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CONCISE REPORT 2003





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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 2003 Annual Financial Report, including the independent audit report, is available to all members, and will be sent to members without charge upon request. The 2003 Annual Financial Report can be requested by calling 133IMB (133462) or by visiting our web site at [www.imb.com.au](http://www.imb.com.au).



# HIGHLIGHTS

## FINANCIAL

Record group profit after tax up 17.4% to \$12.4 million.

Return on average equity improved from 8.9% to 9.6%.

Non interest expense to operating income ratio decreased from 77.9% to 75.3%

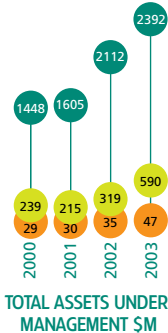
Total assets under management increased by \$563 million or 22.8% up to a record \$3.0 billion.

Lending approvals of \$1.1 billion, the second year in a row approvals exceeded \$1.0 billion.

Level of mortgage arrears continue to be well below the national averages in all categories.

Deposits grew by 13% to \$2.3 billion.

A further \$500,000 was allocated to the IMB Community Foundation. This brings to \$2.0 million the amount of funds granted through the Foundation to the community.



- Loans
- Liquids
- Other

## PRODUCTS AND SERVICES

Professional home loan package and 100% offset account introduced.

Launched expanded business banking product range for new and existing small to medium sized enterprises.

Won gold awards for our Wisdom Saver and our 5 year fixed car loan in Personal Investor Awards.

Awarded the Best Car Loan (\$17,500) and the Best Equity Line of Credit Loan as a finalist in the Money Magazine – The Best of the Best Awards.

Introduced new Comparison Rates to allow customers to easily compare the true cost of loans with other institution's products.

Replaced existing ATM fleet with new NCR ATM's.

Opened a new sales centre in Parramatta.

Reappointed by ClubsNSW as their preferred supplier of investment and call account facilities for registered clubs in NSW for a further two years.

Joined the Financial Cooperatives Dispute Resolution Scheme, an ASIC approved self-regulatory scheme that provides an external and impartial dispute resolution process for members and customers.

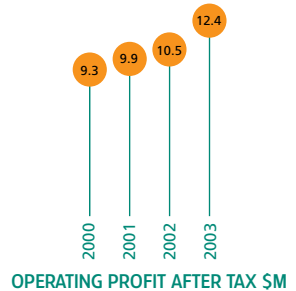
## CORPORATE

Enterprise agreements for administration and non NSW sales staff implemented with a call centre agreement currently with the Industrial Commission for ratification.

Established a new Securitisation Trust, the "Illawarra Trust", and securitised an additional \$250 million in residential mortgage loans.

Launched debut \$500 million Residential Mortgage Backed Securities offer in the Australian bond market.

Completed sale of large portion of land from our residential land joint venture at Albion Park.





The Board of Directors from left to right: George Edgar, Peter Bolt, Harold Hanson, Vivien Twyford, Ken McKinnon (chairman), Lynette Gearing, Russell Fredericks.

## **RECORD GROUP PROFIT AFTER TAX OF \$12.4 MILLION.**

IMB group results for 2003 continue the run of six consecutive years of profit improvement.

# LETTER FROM THE CHAIRMAN

## DEAR MEMBERS

The IMB group results for 2003 continue the run of six consecutive years of profit improvement.

Loan approvals again exceeded \$1 billion for the year, assets under management increased by \$563 million (22.8 percent) to a record \$3 billion and net profit reached a record \$12.4 million (an increase of 17.4 percent). While the result is a satisfactory outcome for the year, it nevertheless falls short of the Board's ambitions.

A number of matters significantly influenced the result both positively and negatively. These included the income from the sale of a large portion of land in our joint venture land development company's portfolio, settlement with the Australian Taxation Office of two R&D matters dating back to 1994, investment in a funds management company, efficiency measures to support the growth of the company and ongoing expansion both geographically and in our product range.

The foregoing contribute to the satisfactory aspects of the result because it was achieved despite sustained low interest rates and unremitting pressure on margins for the whole year. Growth in the Victorian and Sydney markets helped us to achieve a significant increase in market share despite the vigour of the competition, but in the face of likely further pressure on margins, forecasts of a slowing in the housing market, and sustained competition, the pressure is on us to do better.

Our previous capital arrangements will not support the growth targets of the company. Accordingly, significant time, effort and money has been expended in the creation of an

IMB securitisation trust. This was launched in early July 2003, with the \$500 million placement accepted at a favourable price, especially significant for the IMB as a new company in that marketplace. The successful placement of such a large sum on favourable terms highlights both the quality of the IMB mortgage book and the skills and energy of those involved in the launch.

Another \$500,000 was allocated to the IMB Community Foundation for 2003 to support nineteen projects as far apart as Wollongong and Bega and inland to Canberra. In addition the Foundation was able to support the ACT Bushfire Appeal with a grant of \$25,000. Reports back from recipients of Foundation grants highlight the importance of Foundation activities. The prosperity of the communities that are recipients of grants is fundamental to the Company's well being; they are for mutual benefit.

In short, the re-positioning of the company is delivering improvements and better services for customers.

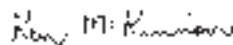
Notwithstanding these good features, if the Board's ambitions for the future of the company are to be realised, there are real challenges ahead. In the face of the continually declining margins and forecasts of market contraction the company will have to run faster to stay at the same level of profits. To meet our aspirations it will have to do better. The world's economies and stock markets continue to exhibit the volatility of recent years. It would not be prudent to rely on either the Australian economy or the world economy being as healthy next year as in recent years. We have to keep the focus on productivity, expansion and diversification. The moves the

company has made give it every chance of overcoming obstacles to growth but now is not the time for over optimistic forecasts.

The challenges associated with higher levels of corporate governance, the work and costs associated with new compliance requirements from regulatory bodies, the changes associated with CLERP reforms, the foreshadowed requirement to adopt international accounting standards and the requirements of the privacy, environment and other legal developments, are formidable.

What the Chief Executive and I are both saying is that the company will continue vigorously to respond to these many challenges in pursuit of its vision of becoming a strong and successful financial institution, regionally based, but with a national focus.

One of the pleasures of this last year has been the breadth and effectiveness of the contributions made by the people associated with the company. I have appreciated the energetic, creative and successful way in which Wayne Morris, his executive team, and my fellow directors, have met the challenges. Most of all I have observed with pleasure the contributions made by all of the staff of the IMB, through team-work, through their general commitment and, of course, through their achievements, all of which contribute to our objective of making the company both successful and a happy place in which to work.



**Prof KR McKinnon AO**  
Chairman



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## THIS YEAR WE LAUNCHED AN EXPANDED BUSINESS BANKING PRODUCT RANGE

Graham Sturgess, proprietor of the Woonona newsagency, has had a long association with IMB conducting both his business and personal banking through IMB. Graham (right) pictured with John Ivkovic IMB Senior Manager Business Banking, has recently taken advantage of our new business banking range.

# CHIEF EXECUTIVE'S REVIEW OF OPERATIONS

## OVERVIEW

As noted in the Chairman's letter in the year just completed a significant number of strategic initiatives have been implemented. These include the launch of an expanded business banking product range, the launch of our own securitisation trust and the acquisition of a majority equity interest in a funds management company. Expansion into most states, product diversification and a strengthening of the distribution channels and alliance opportunities available throughout Australia continue.

The longer term benefits of these efforts will ensure that IMB continues to be a force in the banking and financial services sector of Australia. We believe that is the way it should be.

## PROFIT

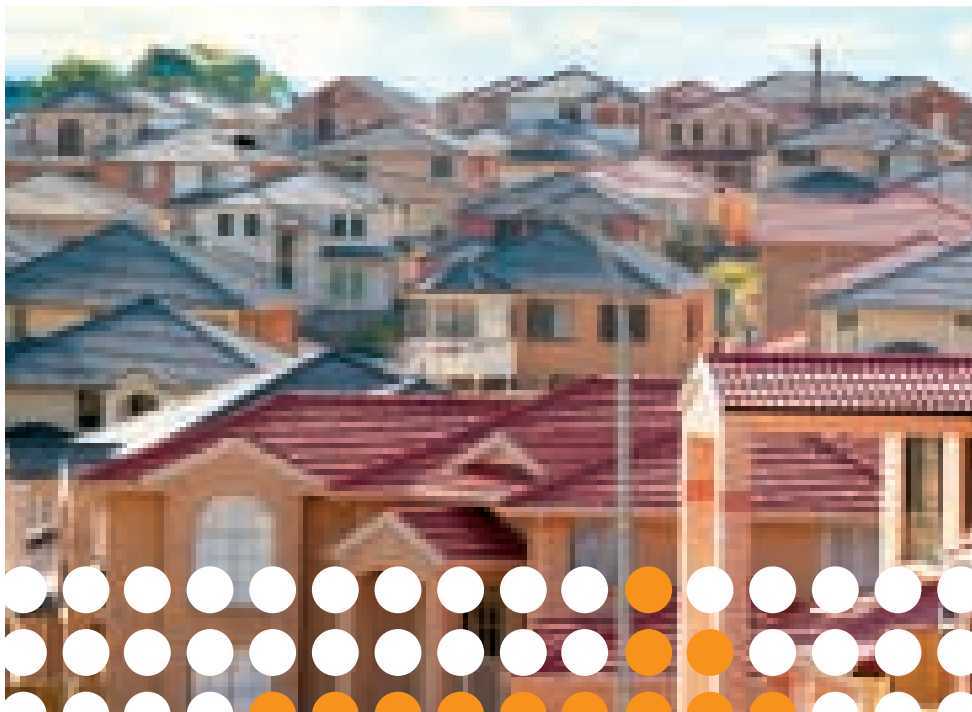
Group operating profit after tax at \$12.4 million was a record for IMB, a further improvement of \$1.8 million or 17.4 percent over the previous year. In the second half, the board declared a fully franked final dividend of 11.5 cents per share. This brings the total for the year to 18.5 cents per share, the same level as the previous year. The return on average equity, at 9.6 percent, is a significant improvement to the 8.9 percent level of the previous year. The 17.4 percent increase in net profit for the year under review is a very satisfying outcome in the light of competitive forces faced by the IMB and the issues experienced and resolved throughout the year.

## NET EARNING ASSETS INCOME

Net earning assets income for the year was \$50.6 million, up \$4.6 million on the previous year. The improvement reflects the strategies implemented to counter intense competition in the housing finance market and the market for retail deposits in an extremely low interest rate environment. Nevertheless an increasingly competitive marketplace will dictate that tightening net interest margins, albeit at a slower rate of contraction than over the last five years, will continue.

## NON INTEREST INCOME

Non interest income improved by \$12.2 million, or approximately 65.6 percent on the previous year and is the highest ever achieved by IMB. Non interest income sources are primarily revenue from land development, transaction cost recoveries, loan fees, commissions on insurance, investment product sales and loan securitisation income. After deducting the revenue from land development, non interest income improved by \$2.7 million or 16.7 percent. It should be noted that less than 25 percent of our members pay any transaction fees each month, a similar percentage to the previous year. Ongoing and new initiatives relating to key alliances and joint ventures will see significant ongoing improvement in this area in the coming years.



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## **\$3 BILLION MILESTONE IN ASSETS UNDER MANAGEMENT ACHIEVED.**

IMB has achieved loan approval levels of \$1.1 billion, the second year in a row loan approvals have exceeded \$1 billion. With the launch of our own securitisation trust IMB sets the platform for a significant increase in lending in the year ahead.



# CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONT'D

## BAD AND DOUBTFUL DEBTS EXPENSE

Bad and doubtful debts expense was \$1.1 million, an increase of \$0.2 million on the previous year. This is an excellent result, in light of the significant increase in the loan book. Part of this expense was the raising of a further general provision of \$0.4 million against the commercial loan book, irrespective of the fact that at June 30, no commercial loans were in arrears more than 90 days. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories.

## NON INTEREST EXPENSE

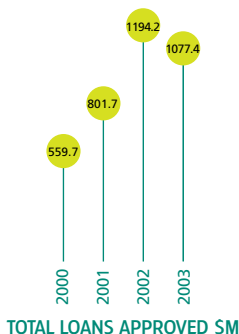
Non interest expense increased to \$61.3 million, from \$50.4 million in 2002, an increase of \$10.9 million or 21.6 percent. After deducting the expenses attributable to the land development joint venture, non interest expense increased to \$54.6 million, from \$48.6 million in 2002, an increase of \$6.0 million or 12.3 percent. Most of the increase is attributable to initiatives viewed as investments in the future of IMB. This 12.3 percent increase in expenses compares favourably to the 22.8 percent increase in assets under management.

Personnel costs have increased by \$3.0 million or 13.9 percent during the year, occupancy costs have increased by \$0.3 million or 5.8 percent and land development expenses have increased by \$4.9 million or 270.5 percent. Payment system charges have increased by \$0.3 million or 6.3 percent, marketing expenses

have increased by \$0.2 million or 6.8 percent, data processing expenses have increased by \$0.2 million or 9.9 percent and other expenses have increased by \$2.2 million or 18.0 percent.

The ratio of non interest expense to operating income for the group decreased from 77.9 percent in 2002 to 75.3 percent in 2003. Non interest expense, as a proportion of average total assets for the group, remained constant at 2.4 percent.

The growth of IMB to be a provider of banking and financial services with a national presence is a key strategy for the future. Implementation of the strategy is on track as are the results of the efforts and costs attributable to the strategy. This strategy is providing demonstrable results and the investment in current and future initiatives will provide a significantly stronger IMB for the benefit of all stakeholders.



## BALANCE SHEET

IMB has achieved excellent loan approval levels of \$1.1 billion for the year. This level is a slight reduction compared to the \$1.2 billion approved last year. With the launch of our own securitisation trust IMB is well set for a significant increase in lending in the year ahead.

On balance sheet loans outstanding remained constant at \$1.8 billion. Total loans under management, including securitised loans increased by \$0.3 billion or 13.2 percent compared to last year. This led to a new milestone for IMB, namely assets under management of \$3 billion, being achieved during the year.

Equally important is the increase in deposits to \$2.3 billion, up \$0.3 billion, or 13.0 percent over the previous year. This strong growth, both in dollars and percentage, highlights the fact that the initiatives implemented by IMB recognise that to achieve sustainable, profitable growth, then all parts of the company need to grow at a similar and controlled pace. The deposit growth has been sourced from both the retail and wholesale sector. Other wholesale debt strategies have also been implemented to ensure future growth strategies will not be curtailed.



## WE ARE COMMITTED TO PROVIDING FACE TO FACE SERVICES TO OUR MEMBERS

IMB Financial Planner Tony Bosevski (right), discusses financial planning needs with clients Leslie and Kerry Finch. IMB offers a wide array of products and services both in a face to face way and utilising the most up to date e-commerce technology.

# CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONT'D

## BUSINESS STRATEGIES

IMB will continue to look for acquisition opportunities to profitably grow the business. We have focussed on strengthening our balance sheet to ensure we can avail ourselves of opportunities as and when they arise. Our philosophy of being able to offer banking and financial services is reflected in our growth strategy throughout the year. Future acquisitions will assist us to further grow in the core areas of lending and deposit taking, financial planning and funds management arena. Similarly IMB will continue to source alliance partners to widen the products and services available.

IMB opened a new sales centre in Parramatta in June 2003. This centre continues our focus in the Sydney marketplace. It also reconfirms IMB's commitment to sales centres, providing face to face service to our members. These sales centres then complement the other distribution channels available. The new look not only promotes the new logo, imagery and design of the new IMB, but also promotes the wider array of products and services offered by IMB, both in a face to face way and

utilising the most up to date e-commerce technology and strategies available.

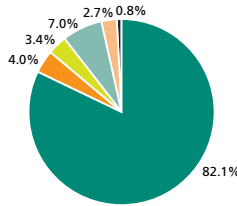
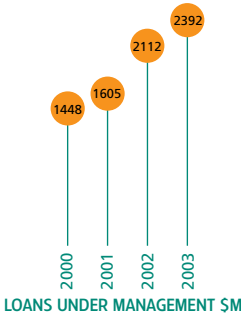
We have also invested significantly in technology in the current year. Much of this investment will continue into the new year. Projects currently underway include the complete replacement of the front end of our loans processing system, the replacement of our entire ATM fleet and the commencement of a significant upgrade of our call centre technology.

This latter project will not only include a major investment in technology but will also encompass a large increase in the number of employees in the call centre supporting our strategy of further diversification of distribution channels.

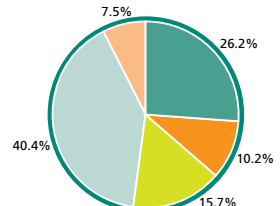
Ongoing reviews of products and services have resulted in the launch of a number of new or improved deposit and lending products, along with a number of improved insurance products. This is highlighted by a launch of a new

business banking product offering a personal business banking relationship to new and existing small to medium sized enterprises. By continually reviewing our product offerings and those of our alliance partners, IMB is able to ensure all products offered by IMB, whether our products or on behalf of another institution are not just competitive but also supportable.

IMB products continue to be enhanced. Nevertheless we are proud of our achievements in the year having won gold awards for our Wisdom Saver Account and our 5 year fixed car loan in the Personal Investor Awards for Excellence in Financial Services. IMB also won a silver and a bronze award for other products from these awards. In addition IMB was awarded the Best Car Loan (\$17,500) and the Best Equity Line of Credit Loan as a finalist in the Money Magazine – The Best of the Best Awards. Whilst being proud of awards, we are more proud of the fact that our products continue to be ranked so favourably by objective analysts.



- New South Wales
- Australian Capital Territory
- Queensland
- Victoria
- Western Australia
- Other Australia



- Illawarra
- South Coast
- Southern Highlands
- Sydney
- Other



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## A FURTHER \$500,000 WAS ALLOCATED TO THE IMB COMMUNITY FOUNDATION

Geoff Willetts, a student at Warilla High School, participated in the Plan-It Youth program, a project supported by the IMB Community Foundation. As part of the program Geoff was mentored by a young woman, Kristy, who organised for Geoff to do work experience at a local Catamaran builder called "Sea Wind" Catamarans. Geoff so impressed his employer with his willingness to learn that they called him back for a second work experience period and he is now employed by them as an apprentice shipwright.

# CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONT'D

## A MUTUAL INTEREST IN THE COMMUNITY

The Chairman has referred to the allocation of a further \$500,000 to the IMB Community Foundation. This is but one of many examples of IMB supporting the community which it serves. This takes to \$2 million granted to the Foundation in four years supporting a total of 68 projects throughout south eastern NSW and the ACT.

Again IMB has provided another three year university academic scholarship to a worthy recipient this year. A total of four recipients are currently enjoying IMB support for their pursuit of academic excellence.

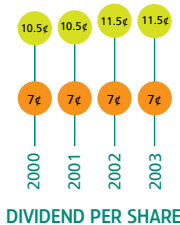
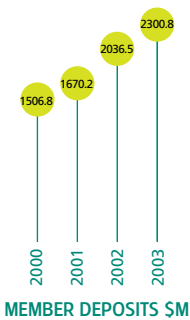
This is in addition to the wide ranging sponsorship support for a number of community and sporting bodies. The naming rights sponsorship of the Wollongong IMB Hawks has assisted the Hawks in again making the playoffs in the

National Basketball League following their successful quest to become League champions in 2001. This sponsorship and the achievements of the Hawks continue to assist IMB in brand recognition throughout the country as we continue growing our national profile.

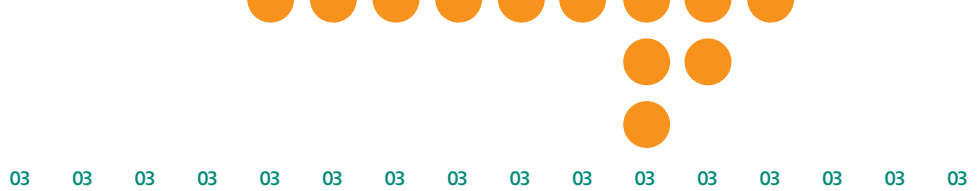
IMB also has significant mutually beneficial sponsorship relationships in place with Essendon in the Australian Football League, Cronulla Sharks in the National Rugby League and the Wollongong based IMB Ice Thirteen V8 Brute Ford Racing Team. Each of these sponsorships is strategic and successfully improves IMB's presence and profile both from a geographic but also demographic perspective.

## CENTENARY ESTATES JOINT VENTURE

IMB is now in its sixteenth year of involvement with a residential land development joint venture at Albion Park. In recent years the joint venture has recorded marginal performance in its contribution to the group performance. This year has shown significant improvement, following the decision to sell our interest in a large land bank owned by the joint venture. This has also significantly reduced our loan exposure to the joint venture. IMB continues its involvement in the joint venture and looks forward to future positive contribution from the remaining land stock.



- Interim
- Final



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## **IMB STAFF CONTINUE TO MEET THE MANY DIFFERENT CHALLENGES PUT BEFORE THEM**

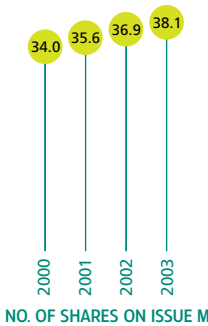
In a continuing environment of change and ever-increasing demands in banking and finance, service levels continue to be not only maintained but improved.

# CHIEF EXECUTIVE'S REVIEW OF OPERATIONS CONT'D

## RESEARCH AND DEVELOPMENT

IMB concluded its involvement in 2002 with the four research and development syndicates from past years. As reported in the Half-Year Financial Report a negotiated settlement totalling \$1.4 million after tax was reached with the Australian Taxation Office for two R&D investment transactions dating from 1994.

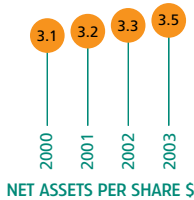
A further transaction dating back to 1993 has been in negotiations with the ATO for the last four years. The ATO has now issued Notices of Amended Assessments. We intend to defend the Company's position regarding these assessments. The ATO has now agreed to continue negotiations with a view to potential settlement. A provision of \$2.45 million has been made for this settlement, \$650,000 of which has been brought to account this year. We believe that all potential outstanding R&D related obligations to the ATO will be resolved in the coming year. These are commented on further in the annual accounts.



## MANAGEMENT AND STAFF

During the year under review, there have been no changes in the IMB executive. There has been significant strengthening of the middle management ranks. The skilled and experienced senior staff joining IMB has and will complement the existing staff to ensure the strategic initiatives contemplated will continue to be successfully implemented.

Management and staff have agreed on the implementation of enterprise agreements for the administration staff and the non NSW sales centre staff. In early July 2003, the call centre staff also voted in favour of an enterprise agreement which is currently being presented to the Industrial Commission for ratification. Management looks to the NSW sales centre staff to favourably support an enterprise agreement for them in the coming year, thus completing agreements for all areas of operations.



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 improved.

## OUTLOOK

As contemplated last year, the improved performance and efficiencies achieved over the last few years, in a sometime difficult economic climate, 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 stakeholders; being our members, our shareholders, our staff, as well as the communities in which we serve.

PW Morris  
Chief Executive



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The executives from left to right: Mark Anderson, Wayne Morris (chief executive), Robert Ryan, and Bob Turnbull.



# DIRECTORS' REPORT

The directors present 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 year ended 30 June 2003 and the auditor's report thereon.

## TRADING RESULTS

The profit after tax from ordinary activities attributable to members of the consolidated entity for the financial year was \$12,374,000 (2002 \$10,544,000). Income tax of the consolidated entity for the financial year was \$7,999,000 (2002 \$3,716,000).

## DIVIDENDS

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

- a final dividend of \$0.115 per share amounting to \$4,247,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2002, paid on 30 August 2002;
- an interim dividend of \$0.07 per share amounting to \$2,636,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2003, paid on 6 March 2003;
- a final dividend of \$0.115 per share amounting to \$4,383,000 franked to 100% at a tax rate of 30%, declared on 1 August 2003, in respect of the year ended 30 June 2003, payable on 30 August 2003.

Total dividends paid or declared in respect of the year ended 30 June 2003 were \$0.185 per share (2002 \$0.185) amounting to \$7,019,000 (2002 \$6,801,000).

## DIRECTORS

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

**Kenneth Richard McKinnon AO**,  
*Chairman*

**Peter Francis Bolt OAM**

**George Anthony Edgar**

**Lindsay Russell Fredericks**

**Lynette Therese Gearing**  
(appointed 28 May 2003)

**Harold Hanson AM**

**Vivien Jennifer Twyford**

**Bryce Edward Wauchope** (resigned  
25 September 2002)

At the annual general meeting of the Company on 26 September 2003, three directors, Mr LR Fredericks, Ms LT Gearing and Mr H Hanson will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-election.

## DIRECTORS QUALIFICATIONS

**Kenneth Richard McKinnon AO**  
**AUA (Adel) BA BEd (Qld) EdD**  
**(Harv) DLitt (Hon) Deakin DLitt**  
**(Hon) Wgong DLitt (Hon) UNSW**  
**DUniv (Hon) James Cook FACE**

Professor McKinnon was appointed chairman in December 2000, after being deputy chairman from 1996. He has been a non executive director since 1993 and is a member of the remuneration committee and the nomination and corporate governance committee.

Professor McKinnon is a higher education consultant. He is also a chairman of the Australian Press Council and a director of the College of Law. As well as being chairman of IMB Ltd, Professor McKinnon is also chairman of Callidus Group Investments Pty Ltd and all entities wholly owned by IMB Ltd.

# DIRECTORS' REPORT CONT'D

## **Peter Francis Bolt OAM**

Mr Bolt, whose area of expertise is business and local government management has been a non executive director since 1993. He is a member of the centenary estate joint venture and audit and risk management committees. Mr Bolt is also treasurer of the Wollongong Sportsground Trust and vice president of the Illawarra Retirement Trust. He is a former alderman of Wollongong City Council, and former chairman of Illawarra Electricity, Illawarra Regional Information Service, NSW Association of Coal Related Councils and Premature Local Government Joint Insurance Authority. As well as being a director of IMB Ltd, Mr Bolt is also a director of all entities wholly owned by IMB Ltd.

## **George Anthony Edgar**

Mr Edgar, whose expertise is business management, was appointed non executive director in 2000. He is a member of the remuneration committee and the nomination and corporate 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, member of the Illawarra Regional Development Board and past chairman of Mainteck Services Australia. As well as being a director of IMB Ltd, Mr Edgar is also a director of Callidus Group Investments Pty Ltd and all entities wholly owned by IMB Ltd.

## **Lindsay Russell Fredericks**

### **FPNA FAICD FAIM**

Mr Fredericks, whose area of expertise is accounting and management consulting, has been a non executive director since 1990. He is chairman of the audit and risk management committee and a member of the IMB community foundation committee.

Mr Fredericks is a management consultant specialising in accounting, administrative and financial projects for small business and business writing. He networks with other consultants in sales automation, client relationship management systems and strategic planning projects. He is managing director of Moresound Pty Ltd and has had 28 years experience as chief executive of business enterprises. His former positions include: general manager of Shoalhaven Dairy Co Ltd, director of the Co-operative Federation of NSW, chairman NSW Dairy and Food Industry Training Committee, deputy chairman of the National Committee and general manager of Miltonbrook Pty Ltd.

Mr Fredericks is a 27 year member of the Lions Service Organisation. As well as being a director of IMB Ltd, Mr Fredericks is also a director of all entities wholly owned by IMB Ltd, with the exception of IMB Land Pty Ltd.

## **Lynette Therese Gearing**

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

Ms Gearing was appointed to the board as a casual director on May 28, 2003. She is a member of the IMB audit and risk management committee and the nomination and corporate governance committee. Ms Gearing was the Chief Executive Officer for the trustee corporations of the NSW public sectors superannuation schemes (State Super and First State Super) from 1997 until December 2002.

Ms Gearing has over 30 years business experience in superannuation, funds management, corporate finance and management consulting. She also held a number of directorships in the corporate and not for profit sectors. As well as being a director of IMB Ltd, Ms Gearing is also a director of all entities wholly owned by IMB 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 remuneration committee, the nomination and corporate governance committee and the IMB community foundation 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 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, 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.

### **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. Ms Twyford is managing director of Twyford Consulting and has been a consultant in the area of business improvement, people and strategy for 22 years, now specialising in community consultation. In 2002, the University of Wollongong awarded her a fellowship. She is inaugural president of the Australasian Chapter of the International Association of Public Participation (IAP2) and is vice president of the International Board of IAP2. 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 and was chairperson of the Illawarra Branch of the Australasian Institute of Management for 4 years. Ms Twyford was a member of the Illawarra Regional Development Board from 1993 to 1996. As well as being a director of IMB Ltd, Ms Twyford is also a director of all entities wholly owned by IMB 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 2003.

# DIRECTORS' REPORT CONT'D

## REVIEW OF OPERATIONS

Consolidated profit after tax from ordinary activities attributable to members was \$12,374,000 (2002 \$10,544,000), an increase of \$1,830,000 or 17.4% over 2002.

Net loan approvals were down \$116,807,000 to \$1,077,439,000 (2002 \$1,194,246,000). This was due to a lower level of commercial lending, resulting in a decrease in commercial loan approvals of \$187,672,000 compared to 2002 levels, while residential and other lending approvals increased by \$70,865,000 from 2002 levels.

Net interest income increased to \$53,564,000 representing an improvement of \$6,616,000 which resulted from the growth in average earning assets. This was mainly through average on-balance sheet loans and investments, which increased by 18.8% or \$376,689,000 to \$2,377,267,000, offset by an increase in average interest bearing liabilities of 19.8% or \$377,869,000 to \$2,285,607,000 and a 0.17% decrease in earning asset margin to 2.08%.

Bad and doubtful debts expense increased by \$211,000 to \$1,109,000 (2002 \$898,000). The bad and doubtful debts expense for 2003 includes an increase in the additional general provision of \$400,000 against the existing commercial loan portfolio, in line with commercial provisioning policy. The bad debts expense for 2003 is 0.06% of total average loans in comparison to 0.05% in 2002.

Non interest income improved by \$12,208,000 or 65.6% to \$30,818,000. This increase was primarily due to the sale of a large portion of land from our residential land development joint venture at Albion Park and an increase in securitisation income due to securitised loans increasing by 103.6% to \$559,961,000.

The increase in non interest expense to \$61,308,000 resulted primarily from holding costs associated with the large portion of land sold from our residential land development joint venture, increases in personnel costs associated with the IMB's continued growth, and referral fees associated with broker originated loans.

During the year, IMB had a negotiated settlement totalling \$1,360,000 after tax with the Australian Taxation Office for two Research and Development investment syndicates dating from 1994.

## EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter disclosed in Note 8 in relation to the Australian Taxation Office Audit of the Research and Development Syndicates, the directors are not aware of any item, transaction or event of a material and unusual nature that has arisen in the interval between 30 June 2003 and the date of this report likely 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 3 to 13.

## 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 3 to 13.

## DIRECTORS' INTERESTS

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

Director	Holding at 01 August 2003
Prof KR McKinnon	17,935
Mr PF Bolt	8,599
Mr GA Edgar	23,800
Mr LR Fredericks	4,251
- associates	26,234
Ms LT Gearing	2,000
Mr H Hanson	9,913
Ms VJ Twyford	2,335

## DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' and senior executives' emoluments are set out in Notes 6 and 7.

## 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 REGULATIONS

The consolidated entity's operations are subject to environmental regulations in relation to land development. The consolidated entity complies with Soil and Erosion Control and Water Quality Regulations set by the Department of Land and Water Conservation and Shellharbour City Council.

# DIRECTORS' REPORT CONT'D

## 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 2003 and the number of meetings attended by each director.

	MEETINGS OF COMMITTEES					
	Directors Meetings	Audit & Risk Management	Centenary Estate JV	Remuneration	Nomination and Corporate Governance	IMB Community Foundation
Number of meetings held	14	5	3	1	-	3
<b>NUMBER OF MEETINGS ATTENDED</b>						
Prof KR McKinnon	14	5	-	1	-	-
Mr PF Bolt	14	5	3	-	-	-
Mr GA Edgar	13	-	-	1	-	-
Mr LR Fredericks	14	5	-	-	-	3
Ms LT Gearing	1	-	-	-	-	-
Mr H Hanson	12	-	-	1	-	3
Ms VJ Twyford	13	-	-	-	-	3
Mr BE Wauchope	3	1	-	-	-	-

Ms LT Gearing was appointed to the board on 28 May 2003 and attended the June 2003 directors' meeting. Mr BE Wauchope ceased to be a director on 25 September 2002 and attended all the meetings he was eligible to attend.

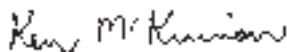
\*The nomination and corporate governance committee was formed on 23 April 2003.

## ROUNDING OFF


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 2003.

Signed in accordance with a resolution of the directors.



KR McKinnon AO, Chairman



H Hanson AM, Director

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2003

	CONSOLIDATED	
	2003	2002
	\$000	\$000
Interest revenue	144,032	119,346
Interest expense	(90,468)	(72,398)
Net interest income	53,564	46,948
Bad and doubtful debts expense	(1,109)	(898)
Net interest income after bad and doubtful debts	52,455	46,050
Income from equity investments	(1,834)	-
Net earning asset income	50,621	46,050
Revenue from land development	11,703	2,233
Other revenue from ordinary activities	19,115	16,377
Net ordinary income before non interest expenses	81,439	64,660
Personnel expense	(24,568)	(21,570)
Occupancy expense	(5,426)	(5,129)
Land development expense	(6,724)	(1,815)
Payment system charges	(4,483)	(4,219)
Marketing expense	(3,861)	(3,614)
Data processing charges	(1,782)	(1,621)
Other expenses from ordinary activities	(14,340)	(12,148)
Share of losses of associates accounted for using the equity method	(124)	(284)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>	<b>20,131</b>	<b>14,260</b>
Income tax expense relating to ordinary activities	(7,999)	(3,716)
<b>NET PROFIT</b>	<b>12,132</b>	<b>10,544</b>
Net profit attributable to outside equity interest	242	-
<b>NET PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>	<b>12,374</b>	<b>10,544</b>
	\$	\$
Basic and diluted earnings per share	0.33	0.29

The statement of financial performance is to be read in conjunction with the discussion and analysis on page 22 and the notes to the financial statements set out on pages 27 to 31.

# DISCUSSION AND ANALYSIS OF THE STATEMENT OF FINANCIAL PERFORMANCE

Net interest income for the consolidated entity increased by \$6,616,000 to \$53,564,000. This increase resulted mainly from the growth in average earning assets, which increased by 18.8% or \$376,689,000 to \$2,377,267,000 offset by an increase in average interest bearing liabilities of 19.8% or \$377,869,000 to \$2,285,607,000, and a reduction in earning asset margin by 0.17% to 2.08%.

Bad and doubtful debts expense was \$1,109,000, a slight increase of \$211,000 from the previous year. Part of this expense was the raising of a general provision of \$400,000 against the commercial loan portfolio. This is in addition to the \$400,000 general provision raised last financial year.

Non interest income for the consolidated entity increased by \$12,208,000 to \$30,818,000. This was primarily due to income from the sale of a large portion of land by our joint venture land development company, and an increase in securitisation income attributable to securitised loans increasing by 103.6% to \$559,961,000.

Non interest expense for the consolidated entity increased by \$10,908,000 to \$61,308,000. This was largely due to holding costs associated with the land sold by our joint venture land development company, increases in personnel costs associated with the IMB's continued growth, and other expenses associated with broker originated loans.

During the year, the IMB had a negotiated settlement totalling \$1,360,000 after tax with the Australian Taxation Office for two Research & Development investment syndicates dating from 1994. This settlement has had a significant impact on tax expense, increasing to an average rate of 39.7% in comparison to 26.1% in 2002.

Non interest expenses to operating income decreased from 77.9% in 2002 to 75.3%.

Return on average net assets (after tax) increased from 8.9% in 2002 to 9.6%.

After tax return on average total assets remained constant at 0.5%.

Non interest expense to average total assets remained constant at 2.4%.



# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	CONSOLIDATED	
	2003 \$000	2002 \$000
<b>ASSETS</b>		
Cash assets	17,849	18,630
Due from other financial institutions	428	3,920
Trading securities	112,413	48,146
Receivables	14,110	1,902
Investment securities	459,783	248,554
Loans	1,831,901	1,837,244
Equity accounted investments	1,004	1,091
Other financial assets	837	977
Inventories	570	5,386
Property, plant and equipment	21,706	18,457
Intangible assets	892	1,247
Deferred tax assets	2,068	2,405
<b>OTHER ASSETS</b>	<b>5,812</b>	<b>3,880</b>
<b>TOTAL ASSETS</b>	<b>2,469,373</b>	<b>2,191,839</b>
<b>LIABILITIES</b>		
Due to other financial institutions	319	3,086
Payables	15,395	10,665
Deposits	2,300,781	2,036,491
Loan Capital	10,000	10,000
Current tax liabilities	1,796	-
Deferred tax liabilities	4,177	3,699
Provisions	3,990	3,814
<b>TOTAL LIABILITIES</b>	<b>2,336,458</b>	<b>2,067,755</b>
<b>NET ASSETS</b>	<b>132,915</b>	<b>124,084</b>
<b>EQUITY</b>		
Contributed equity	41,209	37,627
Reserves	30,880	30,880
Retained profits	60,617	55,126
<b>TOTAL PARENT ENTITY INTEREST</b>	<b>132,706</b>	<b>123,633</b>
Outside equity interests	209	451
<b>TOTAL EQUITY</b>	<b>132,915</b>	<b>124,084</b>

The statement of financial position is to be read in conjunction with the discussion and analysis on page 24 and the notes to the financial statements set out on pages 27 to 31.

# DISCUSSION AND ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

The total assets of the consolidated entity increased by \$277,534,000 or 12.7%, to \$2,469,373,000 (2002 \$2,191,839,000). The increase in total assets was mainly attributable to an increase in lending, with loan approvals for the year of \$1,077,439,000 (2002 \$1,194,246,000). Total loans under management increased by \$279,618,000 or 13.2% to \$2,391,862,000 (2002 \$2,112,244,000) which includes securitised loans of \$559,961,000 (2002 \$275,000,000).

The total liabilities of the consolidated entity increased by \$268,703,000 to \$2,336,458,000 (2002 \$2,067,755,000). The movement in total liabilities was mainly due to an increase in members' deposits of \$264,290,000 to \$2,300,781,000 (2002 \$2,036,491,000).

Members' equity for the consolidated entity increased by \$8,831,000 or 7.1%, to \$132,915,000 (2002 \$124,084,000). The increase in members' equity is attributable to the growth in retained profits, which increased by \$5,491,000 to \$60,617,000 (2002 \$55,126,000) and also contributed equity, which increased by \$3,582,000 to \$41,209,000 (2002 \$37,627,000) resulting from the issue of additional shares through the discount dividend re-investment scheme.

The ratio of net assets to total assets has decreased slightly from 5.7% in 2002 to 5.4%.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003

	CONSOLIDATED	
	2003 \$000	2002 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	143,170	118,797
Income from equity investments	(1,834)	-
Dividends received	6	38
Other cash receipts in the course of operations	20,390	18,614
Interest paid	-	-
- deposits	(87,702)	(71,285)
- borrowings	(2)	(10)
Income taxes paid	(5,473)	(4,538)
Other cash payments in the course of operations	(50,582)	(45,244)
Net cash provided by operating activities	17,973	16,372
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net increase in loans	(271,554)	(508,744)
Net increase in investments	(283,564)	(86,474)
Payments for controlled entities (net of cash acquired)	-	(9,464)
Expenditure on property, plant and equipment	(7,056)	(4,299)
Proceeds from sale of property, plant and equipment	234	861
Net cash used in investing activities	(561,940)	(608,120)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	261,526	365,148
Proceeds from sale of securitised loans	284,961	225,000
Net increase in loan capital	-	10,000
Dividends paid	(3,301)	(2,828)
Transfer of business	-	16
Net cash provided by financing activities	543,186	597,336
Net increase/(decrease) in cash held	(781)	5,588
Cash at the beginning of the financial year	18,630	13,042
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>17,849</b>	<b>18,630</b>

The statement of cash flows is to be read in conjunction with the discussion and analysis on page 26 and the notes to the financial statements set out on pages 27 to 31.

# DISCUSSION AND ANALYSIS OF THE STATEMENT OF CASH FLOWS

## OPERATING ACTIVITIES

Cash flows from operating activities in relation to the consolidated entity increased by \$1,601,000 to \$17,973,000 (2002 \$16,372,000). This was mainly due to an increase in interest income of \$24,373,000 which has resulted from an increase in average earning loans. This increase has been mainly offset by an increase in interest paid of \$16,409,000 which has resulted from increased investors deposits, an increase in non interest expenses of \$5,338,000, and an increase in income taxes paid of \$935,000.

## INVESTING ACTIVITIES

Cash outflows from investing activities decreased by \$46,180,000 to \$561,940,000 (2002 \$608,120,000). This was mainly due to the growth in the loan portfolio and an increase in the investment portfolio due to the funds received from the securitisation of loans.

## FINANCING ACTIVITIES

Cash flows from financing activities decreased by \$54,150,000 to \$543,186,000 (2002 \$597,336,000). The cash flows from financing activities was largely due to deposit growth and the proceeds from the sale of securitised loans.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2003

## 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.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

Where necessary, comparative amounts have been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

## 2 INDIVIDUALLY SIGNIFICANT ITEMS

	CONSOLIDATED	
	2003	2002
	\$000	\$000
(a) Individually significant revenues and expenses included in profit from ordinary activities before income tax expense		
Revenue from sale of land	11,703	2,233
Cost of property sold	(6,724)	(1,815)
<b>PROFIT BEFORE TAX FROM INDIVIDUALLY SIGNIFICANT ITEMS</b>	<b>4,979</b>	418
(b) Individually significant income tax items:		
Additional income tax paid for Research and Development syndicates settlement	1,360	-

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

FOR THE YEAR ENDED 30 JUNE 2003

## 3. DIVIDENDS

	Cents per share	Total amount \$000	% Franked	Date of payment
Dividends paid or declared by the Company to members since the end of the previous financial year were:				
<b>2003</b>				
2003 interim dividend	7.0	2,636	100%	06 Mar 2003
2002 final dividend	11.5	4,247	100%	30 Aug 2002
		6,883		
<b>2002</b>				
2002 interim dividend	7.0	2,554	100%	27 Feb 2002
		2,554		

Franked dividends paid were franked at the tax rate of 30%.

### SUBSEQUENT EVENTS

On 1 August 2003 the Board declared a final dividend of 11.5 cents per share amounting to \$4,383,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2003. The dividend is payable on 30 August 2003. The financial effect of the final dividend has not been brought to account in the financial statements for the year ended 30 June 2003 and will be recognised in subsequent financial reports.

## 4. RETAINED PROFITS

		CONSOLIDATED	
	Note	2003 \$000	2002 \$000
Retained profits at the beginning of the year		55,126	47,120
Net profit attributable to members of the parent entity		12,374	10,544
Net transfers to and from retained profits		-	16
Dividend recognised during the year	3	(6,883)	(2,554)
<b>RETAINED PROFITS AT THE END OF THE YEAR</b>		<b>60,617</b>	<b>55,126</b>

## 5 TOTAL EQUITY RECONCILIATION

	CONSOLIDATED	
	2003 \$000	2002 \$000
Total equity at beginning of the year	124,084	112,007
Total changes in parent entity interest in equity recognised in statement of financial performance	12,374	10,543
Transactions with owners as owners:		
Shares purchased through dividend re-investment plan	3,582	3,620
Dividends	(6,883)	(2,554)
Total changes in outside equity interest	(242)	468
<b>TOTAL EQUITY AT END OF THE YEAR</b>	<b>132,915</b>	<b>124,084</b>

## 6 DIRECTORS' REMUNERATION

Details of the nature and amount of each element of emolument paid or payable of each director of the Company are:

Director	Base Emolument \$	Super Contributions \$	Retirement Benefits \$	2003 Total \$	2002 Total \$
Mr KR McKinnon	84,000	7,560	41,775	133,335	124,591
Mr PF Bolt	43,250	3,893	8,966	56,109	55,931
Mr GA Edgar	43,250	3,893	46,416	93,559	84,821
Mr LR Fredericks	43,250	3,893	9,818	56,961	59,141
Ms LT Gearing (appointed 28 May 2003)	3,671	330	4,435	8,436	-
Mr H Hanson	43,250	3,893	9,818	56,961	59,141
Ms VJ Twyford	43,250	3,893	9,818	56,961	59,141
Mr BE Wauchope (ceased 25 September 2002) <sup>#</sup>	33,125	2,919	143,051	179,095	70,636
	337,046	30,274	274,097	641,417	513,402

<sup>#</sup> The retirement benefit for Mr Wauchope is the actual amount paid on the cessation of directorship and includes amounts provided for in prior years.

# NOTES TO THE FINANCIAL STATEMENTS CONT'D

FOR THE YEAR ENDED 30 JUNE 2003

## 6 DIRECTORS' REMUNERATION CONT'D

	CONSOLIDATED	
	2003	2002
	\$000	\$000
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	641	513
Base emoluments	337	317
Superannuation contributions	30	26
Retirement benefits accrued	131	170
Retirement benefits paid	143	-
	641	513

## 7 EXECUTIVES' REMUNERATION

	CONSOLIDATED	
	2003	2002
	\$000	\$000
The number of executive officers of the Company and of controlled entities, whose remuneration (including superannuation and redundancy payments) from the Company or related parties, and from entities to the consolidated entity, falls within the following bands:		
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	1	1
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	1	-
\$270,000 - \$279,999	-	1
\$340,000 - \$349,999	1	-
	1,152	820

Total income received or due and receivable, (including superannuation and redundancy payments) from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is \$100,000 or more

1,152 820

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.



## 8 CONTINGENT LIABILITIES

### GUARANTEES GIVEN BY IMB LTD Real Estate Development

Guarantee in favour of Shellharbour City Council \$555,000 (2002 \$545,000) in association with real estate development activities undertaken by a controlled entity, IMB Land Pty Ltd and that entity's joint venturer.

Indemnity of \$50,000 (2002 \$50,000) in favour of the Commonwealth Bank of Australia 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.

### PLEDGES

The Company has a pledge in favour of Westpac Banking Corporation of \$10,000,000 (2002 \$10,000,000) securing its cheque clearing facility.

### AUSTRALIAN TAXATION OFFICE AUDIT - RESEARCH & DEVELOPMENT SYNDICATES

Over recent years, the Australian Taxation Office ("ATO") has conducted an extensive program of auditing research and development syndicates. Under this program, the Company is currently in negotiations with the ATO following the audit of one of its syndicates.

The ATO has issued a position paper on the syndicate. In responding to the ATO position paper the Company received advice from Senior legal counsel confirming the Company's claims for tax deductions were in accordance with income tax legislation. A detailed response to the position paper strongly refuting the ATO's views was settled by Senior legal counsel and submitted to the ATO.

During July 2003, the ATO issued Notices of Amended Assessments for approximately \$9.1 million in relation to this syndicate (which includes penalties and interest of \$5.8 million), resulting in an after tax figure of \$7.8 million.

The directors intend to defend the Company's position and despite the issue of the Notices of Amended Assessment the ATO have agreed to continue negotiations with a view to potential settlement .

A provision of \$2.45 million has been made in anticipation of such settlement. This amount has been determined using the "economic neutrality" principle accepted by the ATO in settling two of the Company's other research and development syndicates in early 2003.

While the final outcome of the negotiation is uncertain, the directors are of the view that no further adjustment to the provision for income tax was required as at 30 June 2003.

## 9 SEGMENT REPORTING

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

# DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2003

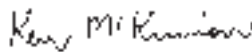
In the opinion of the directors of IMB Ltd, the accompanying concise financial report of the consolidated entity, comprising IMB Ltd and its controlled entities for the year ended 30 June 2003, set out on pages 21 to 31:

(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 in Wollongong, this 1st day of August.

Signed in accordance with a resolution of the directors.



**KR McKinnon AO, Chairman**



**H Hanson AM, Director**

## INDEPENDENT AUDIT REPORT ON CONCISE FINANCIAL REPORT

### SCOPE

We have audited the concise financial report of IMB Ltd ("the Company") and its controlled entities for the financial year ended 30 June 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 9, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows (set out on pages 21 to 31), in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent

audit of the full financial report of IMB Ltd and its controlled entities for the year ended 30 June 2003. Our audit report on the full financial report was signed on 1 August 2003 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

### AUDIT OPINION

In our opinion the concise financial report of IMB Ltd and its controlled entities for the year ended 30 June 2003 complies with AASB 1039 "Concise Financial Reports".



**KPMG**



**Chris Hollis**

**Partner**

**Wollongong 1 August 2003**

## SHAREHOLDERS' DIARY AND OTHER INFORMATION

- Announcement of full year results and final dividend August 2003
- Annual general meeting 26 September 2003 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 26 September 2003 at 10:00am.

## COMPANY SECRETARY

**Robert James Ryan**

BEC MCommLaw FCIS FCIM ACA  
FTIA AICD

## REGISTERED OFFICE

253-259 Crown Street  
Wollongong  
New South Wales 2500

## SHARE REGISTRY

IMB Ltd is not listed on the Australian Stock Exchange. Shares are traded through an exempt market operated by the company.

The share register is available for inspection at:  
Level 6 Executive Services  
253-259 Crown St  
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



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