,256,673)	1,780,715
Others	-	1,939,606	(3,222,325)	(1,282,719)
	150,000,000	33,557,582	(16,559,624)	16,997,958

In the Lehman Bros Australia case judgment was given on 21 September 2012 in favour of the three representatives and final orders were made on 18 March 2013. The liquidators filed an appeal from this judgment. However, a settlement was reached and on 9 December 2013 the Court approved the settlement of the proceedings together with a claims resolution process to efficiently address contingent creditor claims. Expected income from this matter has been recognised in the half-year to 31 December 2013 in accordance with the Group's accounting policy. The Company expects to receive additional income from this matter once the claims resolution process has been finalised. Note: total accumulated income recognised by the Company from the Lehman Bros Australia matter is \$38,166,855.

Outlook

An update on IMF's principal investments from that noted in the 2013 Annual Report is as follows:

Proceedings were commenced in 2012 by the liquidators of ZYX Learning Centres (formerly **A.B.C. Learning Centres**) Limited (In Liquidation) alleging that a floating charge granted to a syndicate of banks is void to the extent of certain monies purportedly received under the charge. The claims are to be heard in July 2014.

The **Air Cargo** case, which is a price fixing claim against various airlines under section 45 of the Trade Practices Act, continues through the courts. Discovery is substantially complete. The separate proceedings in which the Australian Competition and Consumer Commission ("ACCC") prosecuted several airlines in relation to similar alleged conduct have been concluded, with the decision reserved (although most cases the ACCC brought have settled).

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Consolidated Financial Report for the Half-Year ended 31 December 2013

Directors' Report (continued)

Outlook (continued)

The actions by **Great Southern** unitholders, funded by IMF, continue to advance through the courts. IMF funded a separate action on whether section 6 of the Law Reform (Miscellaneous Provisions) Act (1946) (NSW) applies to give our clients a charge over insurance proceeds. The judgment is to the effect that our clients do not have a charge. Special leave to appeal is being sought from the High Court. There is not yet a hearing date for the main cases.

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

The judgment and its impact on the cases being funded by the Company against other banks is still being assessed. It is currently estimated that the successful part of the action against ANZ represents about 25% of the total claim being made in that action. The Company is presently not able to reliably measure the impact, if any, on its revenue or profit for the year ending 30 June 2014.

In the case of **PIF Unitholders v KPMG**, IMF is funding unitholders and the new Responsible Entity in their claims for alleged breaches of the Corporations Act by KPMG, the PIF auditors. The claim against the directors has been settled and is subject to Court approval. A hearing of the main case is to commence in October 2014.

New proceedings for damages against Bankwest have now been filed in the **Westgem** matter. The Bank has applied to the Court to strike out parts of the claim but no date has yet been set for the hearing. The case is presently at the discovery stage. Counsel retained on behalf of the clients have been preparing amendments to the Statement of Claim and an updated Statement of Claim will be filed shortly.

The **Rivercity** claim against Aecom and two Rivercity companies, alleging misleading and deceptive conduct and omissions in relation to the traffic forecast included in the product disclosure statement ("PDS"), also continues through the court, with expert evidence being prepared.

The case IMF is funding against the **Bank of Queensland** ("BOQ") by BOQ franchisees in New South Wales for alleged misleading and deceptive conduct, primarily concerning business that could or would be generated by the franchisees, is now complete. Judgment is reserved and is expected before 30 June 2014.

The class action IMF is funding by persons who bought shares in **Gunns**, alleging misleading and deceptive conduct and non disclosure of material information, continues to be assessed by the lawyers to determine whether the claim should proceed against the former directors of Gunns, now that Gunns is in Liquidation.

A Foundation has been incorporated in the Netherlands called "**Stichting Ratings Redress**" ("SRR") to pursue claims in the Netherlands in respect of losses suffered by investors in CPDOs, arranged by ABN Amro and rated by S&P. SRR has entered into a funding agreement with IMF pursuant to which IMF will fund claims assigned to SRR by CPDO purchasers. Proceedings were filed in The Netherlands in December 2013, although the claims may be heard in England due to a recent application filed by S&P in London.

IMF is unconditionally funding persons who suffered loss due to the Brisbane floods in 2011 caused by the alleged negligence of the State of Queensland (the **Wivenhoe Dam case**) and expects the claim to be filed by 30 June 2014.

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

Bentham Capital LLC (IMF's wholly owned USA subsidiary) has now funded seven cases in the USA one of which has now been successfully completed. IMF has taken the policy position not to disclose specific details about Bentham's investments until after the resolution of the cases and all appeal avenues have been finalised.

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Consolidated Financial Report for the Half-Year ended 31 December 2013

Directors' Report (continued)

The Company withdrew from two investments during the period (2012: one case). The Company continues to provide the ASX with a summary of the cases funded by IMF in which IMF's potential fee is greater than \$500,000 per case (Investment Portfolio Report). This Report is updated every three months. Case updates are provided on the Company's website: www.benthamimflimited.com.au.

Returns to shareholders

The directors today determined to pay a fully franked interim dividend of 5 cents per share. The record date is 21 March 2014 and the payment date will be 4 April 2014. The shares will trade ex dividend on 17 March 2014. No interim dividend was paid in the corresponding period.

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.

A handwritten signature in black ink, appearing to read 'Rob Ferguson', with a stylized flourish at the end.

Rob Ferguson
Non-Executive Chairman

Date: 10 February 2014

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

In relation to our review of the financial report of Bentham IMF Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



G H Meyerowitz
Partner
10 February 2014

Bentham IMF Limited

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Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2013

Consolidated Statement of Comprehensive Income	Notes	Consolidated	
		Half-year ended 31-Dec-13 \$	Half-year ended 31-Dec-12 \$
Continuing operations			
Revenue	4	1,193,668	1,744,742
Other income	5	17,674,088	11,397,426
Total income		18,867,756	13,142,168
Finance costs	6(a)	(1,018,658)	(67,994)
Depreciation expense	6(b)	(108,635)	(135,231)
Employee benefits expense	6(c)	(2,192,660)	(1,950,298)
Corporate and office expense	6(d)	(1,431,507)	(963,377)
Other expenses	6(e)	(510,926)	(1,336,890)
Profit from continuing operations before income tax		13,605,370	8,688,378
Income tax expense		(4,478,020)	(3,086,568)
Net Profit for the period		9,127,350	5,601,810
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Transfer from net unrealised gains reserve to profit and loss upon disposal of available-for-sale assets		-	(30,332)
Other comprehensive income for the period, net of tax		-	(30,332)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,127,350	5,571,478
Earnings per share attributed to the ordinary equity holders of the Company (cents per share)			
Basic earnings per share (cents per share)		6.70	4.55
Diluted earnings per share (cents per share)		6.32	3.99

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

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Consolidated Statement of Financial Position for the half-year ended 31 December 2013

Consolidated Statement of Financial Position	Notes	Consolidated	
		At	At
		31-Dec-13	30-Jun-13
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	7	85,823,869	67,984,284
Trade and other receivables	8	36,919,584	23,927,978
Other assets		198,721	94,015
Total Current Assets		122,942,174	92,006,277
Non-Current Assets			
Trade and other receivables		14,934,822	15,252,854
Plant and equipment		587,570	622,425
Financial assets		25,962	18,890
Intangible assets	9	98,502,505	86,127,315
Total Non-Current Assets		114,050,859	102,021,484
TOTAL ASSETS		236,993,033	194,027,761
LIABILITIES			
Current Liabilities			
Trade and other payables		11,220,692	7,833,156
Income tax payable/(receivable)		760,496	(1,540,364)
Provisions		1,227,901	1,644,718
Other liabilities		74,555	74,555
Total Current Liabilities		13,283,644	8,012,065
Non-Current Liabilities			
Convertible notes	10	-	36,324,499
Provisions		418,039	229,026
Other liabilities		167,749	205,026
Deferred income tax liabilities		26,187,799	23,752,761
Total Non-Current Liabilities		26,773,587	60,511,312
TOTAL LIABILITIES		40,057,231	68,523,377
NET ASSETS		196,935,802	125,504,384
EQUITY			
Contributed equity	11	110,376,732	41,912,195
Reserves	12	7,235,936	7,235,936
Retained earnings	12	79,323,134	76,356,253
TOTAL EQUITY		196,935,802	125,504,384

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

Bentham IMF Limited

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Consolidated Statement of Cash Flows for the half-year ended 31 December 2013

Consolidated Statement of Cash Flows	Notes	Consolidated	
		Half-year ended 31-Dec-13 \$	Half-year ended 31-Dec-12 \$
Cash flows from operating activities			
Payments to suppliers and employees		(5,210,658)	(4,552,300)
Interest income		1,496,812	1,758,520
Interest paid		(2,920,476)	(1,942,610)
Income tax paid		257,877	(15,089,871)
Net cash flows used in operating activities		(6,376,445)	(19,826,261)
Cash flows from investing activities			
Proceeds from litigation funding - settlements, fees and reimbursements		21,198,786	63,340,418
Payments for litigation funding and capitalised suppliers and employee costs		(21,388,902)	(23,674,516)
Purchase of plant and equipment		(73,780)	(49,210)
Loans made to third parties		-	600,000
Receipt from available for sale assets		-	417,057
Net cash flows from/(used in) investing activities		(263,896)	40,633,749
Cash flows from financing activities			
Proceeds from issue of shares		42,031,791	-
Costs associated with share issue		(1,198,498)	-
Payments for redemption of convertible notes		(11,180,756)	-
Dividend paid		(6,160,469)	(12,320,766)
Net cash flows from/(used in) financing activities		23,492,068	(12,320,766)
Net increase/(decrease) in cash and cash equivalents held		16,851,727	8,486,722
Net foreign exchange difference		987,858	-
Cash and cash equivalents at beginning of period		67,984,284	62,424,566
Cash and cash equivalents at end of period	7	85,823,869	70,911,288

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 2013

CONSOLIDATED	Option Premium Reserve \$	Net unrealised gains reserve \$	Convertible Notes Reserve \$	Issued Capital \$	Retained earnings \$	Total \$
As at 1 July 2013	3,403,720	-	3,832,216	41,912,195	76,356,253	125,504,384
Profit for the period	-	-	-	-	9,127,350	9,127,350
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	9,127,350	9,127,350
Equity transactions						
Dividend paid	-	-	-	-	(6,160,469)	(6,160,469)
Proceeds from shares issued	-	-	-	42,031,791	-	42,031,791
Transaction costs associated with share issue	-	-	-	(1,198,498)	-	(1,198,498)
Convertible Note Conversion	-	-	-	27,631,244	-	27,631,244
As at 31 December 2013	3,403,720	-	3,832,216	110,376,732	79,323,134	196,935,802
As at 1 July 2012	3,403,720	30,332	3,832,216	41,909,483	62,542,186	111,717,937
Profit for the period	-	-	-	-	5,601,810	5,601,810
Other comprehensive income	-	(30,332)	-	-	-	(30,332)
Total comprehensive income for the period	-	(30,332)	-	-	5,601,810	5,571,478
Equity transactions						
Dividend paid	-	-	-	-	-	-
As at 31 December 2012	3,403,720	-	3,832,216	41,909,483	68,143,996	117,289,415

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

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 1: CORPORATE INFORMATION

The half-year financial report of Bentham IMF Limited ("the Company" or "IMF") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 10 February 2014.

Bentham IMF Limited is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX code: IMF). The Company changed its name from IMF (Australia) Ltd on 29 November 2013.

The nature of the operations and principal activities of the Company and its subsidiaries ("the Group") are described in note 3.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2013 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 2013 and considered together with any public announcements made by the Company during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the Corporations Act 2001 and the ASX Listing Rules.

b. Significant accounting policies

The half-year consolidated financial statements have been prepared using the accounting policies as those applied for the year ended 30 June 2013. The Group has adopted all new and amended Australian and Accounting Standards and AASB Interpretations effective as of 1 July 2013 which are applicable to the Group. These are as follows:

- AASB 13 Fair Value Measurement
- AASB 19 Employee Benefits (Revised 2011)
- AASB 10 Consolidated Financial Statements, AASB 127 Separate Financial Statements

The adoption of accounting standards and interpretations applicable from 1 July 2013 (including those listed above) did not have an impact on the financial position or performance of the consolidated entity.

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 2013.

c. Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Bentham IMF Limited and its subsidiaries Financial Redress Pty Limited (formerly Insolvency Litigation Fund Pty Limited), Bentham Holdings Inc, Bentham Capital LLC and Security Finance LLC as at 31 December 2013.

d. Trade and other receivables

Trade receivables, which generally have 30–90 day terms, are recognised initially at fair value less an allowance for any uncollectable amounts.

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

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Trade and other receivables (cont.)

Non-current receivables represent the net present value of the future cash flows not expected to be received within 12-months from the reporting date. Subsequent to initial recognition, the non-current receivables are measured at amortised cost. The carrying amount of non-current receivables is adjusted to reflect actual and revised estimates of future cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rates. The resulting adjustment is recognised as income or expense in the Statement of Comprehensive Income.

e. Intangible assets

Litigation Contracts In Progress

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

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

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

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

(A) Actions still outstanding:

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

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

(B) Successful Judgment:

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

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

(C) Unsuccessful Judgment:

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

f. Trade and other payables

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

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

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 and the United States of America.

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

Interest received from National Australia Bank Ltd of \$858,819 (2012: \$1,353,100) and Westpac Banking Group Ltd of \$203,342 (2012: \$249,321) contributed more than 89% of the Group's bank interest revenue.

Other income can be represented geographically as follows:

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-13	31-Dec-12
	\$	\$
Australia	17,607,661	11,441,838
United States	66,427	(44,412)
Total other income	17,674,088	11,397,426

Non-Current assets can be represented geographically as follows:

	Consolidated	
	At	At
	31-Dec-13	30-Jun-13
	\$	\$
Australia	106,656,882	97,097,604
United States	7,393,977	4,923,880
Net exposure	114,050,859	102,021,484

NOTE 4: REVENUE

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-13	31-Dec-12
	\$	\$
Finance revenue		
Bank interest received and accrued	1,193,668	1,744,742
	1,193,668	1,744,742

NOTE 5: OTHER INCOME

	Consolidated	
	Half-year ended	Half-year ended
	31-Dec-13	31-Dec-12
	\$	\$
Other income		
Litigation contracts in progress - settlements and judgments	33,557,582	20,574,012
Litigation contracts in progress - expenses	(11,380,900)	(7,570,595)
Litigation contracts in progress - written-down	(5,178,724)	(2,509,922)
Net gain on derecognition of intangible assets	16,997,958	10,493,495
GST recoverable from prior periods	3,074	8,284
Net gain/(loss) on receivable measured at amortised cost & foreign exchange transaction	(318,031)	953,619
Foreign exchange gain/(loss)	987,858	(61,363)
Other	3,229	3,391
	17,674,088	11,397,426

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 6: EXPENSES

	Consolidated	
	Half-year ended 31-Dec-13	Half-year ended 31-Dec-12
	\$	\$
(a) Finance costs		
Loss on remeasurement for early redemption of convertible notes	(941,880)	-
Other finance charges	(76,778)	(67,993)
	<u>(1,018,658)</u>	<u>(67,994)</u>
(b) Depreciation included in the statement of comprehensive income		
Depreciation	(108,635)	(135,231)
(c) Employee benefits expense		
Wages and salaries	(1,438,460)	(1,155,599)
Superannuation expense	(319,287)	(290,813)
Directors' fees	(129,642)	(121,131)
Payroll tax	(228,878)	(388,381)
Long service leave (charge)/over provision	(76,393)	5,626
	<u>(2,192,660)</u>	<u>(1,950,298)</u>
(d) Corporate and office expense		
Insurance expense	(136,890)	(190,152)
Network expense	(87,328)	(67,999)
Marketing expense	(346,282)	(253,241)
Occupancy expense	(37,148)	(54,095)
Professional fee expense	(279,727)	(217,991)
Recruitment expense	(157,344)	-
Telephone expense	(54,866)	(43,871)
Travel expense	(331,922)	(136,028)
	<u>(1,431,507)</u>	<u>(963,377)</u>
(e) Other expenses		
ASX listing fees	(107,462)	(31,924)
General expenses	(198,419)	(240,947)
Postage, printing and stationary	(41,648)	(40,349)
Repairs and maintenance	(6,444)	(14,000)
Share registry costs	(157,973)	(57,680)
Software supplies	(7,376)	(7,629)
Net fair value gain on shares held for trading	8,396	6,069
Impairment of receivables	-	(942,908)
Loss on derecognition of available for sale investments	-	(7,522)
	<u>(510,926)</u>	<u>(1,336,890)</u>

NOTE 7: CASH AND CASH EQUIVALENTS

For the purpose of the half-year cash flows statement, cash and cash equivalents are comprised of the following:

	Consolidated	
	At 31-Dec-13	At 30-Jun-13
	\$	\$
Cash at bank	42,822,269	16,982,685
Short-term deposits	43,001,600	51,001,599
Total cash and cash equivalents	<u>85,823,869</u>	<u>67,984,284</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.

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 7: CASH AND CASH EQUIVALENTS (CONT.)

Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The Group's short term deposit beyond three months can be withdrawn with one day's notice without penalty.

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 funding agreements. As at 31 December 2013, guarantees of \$1,682,108 were outstanding (30 June 2013: \$1,650,819). The guarantees are secured by an offset agreement with a term deposit of \$5,000,000 (30 June 2013: \$5,000,000).

NOTE 8: TRADE AND OTHER RECEIVABLES

	Consolidated	
	At 31-Dec-13 \$	At 30-Jun-13 \$
CURRENT		
Trade receivables	(i) 36,669,275	23,374,525
Interest receivable	(ii) 250,309	553,453
	<u>36,919,584</u>	<u>23,927,978</u>
NON-CURRENT		
Trade receivables	(iii) 14,934,822	15,252,854
	<u>14,934,822</u>	<u>15,252,854</u>

- (i) Trade receivables are non-interest bearing and generally on 30-90 day terms. There is \$nil included in current trade receivables which is subject to appeal (30 June 2013: \$19,979,327).
- (ii) Interest receivable is payable upon the maturity of the Group's short term deposits (between 30 and 180 days).
- (iii) Non-current trade receivables are interest bearing and occur either as a result of settlements with a repayment plan greater than 12 months or where a judgment is subject to appeal and the appeal is not expected to be heard within the next 12 months. The total non-current trade receivable balance of \$14,934,822 is subject to appeal (30 June 2013: \$15,252,854).

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 31-Dec-13 \$	At 30-Jun-13 \$
Capitalised external costs	67,937,253	58,629,287
Capitalised internal costs	18,805,917	19,005,769
Capitalised borrowing costs	11,759,335	8,492,259
	<u>98,502,505</u>	<u>86,127,315</u>

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 9: INTANGIBLE ASSETS (CONT.)

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.

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, which resulted in a discount rate of 13.5% (2012:13.5%).

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

d. Capitalised borrowing costs

The Group has determined that Litigation Contracts In Progress meet the definition of qualifying asset. The amount of borrowing costs capitalised during the period ended 31 December 2013 was \$3,267,077 (2013: \$3,695,697). The rate used to determine the borrowing costs eligible for capitalisation was 13.5%, which is the effective interest rate.

NOTE 10: NON-CURRENT LIABILITIES

	Consolidated
	At
	31-Dec-13
	At
	30-Jun-13
Convertible notes	- 36,324,499

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

On 14 October 2013 the Company issued an early redemption notice to all Noteholders which required Noteholders to either convert their convertible notes into shares by 13 December 2013 or the Company would redeem the convertible notes. During the redemption period, 16,447,169 convertible notes were converted into ordinary shares. (In the year ended 30 June 2013, 1,710 Noteholders elected to convert notes into shares).

On 20 December 2013 all outstanding notes were redeemed.

The Company was required to pay the Noteholders interest of 10.25% per annum, payable quarterly in arrears, with the first interest quarter being on 31 December 2010. The application of AASB 123 *Borrowing Costs (revised 2007)* has resulted in the capitalisation of \$11,759,336 (30 June 2013: \$8,492,259) as part of the Litigation Contracts in Progress intangible assets deemed to be qualifying assets post the application date of AASB 123 (revised) of 1 July 2009.

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

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 11: CONTRIBUTED EQUITY

	Consolidated	
	At	At
	31-Dec-13	30-Jun-13
	\$	\$
Issued and fully paid ordinary shares	110,376,732	41,912,195

(a) Ordinary shares

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

	Consolidated		Consolidated	
	At		At	
	31-Dec-13		30-Jun-13	
	Number	\$	Number	\$
Movement in ordinary shares				
Balance at 1 July	123,209,372	41,912,195	123,207,662	41,909,483
Shares issued during the year (Placement and SPP)	24,723,602	42,031,791	-	-
Transaction costs associated with share issue	-	(1,198,498)	-	-
Conversion of convertible notes	16,447,169	27,631,244	1,710	2,712
Balance at period end	164,380,143	110,376,732	123,209,372	41,912,195

On 14 October 2013 the Company issued 18,481,406 shares to sophisticated and institutional investors at \$1.70 per share. On 1 November 2013 the Company issued 6,242,196 shares under its Share Purchase Plan at \$1.70 per share. During the period 16,450,698 convertible notes were converted into shares (see Note 10) at \$1.68 per share.

(b) Share Options

As at 31 December 2013 there were no unissued ordinary shares in respect of which options were outstanding (30 June 2013: nil).

NOTE 12: RETAINED EARNINGS AND RESERVES

(a) Movement in retained earnings were as follows:

	Consolidated	
	At	At
	31-Dec-13	30-Jun-13
	\$	\$
Balance at 1 July	76,356,253	62,542,186
Net profit for the period	9,127,350	13,814,067
Dividend paid	(6,160,469)	-
Balance at period end	79,323,134	76,356,253

(b) Movement in reserves were as follows:

	Option Premium Reserve \$	Net Unrealised Gains Reserve \$	Convertible Notes Reserve \$	Total Reserves \$
Balance 1 July 2012	3,403,720	30,332	3,832,216	7,266,268
Transfer to profit and loss	-	(30,332)	-	(30,332)
Balance at 30 June 2013	3,403,720	-	3,832,216	7,235,936
Movement	-	-	-	-
Balance at 31 December 2013	3,403,720	-	3,832,216	7,235,936

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 13: DIVIDENDS PAID AND PROPOSED

On 21 August 2013 a final fully franked dividend of 5.0 cents per share was declared in respect of the 2013 financial year. This dividend was paid on 31 October 2013. There were no dividends paid during the period ended 31 December 2013.

(a) Recognised amounts:

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
Declared and paid during the period		
Final Fully franked dividend for 2013: 5.0 cents per share (2012: nil)	6,160,469	-
Interim fully franked dividend for 2013: Nil; 2012: Nil	-	-

(b) Unrecognised amounts:

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
Dividends on ordinary shares		
Financial year 2014: Interim dividend - unrecognised	8,219,007	-
Financial year 2013: Interim dividend - unrecognised	-	-

After balance sheet date, a fully franked interim dividend of 5 cents per share was declared with respect to the year ended 30 June 2014. The record date for this dividend is 21 March 2014 and the shares will trade ex-dividend on 17 March 2014. This dividend has not been recognised as a liability in the results for the half-year ended 31 December 2013, but will be brought to account in the full year results.

NOTE 14: RELATED PARTY DISCLOSURES

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
Transactions with related parties	133,375	8,497

During the period ended 31 December 2013, the Group obtained legal advice from Hardy Bowen, a legal firm associated with Michael Bowen. The legal advice was obtained at normal market rates.

NOTE 15: COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments - Group as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
Within one year	622,255	658,486
After one year but not more than five years	1,114,595	1,421,449
After more than five years	-	-
Total minimum lease payments	1,736,850	2,079,935

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

NOTE 15: COMMITMENTS AND CONTINGENCIES (CONT.)

(b) Remuneration commitments

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
Commitments for the payment of salaries and other remuneration under long-term		
Within one year	4,620,088	3,299,334
After one year but not more than five years	-	-
Total minimum remuneration payments	<u>4,620,088</u>	<u>3,299,334</u>

(c) Contingencies

As at 31 December 2013, the Group has two cases that are under appeal (2013: four cases). The total income recognised by the Group from these cases in the current financial period is \$nil (2013: \$34,373,108). The total current and non-current receivables as at 31 December 2013 relating to the cases under appeal is \$14,934,822 (2013: \$35,202,181).

The Group believes that it is possible, but not probable that these appeals will succeed against the Group's clients. Accordingly, no provision for any liability has been recognised in the financial statements.

All litigation funding agreements contain an undertaking from the Company to the client that the Company will pay any adverse costs awarded to the successful party should the client's litigation be unsuccessful. It is not possible to predict in which cases such an award might be made or the quantum of such awards. In addition the Company has insurance arrangements which, in some circumstances, will lessen the impact of such awards. In general terms an award of adverse costs to a defendant will approximate 70% of the amounts paid by the plaintiff to pursue the litigation (although in some cases there may be more than one defendant). An estimate of the total potential adverse costs which have accumulated from time to time may therefore be made by determining what amounts to 70% of the total spent by the Company on all of the matters the subject of a funding agreement at the end of the reporting period. As at 31 December 2013 the total amount spent by the Company was \$67,937,253 so that the potential adverse costs orders would amount to \$47,556,078 should all those matters be unsuccessful. The Company does not currently expect that any of the matters will be unsuccessful. The Company keeps a cash or near cash holding of at least \$70m in case one or more matters are unsuccessful and an adverse cost order is made which is not covered by its insurance arrangements.

NOTE 16: CHANGES IN COMPOSITION OF THE ENTITY

The Group's subsidiaries can be summarised as follows:

Name	Country of Incorporation	Percentage Owned		Investment	
		At	At	At	At
		31-Dec-13	30-Jun-13	31-Dec-13	30-Jun-13
Financial Redress Pty Ltd	Australia	100%	100%	16,360,462	16,361,043
Bentham Holdings Inc	USA	100%	100%	1	1
Bentham Capital LLC	USA	100%	100%	1	1
Security Finance LLC	USA	100%	N/A	1	1

NOTE 17: EVENTS AFTER THE REPORTING DATE

Intangible Assets

On 5 February 2014 judgment in the case the Company funded against the ANZ Banking Group Limited was delivered. The findings in favour of the Company's clients were that late payment fees were penalties at law and that certain inter account exception fees had been charged by the Bank in breach of contract. The clients were not successful in relation to their claims concerning honour fees, dishonour fees and over limit fees charged by the Bank.

The judgment and its impact on the cases being funded by the Company against other banks is still being assessed. It is currently estimated that the successful part of the action against ANZ represents about 25% of the total claim being made in that action. The Company is presently not able to reliably measure the impact, if any, on its revenue or profit for the year ending 30 June 2014.

NOTE 18: FINANCIAL INSTRUMENTS

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

The value of the Company's financial assets and liabilities will be impacted by changes in interest rates and foreign exchange rates. At 31 December 2013 the carrying value of the financial assets and liabilities approximate their fair values.

NOTE 19: EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	\$	\$
<i>For basic earnings per share</i>		
Net profit attributed to ordinary equity holders of the Parent	9,127,350	5,601,810
<i>For diluted earnings per share</i>		
Net profit attributed to ordinary equity holders of the Parent	9,127,350	5,601,810
Tax effected interest expense and loss on remeasurement on convertible notes	737,886	239,011
Net Profit attributed to ordinary equity holders adjusted for the effect of convertible note holders (used in calculating diluted EPS)	<u>9,865,236</u>	<u>5,840,821</u>

(b) Weighted average number of shares

	Consolidated	
	At	At
	31-Dec-13	31-Dec-12
	Number	Number
Weighted average number of ordinary shares outstanding for basic earning per share	136,286,408	123,209,372
Effect of dilution:		
Convertible notes*	19,781,519	23,223,385
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>156,067,927</u>	<u>146,432,757</u>

* Please note there are no convertible notes on issue at 31 December 2013 (see note 10).

Consolidated Financial Report for the Half-Year ended 31 December 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

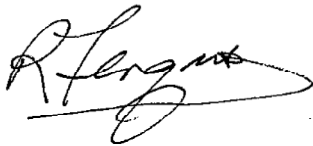
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Bentham IMF 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 2013 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

A handwritten signature in black ink, appearing to read 'R Ferguson', with a stylized flourish at the end.

Robert Ferguson
Non-Executive Chairman

Dated this 10th day of February 2014

To the members of Bentham IMF Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bentham IMF Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and 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 2013 and its 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 Bentham IMF 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 Bentham IMF 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 2013 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*.



Ernst & Young



G H Meyerowitz
Partner
Perth
10 February 2014

Bentham IMF Limited

ABN 45 067 298 088

Financial Report for the Half-Year ended 31 December 2013

CORPORATE INFORMATION

ABN 45 067 298 088

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

Directors

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

Company Secretary

Diane Jones

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Share Registry

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Auditors

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Bankers

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

Internet Address

www.benthamimflimited.com.au

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