

IMB Concise Report 2004

strength
innovation
growth

The way it should be

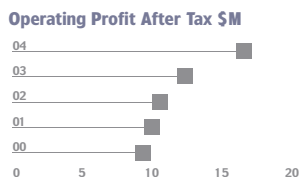
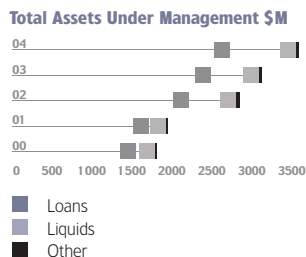


In an Australian first, international rating agency Standard and Poor's assigned a corporate credit rating to IMB making it the only building society or credit union in Australia to ever have been given a public investment grade rating.

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 2004 Annual Financial Report, including the independent audit report, is available to all members, and will be sent to members without charge upon request. The 2004 Annual Financial Report can be requested by calling 133IMB [133462] or by visiting our web site at www.imb.com.au.



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Highlights

Financial

Record group profit after tax up 33.8% to \$16.6 million.

Return on average equity improved from 9.6% to 11.9%.

Non interest expense to operating income ratio decreased from 75.3% to 71.6%

Total assets under management increased by \$456 million or 15.0%, to just slightly below \$3.5 billion.

Lending approvals exceeded \$1.0 billion for the third year in a row.

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

Deposits grew by 7.9% to \$2.5 billion.

A further \$500,000 was allocated to the IMB Community Foundation. This brings to \$2.5 million the amount of funds granted through the Foundation to the community.

Products and Services

Implemented a new loan processing system and introduced a guaranteed approval service.

Significantly upgraded our call centre including relocation to a purpose built site, with state of the art technology and a large increase in number of employees.

Introduced an on-line loan application to imb.com.au.

Expanded the availability of an interest only option to all home loan products.

Launched the availability of low-doc and non conforming home loans and CTP greenslips through new alliance partners.

Won a gold award for our Secured Personal loan in the Personal Investor Awards.

Awarded a bronze award for our 3 year fixed rate product in the Your Mortgage Magazine Awards.

A review by independent research house CANNEX of the value to members of belonging to IMB highlighted almost \$12 million per annum is generated in member value compared to the value proposition of the major banking groups.

Corporate

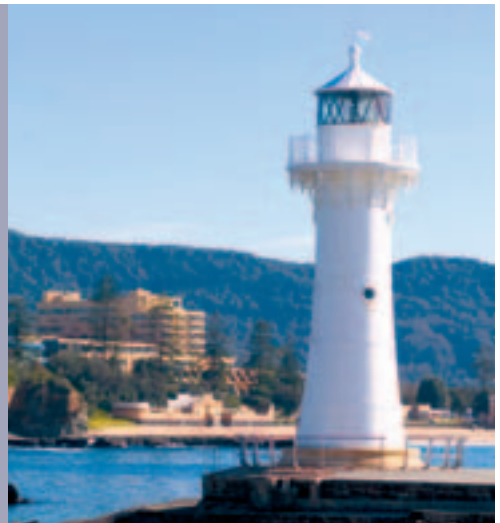
Standard & Poor's Ratings Services assigned a public rating of BBB- long term, A-3 short term to IMB, making it the only building society or credit union in Australia to have ever been given a public investment grade rating.

Launched a debut \$232 million Commercial Mortgage Backed Securities offer in the Australian bond market to both domestic and overseas investors, the first of its kind by an authorised deposit taking institution in Australia.

Launched a \$495 million Residential Mortgage Backed Securities offer in the Australian bond market to both domestic and overseas investors.

Enterprise agreement certified by the Australian Industrial Relations Commission for NSW sales centre staff.

Launched a set of IMB Values – integrity, community, co-operation, excellence and respect – as guiding principles by which we run the business and conduct ourselves in all interactions with colleagues, our customers, our suppliers and all other stakeholders.



Letter from the Chairman

Dear Members,

Another good result for 2004, the seventh record in a row, prompts me to reflect briefly on the progress of the Company for the decade as well as the year. While the profit for 2004 is another record, it does include a windfall one-off amount of just over \$4 million before tax resulting from the takeover of Cashcard Australia Pty Ltd in which IMB had shares. Nevertheless net of that effect IMB's underlying profit was still an increase on the previous year's underlying profit, a particularly satisfying outcome.

We have certainly come a long way in the last ten years. As the following figures show the Company is much bigger and better than it was then or even five years ago.

	1994	1999	2004
Assets under management	\$1.09b	\$1.61b	\$3.48b
Profits after tax	\$5.88m	\$8.69m	\$16.56m
Expense ratio %	82.60%	76.00%	71.60%*

* 74.8% net of the Cashcard contribution to profit.

Taking into account that the interest margin has declined from 4.0% in 1994 to 2.6% in 1999 and down to 2.2% in 2004, the growth and profits of the Company while not spectacular have been consistently good.

As everybody interested in our business would be aware, however, the housing market has turned. How much it has turned is the subject of much debate. I cannot forecast any better than the pundits in the financial pages of newspapers who currently express quite varied opinions, so it is impossible to say with any certainty what will happen in the coming year. One thing is pretty clear, that is, competition, already fierce, will increase further. Margins will continue to be under increased pressure. To maintain or preferably grow its profits IMB will need to increase market share and focus on efficient operations.

In the last couple of years the Company has readied itself for the challenges ahead. It has recommitted itself to mutuality as an appropriate corporate structure that provides benefits to all IMB stakeholders. It will be a continuing challenge for the Board to conduct the Company's affairs as a mutual within ASIC policy requirements applying to all financial institutions in ways that continue

to provide optimum outcomes for both shareholder and depositor members.

Meeting capital needs has always been a particular problem for mutual organisations. For the most part their sole access to capital has come from the accumulated surpluses from previous years' trading. Many, including IMB, have now successfully resorted to securitisation, that is, they have sold off part of their loan book while still managing the loans and gaining income from them. The released capital has been applied to further loans. During 2004 IMB expanded its securitisation program at favourable rates because of the quality of its book.

It has also negotiated arrangements, at favourable rates, allowing for an issue of permanent preference shares should more capital be required. The rate of growth of the business will determine whether that goes ahead.

Securitisation, the possibility of access to preference shares and the decision of the Board to abolish the Dividend Reinvestment Plan starting with the next dividend announcement will further progressively transform the availability of capital.

Service to members is a prime reason for IMB's existence

The way it should be

A third development, the issue by the international rating agency, Standard and Poor's, of an investment grade rating, the only Building Society or Credit Union in Australia to have achieved such a rating, also means that the financial markets will look more favourably on investment in IMB, and at better rates. Indeed many of the best sources of funds are not able to invest in other than companies with an investment rating, meaning that the rating significantly increases the competitiveness of IMB.

Efficiency has had equal attention. IMB, by completely replacing the front end of its loans processing system, has built the internal processing efficiency of the Company to the point where it now has a significant competitive advantage in its loan approval turnaround time. IMB is constantly working hard to shave expense ratios in other ways, such as a new technologically efficient call-centre.

But it is different from the banks in that it is committed to face-to-face and branch customer service. It remains true to its century long commitment to care for its customers/members. IMB puts this service even ahead of maximisation of profit. Service to members is a primary reason for its existence. Indeed an independent

analysis by CANNEX Financial Services Research Group has assessed the annual member benefits accruing from lower fees and other services at an average of \$62 per member, a not inconsiderable sum [approximately \$11.9m in total], much of which would flow through to the bottom line if IMB was solely profit oriented.

In pursuit of better service to members plans are already in place for four new branches next year, one in Canberra and three in Sydney.

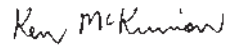
Corporate governance has had particular attention. Board renewal has resulted in two new Board members in the last two years. Active succession planning is occurring. The drafting of Corporate Governance Guidelines has provided the Company with the occasion for review and renewal of many policies that have to do with prudential and ethical standards. One of these is the proposal before the next Annual General Meeting for the abolition of retirement benefits for Board members.

The Company will thus be in the best shape ever as it enters its one hundred and twenty fifth year in 2005. Its reputation as an institution of integrity and strength is at a high level. It has modernised without losing the human touch. It services its customers well. It

cares for its staff. It acknowledges that it is their commitment and skills that forge the Company's reputation. It is a force for good in its communities, particularly through its Community Foundation.

Sadly we have to note with special regret the unexpected death of Peter Bolt, a popular and contributory Board member, only a few weeks after he retired from the Board. The Board has fortunately been able to recruit Michael Cole as a replacement, a person who made an outstanding career in financial services. He comes with local credentials being both born and having property in the Illawarra.

All-in-all we report the successes of this year and the outlook for future years with some pleasure, taking particular pleasure in how well the IMB executive team has responded to the challenges of positioning the Company for the future.



Prof KR McKinnon AO
Chairman

Board of Directors from left to right: Harold Hanson, Michael Cole, Ken McKinnon [Chairman], Vivien Twyford, Russell Fredericks, Lynette Gearing, George Edgar.



Chief Executive's Review of Operations

Overview

As noted in the Chairman's letter the 2004 result is not just another good set of financial numbers, it is also a reflection of the successful ongoing strategic development of IMB, culminating in a number of innovative and unique announcements throughout the year.

The issue by the international rating agency, Standard and Poor's, of an investment grade rating, highlights the development of IMB over the past few years and stands IMB above its peer group, being the only Building Society or Credit Union in Australia to achieve such a rating.

Last year IMB launched its own securitisation trust. This year the assets under management in the trust continue to grow. This trust has successfully issued overseas and the quality of the underlying assets, reflecting IMB's credit quality has ensured it is well accepted in the market. In addition, IMB has this year launched a commercial loans securitisation trust, again a very innovative transaction in the Australian financial marketplace.

These initiatives, combined with others to be implemented in the coming year, give IMB a strength of balance sheet not previously experienced. As a Company committed to mutuality, a strong balance sheet, with access to future capital sources is unique when compared to other mutual financial institutions. This is reflected in the improvements in the capital adequacy ratio over the past year. The current level at 11.4 percent is a significant improvement compared to the 10.5 percent at the same time last year. This reflects both the ongoing improved performance of IMB and the focus on balance sheet management strategies.

A continued focus on ensuring all stakeholders are rewarded

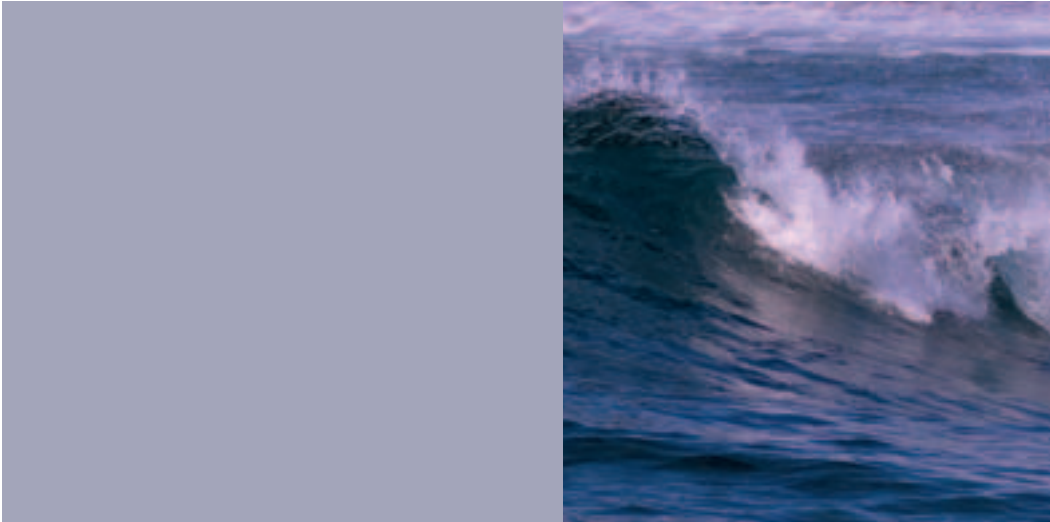
The way it should be



IMB has continued with its expansion into most states, product diversification and a strengthening of the distribution channels and alliance opportunities available throughout Australia. 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.

As a mutual Company we also continue to focus on ensuring all stakeholders are rewarded from their relationship to IMB. During the year IMB engaged CANNEX Financial Services Research Group to undertake a review of the value to members of belonging to IMB. This independent research house reviewed the value of IMB products and services compared to the value proposition of the major banking groups. Its findings highlighted that almost \$12 million per annum is generated in member value. In addition community support initiatives such as the IMB Community Foundation reflect the desire of IMB to ensure all stakeholders receive value from their relationship with IMB.

We value our ongoing relationship with all of our stakeholders. IMB staff are an important stakeholder group. Reflecting the need to ensure IMB attracts and retains the right type of staff member to serve our members, we launched a set of IMB Values during the year. 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. The values are grouped under the headings of integrity, community, co-operation, excellence and respect. Commitment has been sought and obtained from every IMB staff member to these values.



Chief Executive's Review of Operations Cont'd

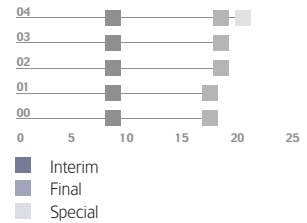
Profit

Group operating profit after tax at \$16.6 million was a record for IMB, a further improvement of \$4.2 million or 33.8 percent over the previous year. As commented on in the Chairman's letter, this result included a substantial profit from the sale of IMB's shareholding in Cashcard Australia Pty Ltd following its takeover by First Data Corporation. IMB was a foundation shareholder in Cashcard, which was formed by a group of building societies over 10 years ago. Offsetting some of this gain was the decision to sell out of the fund management Company, Callidus Pty Ltd. The write-off of this equity investment has been fully brought to account this year. Even after adjusting for these transactions the group operating profit after tax attributable to the core business increased by \$1.2 million or 9.8 percent compared to the previous year.

In the second half, the board declared a fully franked regular final dividend of 11.5 cents per share, plus a special fully franked final dividend of 2.0 cents per share. This brings the total for the year to 20.5 cents per share, an increase of 2.0 cents per share [being the special dividend] over the previous year. The return on average equity, at 11.9%, is a significant improvement to the 9.6% level of the previous year.

Although still comparatively small in contribution, IMB now has a positive contribution from its financial planning joint venture arrangements. These companies, trading as IMB Financial Planning Pty Ltd and King Financial Services Pty Ltd provide valuable financial planning advice to members throughout south eastern NSW and the ACT. Significant focus from the management teams of these companies has resulted in a positive contribution in a very difficult financial environment. Business plans for the coming years reflect the confidence of IMB and its joint venture partners in the investment in these joint ventures.

Dividend per Share ¢



Record profit – the seventh consecutive year

The way it should be



Net earning assets income

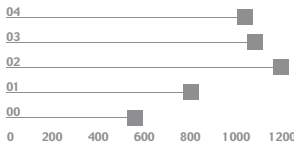
Net earning assets income for the year was \$52.7 million, up \$2.1 million on the previous year. This is an extremely pleasing result, especially when viewed in the context of the securitisation program extended throughout the year, the results of which are reflected in non interest income discussed below. 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 contracted by \$2.8 million, or approximately 9.1 percent on the previous year. After deducting the revenue from land development, as the previous year had a material amount due to the sale of the majority of the existing land bank, non interest income improved by \$8.9 million or 46.5 percent. As noted earlier in this report IMB sold its shareholding in Cashcard Australia Pty Ltd following its takeover by First Data Corporation. This resulted in a profit of \$4.1 million. The income stream from IMB's securitisation programs also increased by \$4.1 million over the previous year to \$7.2 million.

Ongoing and new initiatives relating to key alliances and joint ventures will see significant ongoing improvement in non interest income in the coming years.

Total Loans Approved \$M



Chief Executive's Review of Operations Cont'd

Bad and doubtful debts expense

Bad and doubtful debts expense was \$0.9 million, a decrease of \$0.2 million on the previous year. This is an excellent result, in light of the ongoing growth in loan balances and the contracting property market experienced in the second half of the year. Part of this expense was the raising of a further general provision of \$0.3 million against the commercial loan book, irrespective of the fact that at June 30, no commercial loans were in arrears more than 90 days, nor had any commercial loan reached this level during the reporting period. 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.

Non interest expense

Non interest expense decreased to \$57.7 million, from \$61.3 million in 2003, a decrease of \$3.6 million or 5.8 percent. After deducting the expenses attributable to the land development joint venture, non interest expense increased to \$57.7 million, from \$54.6 million in 2003, an increase of \$3.1 million or 5.8 percent. Most of the increase is attributable to initiatives viewed as strategic investments in the future of IMB. This 5.8 percent increase in expenses compares favourably to the 15.1 percent increase in assets under management.

The ratio of non interest expense to operating income for the group decreased from 75.3 percent in 2003 to 71.6 percent in 2004. After adjusting for the Cashcard and Callidus transactions explained earlier this ratio increases to 74.8 percent, still a solid improvement over the previous year. Non interest expense, as a proportion of average total assets for the group, also decreased from 2.4 percent last year to 2.2 percent.

A guaranteed
loan approval
service
standard

The way it should be



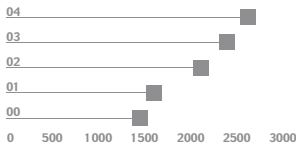
Balance sheet

IMB has achieved excellent loan approval levels for the year, exceeding the \$1 billion milestone for the third year in a row. This is despite the significant property market decline in the second half of the year. IMB now has the strength both on and off balance sheet to cope with any significant expansion in the year ahead.

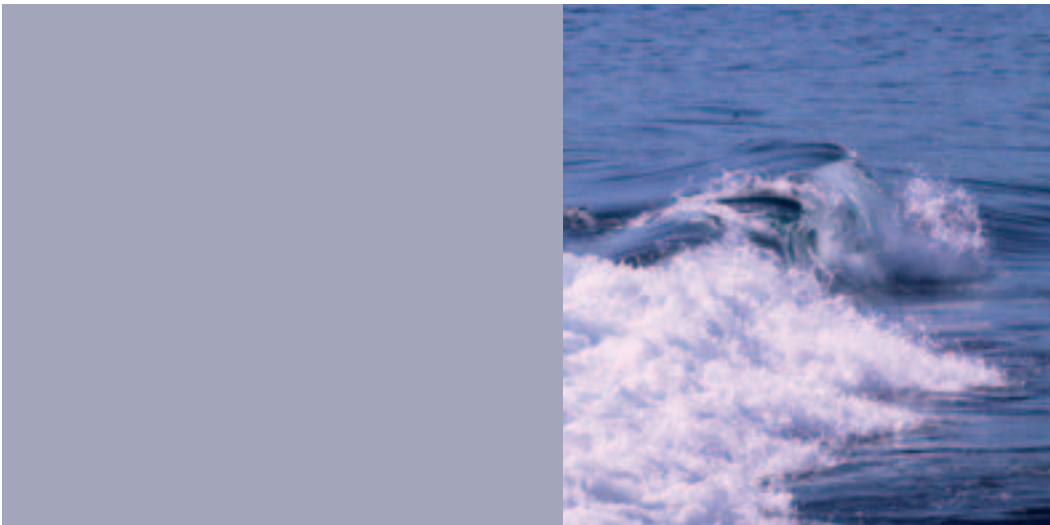
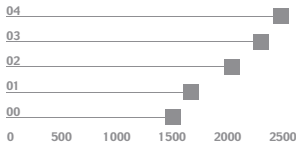
On balance sheet loans outstanding remained constant at \$1.8 billion. Total loans under management, including securitised loans increased by \$0.2 billion or 9.7 percent compared to last year. This led to a new milestone for IMB, namely assets under management of just slightly below \$3.5 billion, being achieved during the year.

Equally important is the increase in deposits to \$2.5 billion, up \$0.2 billion, or 7.9 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 IMB 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.

Loans under management \$M



Member Deposits \$M



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 continue to be sought. Similarly IMB will continue to source alliance partners to widen the products and services available.

We have also invested significantly in technology in the current year. Much of this investment will continue into the new year. A complete replacement of the front end of our loans processing system has been implemented, with the resultant improvement in efficiency and member service enabling IMB to provide a guaranteed loan approval service standard that is the envy of our competitors. The significant upgrade of our call centre technology is in its final stages of implementation. The call centre has been located in a purpose built site at Fairy Meadow, with state of the art technology and a large increase in the number of employees. This reflects IMB's support of the Illawarra economy in our desire to ensure new positions, wherever possible, are located in this region. This investment not only supports the strategy of further diversification of distribution channels, it also has resulted in a significant improvement in service standards to our members.

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. 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.

A new state
of the art
call centre

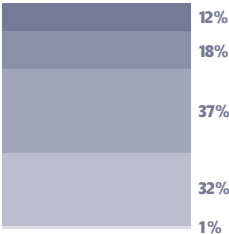
The way it should be



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. Again this is a reflection of the difference between IMB and a number of our competitors. IMB continues to seek ways to ensure that our members truly receive benefits from being part of IMB.

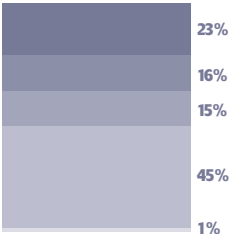
The growth of IMB to be a provider of banking and financial services with a national profile is a key strategy for the future. Implementation of the strategy is on track as are the results of the efforts and costs attributable to the strategy. This strategy is providing demonstrable results and the investment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

Loans by location



- South Coast
- Southern Highlands
- Sydney
- Wollongong
- Other

Deposits by Source



- South Coast
- Southern Highlands
- Sydney
- Wollongong
- Other



Chief Executive's Review of Operations Cont'd

A mutual interest in the community

The Chairman has referred to the continued support of the IMB Community Foundation. This year a further \$500,000 was contributed to the foundation, but this is only one of many examples of IMB supporting the community which it serves. It takes to \$2.5 million the amount granted to the Foundation in five years supporting a total of 83 projects throughout south eastern NSW and the ACT.

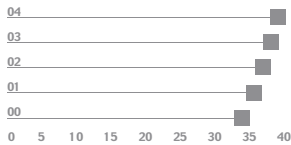
Again IMB has provided another three year university academic scholarship to a worthy recipient this year. A total of four recipients are currently enjoying IMB support for their pursuit of academic excellence.

This is in addition to the wide ranging sponsorship support for a number of community and sporting bodies. Each of these sponsorships is strategic and successfully improves IMB's presence and profile both from a geographic and also demographic perspective. A number of these support programs are expanded on elsewhere in this report.

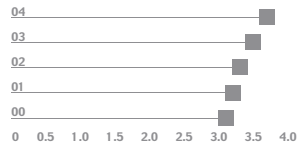
Management and Staff

During the year under review, there have been no changes in the IMB executive. There has been significant strengthening of the senior management ranks in recent years. 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.

No of Shares on Issue M



Net Assets per Share \$



Wollongong Conservatorium of Music Childhood Music Education Program has been the recipient of \$100,000 from the IMB Community Foundation.

Supporting the communities in which we serve

The way it should be

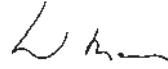


Management and staff have now agreed on the implementation of either enterprise agreements or Australian Workplace Agreements throughout IMB, following the decision during the year of the NSW sales centre staff to favourably support an enterprise agreement for them.

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

As contemplated last year, the improved performance and efficiencies achieved over the last few years, in a sometimes 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

Executives from left to right: Robert Ryan, Wayne Morris [Chief Executive], Mark Anderson. Absent: Robert Turnbull



Directors' Report

For the Year Ended 30 June 2004

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 year ended 30 June 2004 and the auditor's report thereon.

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
[retired 26 November 2003]

Michael John Cole
[appointed 8 December 2003]

George Anthony Edgar

Lindsay Russell Fredericks

Lynette Therese Gearing

Harold Hanson AM

Vivien Jennifer Twyford

All of the directors are independent directors.

At the annual general meeting of the Company on 28 September 2004, three directors, Mr MJ Cole, Mr GA Edgar and Ms VJ Twyford 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 [AdeI] 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 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 all entities wholly owned by IMB Ltd.



Michael John Cole
BEc [Syd] MEc [Syd] ASIA

Mr Cole, whose expertise is funds management, was appointed to the board as a casual non executive director on 8 December 2003. He is a member of the audit and risk management 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 chairman of SAS Trustee Corporation and chairman of 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

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 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 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. 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, deputy chairman of the National Committee and general manager of Miltonbrook Pty Ltd. Mr Fredericks is a 28 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 has been a non executive director since 2003. She is a member of the IMB audit and risk management committee and the nomination committee. Ms Gearing has over 30 years business experience in superannuation, funds management, corporate finance and management consulting. Ms Gearing is currently a director of Guild Insurance and Financial Services Limited and Hancock National Resource Group Australia Pty Limited. As well as being a director of IMB Ltd, Ms Gearing is also a director of all entities wholly owned by IMB Ltd, with the exception of Australian Unity Building Society 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 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 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.

Directors' Report Cont'd

For the Year Ended 30 June 2004

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.

Peter Francis Bolt OAM

Mr Bolt was a director of all entities wholly owned by IMB Ltd. Mr Bolt retired from the board on 26 November 2003 and sadly passed away early in 2004.

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 2004.

Review and Results of Operations

Consolidated profit after tax from ordinary activities attributable to members was \$16,559,000 [2003 \$12,374,000], an increase of \$4,185,000 or 33.8% over 2003.

Net loan approvals were down \$41,025,000 to \$1,036,414,000 [2003 \$1,077,439,000]. This was due to a lower level of residential lending approvals which were down \$54,260,000 from 2003 levels, offset by a net increase in other lending of \$13,235,000.

Net interest income increased to \$54,555,000 representing an improvement of \$991,000 which resulted from the growth in average earning assets. This was mainly through average on-balance sheet loans and investments, increasing by 7.40% or \$175,923,000 to \$2,553,190,000, offset by an increase in average interest bearing liabilities of 6.80% or \$155,482,000 to \$2,441,089,000 and a 0.06% decrease in earning asset margin to 2.02%.

Bad and doubtful debts expense decreased by \$184,000 to \$925,000 [2003 \$1,109,000]. The bad and doubtful debts expense for 2004 includes an increase in the additional general provision of \$267,000 against the existing commercial loan portfolio, in line with commercial provisioning policy. The bad debts expense for 2004 is 0.05% of total average loans.

Non interest income decreased by \$2,797,000 or 9.1% to \$28,021,000. This decrease was primarily due to last year's result being unusually strong as a consequence of the sale of a large portion of land from our residential land development joint venture at Albion Park, offset by an increase in income from securitisation activities, and proceeds from the sale of shares.

The decrease in non interest expense of \$3,455,000 to \$57,763,000 resulted primarily from holding costs associated with the large portion of land sold last year not being present this year, offset by an increase in loan origination expenses.

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 \$4,383,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2003, paid on 30 August 2003.
- an interim dividend of \$0.07 per share amounting to \$2,712,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2004, paid on 28 February 2004.
- a final dividend of \$0.115 per share amounting to \$4,500,000 franked to 100% at a tax rate of 30%, declared on 30 July 2004, in respect of the year ended 30 June 2004, payable on 30 August 2004.
- a special dividend of \$0.02 per share amounting to \$782,000 franked to 100% at a tax rate of 30%, declared on 30 July 2004, in respect of the year ended 30 June 2004, payable on 30 August 2004.

Total dividends paid or declared in respect of the year ended 30 June 2004 were \$0.205 per share [2003 \$0.185] amounting to \$7,994,000 [2003 \$7,019,000].

Events Subsequent to Reporting Date

For reporting periods starting on or after 1 July 2005, the consolidated entity must comply with International Financial Reporting Standards [IFRS] as issued by the Australian Accounting Standards Board [AASB]. At balance date, it was not possible to quantify the effect of the convergence to IFRS as key International Accounting Standards and AASBs are currently under development. Refer to Note 10 for more details.

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 2 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 2 to 13.

Directors' Interests

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

Director	Holding at 30 July 2004
Prof KR McKinnon	19,002
Mr MJ Cole	2,045
Mr GA Edgar	47,916
Mr LR Fredericks	4,503
- associates	11,833
Ms LT Gearing	2,000
Mr H Hanson	15,616
Ms VJ Twyford	5,474

Directors' and Senior Executives' Emoluments

Directors' and senior executives' remuneration 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 interest in a joint venture land development is subject to environmental regulations. 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

For the Year Ended 30 June 2004

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 2004 and the number of meetings attended by each director.

	Directors' Meetings	Audit and Risk Management	Nomination	Remuneration	IMB Community Foundation
Number of meetings held	13	4	3	3	4
Number of meetings attended					
Prof KR McKinnon	13	3	3	3	-
Mr PF Bolt [b]	4	1	-	-	-
Mr MJ Cole [c]	6	1	-	-	-
Mr GA Edgar	12	-	3	3	-
Mr LR Fredericks [a]	13	4	-	-	4
Ms LT Gearing	12	4	3	-	-
Mr H Hanson	11	-	3	3	3
Ms VJ Twyford	11	-	-	-	4

[a] Mr LR Fredericks is Chairman of the Audit and Risk Management Committee.

[b] Mr PF Bolt retired on 26 November 2003 and was eligible to attend 6 directors' meetings and 2 Audit and Risk Management Committee meetings.

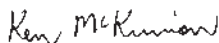
[c] Mr MJ Cole was appointed to the board on 8 December 2003 and was eligible to attend 7 board meetings. He was appointed to the Audit and Risk Management Committee on 24 May 2004 and was eligible to attend 1 meeting.

Rounding Off

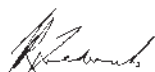
The company is of a kind referred to in the ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 30th day of July 2004.

Signed in accordance with a resolution of the directors.



KR McKinnon AO, Chairman



LR Fredericks, Director

Statement of Financial Performance

For the Year Ended 30 June 2004

	Note	Consolidated	
		2004 \$000	2003 \$000
Interest revenue		156,371	144,032
Interest expense		[101,816]	[90,468]
Net interest income		54,555	53,564
Bad and doubtful debts expense		[925]	[1,109]
Net interest income after bad and doubtful debts		53,630	52,455
Income from equity investments		[947]	[1,834]
Net earning asset income		52,683	50,621
Revenue from land development		50	11,703
Other revenue from ordinary activities		27,971	19,115
Net ordinary income before non interest expenses		80,704	81,439
Cost of property sold		[22]	[6,724]
Other expenses from ordinary activities		[57,707]	[54,460]
Share of losses of associates and joint ventures accounted for using the equity method		[34]	[124]
Profit from ordinary activities before related income tax expense		22,941	20,131
Income tax expense relating to ordinary activities		[6,382]	[7,999]
Net profit		16,559	12,132
Net loss attributable to outside equity interests		-	242
Net profit attributable to members of the parent entity	4	16,559	12,374

	\$	\$
Basic earnings per share	\$0.43	\$0.33

The statement of financial performance is to be read in conjunction with the discussion and analysis on page 20 and the notes to the financial statements set out on pages 25 to 31.

Discussion and Analysis of the Statement of Financial Performance

Net interest income for the consolidated entity increased by \$991,000 to \$54,555,000. This increase resulted mainly from the growth in average earning assets, which increased by 7.4% or \$175,923,000 to \$2,553,190,000 offset by an increase in average interest bearing liabilities of 6.8% or \$155,482,000 to \$2,441,089,000, and a reduction in earning asset margin of 0.06% to 2.02%.

Bad and doubtful debts expense was \$925,000, a slight decrease of \$184,000 from the previous year. Part of this expense was the further raising of the general provision of \$267,000 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 decreased by \$2,797,000 to \$28,021,000. This was primarily due to last year's result being strong as a consequence of the sale of a large portion of land from our residential land development joint venture at Albion Park, offset by an increase in income from securitisation activities, and proceeds from the sale of shares.

Non interest expense for the consolidated entity decreased by \$3,545,000 to \$57,763,000. This was largely due to holding costs associated with the land sold last year not being present this year, offset slightly by an increase in loan origination expenses.

Non interest expenses to operating income decreased from 75.3% in 2003 to 71.6%.

Return on average net assets [after tax] increased from 9.6% in 2003 to 11.9%.

After tax return on average total assets increased from 0.5% in 2003 to 0.6%.

Non interest expense to average total assets decreased from 2.4% in 2003 to 2.2%.

Statement of Financial Position

As at 30 June 2004

	Note	Consolidated	
		2004 \$000	2003 \$000
ASSETS			
Cash assets		11,466	17,849
Due from other financial institutions		3,342	428
Trading securities		49,912	112,413
Receivables		3,372	14,110
Investment securities		759,104	459,783
Loans		1,794,810	1,831,901
Equity accounted investments		1,136	1,170
Other financial assets		565	671
Inventories		642	570
Property, plant and equipment		22,389	21,706
Intangible assets		-	892
Deferred tax assets		1,896	2,068
Other assets		7,782	5,812
Total Assets		2,656,416	2,469,373
LIABILITIES			
Due to other financial institutions		465	319
Payables		7,671	15,395
Deposits		2,483,154	2,300,781
Loan capital		10,000	10,000
Current tax liabilities		3,696	1,796
Deferred tax liabilities		1,526	4,177
Provisions		4,517	3,990
Total Liabilities		2,511,029	2,336,458
Net Assets		145,387	132,915
EQUITY			
Contributed equity		44,426	41,209
Reserves		30,880	30,880
Retained profits	4	70,081	60,617
Total parent entity interest		145,387	132,706
Outside equity interests		-	209
Total Equity	5	145,387	132,915

The statement of financial position 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 25 to 31.

Discussion and Analysis of the Statement of Financial Position

The total assets of the consolidated entity increased by \$187,043,000 or 7.6%, to \$2,656,416,000 [2003 \$2,469,373,000]. The increase in total assets was mainly attributable to an increase in lending, with loan approvals for the year of \$1,036,414,000 [2003 \$1,077,439,000]. Total loans under management increased by \$231,648,000 or 9.7% to \$2,623,510,000 [2003 \$2,391,862,000] which includes securitised loans of \$828,700,000 [2003 \$559,961,000].

The total liabilities of the consolidated entity increased by \$174,571,000 to \$2,511,029,000 [2003 \$2,336,458,000]. The movement in total liabilities was mainly due to an increase in members' deposits of \$182,373,000 to \$2,483,154,000 [2003 \$2,300,781,000].

Members' equity for the consolidated entity increased by \$12,472,000 or 9.4%, to \$145,387,000 [2003 \$132,915,000]. The increase in members' equity is attributable to the growth in retained profits, which increased by \$9,464,000 to \$70,081,000 [2003 \$60,617,000] and also contributed equity, which increased by \$3,217,000 to \$44,426,000 [2003 \$41,209,000] resulting from the issue of additional shares through the discount dividend re-investment scheme.

The ratio of net assets to total assets has increased slightly from 5.4% in 2003 to 5.5%.

Statement of Cash Flows

For the Year Ended 30 June 2004

	Consolidated	
	2004 \$000	2003 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	153,333	143,170
Income from equity investments	[947]	[1,834]
Dividends received	24	6
Other cash receipts in the course of operations	30,428	20,390
Interest paid		
– deposits	[98,955]	[87,702]
– borrowings	[2]	[2]
Income taxes paid	[5,670]	[5,473]
Other cash payments in the course of operations	[60,102]	[50,582]
Net cash provided by operating activities	18,109	17,973
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in loans	[232,573]	[271,554]
Net increase in investments	[234,488]	[283,564]
Proceeds from sale of shares	4,391	-
Expenditure on property, plant and equipment	[6,317]	[7,056]
Proceeds from sale of property, plant and equipment	120	234
Net cash used in investing activities	[468,867]	[561,940]
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	179,514	261,526
Net proceeds from securitised loans	268,739	284,961
Dividends paid	[3,878]	[3,301]
Net cash provided by financing activities	444,375	543,186
Net decrease in cash held	[6,383]	[781]
Cash at the beginning of the financial year	17,849	18,630
Cash at the end of the financial year	11,466	17,849

The statement of cash flows 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 25 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 \$136,000 to \$18,109,000 [2003 \$17,973,000]. This was mainly due to an increase in interest income of \$10,163,000 that has resulted from an increase in average earning loans, and the proceeds from the sale of shares of \$4,391,000. This increase has been offset by an increase in interest paid of \$11,253,000 that has resulted from increased investors deposits, and an increase in non interest expenses of \$9,520,000.

Investing Activities

Cash outflows from investing activities decreased by \$93,073,000 to \$468,867,000 [2003 \$561,940,000]. This was mainly due to the growth in the investment portfolio due to the funds received from the securitisation of loans.

Financing Activities

Cash flows from financing activities decreased by \$98,811,000 to \$444,375,000 [2003 \$543,186,000]. 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 2004

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.

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

	Consolidated	
	2004	2003
	\$000	\$000

2 Individually Significant Items

[a] Individually significant revenues and expenses included in profit from ordinary activities before income tax expense

Capital gain on sale of shares	4,055	-
Capital loss on sale of controlled entity	[575]	-
Revenue from sale of land	-	11,703
Cost of property sold	-	[6,724]
Profit before tax from individually significant items	3,480	4,979

[b] Individually significant income tax items:

Capital loss related to reset cost base of subsidiary assets under tax consolidation	[901]	-
Additional income tax paid for Research and Development syndicates settlement	-	1,360
	[901]	1,360

[c] Revision of accounting estimate

Deferred tax balances

As a consequence of the enactment of the Tax Consolidation legislation and the Company, as the head entity in a tax-consolidated group, implementing tax consolidation from 1 July 2003, the head entity has applied UIG 52 Income Tax Accounting under the Tax Consolidation System.

Where assets have had their tax value reset under tax consolidation, the subsidiary-related deferred tax balances recognised in the Company and consolidated entity have been determined based on the tax-consolidated group carrying amount for the subsidiaries' assets less the reset tax bases. For other assets and liabilities, the subsidiary-related deferred tax balances recognised in the Company and consolidated entity have been determined based on the previous timing differences at the level of the tax-consolidated group.

In the Company, the effect for the year ended 30 June 2004 has been:

- an increase in deferred tax liabilities of \$92,521;
- an increase in current tax liabilities of \$1,187,781; and
- an increase in intercompany receivables of \$1,280,302.

Notes to the Financial Statements

For the Year Ended 30 June 2004

	Cents per share	Total amount \$000	% Franked	Date of payment
3 Dividends				
Dividends paid or declared by the Company to members since the end of the previous financial year were:				
2004				
2004 interim dividend	7.0	2,712	100%	28 Feb 2004
2003 final dividend	11.5	4,383	100%	30 Aug 2003
		7,095		
2003				
2003 interim dividend	7.0	2,636	100%	06 Mar 2003
2002 final dividend	11.5	4,247	100%	30 Aug 2002
		6,883		

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

Subsequent Events

On 30 July 2004 the Board declared a final dividend of 11.5 cents per share amounting to \$4,500,000 and a special dividend of 2.0 cents per share amounting to \$782,000, both franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2004. The dividends are payable on 30 August 2004. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

	Note	Consolidated 2004 \$000	2003 \$000
4 Retained Profits			
Retained profits at the beginning of the year		60,617	55,126
Net profit attributable to members of the parent entity		16,559	12,374
Dividends recognised during the year	3	[7,095]	[6,883]
Retained profits at the end of the year		70,081	60,617

5 Total Equity Reconciliation

Total equity at the beginning of the year		132,915	124,084
Total changes in parent entity interest in equity recognised in statement of financial performance		16,559	12,374
Transactions with owners as owners:			
- Shares purchased through dividend re-investment plan		3,217	3,582
- Dividends	3	[7,095]	[6,883]
Total changes in outside equity interest		[209]	[242]
Total Equity at the end of the year		145,387	132,915

	Salary and fees \$	Super Contributions \$	Consolidated and Company Retirement Benefits \$	2004 TOTAL \$	2003 TOTAL \$
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6 Directors' Remuneration

Remuneration of Specified Directors

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

Prof KR McKinnon – Chairman	86,500	7,785	33,083	127,368	133,335
Mr PF Bolt – Director [non executive] – retired 26 November 2003	18,563	1,670	* 133,407	153,640	56,109
Mr MJ Cole – Director [non executive] – appointed 8 December 2003	25,359	2,282	27,282	54,923	–
Mr GA Edgar – Director [non executive]	44,550	4,010	29,711	78,271	93,559
Mr LR Fredericks – Director [non executive]	44,550	4,010	11,041	59,601	56,961
Ms LT Gearing – Director [non executive]	44,550	4,010	48,560	97,120	8,436
Mr H Hanson – Director [non executive]	44,550	4,010	11,826	60,386	56,961
Ms VJ Twyford – Director [non executive]	44,550	4,010	11,826	60,386	56,961
Mr BE Wauchope [ceased 25 September 2002]	–	–	–	–	179,095
Total Remuneration: Specified Directors	353,172	31,787	306,736	691,695	641,417

* The retirement benefit for Mr PF Bolt includes \$127,956 that was already provided for as at 30 June 2003. The net increase in the benefit for the year ended 30 June 2004 was \$5,451.

Remuneration levels of directors of the Company are competitively set to attract and retain appropriately qualified and experienced directors. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages, given trends in comparative Australian companies.

Primary remuneration for all directors, last voted upon by members at the 2003 Annual General Meeting, is not to exceed \$353,800. Directors' primary remuneration was set at \$44,550 for the year. The chairman's primary remuneration was set at \$86,500. In addition each director receives superannuation contributions at the prescribed rate of the Superannuation Guarantee Act. Retirement benefits are accrued at the rate allowed under the Corporations Act 2001.

	Consolidated	
	2004 \$000	2003 \$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	692	641
Base emoluments	353	337
Superannuation contributions	32	30
Retirement benefits accrued	179	131
Retirement benefits paid	128	143
	692	641

Notes to the Financial Statements

For the Year Ended 30 June 2004

6 Directors' Remuneration cont'd

Other transactions with the Company

A number of specified directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified directors, and their personally-related entities, were total expenses of \$55,653. Details of the transactions are as follows:

	Transaction	Consolidated	
		2004 \$	2003 \$
Ms VJ Twyford	Management fees *	55,653	49,864

* Ms VJ Twyford is a director and shareholder in Twyford Communications Pty Limited, which has provided consultancy services to the Company throughout the year in relation to the IMB Community Foundation. These services were provided under the terms of a contract that was awarded after a competitive tender process.

From time to time, specified directors of the Company or its controlled entities, or their personally-related entities, may obtain products or services from the consolidated entity. These dealings are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

7 Executives' Remuneration

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 in the consolidated entity, falls within the following bands:

	Consolidated	
	#	#
\$170,000 - \$179,999	-	1
\$210,000 - \$219,999	-	1
\$230,000 - \$239,999	-	2
\$250,000 - \$259,999	1	-
\$290,000 - \$299,999	1	-
\$310,000 - \$319,999	1	-
\$380,000 - \$389,999	-	1
\$440,000 - \$449,999	1	-
	\$000	\$000

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.

1,313

1,244

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level. IMB has not disclosed 5 specified executives in 2004 as there are not 5 officers who currently meet the definition of specified executive.

8 Contingent Liabilities and Contingent Assets

Contingent liabilities considered remote

Guarantees given by IMB Ltd

Real Estate Development

Guarantee in favour of Shellharbour City Council \$555,000 [2003 \$555,000] 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 [2003 \$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 [2003 \$10,000,000] securing its cheque clearing facility.

Contingent assets not considered remote

Deferred settlement

During the year the Company sold its interest in Cashcard Australia Pty Ltd. A part of the sale transaction involves further instalments receivable by the Company contingent [among other things] upon the net asset value of Cashcard at a date post sale. Total estimated contingent assets at the end of the financial year amounted to \$500,000 [2003 nil].

9 Segment Reporting

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

10 Events Subsequent to Balance Date

International Financial Reporting Standards

For reporting periods beginning on or after 1 July 2005, the consolidated entity must comply with International Financial Reporting Standards [IFRS] as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements [Australian GAAP]. The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The board has established a formal project, monitored by a steering committee, to achieve transition to IFRS reporting, beginning with the half-year ended 31 December 2005. The consolidated entity's implementation project consists of three phases as described below.

Notes to the Financial Statements

For the Year Ended 30 June 2004

10 Events Subsequent to Balance Date cont'd

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The consolidated entity considers the assessment and planning phase to be complete in most respects as at 30 June 2004.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures, systems and processes in order to transition to IFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with IFRS requirements;
- identifying potential impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS;
- developing revised IFRS disclosures;
- designing accounting and business processes to support IFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems; and
- developing training programs for staff.

The consolidated entity has commenced its design phase, with work progressing in each of the areas above. The design phase is expected to be completed during the upcoming financial year.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS.

Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, the consolidated entity expects this phase to be substantially complete by 30 June 2005.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

Financial Instruments

Existing trading and investment securities will require classification within new categories of financial assets under IFRS – trading assets, held to maturity investments and available for sale assets. The classification of financial assets will potentially alter their existing carrying value and recognition of any subsequent changes in fair value.

IFRS will require all derivatives to be recognised at their fair value on the balance sheet unless hedge accounting is achieved. The application of hedge accounting will be subject to the satisfaction of strict criteria. It is IMB Ltd's current intention that upon finalisation of the IFRS hedge accounting requirements, appropriate policies and procedures will be implemented in order to allow the use of hedge accounting.

The guidelines for derecognition of transferred assets will be predominantly based on a risks and rewards approach with continuing involvement in assets being considered in certain circumstances. This will most likely see a large portion of securitised assets being retained in the group financial statements.

In addition, the interpretation of what special purpose entities need to be consolidated is different under IFRS and therefore most securitisation arrangements would be required to be consolidated.

Income tax

The conversion to IFRS will require the adoption of the balance sheet approach in accounting for income tax, which will potentially result in the recognition of more deferred tax assets and liabilities, and with tax effects required to follow the underlying transaction, may result in their recognition within equity as well as income tax expense.

Loan provisioning

IFRS requires financial assets to be assessed for impairment and if such an indication exists, a calculation performed to determine any impairment loss. This may result in changes to IMB Ltd's calculation processes and measurement of provisions for impaired loans, for example as a result of the use of discounting techniques and recognition of loan impairment provisions only for "incurred" loan losses.

Post employment benefits [ie superannuation]

The conversion to IFRS will require entity sponsored defined benefit plan deficits or surpluses to be recognised in the statement of financial position upon transition, with subsequent changes recognised within the ongoing performance of the consolidated entity.

Property, Plant and Equipment

Revaluation increments and decrements relating to revalued property, plant and equipment will be recognised on an individual asset basis, not a class of assets basis.

Goodwill

Goodwill with an indefinite useful life will be tested for impairment annually and will not be amortised.

Impairment will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.

Changes in Accounting Policies

Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

Directors' Declaration

For the Year Ended 30 June 2004

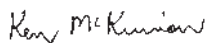
In the opinion of the directors of IMB Ltd, the accompanying concise financial report of the consolidated entity, comprising IMB Ltd and its controlled entities for the year ended 30 June 2004, set out on pages 19 to 31:

[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 30th day of July 2004.

Signed in accordance with a resolution of the directors.



KR McKinnon AO, Chairman



LR Fredericks, Director

Independent Audit Report on Concise Financial Report

Scope

The financial report and directors' responsibility

The concise financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying Notes 1 to 10 and the accompanying discussion and analysis on the statement of financial performance, statement of financial position, and statement of cash flows, for IMB Ltd ["the Company"] and its controlled entities [the "consolidated entity"] for the year ended 30 June 2004.

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 judgement, 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 2004. Our audit report on the full financial report was signed on 30 July 2004, 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

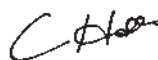
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the concise financial report of IMB Ltd and its controlled entities for the year ended 30 June 2004 complies with Australian Accounting Standard AASB 1039 "Concise Financial Reports".



KPMG



CP Hollis
Partner

Signed in Wollongong this 30th day of July 2004

Shareholders' Diary and Other Information

- Announcement of full year results and final dividend August 2004
- Annual general meeting 28 September 2004 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 28 September 2004 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 through an exempt market operated 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

Projects funded by the IMB Community Foundation in 2004

Plan-it Youth - Shoalhaven
Department of Education and Training

Kiama Wine Show - Kiama Show Society

Establishment of Community Radio
Milton-Ulladulla & Districts Community
Radio Association of Broadcasters

Maritime History Stencils &
Tourist Pamphlet Eden Foreshore
Committee

Digitization of the Samuel Cocks
Photographic Collection - University of
Wollongong Library

'Media Savvy' and 'Hospitality Skills' Training
Eurobodalla Shire Council

South Side Festival - Wollongong
City Council & Port Kembla
Community Centre

'Good Grief' Resource Kit -
CANTEEN - Illawarra & ACT

'Startrails' - Science Outreach Program
Wollongong Science Centre &
Planetarium

Macarthur 'Safer Celebration Pack' -
Youth Solutions

Illawarra Cycle Trail -
Tourism Wollongong

Carers Handbook Re-printing -
ARAFMI - Illawarra Branch

Youth Memorial Entertainment Centre
The Dunn & Lewis Youth Development
Foundation

Multicultural Communities Resource Kit
Wollongong Women's Centre

The Main Hall - Stage 2
The Crossing Land Education Centre

Community Support

The Wollongong IMB Hawks

The Essendon Football Club

Cronulla Sharks Rugby League Club

Southern Districts Rugby Club

IMB Team Brock V8 Brute Racing
Team (Damien White)

IMB Aussie Racing Car Team
(James Harrigan)

Salvation Army Red Shield Appeal

Mission Australia

Kiama Lions Club

Narooma Mid Town Camp Quality



www.imb.com.au

