IMB CONCISE REPORT 2006

BUILDING MORE FOR MEMBERS

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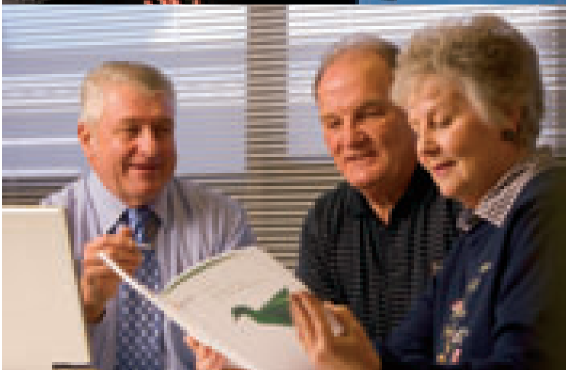


NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of members of IMB Ltd will be held at the Hoskins Room, Novotel Northbeach, 2-14 Cliff Rd, Wollongong on 31 October 2006.

The financial statements and other specific disclosures have been derived from IMB Ltd and its Controlled Entities ("consolidated entity") full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

A copy of the consolidated entity's 2006 Annual Report, including the independent audit report, is available to all members, and will be sent to members without charge upon request. The 2006 Annual Report can be requested by calling 133IMB (133462) or by visiting our web site at www.imb.com.au

At IMB we continue our commitment to the principles of mutuality, providing significant benefits to our members including quality products, competitive interest rates, convenient access options and exceptional service.

ABOUT IMB

Established in 1880, IMB is the longest standing mutual building society in New South Wales.

With more than $4.2 billion in assets and around 200,000 members, IMB has grown to be one of Australia's largest building societies.

IMB offers full-service face-to-face and electronic banking facilities including home and personal lending, savings and transaction accounts, term deposits, business banking, financial planning and a wide range of insurance products.

IMB boasts 37 branches throughout the Illawarra, Sydney, NSW South Coast and the ACT, supported by an effective mobile lending team and ATM network.

IMB is regulated by the Australian Prudential Regulation Authority and are a member of ABACUS, an independent organisation representing mutual building societies and credit unions.

IMB was the first ever Australian building society to be assigned a public investment grade rating by rating agency Standard & Poor's and is currently assigned a long term rating of BBB with a positive outlook and a short term rating of A-2.



OUR MISSION

IMB, through sustainable profitable growth, will continue as a profitable, independent, mutual building society providing excellent financial services and solutions to its members for the advancement and welfare of all its stakeholders.

OUR VISION

IMB will be Australia's leading and most respected member based financial institution.

OUR VALUES

IMB's values reflect the way we do things at IMB. They are the guiding principles by which we run the business and conduct ourselves in all interactions with our colleagues, our customers, our suppliers and all other stakeholders. They are:

INTEGRITY

Maintaining and promoting social, ethical and organisation standards in conducting internal and external business activities.

COMMUNITY

Enhancing each others sense of belonging within the organisation and the IMB community as a whole.

CO-OPERATION

Working co-operatively with others to accomplish IMB's goals.

EXCELLENCE

Demonstrating excellence and consistently showing initiative through actions and decisions.

RESPECT

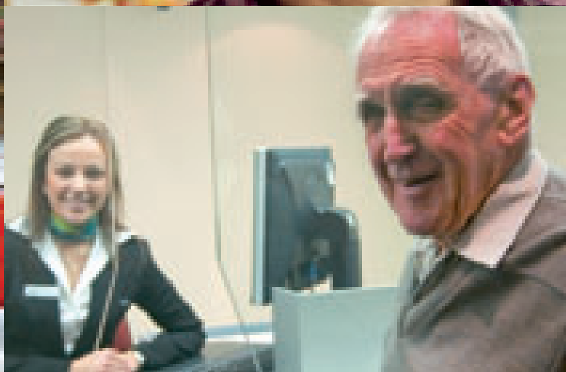
Showing respect for the individual in all interactions and activities.

MORE MEMBER VALUE

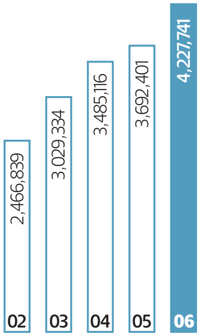





As a building society we are different to a number of our competitors. When compared to the major banks our interest rates and fees throughout 2006 **delivered benefits to our members, valued at over $16.8 million**. This is equivalent to $91 in benefits to each IMB member. And that's not the only measure of our solid performance. Independent research agrees: IMB outperforms the major banks by delivering better value for money and better services for members.



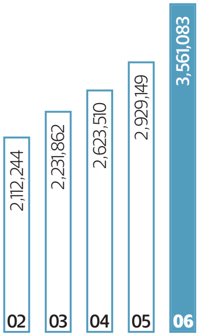
HIGHLIGHTS



TOTAL ASSETS UNDER MANAGEMENT $ MILLION

14.5%
increase

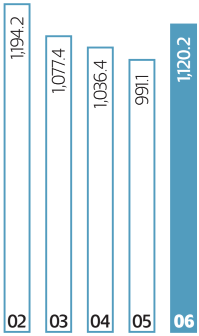
Total assets increased by $535M to $4.2 billion



LOANS UNDER MANAGEMENT $ MILLION

21.6%
increase

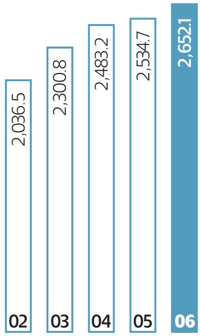
Total loans to members increased $632M to $3.6 billion



LOANS APPROVED $ MILLION

13.0%
increase

Loans totalling $1,120.2M were approved during the year

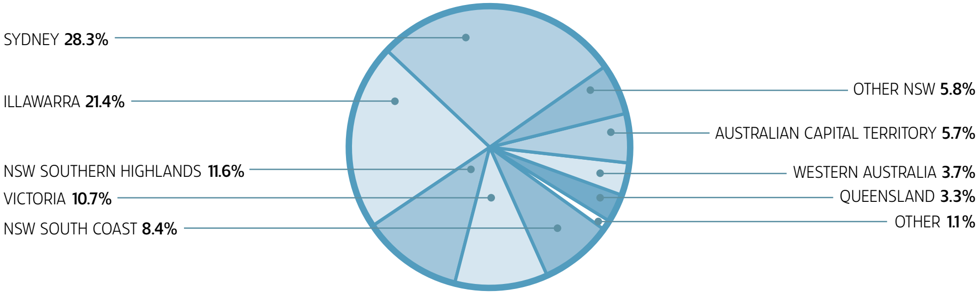


MEMBERS' DEPOSITS $ MILLION

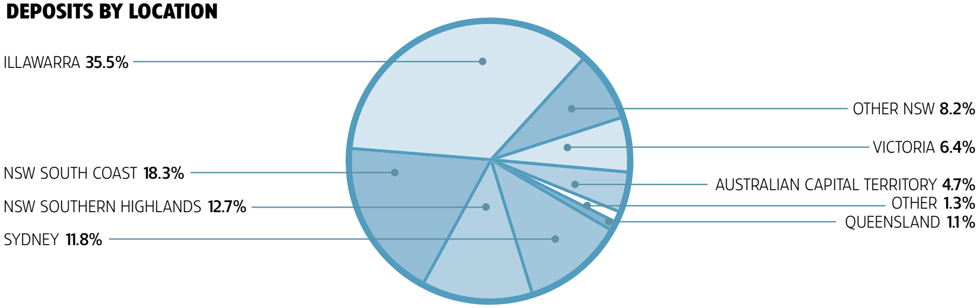
4.6%
increase

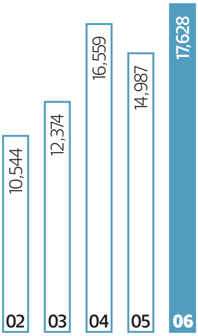
Members' deposits increased by $117.4M to $2.7 billion

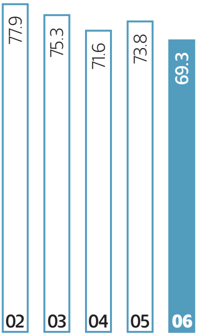
LOANS BY LOCATION

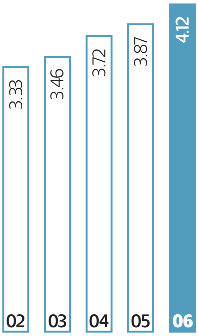


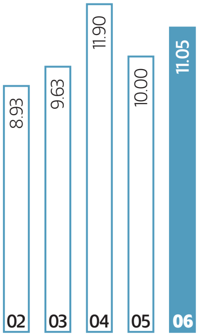
DEPOSITS BY LOCATION











PROFIT AFTER TAX $ MILLION

17.6%
increase

Group operating profit after tax was $17.6M, up $2.6M

EFFICIENCY RATIO %

4.5%
improved

The non interest expense to operating income ratio improved from 73.8% to 69.3%

NET TANGIBLE ASSETS PER SHARE $

6.5%
increase

Net tangible assets per share up from $3.87 to $4.12

RETURN ON AVERAGE EQUITY %

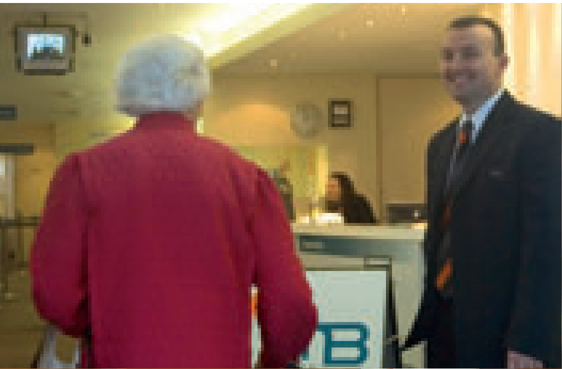
11.0%
increase

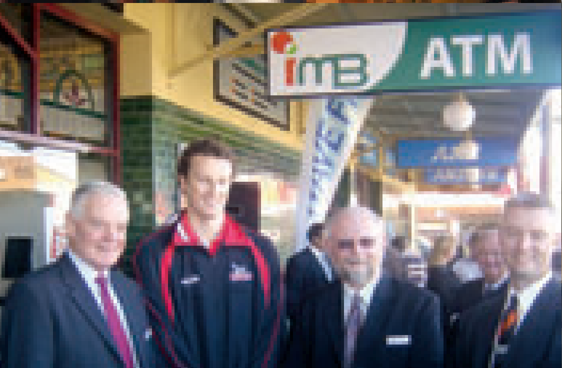
Return on average equity up from 10.0% to 11.1%

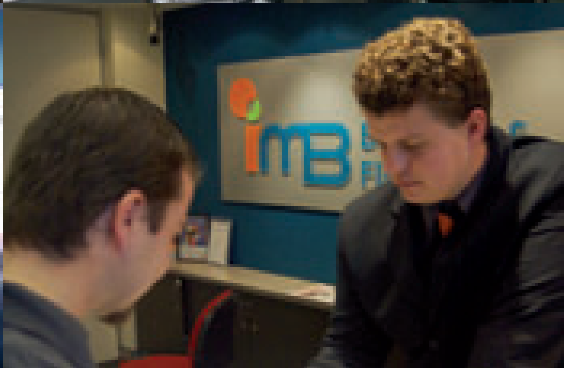
OTHER HIGHLIGHTS

- IMB was awarded Money Magazine's Building Society of the Year again in 2006, for the second consecutive year
- Seven IMB loan products as well as IMB's youth accounts (IMB Zoo and IMB Balance+) and the IMB Reward Saver account were all awarded the maximum five-star rating from a leading independent reviewer
- In the last twelve months, we successfully launched the new Professional Mortgage loan package
- We also grew our branch presence by opening new branches at Liverpool and Penrith in Sydney and Tuggeranong in the ACT
- Financial Planning achieved a milestone of $250 million in funds under advice
- In a recent system upgrade we improved security and added features to the IMB internet banking service
- The level of mortgage arrears continues to be well below the national averages in all categories, according to a recent survey by PMI Mortgage Insurance Ltd
- As a first for the first-home-buyer market in Australia, IMB launched www.FirstHomeFriend.com.au – an easy-to-understand, "How to" guide for First Home Buyers
- We allocated a further $500,000 to the IMB Community Foundation, bringing the total amount of funds granted to the community to $3.5 million
- Standard & Poor's increased IMB's long term credit rating from BBB- to BBB with a positive outlook and the short term credit rating from A-3 to A-2
- We launched a third $500M Residential Mortgage Backed Securities offer in the Australian bond market to both domestic and overseas investors

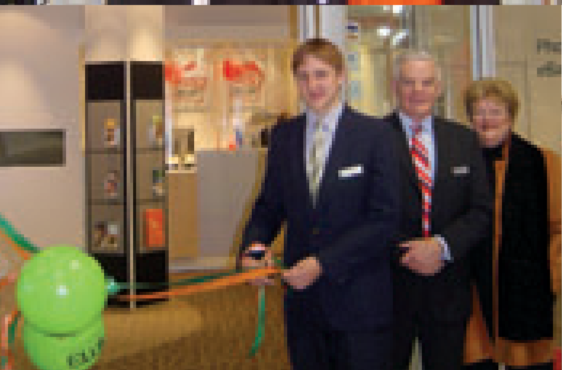
MORE BRANCHES

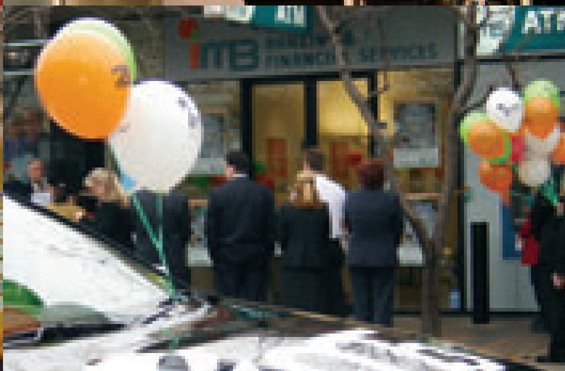






In the past 12 months, IMB has continued to expand our capacity to deliver genuine, face-to-face service, **opening new branches in Liverpool and Penrith in Sydney and Tuggeranong in the ACT** while also upgrading several of our already existing branches. And we plan to continue this growth, with an additional 12 branches scheduled to open within the next three years.



CHAIRMAN'S LETTER

"As a building society **dedicated to the principles of mutuality**, IMB has, as its dominant purpose, the responsibility of attending to the financial well-being of all members – depositors, borrowers, shareholders."

RUSSELL FREDERICKS
IMB CHAIRMAN

Our members can be well satisfied with IMB's performance and financial results for the year under review.

While IMB has again operated in an increasingly competitive environment with ongoing downward pressures on interest margins, the board has, together with management and staff, continued to work diligently in the interests of IMB's members to achieve positive outcomes in all key areas.

The group's operating profit after tax reached $17.6 million, an increase of 17.6 percent on the previous year. These results support the board's current strategic direction.

STRATEGIES

At a strategic planning meeting earlier this year, directors and executive officers again reinforced the 'IMB Commitment' to continue as a mutual building society, a commitment that has not waned in IMB's 126 years of operations. It is our primary strategic objective to continue to utilise members' deposit funds to their maximum advantage, by delivering residential and commercial lending and other banking-related financial products and services from a foundation of outstanding personal service.

The range of initiatives and operational plans flowing from the set strategies are designed to drive the business forward in line with the Mission Statement and in tandem with the fundamental tenet of sustainable, profitable growth.

The strategic plan includes three key areas of concentration or focus. The first, **growing the business** in terms of geographic expansion, volume of business done, improved cost efficiencies and increased revenue streams, is vital to IMB's long term future and viability.

A major component of that growth strategy involves branch expansion which aligns with IMB's commitment to building on the face-to-face relationships with members. During the past year, new branches were opened at Liverpool, Penrith and Tuggeranong (ACT). Within the next thee years, we expect to have up to twelve new IMB branches opened across the southern and western regions of Sydney while our broader strategy enables us to watch for other opportunities.

The second key initiative in progress is to **improve the business**. This includes an ongoing program of business process reviews, better IT systems alignment with the growth strategies, continuous customer/member service improvement projects and a number of enhancements across most delivery channels.

We continue to encourage the electronic delivery of products and services (internet banking) and to widening and promoting member access to our other delivery channels, including IMB Direct (Call Centre), phone banking, mobile lenders, business and commercial lenders; all complementary to IMB's face-to-face delivery through branches.

Thirdly, and to effectively implement and drive the above two strategic factors, it is essential to **have a highly motivated and skilled workforce.**

IMB has in place, amongst other things: the upgrading of staff training programs; remuneration targets in line with external benchmarks; improving OH&S management, reporting and accountabilities; support of career-path development and encouraging our people to 'live' the IMB values.

MUTUALITY AND MEMBERS

As a building society dedicated to the principles of mutuality, IMB has, as its dominant purpose, the responsibility of attending to the financial well-being of all members – depositors, borrowers, shareholders. We need to do this in a way that not only ensures we remain their preferred provider of financial services, but also in a way that attracts others who have not yet experienced the IMB advantages.

To ensure fulfilment of its responsibilities to members, the board assesses the annual member benefits which accrue from lower or no-fee accounts, from minimum application of transaction fees, from favourable interest rate pricing and from other financial services. The independent analyst CANNEX Financial Services was again engaged to conduct that assessment, the result of which valued those annual member benefits at an average of $91 per member, or $16.8 million in total. Less than 25 percent of members are charged transaction fees and no member is charged account-keeping fees for their deposit account.

DIVIDEND

For the members holding investor shares, the board has declared the final dividend at 12.5 cents per share, making the total dividend for the year 20.0 cents (2005: 18.5 cents). The final dividend includes a special dividend of 0.5 cents per share in relation to a refund of interest charges from the Australian Taxation Office in connection with IMB R&D activities in 1993 and 1994.

Based on the closing share price at June 30, 2006 the dividend payment represents a direct yield of 6.8 percent, or 9.8 percent after adjusting for the franking credit. The return on average equity, at 11.1 percent, is an increase on the 10.0 percent level of the previous year. In addressing dividend payments, the board particularly takes into consideration the demands on capital in the current year and beyond.

CAPITAL MANAGEMENT

IMB's capital management plan has, in line with balance sheet strategies, successfully maintained capital adequacy well above Australian Prudential Regulation Authority ("APRA") and board-adopted minimum standards. Our securitisation program, operated via special purpose entities has been successful in terms of pricing and placement and is reflective of the high quality of IMB's loan book and of the professional expertise of IMB's management team.

CORPORATE SOCIAL RESPONSIBILITY

During the year and for the 7th year in succession, the board allocated $500,000 to the IMB Community Foundation. The Foundation is a highly visible and very effective medium for passing benefits on to our members by financially supporting a range of diverse projects throughout the communities in which they live and/or work.

As 'corporate responsibility' emerges as a critically important aspect of corporate governance within Australian companies, the Foundation is one tangible expression of the board's leadership in this area of responsible business practice.

BUILDING SOCIETY OF THE YEAR – AGAIN!

It is with considerable satisfaction that I can again report recognition of IMB as 'Building Society of the Year' for 2006, a status officially recognised by the well-respected national 'Money Magazine', following the same recognition bestowed in 2005.

CORPORATE GOVERNANCE

I reported last year on some major activities which mostly concern all financial institutions regulated by APRA. Your directors and management have continued with that work, particularly during APRA's lead up to **the final release of Prudential Standards APS 510 on Corporate Governance and APS 520 on Fit & Proper Persons**. Those Standards were released late in the financial year and considerable additional time and energy has been expended in the further development of and matching up of our board and management policies and of our internal charters and Corporate Governance Guide with those Standards.

APRA acknowledges that its new Standards 'raise the governance bar' for ADIs and are designed to ensure boards are competent in skill, knowledge and experience and directors are independent by definition and perception. Overall, our corporate governance practices are very much driven by IMB Values.

ABACUS

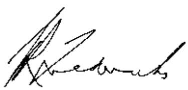
Over the course of the past year, IMB has been instrumental in successfully working with the Australian Association of Permanent Building Societies ("AAPBS") and the Australian Credit Union Association (part of CUSCAL) to launch a new independent organisation for mutual financial institutions – ABACUS. The primary role of ABACUS is to be the voice of Australian mutual financial services providers. Mutual building societies and credit unions working together will provide a combined voice representing over 4.5 million Australians. IMB will continue to maintain strong and direct support for the newly formed ABACUS organisation.

APPRECIATION

I express my appreciation to my fellow directors for their considerable time, energy and valued input into IMB's affairs throughout the year. There have been no changes to the composition of the board over the past twelve months.

Our executive management and our staff have again contributed with commitment and enthusiasm and with a strong affiliation with IMB values and traditions. We thank them sincerely.

I and my directors believe IMB is well-positioned to continue moving forward in pursuit of its strategic objectives and vision, for the benefit of all members and stakeholders.



LR Fredericks,
Chairman

MORE WINNING PRODUCTS & SERVICES

In 2006, IMB **again was named Building Society of the Year** by Money Magazine. This prestigious award caps off 12 months of success for IMB, with seven of our innovative and competitive home loans and three of our deposit products also receiving a five star rating from a leading, independent finance reviewer.

CEO'S REVIEW of OPERATIONS

2006 was another record year for IMB. Our total assets are now in excess of $4.2 billion and our capital adequacy remains strong at 11.03%. Our **post tax profit has increased by 17.6% to $17.6 million** and our efficiency ratio, the ratio of costs to income, has improved from 73.8% to 69.3%.

WAYNE MORRIS
IMB CHIEF EXECUTIVE

OVERVIEW

The 2006 result was a record year for IMB. This is a reflection of the successful ongoing strategic development of IMB, again culminating in a number of innovative and unique announcements throughout the year. In a period of a somewhat flatter housing market IMB grew its loans to members by 12.9 percent compared to the previous year, whilst increasing core profit despite continuing strains on margin due to increased competition.

The total loan approvals figure of $1,120.2 million is the second highest level by value and the highest number of loans approved on record. This helped total assets increase by $535.3 million or 14.5 percent, the highest increase in any one year in IMB's long history. In a year of further pressure on margins due to increased competition, the asset growth, combined with improvements in efficiency, assisted IMB in recording group operating profit after tax of $17.6 million, an increase of 17.6 percent compared to the prior year. This is also a record performance for any year on both published and underlying core profit for IMB.

In 2004/05 IMB became the first non-bank financial institution in Australia to achieve an investment grade rating from Standard & Poor's. In 2005/06 Standard & Poor's, as part of its independent review of IMB recognised the strength of IMB's performance and future strategies by upgrading the company's long term rating from BBB- to BBB. In July 2006 Standard & Poor's announced that this rating is under positive outlook. Furthermore, in the same release, Standard & Poor's announced an upgrade of IMB's short term rating from A3 to A2. This recognised the ongoing improvements in balance sheet strength and internal control systems.

Three years ago IMB launched its own securitisation trust and a number of new trusts were launched in subsequent years. This year the total assets of the trusts continued to grow. These trusts have successfully issued notes to both domestic and international markets and the quality of the underlying assets, reflecting IMB's credit quality, has ensured they are well accepted in the market. In 2005/06 IMB achieved the best level of pricing of a securitisation transaction for a non-bank financial institution, recognising both the strength of IMB and its systems and also the quality of the lending portfolio. In addition, IMB in 2004/05 launched a commercial loans securitisation trust, again a very innovative transaction in the Australian financial marketplace. A further tranche of commercial loans will be issued through this trust in the coming year.

These initiatives, combined with others to be implemented in the coming year, give IMB strength of balance sheet not previously experienced. As a company committed to mutuality, with a strong balance sheet and access to a number of capital sources, IMB is well prepared for its future growth strategies. The capital adequacy ratio of 11.03 percent at balance date when compared to the statutory level of 8.0 percent reflects the improved performance of IMB, the efficient use of capital available and the focus on balance sheet management strategies during a period of significant growth.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

IMB, like all Australian financial institutions, was required to adopt AIFRS for the first time for the 2006 Financial Report. Throughout this report, comparatives with 2005 have been restated in accordance with AIFRS, with the exception of AASB 132 – Financial Instruments: Disclosure and Presentation, and AASB 139 – Financial Instruments: Recognition and Management, which IMB elected to apply from July 1, 2005.

PROFIT

Group operating profit after tax at $17.6 million was an increase of $2.6 million or 17.6 percent over the previous year. This is also a record performance for any year on both published and underlying core profit for IMB. By adjusting the 2006 result to remove the significant AIFRS impacts, the result under the previous Australian Generally Accepted Accounting Principles ("AGAAP") would have been an improvement of approximately $1.8 million or 11.8 percent.

NET INTEREST INCOME

Net interest income for the year was $66.8 million, up $1.3 million on the previous year. By adjusting the 2006 result to remove the significant AIFRS impacts, the result under AGAAP would have been an improvement of approximately $1.5 million. The improvement reflects the growth strategies implemented to counter intense competition in the housing finance market and the market for retail deposits in the current low interest rate environment. Nevertheless an increasingly competitive marketplace will dictate that tightening net interest margins will continue.

NON INTEREST INCOME

Non interest income reduced by $2.8 million compared to the previous year. By adjusting the 2006 result to remove the significant AIFRS impacts, the result under AGAAP would have shown an improvement of approximately $1.3 million.

BAD AND DOUBTFUL DEBTS EXPENSE

Bad and doubtful debts expense was $1.1 million, an increase of $0.2 million on the previous year. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories. The residential book is one of the best in the country, a view substantiated by the current quarterly review by the mortgage insurance company, PMI Mortgage Insurance Ltd.

IMB has **achieved loan approvals of $1,120.2 million** for the year in a flatter housing market, the second highest level by value and the highest in number in IMB's history.

NON INTEREST EXPENSE

Non interest expense reduced by $4.8 million or 7.8 percent. By adjusting the 2006 result to remove the significant AIFRS impacts, the result under AGAAP would have shown an increase of approximately $0.5 million or 0.9 percent. Most of the increase is attributable to initiatives viewed as strategic investments in the future of IMB.

The ratio of non interest expense to operating income for the group decreased from 73.8 percent in 2005 to 69.3 percent in 2006. By adjusting the 2006 result to remove the significant AIFRS impacts, the result under AGAAP would have shown an improvement to 71.9 percent. Non interest expense, as a proportion of average total assets for the group, also improved from 1.7 percent last year to 1.4 percent.

BALANCE SHEET

IMB has achieved solid loan approval levels for the year in a flatter housing market, with a record number of loans approved and the second highest value of loan approvals in IMB's history. This continuing focus on increasing loan approvals is a key part of IMB's strategic growth. IMB has the strength both on and off balance sheet to cope with the planned significant expansion in the year ahead.

On balance sheet loans to members outstanding increased by $0.4 billion (or 12.9 percent) to $3.3 billion. This contributed to assets increasing $0.6 billion (or 14.5 percent) to over $4.2 billion at the end of the financial year.

MANAGEMENT AND STAFF

During the year under review, there has been further strengthening of the senior management ranks. Mr Malcolm Harley has joined IMB as General Manager, Sales & Marketing. Mr Harley brings over twenty years of banking and financial services experience to IMB, much of that experience being at senior managerial level. Other skilled and experienced senior staff have also joined IMB during the year and they have and will continue to complement the existing staff to ensure the strategic initiatives contemplated will continue to be successfully implemented.

As I do regularly on a personal basis, I publicly thank our staff most sincerely for their strenuous and successful efforts as well as personal support during the year under review. Once again they have responded in excellent fashion to overcome the many different challenges put before them. In a continuing environment of change and ever-increasing demands, service levels continue to be not only maintained, but also improved.

OUTLOOK

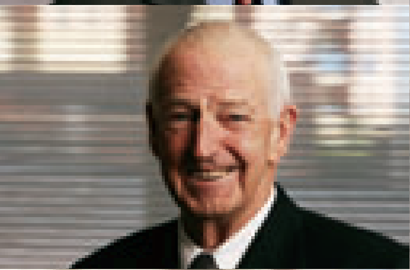
The improved performance and efficiencies achieved over the last few years, in a sometimes difficult and increasingly competitive environment, as well as the significant investment in the development of our staff and systems, constitute the strategic platform for future growth. We will continue to focus strongly on the key drivers to maximise performance and strengthen the IMB to the benefit of all its members.

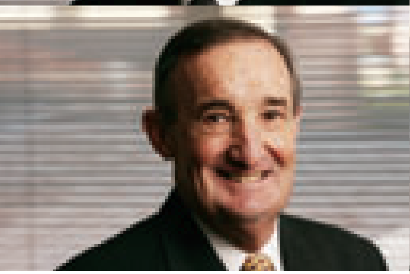
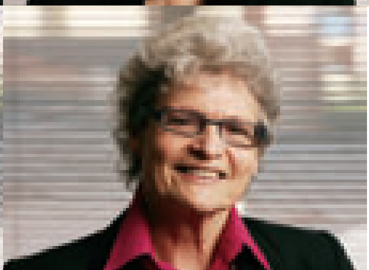
PW Morris
Chief Executive

DIRECTORS and EXECUTIVES


Top Row (left to right):
DIRECTORS
Lindsay Russell Fredericks
Michael John Cole

Second Row (left to right):
DIRECTORS
George Anthony Edgar
Lynette Therese Gearing
Harold Hanson AM

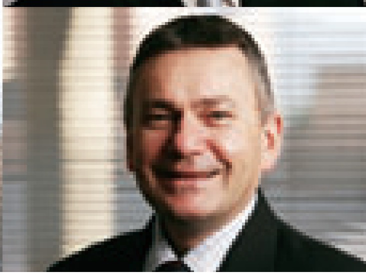


Third Row (left to right):
DIRECTORS
Lynton Patrick Nicholas
Vivien Jennifer Twyford

Fourth Row (left to right):
SENIOR EXECUTIVES
Peter Wayne Morris
Robert James Ryan





Bottom Row (left to right):
SENIOR EXECUTIVES
Mark Leonard Anderson
Malcolm Raymond Harley

MORE FOR THE COMMUNITY

Since we were established 126 years ago, IMB **has supported the communities in which our members live and work**, providing sponsorship and financial assistance to community minded projects and initiatives. In 2000, we launched the IMB Community Foundation and since then the Foundation has provided $3.5 million in funding to 127 community projects.

DIRECTORS' REPORT

The directors have pleasure in presenting their report, together with the financial report of IMB Ltd, ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2006 and the auditor's report thereon.

DIRECTORS

The directors of the Company during or since the end of the financial year are:

Lindsay Russell Fredericks, Chairman
Michael John Cole
George Anthony Edgar
Lynette Therese Gearing
Harold Hanson AM
Lynton Patrick Nicholas
Vivien Jennifer Twyford

All of the directors are independent directors.

At the annual general meeting of the Company on 31 October 2006, three directors, Messrs LR Fredericks and H Hanson, and Ms LT Gearing, will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' AND EXECUTIVES' PARTICULARS

LINDSAY RUSSELL FREDERICKS

FPNA FAICD FAIM

Mr Fredericks, whose area of expertise is business management particularly in the co-operative sector, and management accounting, has been a non executive director since 1990 and was elected Chairman on 1 December 2004. He is Chairman of the nominations and governance committee and the remuneration and CEO evaluation committee. He attends "ex officio" the audit and risk management and IMB Community Foundation committees. Mr Fredericks is a business consultant specialising in management and accounting services and financial projects for small business. Other former positions include: general manager of Shoalhaven Dairy Co Ltd, director of the Co-operative Federation of NSW, Chairman of NSW Dairy and Food Industry Training Committee and general manager of Miltonbrook Pty Ltd. Mr Fredericks is a 30 year member of the Lions Service Organisation. As well as being Chairman of IMB Ltd, Mr Fredericks is also Chairman of all entities wholly owned by IMB Ltd, with the exception of IMB Land Pty Ltd.

MICHAEL JOHN COLE

BEc (Syd) MEc (Syd) ASIA

Mr Cole, whose expertise is funds management, has been a non executive director since 2003. He is Chairman of the audit and risk management committee and a member of the remuneration and CEO evaluation committee. He held many senior executive and board positions during his 17 years with Bankers Trust Australia Limited, and is now an independent consultant. Mr Cole is currently a director of NSW Treasury Corporation and Winchester Property Services Limited, an alternate director of Ascalon Ltd, and Chairman of SAS Trustee Corporation and Ironbark Capital Limited. As well as being a director of IMB Ltd, Mr Cole is also a director of all entities wholly owned by IMB Ltd.

GEORGE ANTHONY EDGAR

Bsc (Tech.Met.)

Mr Edgar, whose expertise is business management, has been a non executive director since 2000. He is a member of the remuneration and CEO evaluation committee and the nomination and governance committee. Mr Edgar is the former president of BHP Flat Products and former chief executive officer of BHP Integrated Steel. He is also deputy chancellor, University of Wollongong, director of Shin Investments Pty Ltd and past Chairman of Mainteck Services Australia. As well as being a director of IMB Ltd, Mr Edgar is also a director of all entities wholly owned by IMB Ltd.

LYNETTE THERESE GEARING

B.Comm Dip Valuations Cert Bus.Studies (Real Estate) FASFA FAICD

Ms Gearing has been a non executive director since 2003. She is a member of the IMB audit and risk management committee, the nominations and governance committee and the land development committee. Ms Gearing has business experience in superannuation, funds management, corporate finance and management consulting. Ms Gearing is currently a director of Hancock National Resource Group Australia Pty Limited, Stockland Corporation Limited, and the Garvan Research Foundation. As well as being a director of IMB Ltd, Ms Gearing is also a director of all entities wholly owned by IMB Ltd, and is Chairperson of IMB Land Pty Ltd.

HAROLD HANSON AM

Dip.Law (Sydney)

Mr Hanson, whose area of expertise is the legal field, has been a non executive director since 1990. He is a member of the audit and risk management committee, the nomination and governance committee, the IMB Community Foundation committee and the land development committee. He has practised as a solicitor in private practice in Wollongong since 1960 and is now a private legal consultant. He is a former Chairman and a life member of Tourism Wollongong, and was a commissioner and board member of the NSW Tourism Commission and Tourism NSW from 1988 to 1997. Mr Hanson is a life member of Apex, a board member of the Australian and New Zealand College for Seniors, fellow of the University of Wollongong and former Chairman of the Wollongong University Foundation. He is also a former member of the Salvation Army Community Advisory Board for the Illawarra, a former alderman of Wollongong City Council, and former deputy Chairman of Illawarra Electricity. He was the 1987 New South Wales Lawyer of the Year and the 1998 winner of the NSW award for excellence in regional tourism. As well as being a director of IMB Ltd, Mr Hanson is also a director of all entities wholly owned by IMB Ltd.

LYNTON PATRICK NICHOLAS
FCPA FCIS

Mr Nicholas, whose expertise is business management, has been a non executive director since 2004. He is a member of the audit and risk management committee and the IMB Community Foundation committee. Mr Nicholas is a former general manager supply of BHP Steel, and a former chief financial officer of a number of BHP Steel divisions. He is a business consultant to a number of major Australian companies. Mr Nicholas is also Chairman of the Flagstaff Group Limited, president of the Port Kembla Golf Club Limited and Chairman of the Catholic Diocese of Wollongong Council for the Aged. As well as being a director of IMB Ltd, Mr Nicholas is also a director of all entities wholly owned by IMB Ltd.

VIVIEN JENNIFER TWYFORD
BA Grad Dip Com (Mgmt) FAICD

Ms Twyford, whose area of expertise is business consulting, has been a non executive director since 1990. She is Chairperson of the IMB Community Foundation committee and a member of the remuneration and CEO evaluation committee. Ms Twyford is managing director of Twyford Consulting and has been a consultant in the area of business improvement, people and strategy for 24 years, now specialising in community consultation. In 2002, the University of Wollongong awarded her a fellowship. She was president of the International Association of Public Participation (IAP2) in 2004. Ms Twyford is an accredited mediator with the Australian Commercial Disputes Centre. She is a member of the Illawarra Advisory Board of the Salvation Army. As well as being a director of IMB Ltd, Ms Twyford is also a director of all entities wholly owned by IMB Ltd.

PETER WAYNE MORRIS
ACIS ACIM MNIA AIMM
AIFS AMP (Harv)

Mr Morris is the Chief Executive. Since joining the Company in 1977, he has held a number of positions in both the branch network and administration, as well as a range of management positions. Mr Morris is a director of King Financial Services Pty Ltd, Illawarra Performing Arts Centre Limited, trading as Merrigong Theatre Co, Illawarra Regional Information Service Ltd and Abacus Australian Mutuals Pty Ltd. He is also Chairman of IMB Financial Planning Limited and Chairman of the Australian Association of Permanent Building Societies Inc.

ROBERT JAMES RYAN
BEc MCommLaw FCIS FCIM ACA FTIA

Mr Ryan is the Deputy CEO, Chief Financial Officer/Company Secretary and joined the Company in 1999. He is responsible for the overall management of the Company's finance, treasury, compliance, strategic projects and corporate services, and is director of IMB Financial Planning Limited and King Financial Services Pty Ltd. Prior to joining IMB, Mr Ryan held the positions of Managing Director, Chief Financial Officer and Company Secretary at Australian Resources Limited.

MARK LEONARD ANDERSON
B.Com (Land Economy) JP

Mr Anderson is General Manager Operations and joined the Company in 1999. He has 32 years experience in credit and risk management, insurance, commercial and consumer lending in the financial services industry. As General Manager Operations, Mr Anderson is responsible for IMB share trading, cards, e-business, insurances and transaction processing; lending and loans administration; information systems and technology; and property and support services. Mr Anderson also serves on the executive committee of the Australian division of Visa International, as a director of Australian Settlements Limited and is a councillor of the Financial Cooperatives Dispute Resolution Service.

MALCOLM RAYMOND HARLEY
Mr Harley is General Manager Sales and Marketing and joined in 2005. He is responsible for the development, maintenance and delivery of all IMB retail, business and commercial products and services along with advertising, promotion and management of the IMB brand. Mr Harley has been working in the banking and finance industry for 25 years and has held senior management roles with both St George Bank Ltd and RAMS Home Loans Ltd.

PRINCIPAL ACTIVITIES
The principal activities of the consolidated entity during the financial year were the provision to members of banking and financial services, including lending, savings, insurance and investment products.

There has been no significant change in the nature of these activities during the year ended 30 June 2006.

OPERATING AND FINANCIAL REVIEW
Consolidated profit for the year attributable to members was $17.6 million (2005: $15.0 million), an increase of $2.6 million or 17.6% over 2005.

Adjusting the 2006 result to remove significant Australian equivalents to International Financial Reporting Standards ("AIFRS") impacts, the result under previous Australian Generally Accepted Accounting Principles ("AGAAP") would have been approximately $16.9 million, 11.8% higher than the prior year's AGAAP reported result.

Loan approvals were up $129 million to $1,120 million (2005: $991 million). This was due to a higher level of residential lending approvals which were up $91.8 million from 2005 levels, and a net increase in other lending of $37.3 million.

Net interest income for the year was $66.8 million, up $1.3 million on the previous year. Adjusting the 2006 result to remove significant AIFRS impacts, the improvement would have been approximately $1.5 million. This improvement resulted from the growth in average earning assets which was achieved mainly through average loans and investments increasing by 9.9% or $357 million to $3,977 million, offset by an increase in average interest bearing liabilities of 9.3% or $324 million to $3,829 million and a 13 basis points decrease in earning asset margin to 1.62%.

Bad and doubtful debts expense increased by $173,000 to $1,075,000 (2005: $902,000).

Non interest income decreased by $2.8 million or 14.6% to $16.2 million. By adjusting the 2006 result to remove significant AIFRS impacts, the result would have shown an improvement of approximately $1.3 million.

Non interest expense reduced by $4.8 million to $56.9 million. By adjusting the 2006 result to remove significant AIFRS impacts, the result would have been an increase of approximately $0.5 million or 0.9%. Most of the increase is attributable to the implementation of strategic initiatives.

The expense to income ratio decreased from 73.8% in 2005 to 69.3% in 2006. However, these ratios are impacted by effects of AIFRS. Adjusting the ratios to remove these effects produces an expense to income ratio for 2006 of 71.9%, which compares with 73.5% in the prior year.

DIVIDENDS

Dividends paid or declared by the Company to shareholders since the end of the previous financial year were:

- A final dividend of $0.115 per share amounting to $4,590,000 franked to 100% at a tax rate of 30%, declared on 2 August 2005, in respect of the year ended 30 June 2005, payable on 30 August 2005. This dividend was paid from old AGAAP profits.
- An interim dividend of $0.075 per share amounting to $2,993,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2006, paid on 27 February 2006. This dividend was paid from old AGAAP profits.
- A final ordinary dividend of $0.12 per share amounting to $4,789,000 franked to 100% at a tax rate of 30%, declared on 1 August 2006, in respect of the year ended 30 June 2006, payable on 30 August 2006. This dividend was paid from AIFRS profits.
- A special dividend of $0.005 per share amounting to $200,000 franked to 100% at a tax rate of 30%, declared on 1 August 2006, in respect of the year ended 30 June 2006, payable on 30 August 2006. This dividend was paid from AIFRS profits.

Total dividends paid or declared in respect of the year ended 30 June 2006 were $0.20 per share (2005: dividend of $0.185) amounting to $7,982,000 (2005: $7,383,000).

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

LIKELY DEVELOPMENTS

Details of the likely developments in the operations of the consolidated entity in subsequent financial years are disclosed in the Chairman's letter and Chief Executive's Review of Operations on pages 10 to 16 of the concise report.

STATE OF AFFAIRS

Details of any significant changes in the state of affairs of the consolidated entity are disclosed in the Chairman's letter and Chief Executive's Review of Operations on pages 10 to 16 of the concise report.

DIRECTORS' INTERESTS

The relevant interests of each director in the share capital of the Company are:

DIRECTOR	HOLDING AT 1 AUGUST 2006
Mr LR Fredericks	4,693
— associates	4,554
Mr MJ Cole	2,131
Mr GA Edgar	38,976
Ms LT Gearing	2,000
Mr H Hanson AM	16,273
Mr LP Nicholas	2,000
— associates	43,890
Ms VJ Twyford	5,704

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND INSURANCE

INDEMNIFICATION

Every director and executive officer of the Company and its controlled entities is indemnified out of the property of the Company against any liability which the director or executive officer may incur while acting as a director or executive officer.

INSURANCE

During the year, the Company paid a premium in respect of a contract insuring the current and former directors and executive officers of the Company and its controlled entities against certain liabilities that may be incurred in discharging their duties as directors and executive officers. The contract of insurance prohibits the disclosure of the nature of the liabilities insured and premium payable.

ENVIRONMENTAL REGULATION

The consolidated entity's interest in a joint venture land development is subject to environmental regulations. The board believes that the joint venture has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the joint venture land development.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors (including meetings of committees of directors) held during the year ended 30 June 2006 and the number of meetings attended by each director.

	DIRECTORS' MEETINGS	AUDIT AND RISK MANAGEMENT	LAND DEVELOPMENT	REMUNERATION AND CEO EVALUATION	NOMINATIONS AND GOVERNANCE	IMB COMMUNITY FOUNDATION
Number of meetings held	14	4	3	6	5	4
Number of meetings attended						
Mr LR Fredericks (a)	14	4	—	6	5	2
Mr MJ Cole	13	4	—	6	—	—
Mr GA Edgar (b)	13	3	—	6	5	—
Ms LT Gearing	14	4	3	—	5	—
Mr H Hanson AM	13	3	3	—	5	4
Mr LP Nicholas	14	4	—	—	—	4
Ms VJ Twyford (c)	14	1	—	6	—	4

(a) Mr Fredericks is an ex-officio member of the Audit & Risk Management Committee.
(b) Mr Edgar attended 3 Audit & Risk Management Committee meetings as an observer.
(c) Ms Twyford attended 1 Audit & Risk Management Committee meeting as an observer.

The following table sets out the number of meetings of the Company's subsidiaries' directors held during the year ended 30 June 2006 and the number of meetings attended by each director.

	IMB LAND PTY LTD	IMB SECURITISATION SERVICES PTY LTD	IMB FUNERAL FUND MANAGEMENT PTY LTD	IMB COMMUNITY FOUNDATION PTY LTD
Number of meetings held	12	3	2	2
Number of meetings attended				
Mr LR Fredericks (a)	—	3	2	2
Mr MJ Cole	12	3	2	2
Mr GA Edgar	11	2	1	1
Ms LT Gearing	12	3	2	2
Mr H Hanson AM	11	3	2	2
Mr LP Nicholas	12	3	2	2
Ms VJ Twyford	11	3	2	2

(a) Mr Fredericks is not a member of the board of IMB Land Pty Ltd.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the financial year ended 30 June 2006.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 1st day of August 2006
Signed in accordance with a resolution of the directors:

LR Fredericks, Chairman

MJ Cole, Director

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the Directors of IMB Ltd,

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

CP Hollis
Partner

Dated at Wollongong this 1st day of August 2006

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED	
	2006 \$000	**2005 \$000**
Interest revenue	**260,874**	237,673
Interest expense	**(194,101)**	(172,220)
Net interest income	**66,773**	65,453
Bad and doubtful debts expense	**(1,075)**	(902)
Net interest income after bad and doubtful debts	**65,698**	64,551
Revenue from land development	**130**	1,850
Share of profits of joint venture entity	**247**	103
Other income	**15,885**	17,087
Net income	**81,960**	83,591
Land development expense	**(113)**	(674)
Other expenses	**(56,755)**	(61,020)
Profit before tax	**25,092**	21,897
Income tax expense	**(7,464)**	(6,910)
Profit for the year attributable to members of the Company	**17,628**	14,987
	\$	**\$**
Basic and diluted earnings per share from continuing operations	**0.44**	0.38

The income statement is to be read in conjunction with the discussion and analysis below and the notes to the financial statements set out on pages 29 to 41.

DISCUSSION AND ANALYSIS

Net interest income after bad and doubtful debts for the consolidated entity increased by \$1,147,000 to \$65,698,000. This increase resulted mainly from the growth in average earning assets, which increased by 9.9% or \$357,725,000 to \$3,977,262,000 offset by an increase in average interest bearing liabilities of 9.3% or \$324,108,000 to \$3,828,931,000, and a reduction in earning asset margin of 13 basis points to 1.62%.

Bad and doubtful debts expense was \$1,075,000, a slight increase of \$173,000 from the previous year.

Non interest income for the consolidated entity decreased by \$2,778,000 to \$16,262,000. This was primarily due to a decrease in income from land development, and the reclassification of loan origination fees to net interest income in accordance with AIFRS.

Non interest expense for the consolidated entity decreased by \$4,826,000 to \$56,868,000. This was largely due to the reclassification of deferred expense amortisation to net interest income in accordance with AIFRS.

A one-off item included in the result was a refund from the Australian Taxation Office ("ATO") of \$538,000 relating to prior research and development syndicate settlements.

The ratio of non interest expenses to operating income decreased from 73.8% in 2005 to 69.3%.

Return on average net assets (after tax) increased from 10.00% in 2005 to 11.05%.

After tax return on average total assets increased from 0.41% in 2005 to 0.44%.

Non interest expense to average total assets decreased from 1.7% in 2005 to 1.4%.

BALANCE SHEET
AS AT 30 JUNE 2006

	NOTE	CONSOLIDATED 2006 $000	2005 $000
ASSETS			
Cash and cash equivalents		**60,743**	34,226
Available for sale investments		**575,336**	—
Trading securities		—	131,741
Investment securities		—	552,780
Loans and receivables		**3,561,083**	2,929,152
Equity accounted investments		**1,486**	1,239
Other financial assets		**957**	10,074
Derivative asset		**1,291**	—
Inventories		**3,009**	258
Property, plant and equipment		**18,395**	18,527
Intangible assets		**3,044**	3,512
Other assets		**2,397**	10,894
Total Assets		**4,227,741**	3,692,403
LIABILITIES			
Sundry creditors		**46,749**	36,496
Deposits		**2,652,087**	2,534,727
Securitised loans funding		**1,346,436**	948,357
Interest bearing liabilities		**10,000**	10,000
Current tax liabilities		**1,079**	2,271
Provisions		**5,506**	5,192
Net deferred tax liabilities		**1,297**	823
Total Liabilities		**4,063,154**	3,537,866
Net Assets		**164,587**	154,537
EQUITY			
Issued capital	6	**46,936**	46,936
Reserves	7	**26,488**	25,255
Retained profits	5	**91,163**	82,346
Total equity attributable to members of the Company		**164,587**	154,537

The balance sheet is to be read in conjunction with the discussion and analysis below and the notes to the financial statements set out on pages 29 to 41.

DISCUSSION AND ANALYSIS

The total assets of the consolidated entity increased by $535,338,000 or 14.5% to $4,227,741,000 (2005: $3,692,403,000). The increase in total assets was mainly attributable to an increase in lending, with loan approvals for the year of $1,120,200,000 (2005: $991,100,000). Total loans to members increased by $378,986,000 or 12.9% to $3,308,138,000 (2005: $2,929,152,000).

The total liabilities of the consolidated entity increased by $525,288,000 to $4,063,154,000 (2005: $3,537,866,000). The movement in total liabilities was mainly due to an increase in members' deposits of $117,360,000 to $2,652,087,000 (2005: $2,534,727,000) and an increase in securitised loans funding of $398,079,000 to $1,346,436,000 (2005: $948,357,000).

The ratio of net assets to total assets has decreased slightly from 4.19% in 2005 to 3.89%.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED	
	2006 $000	**2005 $000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**259,486**	238,008
Dividends received	**21**	10
Other cash receipts in the course of operations	**15,806**	18,752
Interest paid on deposits	**(192,833)**	(171,969)
Income taxes paid	**(8,488)**	(7,169)
Net loans funded	**(383,269)**	(311,755)
Net increase in deposits	**113,986**	51,323
Other cash payments in the course of operations	**(35,710)**	(52,229)
Net cash flows from operating activities	**(231,001)**	(235,029)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Payments for)/redemptions of available for sale investments	**(141,554)**	92,344
Proceeds from disposal of shares	—	501
Expenditure on property, plant and equipment, and intangibles	**(4,203)**	(4,981)
Proceeds from sale of property, plant and equipment	**385**	488
Net cash flows from investing activities	**(145,372)**	88,352
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from securitised loans funding	**410,473**	146,372
Dividends paid	**(7,583)**	(5,568)
Net cash flows from financing activities	**402,890**	140,804
Net increase/(decrease) in cash and cash equivalents held	**26,517**	(5,873)
Cash and cash equivalents at the beginning of the year	**34,226**	40,099
Cash and cash equivalents at the end of the year	**60,743**	34,226

The statement of cash flows is to be read in conjunction with the discussion and analysis below and the notes to the financial statements set out in pages 29 to 41.

DISCUSSION AND ANALYSIS

Operating Activities

Cash outflows from operating activities in relation to the consolidated entity decreased by $4,028,000 to $231,001,000 (2005: $235,029,000). This was mainly due to an increase in net loans funded of $71,514,000 offset by an increase in deposits of $62,663,000 and a decrease in other cash payments of $16,519,000.

Investing Activities

Cash outflows from investing activities increased by $233,724,000 to $145,372,000 (2005: $88,352,000 cash inflow). This was mainly due to the purchase of available for sale financial assets.

Financing Activities

Cash flows from financing activities increased by $262,086,000 to $402,890,000 (2005: $140,804,000). The cash flow from financing activities was largely due to the proceeds from the sale of securitised loans.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000
Total equity at the beginning of the year	**154,537**	145,116
Adjustments on adoption of AASB 132 and AASB 139 net of tax to:		
— Retained profits	**(1,228)**	—
— Available for sale revaluation reserve	**59**	—
— Cashflow hedging reserve	**(365)**	—
— Equity investment revaluation reserve	**418**	—
— General reserve for credit losses	**432**	—
Available for sale investments	**(487)**	—
Equity investments net of tax	**(101)**	—
Cashflow hedges net of tax	**1,267**	—
General reserve for credit losses	**10**	—
Net income recognised directly in equity	**5**	—
Profit after tax for the year	**17,628**	14,987
Total recognised income and expense for the year attributable to members of the Company	**17,633**	**14,987**
Transactions with ordinary shareholders in their capacity as ordinary shareholders:		
— Dividends paid	**(7,583)**	(8,076)
— Shares issued through the dividend re-investment plan	—	2,510
Total equity at the end of the year	**164,587**	154,537

The statements of changes in equity are to be read in conjunction with the discussion and analysis below and the notes to the financial statements set out in pages 29 to 41.

DISCUSSION AND ANALYSIS

Total equity of the consolidated entity increased by $10,050,000 to $164,587,000. This increase was largely due to net profit for the year of $17,628,000 offset by the payment of dividends of $7,583,000.

There were no issues of ordinary shares or any other capital instruments during the year. The recognition of various items directly in equity as required under AIFRS had an immaterial impact on total equity during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1 BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 Concise Financial Reports and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The financial report has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available for sale financial instruments, and other financial assets.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in note 10, are consistent with those of the previous year.

The presentation currency is Australian dollars.

2 ACCOUNTING ESTIMATES

Management discussed with the audit and risk management committee the development, selection and disclosure of the consolidated entity's critical accounting policies and estimates and the application of these policies and estimates.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Bad debt provisioning

Provisions for loan losses are based on an incurred loss model, which recognises a provision where there is objective evidence of impairment at each balance date, even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience.

Specific provisions are recognised where specific impairment is identified. Where individual loans are found not to be impaired, they are placed into pools of assets with similar risk profiles and collectively assessed for losses that have been incurred but not yet identified.

The consolidated entity makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans. The evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that are likely to have triggered a worsening of the loan quality, that will eventually lead to losses. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio. The methodology and assumptions used for estimating likely future losses are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used for estimating likely future losses could result in a change in provisions for loan losses and have a direct impact on the impairment charge.

3 SEGMENT REPORTING

The consolidated entity operates predominantly in the banking and financial services industry in Australia.

	CENTS PER SHARE	TOTAL AMOUNT $000	% FRANKED	DATE OF PAYMENT

4 DIVIDENDS

Dividends recognised in the current year are:

	CENTS PER SHARE	TOTAL AMOUNT $000	% FRANKED	DATE OF PAYMENT
2006				
2006 interim dividend	7.5	2,993	100%	27 Feb 2006
2005 final dividend	11.5	4,590	100%	30 Aug 2005
		7,583		
2005				
2005 interim dividend	7.0	2,793	100%	27 Feb 2005
2004 special dividend	2.0	783	100%	30 Aug 2004
2004 final dividend	11.5	4,500	100%	30 Aug 2004
		8,076		

Franked dividends paid were franked at the tax rate of 30% and all dividends were paid out of old AGAAP profits.

Subsequent Events

On 1 August 2006 the board declared a final ordinary dividend of 12.0 cents per share amounting to $4,789,000 and a special dividend of 0.5 cents per share amounting to $200,000, both franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2006. The dividends are payable on 30 August 2006. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences.

		CONSOLIDATED	
	NOTE	2006 $000	2005 $000
5 RETAINED PROFITS			
Retained profits at the beginning of the year		**82,346**	75,435
Profit for the year attributable to members of the parent entity		**17,628**	14,987
Adjustments on adoption of AASB 132 and AASB 139	9i	**(1,228)**	—
Dividends recognised during the year	4	**(7,583)**	(8,076)
Retained profits at the end of the year		**91,163**	82,346
6 ISSUED CAPITAL			
Balance at the beginning of the year		**46,936**	44,426
Issue on 30 August 2004 of 781,809 shares under the dividend re-investment plan*		**—**	2,510
Balance at the end of the year		**46,936**	46,936

*The dividend re-investment plan was suspended after the dividend paid on 30 August 2004.

	CONSOLIDATED	
	2006 $000	2005 $000
7 RESERVES		
Available for sale revaluation reserve		
Balance at the beginning of the year	—	—
Adjustment on adoption of AASB 132 and AASB 139	59	—
Revaluation movement for the year net of tax	(487)	—
Balance at the end of the year	(428)	—
Cashflow hedging reserve		
Balance at the beginning of the year	—	—
Adjustment on adoption of AASB 132 and AASB 139	(365)	—
Revaluation movement for the year net of tax	1,267	—
Balance at the end of the year	902	—
Equity investments revaluation reserve		
Balance at the beginning of the year	—	—
Adjustment on adoption of AASB 132 and AASB 139	418	—
Revaluation movement for the year net of tax	(101)	—
Balance at the end of the year	317	—
General reserve for credit losses		
Balance at the beginning of the year	—	—
Adjustment on adoption of AASB 132 and AASB 139	432	—
Transfer from retained profits	10	—
Balance at the end of the year	442	—
General reserve		
Balance at the beginning of the year	25,255	25,255
Balance at the end of the year	25,255	25,255
Total Reserves	26,488	25,255

Available for sale revaluation ("AFS") reserve

AFS reserve includes the cumulative net change in fair value of available for sale investments until the investment is derecognised, net of applicable income tax.

Cashflow hedging reserve

The cashflow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cashflow hedging instruments, net of applicable income tax.

Equity investments revaluation reserve

The equity investments revaluation reserve relates to the cumulative net change in the fair value of investments in listed shares, net of applicable income tax.

General reserve for credit losses

The general reserve for credit losses contains an additional allowance for bad debts. The general reserve for credit losses together with the amounts calculated as a collective provision must be adequate to comply with prudential requirements.

General reserve

The general reserve includes retained profits from prior years.

8 CONTINGENT LIABILITIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

CONTINGENT LIABILITIES CONSIDERED REMOTE

Guarantees given by IMB Ltd

Real Estate Development

Indemnity of $50,000 (2005: $50,000) in favour of the Commonwealth Bank of Australia ("the bank") covering guarantees by the bank as part of conditions relating to the purchase of land in association with real estate development activities undertaken by a controlled entity, IMB Land Pty Ltd and that entity's joint venturer.

The Company has an agreement with its joint venturer to share equally in losses and liabilities.

Business Banking clients

Contingent liabilities also include guarantees of $1,492,000 (2005: $775,000) issued on behalf of clients supporting performance, rental and other commercial obligations.

CHANGES IN CONTINGENT LIABILITIES

Australian Taxation Office – Research and Development ("R&D") Syndicate

In November 2004, the Company received a letter from the ATO offering settlement terms in relation to the involvement of Sonoridad Pty Ltd in an R&D syndicate. In response, the Company presented its arguments supporting its deductions claimed in relation to this syndicate. This matter was disclosed as a contingent liability in the 30 June 2005 annual financial report.

On 9 January 2006, a further letter was sent by the ATO advising that no further action would be taken in relation to this matter. The directors therefore no longer consider this matter to be a contingent liability.

9 EXPLANATION OF TRANSITION TO AIFRS

These are the consolidated entity's first annual financial statements prepared in accordance with AIFRS.

In preparing its opening AIFRS balance sheet, and comparative information for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous "AGAAP").

An explanation of how the transition from previous AGAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

This includes a detailed reconciliation from AGAAP to AIFRS. The balance sheet and income statement reconciliations contain previous AGAAP, adjustments and restated AIFRS amounts for each period for the consolidated entity. The adjustment column sets out the effects of the recognition and measurement changes required by transition to AIFRS. The adjustment column is further categorised into items giving rise to the restated amounts, together with a column comprising reclassification adjustments. These reconciliation of adjustment tables are further cross referenced to the notes accompanying the tables.

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheets – summary

	CONSOLIDATED								
	AIFRS ADJUSTMENTS – REFER NOTE 9						ACCOUNTING POLICY CHANGES – REFER NOTE 10		
	1 July 2004			30 June 2005			1 July 2005		
$000	**AGAAP**	**Adjustments Refer Table 1**	**AIFRS**	**AGAAP**	**Adjustments Refer Table 2**	**AIFRS**	**AIFRS except AASB 132/139**	**Adjustments Refer Table 3**	**AIFRS**
ASSETS									
Cash and cash equivalents	11,466	28,633	40,099	10,872	23,354	34,226	34,226	—	34,226
Trading securities	49,912	—	49,912	131,741	—	131,741	131,741	(131,741)	—
Sundry debtors	6,714	(6,714)	—	8,318	(8,318)	—	—	—	—
Available for sale investments	—	—	—	—	—	—	—	448,579	448,579
Investment securities	759,104	(22,200)	736,904	579,498	(26,718)	552,780	552,780	(552,780)	—
Loans and receivables	1,794,810	828,700	2,623,510	1,954,077	975,075	2,929,152	2,929,152	240,081	3,169,233
Other financial assets	565	—	565	10,074	—	10,074	10,074	418	10,492
Equity accounted investments	1,136	—	1,136	1,112	127	1,239	1,239	—	1,239
Inventories	642	—	642	258	—	258	258	—	258
Deferred tax assets	1,896	(1,555)	341	1,795	(1,795)	—	—	—	—
Property, plant and equipment	22,389	(2,752)	19,637	21,871	(3,344)	18,527	18,527	—	18,527
Intangible assets	—	2,989	2,989	—	3,512	3,512	3,512	—	3,512
Other assets	7,782	2,025	9,807	9,193	1,701	10,894	10,894	(8,624)	2,270
Total Assets	2,656,416	829,126	3,485,542	2,728,809	963,594	3,692,403	3,692,403	(4,067)	3,688,336
LIABILITIES									
Sundry creditors	8,136	23,245	31,381	19,759	16,737	36,496	36,496	—	36,496
Deposits	2,483,154	—	2,483,154	2,534,727	—	2,534,727	2,534,727	—	2,534,727
Securitised loans funding	—	807,199	807,199	—	948,357	948,357	948,357	(3,458)	944,899
Interest bearing liabilities	10,000	—	10,000	10,000	—	10,000	10,000	—	10,000
Current tax liabilities	3,696	—	3,696	2,271	—	2,271	2,271	—	2,271
Provisions	4,517	479	4,996	4,527	665	5,192	5,192	—	5,192
Deferred tax liabilities	1,526	(1,526)	—	2,606	(1,783)	823	823	(290)	533
Derivative liability	—	—	—	—	—	—	—	365	365
Total Liabilities	2,511,029	829,397	3,340,426	2,573,890	963,976	3,537,866	3,537,866	(3,383)	3,534,483
Net Assets	145,387	(271)	145,116	154,919	(382)	154,537	154,537	(684)	153,853
EQUITY									
Issued capital	44,426	—	44,426	46,936	—	46,936	46,936	—	46,936
Reserves	30,880	(5,625)	25,255	30,880	(5,625)	25,255	25,255	544	25,799
Retained profits	70,081	5,354	75,435	77,103	5,243	82,346	82,346	(1,228)	81,118
Total Equity	145,387	(271)	145,116	154,919	(382)	154,537	154,537	(684)	153,853

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheet – reconciliation of adjustments — Table 1

1 July 2004 $000	NOTE	Securitisation Consolidation	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Re-classification	Total Adjustments
ASSETS								
Cash and cash equivalents	9a	28,633						28,633
Trading securities								—
Sundry debtors	9a, 9d	(4,689)					(2,025)	(6,714)
Available for sale investments								—
Investment securities	9a	(22,200)						(22,200)
Loans and receivables	9a	828,700						828,700
Other financial assets								—
Equity accounted investments								—
Inventories								—
Deferred tax assets	9g, 9h				53		(1,608)	(1,555)
Property, plant and equipment	9c, 9d					237	(2,989)	(2,752)
Intangible assets	9d						2,989	2,989
Other assets	9d						2,025	2,025
Total Assets		**830,444**	**—**	**—**	**53**	**237**	**(1,608)**	**829,126**
LIABILITIES								
Sundry creditors	9a	23,245						23,245
Deposits								—
Securitised loans funding	9a	807,199						807,199
Interest bearing liabilities								—
Current tax liabilities								—
Provisions	9b, 9c		177			302		479
Deferred tax liabilities	9h				82		(1,608)	(1,526)
Derivative liability								—
Total Liabilities		**830,444**	**177**	**—**	**82**	**302**	**(1,608)**	**829,397**
Net Assets		**—**	**(177)**	**—**	**(29)**	**(65)**	**—**	**(271)**
EQUITY								
Issued capital								—
Reserves	9f			(5,625)				(5,625)
Retained profits	9f, 9i		(177)	5,625	(29)	(65)		5,354
Total Members' Equity		**—**	**(177)**	**—**	**(29)**	**(65)**	**—**	**(271)**

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheet – reconciliation of adjustments

Table 2

30 June 2005 $000	NOTE	Securitisation Consolidation	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Equity Accounting	Re-classification	Total Adjustments
ASSETS									
Cash and cash equivalents	9a	23,354							23,354
Trading securities									—
Sundry debtors	9a, 9d	(6,617)						(1,701)	(8,318)
Available for sale investments									—
Investment securities	9a	(26,718)							(26,718)
Loans and receivables	9a	975,075							975,075
Other financial assets									—
Equity accounted investments	9e						127		127
Inventories									—
Deferred tax assets	9g, 9h				153			(1,948)	(1,795)
Property, plant and equipment	9c, 9d					168		(3,512)	(3,344)
Intangible assets	9d							3,512	3,512
Other assets	9d							1,701	1,701
Total Assets		**965,094**	**—**	**—**	**153**	**168**	**127**	**(1,948)**	**963,594**
LIABILITIES									
Sundry creditors	9a	16,737							16,737
Deposits									—
Securitised loans funding	9a	948,357							948,357
Interest bearing liabilities									—
Current tax liabilities									—
Provisions	9b, 9c		311			354			665
Deferred tax liabilities	9h				165			(1,948)	(1,783)
Derivative liability									—
Total Liabilities		**965,094**	**311**	**—**	**165**	**354**	**—**	**(1,948)**	**963,976**
Net Assets		**—**	**(311)**	**—**	**(12)**	**(186)**	**127**	**—**	**(382)**
EQUITY									
Issued capital									—
Reserves	9f			(5,625)					(5,625)
Retained profits	9f, 9i	—	(311)	5,625	(12)	(186)	127		5,243
Total Members' Equity		**—**	**(311)**	**—**	**(12)**	**(186)**	**127**	**—**	**(382)**

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheet – reconciliation of adjustments

Table 3

1 July 2005 $000	NOTE	Interest Rate Swaps	Liquid Investments	Equity Investments	Deferred Loan Origination Fees	Deferred Securitisation Expenses	Taxation	Loan impairment	Re-classifications	Total Adjustments
ASSETS										
Cash and cash equivalents										—
Trading securities	10b								(131,741)	(131,741)
Sundry debtors										—
Available for sale investments	10a, 10b		64						448,515	448,579
Investment securities	10b								(552,780)	(552,780)
Loans and receivables	10b, 10c, 10e				3,643			432	236,006	240,081
Other financial assets	10a			418						418
Equity accounted investments										—
Inventories										—
Deferred tax assets	9g, 9h						458		(458)	—
Property, plant and equipment										—
Intangible assets										—
Other assets	10c, 10d				(4,415)	(4,209)				(8,624)
Total Assets		**—**	**64**	**418**	**(772)**	**(4,209)**	**458**	**432**	**(458)**	**(4,067)**
LIABILITIES										
Sundry creditors										—
Deposits										—
Securitised loans funding	10d					(3,458)				(3,458)
Interest bearing liabilities										—
Current tax liabilities										—
Provisions										—
Deferred tax liabilities	9h						168		(458)	(290)
Derivative liability	10a	365								365
Total Liabilities		**365**	**—**	**—**	**—**	**(3,458)**	**168**	**—**	**(458)**	**(3,383)**
Net Assets		**(365)**	**64**	**418**	**(772)**	**(751)**	**290**	**—**	**—**	**(684)**
EQUITY										
Issued capital										—
Reserves	10a	(365)	95	418			(36)	432		544
Retained profits	9i		(31)		(772)	(751)	326			(1,228)
Total Members' Equity		**(365)**	**64**	**418**	**(772)**	**(751)**	**290**	**432**	**—**	**(684)**

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Income statement – summary

	CONSOLIDATED		
	AIFRS ADJUSTMENTS – REFER NOTE 9		
	30 June 2005		
$000	**AGAAP**	**Adjustments Refer Table 4**	**AIFRS**
Interest revenue	168,909	68,764	237,673
Interest expense	(114,101)	(58,119)	(172,220)
Net interest income	54,808	10,645	65,453
Bad and doubtful debts expense	(902)	—	(902)
Net interest income after bad and doubtful debts	53,906	10,645	64,551
Revenue from land development	1,850	—	1,850
Other revenue	27,338	(10,251)	17,087
Net income before non interest expenses	83,094	394	83,488
Cost of land development sales	(674)	—	(674)
Other expenses	(60,372)	(648)	(61,020)
Share of profits/(losses) of joint venture entity	(24)	127	103
Profit before income tax	22,024	(127)	21,897
Income tax expense	(6,927)	17	(6,910)
Profit for the year	15,097	(110)	14,987

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Income statement – reconciliation of adjustments

Table 4

Consolidated – 30 June 2005 $000	NOTE	Securitlsation re-recognition	Securitisation Consolidation	Make Good Provision	Equity Accounting	Defined Benefit Fund	Income Tax	Total Adjustments
Interest revenue	9a	70,414	(1,650)					68,764
Interest expense	9a, 9c	(59,721)	1,650	(48)				(58,119)
Net interest income		10,693	—	(48)				10,645
Bad and doubtful debts expense								—
Net interest income after bad and doubtful debts		10,693	—	(48)				10,645
Revenue from land development								—
Other revenue	9a	(10,251)						(10,251)
Net income before non interest expenses		442	—	(48)				394
Cost of land development sales								—
Other expenses	9a, 9b, 9c	(442)		(72)		(134)		(648)
Share of profits/(losses) of joint venture entity	9e				127			127
Profit before income tax		—	—	(120)	127	(134)		(127)
Income tax expense	9g, 9h						17	17
Profit for the year		—	—	(120)	127	(134)	17	(110)

Notes to the reconciliation of the consolidated entity's balance sheets and income statements

The notes below provide additional explanatory comments to the adjustments made to the consolidated entity's balance sheets at 1 July 2004 and 30 June 2005, and income statement and cash flow statement for the financial year ended 30 June 2005. This includes all AIFRS changes except for those arising from AASB 132 and AASB 139. The amount of the adjustments arising on transition to AIFRS are also noted and are referenced in each line item affected in the accompanying restated balance sheets and income statements.

The impact on deferred tax of the adjustments described below is set out in notes 9g and 9h.

(a) Under previous AGAAP, a number of securitisation Special Purpose Entities ("SPEs") were not consolidated. Under AIFRS, a different interpretation of the consolidation rules applicable to SPE's required a reassessment of the accounting for the consolidated entity's existing securitisations. All the consolidated entity's mortgage securitisation SPE's are now consolidated by the consolidated entity, because the consolidated entity is exposed to the majority of the residual income and/or residual risk associated with the SPE.

The effect in the consolidated entity is to increase **Loans and receivables** by $828,700,000 at 1 July 2004, and by $975,075,000 at 30 June 2005, **Securitised loans funding** by $829,399,000 at 1 July 2004, and $975,075,000 at 30 June 2005; to increase **Cash and cash equivalents** by $28,633,000 at 1 July 2004, and $23,354,000 at 30 June 2005, and increase **Sundry creditors** by $27,934,000 at 1 July 2004, and $23,354,000 at 30 June 2005; to decrease **Sundry debtors** and **Sundry creditors** by $4,689,000 at 1 July 2004, and $6,617,000 at 30 June 2005. It will also increase **Interest revenue** by $70,414,000 and **Interest expense** by $59,721,000, and decrease **Other income** by $10,251,000 and increase **Other expenses** by $442,000 for the year ended 30 June 2005.

The consolidated entity has also invested in some of the notes issued by the SPE's and the effect of eliminating this investment is to reduce **Investment securities** and **Securitised loans funding** by $22,200,000 at 1 July 2004, and by $26,718,000 at 30 June 2005; to decrease **Interest revenue** and **Interest expense** by $1,650,000 for the year ended 30 June 2005.

The effect on the cashflow statement of consolidating the securitisation SPE's is to increase **Cash at the beginning of the year** by $28,633,000 **Interest received** by $68,764,000 and **Interest paid** by $58,118,000 and to decrease **Other cash receipts** by $7,779,000 and **Other cash payments** by $8,946,000 for the year ended 30 June 2005.

(b) Under previous AGAAP certain superannuation obligations were recognised on a cash basis. In accordance with AASB 1, the cumulative actuarial gains and losses existing at 1 July 2004 have been recognised for the defined benefit plan in retained earnings.

The effect in the consolidated entity is to increase **Provisions** by $177,000 at 1 July 2004, and by $311,000 at 30 June 2005; increase **Other expenses** by $134,000 for the year ended 30 June 2005.

(c) An obligation exists to restore certain leased properties for the effect of the consolidated entity's operations. Under previous AGAAP, the cost of rectification was recognised as an expense when incurred. In accordance with AIFRS, restoration costs should be recognised as part of the cost of assets and as a provision at the time of the obligating events.

The effect in the consolidated entity is to increase **Property, plant and equipment** by $237,000 at 1 July 2004, and by $168,000 at 30 June 2005, and **Provisions** by $302,000 at 1 July 2004, and $354,000 at 30 June 2005; to increase **Interest expense** by $48,000 and **Other expenses** by $72,000 for the year ended 30 June 2005.

(d) Under previous AGAAP expenditure on significant items of computer software were treated as fixed assets and amortised over the expected useful life of the computer software. In accordance with AIFRS, computer software that is not integral to the operation of hardware is treated as an intangible asset, but still amortised over the expected useful life of the item.

The effect in the consolidated entity is to decrease **Property, plant and equipment** and increase **Intangible assets** by $2,989,000 at 1 July 2004, and $3,512,000 at 30 June 2005.

The consolidated entity has decided to reclassify sundry receivables as "other assets". The effect in the consolidated entity is to decrease **Sundry debtors** and increase **Other assets** by $2,025,000 at 1 July 2004 and $1,701,000 at 30 June 2005.

(e) Under previous AGAAP investments in incorporated joint ventures were accounted for using equity accounting principles, with goodwill amortised over the period which financial benefits of the investment were expected to be realised. In accordance with AIFRS, goodwill is no longer amortised and such investments must be assessed at least annually for any impairment in the carrying amount.

The effect in the consolidated entity is to increase **Equity accounted investments** and **Retained profits** by $127,000 at 30 June 2005. This change would have increased **Share of profits of joint venture entity** by $127,000 for the year ended 30 June 2005 had AIFRS applied at that reporting date.

(f) At 1 July 2004 and 30 June 2005 an amount of $5,625,000 has been reclassified from a revaluation reserve recognised under previous AGAAP to retained earnings. The amount represents the balance of the revaluation reserve at 1 July 2004 in respect of assets that are measured on the basis of deemed cost under AIFRS.

(g) The changes detailed in notes 9 and 10 increased the deferred tax asset for the consolidated entity as follows:

	AIFRS ADJUSTMENTS		ACCOUNTING POLICY CHANGES
$000	**1 Jul 2004**	**30 Jun 2005**	**1 Jul 2005**
Adoption of AASB 139	—	—	458
Employee Benefits	53	93	—
Provision for make good costs	—	107	—
Other deferred costs	—	(47)	—
Increase in deferred tax asset	53	153	458

(h) The changes detailed in notes 9 and 10 increased the deferred tax liability for the consolidated entity as follows:

$000	**1 Jul 2004**	**30 Jun 2005**	**1 Jul 2005**
Property, plant and equipment	19	128	—
Adoption of AASB 139	—	—	168
Other deferred costs	63	37	—
Increase in deferred tax liability	82	165	168

9 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

The effect on the income statement for the consolidated entity of the tax changes detailed in notes 9g and 9h for the year ended 30 June 2005, was to increase the previously reported tax charge for the period by $12,000. The deferred tax assets and liabilities have been netted off in the consolidated balance sheets provided in note 9.

Under previous AGAAP deferred tax assets and liabilities were disclosed separately. Under AIFRS, they are set-off and only a net deferred tax asset or net deferred tax liability is disclosed. The effect in the consolidated entity is to decrease **Deferred tax asset** and **Deferred tax liability** by $1,608,000 at 1 July 2004, $1,948,000 at 30 June 2005, and $458,000 at 1 July 2005.

(i) The effect of the changes detailed in notes 9 and 10 on retained earnings is as follows:

		AIFRS ADJUSTMENTS		ACCOUNTING POLICY CHANGES
$000	**NOTE**	**1 Jul 2004**	**30 Jun 2005**	**1 Jul 2005**
Equity accounted investments	9e	—	127	—
Property, plant and equipment	9c	(65)	(186)	—
Employee benefits	9b	(177)	(311)	—
Adoption of AASB 139	10a, 10c, 10d	—	—	(1,554)
Deferred tax	9g, 9h, 10a	(29)	(12)	326
Asset revaluation reserve	9f	5,625	5,625	—
Total adjustment to retained earnings		**5,354**	**5,243**	**(1,228)**

10 CHANGES IN ACCOUNTING POLICY

In the current financial year the consolidated entity adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for the financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (retained earnings, cashflow hedging reserve, available for sale revaluation reserve, and equity investments revaluation reserve) at 1 July 2005. The impact on the balance sheet in the comparative period is set out in the table in note 9 as an adjustment to the opening balance sheet at 1 July 2005. The transitional provisions will not have any effect in future reporting periods.

(a) In accordance with AASB 139, available for sale investments and all derivative financial instruments have been recognised as assets or liabilities at fair value. Under previous AGAAP, all derivatives and many investments were recognised at cost. The effect of measuring available for sale investments at fair value for the consolidated entity is to increase **Available for sale investments** by $64,000 **Reserves** by $95,000 and decrease **Retained profits** by $31,000 at 1 July 2005. The measurement of all derivatives at fair value has increased **Derivative liability** and decreased **Reserves** by $365,000 at 1 July 2005. The measurement of equity securities at fair value has increased **Other financial assets** and **Reserves** by $418,000 at 1 July 2005. The tax relating to these amounts of $36,000 has also decreased **Reserves**.

(b) In accordance with AASB 139, financial assets previously classified as trading or investment securities are now classified as Available for sale investments, except assets that are classified as Loans and receivables which are financial assets that have fixed or determinable payments and are not quoted in an active market. The effect of this change for the consolidated entity at 1 July 2005 is to decrease **Trading securities** and **Investment securities** by $131,741,000 and $552,780,000 respectlvely, and to increase **Available for sale investments** and **Loans and receivables** by $448,515,000 and $236,006,000 respectively.

(c) Under previous AGAAP, certain income and expense items relating directly to the origination of loans were recognised in the income statement as received. Broker trail commissions were previously deferred and amortised to the income statement on a straight line basis over the expected life of broker originated loans. Under AIFRS, these income and expense items are capitalised and included in the loan's effective yield and recognised over the expected life of the loan.

The effect in the consolidated entity is to increase **Loans and receivables** by $3,643,000, decrease **Other assets** by $4,415,000 and decrease **Retained profits** by $772,000 at 1 July 2005.

10 CHANGES IN ACCOUNTING POLICY CONTINUED

(d) Under previous AGAAP, expense items incurred in establishing securitisation vehicles were deferred and amortised to the income statement on a straight line basis over the expected life of the securitised loans. Under AIFRS, these expenses are recognised in the balance sheet as a reduction in the funding raised for the securitised loans, and amortised to the income statement on a yield basis over the expected life of the liabilities to the noteholders.

The effect in the consolidated entity is to decrease **Other assets** by $4,209,000, **Retained profits** by $751,000 and **Securitised loans funding** by $3,458,000 at 1 July 2005.

(e) In accordance with AIFRS, the general provision for bad debts has been reversed and replaced with a collective provision. Collective and specific provisions are raised where there is objective evidence of impairment. For collective impairment, a provision is raised even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience. A general reserve for credit losses has been created for the difference between this collective provision value, and the previous AGAAP value of the bad debt provision.

The effect in the consolidated entity of transitioning to AIFRS collective provisioning, establishing the general reserve for credit losses and reversing the previous AGAAP provision is to increase **Loans and receivables** (decrease provision for impairment) by $432,000 and **Reserves** by $432,000.

11 EVENTS SUBSEQUENT TO REPORTING DATE

DIVIDENDS

For dividends declared after 30 June 2006 see Note 4.

There were no other events subsequent to balance date.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

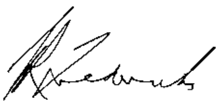
In the opinion of the directors of IMB Ltd ("the Company"), the accompanying concise financial report of the consolidated entity, comprising IMB Ltd and its controlled entities for the financial year ended 30 June 2006, set out on pages 25 to 41:

(a) has been derived from or is consistent with the full financial report for the financial year; and

(b) complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

Dated at Wollongong this 1st day of August 2006.

Signed in accordance with a resolution of the directors:



LR Fredericks, Chairman

MJ Cole, Director

INDEPENDENT AUDIT REPORT ON CONCISE FINANCIAL REPORT TO THE MEMBERS OF IMB LTD

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The concise financial report comprises the income statement, balance sheet, statement of cash flows, statement of changes in equity, accompanying Notes 1 to 11 and the accompanying discussion and analysis on the income statement, balance sheet, statement of cash flows, statement of changes in equity and directors' declaration as set out on pages 25 to 41, for IMB Ltd ("the Company") and its controlled entities (the "consolidated entity") for the year ended 30 June 2006.

The directors of the Company are responsible for the preparation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected. We have also performed an independent audit of the full financial report of the Company and its controlled entities for the year ended 30 June 2006. Our audit report on the full financial report was signed on 1 August 2006, and was not subject to any qualification.

We performed procedures in respect of the audit of the concise financial report to assess whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports.

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

- testing that the information in the concise financial report is consistent with the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures, which were not directly derived from the full financial report.

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

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the concise financial report of IMB Ltd and its controlled entities for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

KPMG

CP Hollis
Partner

Dated at Wollongong this 1st day of August 2006

LOCATIONS

IMB BRANCHES

NEW SOUTH WALES

Albion Park	147 Tongarra Road Albion Park 2527
Batemans Bay	21 Orient Street Batemans Bay 2536
Bega	193-195 Carp Street Bega 2550
Bowral	Shops 9 & 10, Oxley Mall Wingecarribee Street Bowral 2576
Camden	Shop 26, 180-186 Argyle Street Camden 2570
Corrimal	Shops 2-4, Corrimal Court Princes Highway Corrimal 2518
Dapto	2-4 Bong Bong Road Dapto 2530
Eden	199 Imlay Street Eden 2551
Fairy Meadow	84B Princes Highway Fairy Meadow 2519
Figtree	Shop 32 & 33, Westfield Shopping Town Princes Highway Figtree 2525
Goulburn	Shop 27, Argyle Mall Goulburn 2580
Kiama	86 Terralong Street Kiama 2533
Liverpool	Shop 19, Liverpool Plaza Macquarie Street Liverpool 2170
Macarthur Square	Shop L10, L11 Level 2 Macarthur Square Shopping Centre Ambarvale 2560
Merimbula	Cnr Merimbula Drive & Market Street Merimbula 2548
Miranda	Shop G, 105 Westfield's Shoppingtown Miranda 2228
Moruya	55 Vulcan Street Moruya 2537
Narooma	127 Wagonga Street Narooma 2546
Nowra	86 Kinghorn Street Nowra 2541
Parramatta	207 Church Street Parramatta 2150
Penrith	25 Riley Street Penrith 2750
Picton	Shop 1A, 148 Argyle Street Picton 2571
Queanbeyan	Shop 7, Riverside Plaza Queanbeyan 2620
Shellharbour	Shop 46, Shellharbour Stockland Shopping Centre Stockland Shellharbour 2529
Thirroul	Shop 6, Anita Theatre King Street Thirroul 2515
Ulladulla	89 Princes Highway Ulladulla 2539
Unanderra	102 Princes Highway Unanderra 2526
Vincentia	Shop 17, Burton Street Mall Vincentia 2540
Warilla	6 George Street Warilla 2528
Warrawong	Shop 114 Westfield Shopping Centre Warrawong 2502
Wollongong	205 Crown Street Wollongong 2500
Woonona	367-369 Princes Highway Woonona 2517
Wynyard	312 George Street Sydney 2000

ACT

Belconnen	Level 3, Westfield Shopping Town Belconnen 2617
Canberra City	Shop CG 04, City Walk Canberra City 2600
Tuggeranong	Level 1, Shop 175-177 Tuggeranong Hyperdome Shopping Centre Tuggeranong ACT 2900
Woden	Shop 1, Plaza Level Woden Churches Centre Woden 2606

FINANCIAL PLANNING

IMB Financial Planning	Level 1, 2-4 Bong Bong Road Dapto NSW 2530
King Financial Services	Level 1, Engineering House, 11 National Circuit Barton ACT 2600

CORPORATE DIRECTORY

SHAREHOLDERS' DIARY AND OTHER INFORMATION

Payment of final dividend 30 August 2006

Annual general meeting 31 October 2006 at 10:00am.

NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of members of IMB Ltd will be held at the Hoskins Room, Novotel Northbeach, 2-14 Cliff Rd, Wollongong on 31 October 2006 at 10:00am.

COMPANY SECRETARY

Robert James Ryan BEc MCommLaw FCIS FCIM ACA FTIA

REGISTERED OFFICE

253-259 Crown Street
Wollongong NSW 2500

SHARE REGISTRY

IMB Ltd is not listed on the Australian Stock Exchange.

Shares are traded under an Australian Market License held by the Company.

The share register is available for inspection at:
Level 6 Executive Services
253-259 Crown Street
Wollongong NSW 2500

ADVISORS

Solicitors
Watson Mangioni
Level 13
50 Carrington St
Sydney NSW 2000

Auditors
KPMG
Level 3
63 Market St
Wollongong NSW 2500

COMMUNITY SPONSORSHIPS

The following projects are being supported in 2006 through the IMB Community Foundation

IMB Community Foundation projects

ARAFMI Illawarra Staff Training 2006
- ARAFMI Illawarra

Bra Education for Female Athletes
- Biomechanics Research Laboratory, University of Wollongong

Capturing Memories
- Eden Community Access Centre Inc.

Children's Walk at Eurobodalla Regional Botanic Gardens
- Eurobodalla Regional Botanic Gardens

Community Garden
- Helping Hands

Cruise Eden
- Sapphire Coast Tourism

Cutting Edge Science
- Science Centre and Planetarium

Development of Early Childhood Music Education
- Conservatorium of Music

The IMB Education Wing
- Historical Aircraft Restoration Society Inc

IMB Travelling I.T.
- Eurobodalla Adult Education Centre

Our Past Our Future
- Shoalhaven Historical Society

Oz-Japan Arts and Craft Festival
- Queanbeyan City Council

Rural Tourism Map of the Far South Coast of NSW
- Sapphire Coast Producers' Association Inc.

Security Shredding Service Expansion
- Tulgeen Group

Shoalhaven CD and DVD Recycling Project
- The Flagstaff Group Limited

Stories From the Elders: Completing the Picture for a Healthier Community
- University of Wollongong and New South Wales Department of Health

Students Helping In New Environments (SHINE!)
- Volunteering ACT Incorporated

Timber Storage System
- Berry Men's Shed

Travelling IT Laboratory
- Far South Community College

University of Wollongong Black Opal Leadership Program
- Wollongong Unicentre – Centre for Student Development

Youth Drug Forum Manual and Training Package
- Youth Solutions

Other Community Sponsorships

Bega High School
Bega Kennel Club Sponsorship
Bega Valley String Orchestra
Bellambi Public School
Berry Show Animal Nursery
Bowral Breakfast for Champions
Camden Primary School
Canteen Bowls Marathon
Cronulla Crays Surf Life Saving
Cronulla South Public School
Dare to Dream
Dapto Anglican Church Carols
Disability Trust Trivia Night
Eden Lady Golfers Association
Eden Schools Prize Sponsorship
FSC Vet Golfers Association
Illawarra Basketball Association
IMB Lotus – James Harrigan Motorsport
IMB WAVE FM – Breakfast on the Beach
Kidzwish
KyStars – Kiama Lions Young Talent Quest
Lake Illawarra Public School
Luke Cridland Cyclist
Mogo Zoo
Narooma Sport and Gamefishing Club
Narooma Surf Life Saving – George Bass Marathon
Shaun Boyle – Skeleton Racing
Shoalhaven Rowing Club
Southern Districts Rugby Club
Southern Highlands Netball
St Patricks Trivia Night
Sutherland Australia Day Festival
Sydney Greek Festival
Team IMB – Damien White V8 Ute
Towradgi Turtles Surf Club
Twofold Bay Yacht Club – 2005/06 Sailing Series
Warilla North Fellowship
Warrilla North Public School
Warrawong Macedonian Association
Wedding Expo (ACT)
Wesley Uniting Employments – Tubs in the Basin
WIN Golf Day – To Support Breast Cancer
Wollondilly Camden Family Support Services
Wollongong IMB Hawks
Wollongong IMB Lions Football Club
Wollongong Symphony Orchestra

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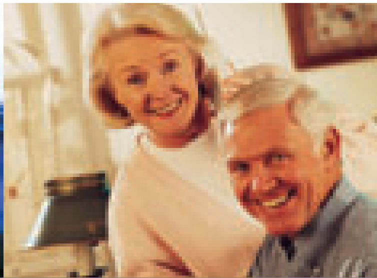

BANKING &
FINANCIAL SERVICES

2006 CONCISE REPORT

www.imb.com.au