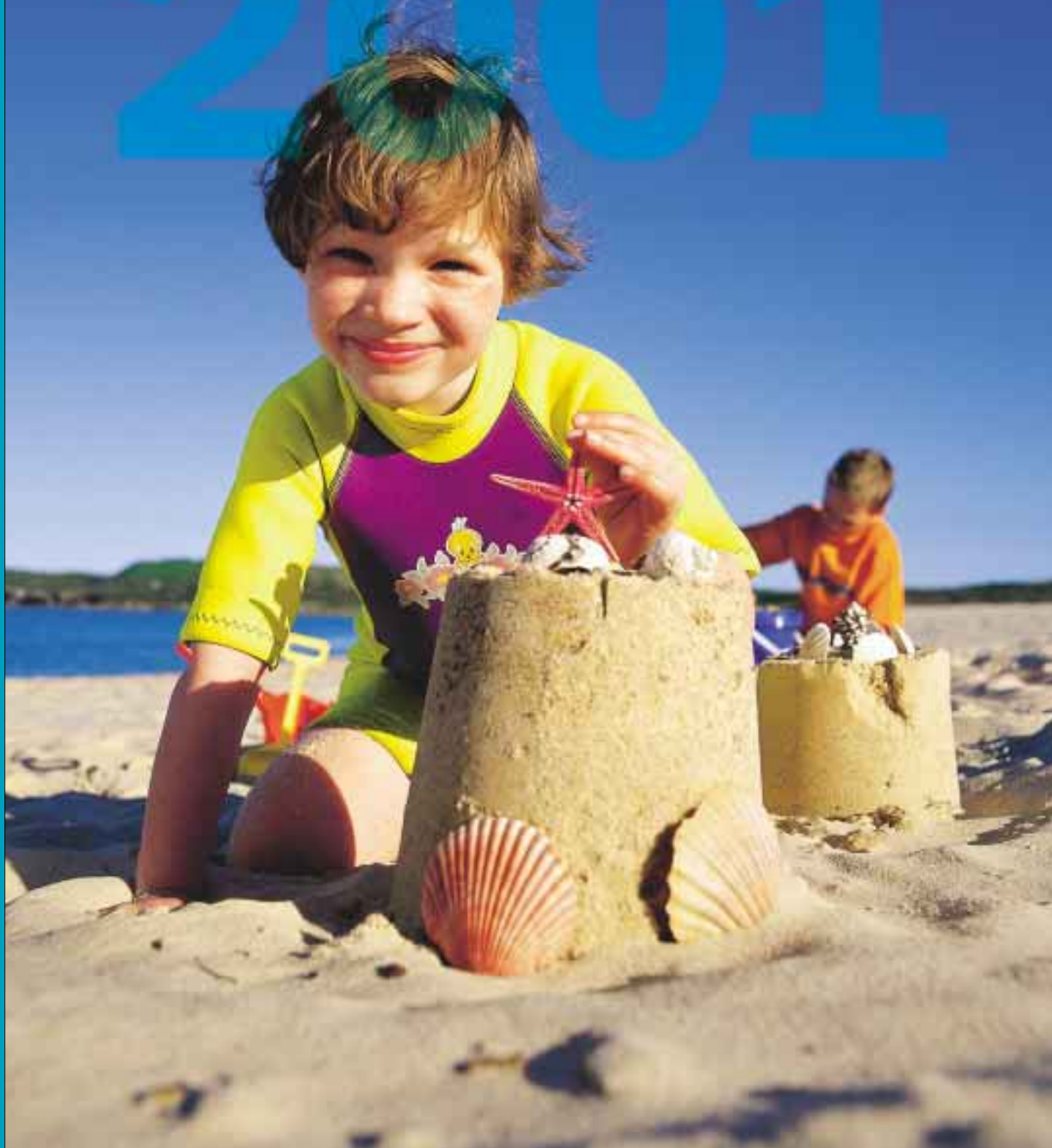


2001



This year we've been building for
our future...

Illawarra Mutual Building Society Ltd **Annual Report 2001**
ABN 92 087 651 974

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This year in IMB

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The year in Review

This year IMB has further consolidated its position as one of Australia's **best financial institutions**. By focusing on **customer service, efficient** and **ethical** business practices and a **forward looking** stance we have been able to achieve our **best ever results**.

Loan approvals, predominantly mortgages, totalled \$802 million, an increase of 43.2% from last year.

Total assets increased by \$134.2 million or 8.1% from the previous year.

At just under \$10 million, group profit from ordinary activities is another record, up \$0.6 million or 6.6% compared to last year.

Net interest income increased by \$2.6 million to \$46.1 million, a result of strategies implemented to counter intense competition in the housing finance market.

The ratio of non interest expense (including individually significant items) to ordinary income improved from 76.3% to 75.5% reflecting the emphasis on profitable growth.

Bad and doubtful debts decreased \$0.4 million or 30.4% compared to last year. IMB's level of mortgage arrears continues to be well below the national averages in all categories.

The IMB community foundation continued its good work with a further allocation of \$500,000 on top of the initial allocation of \$500,000 in 2000.

Significant re-positioning in the market this year has seen IMB open two new sales centres in the ACT, launch a new internet banking package, expand into the Perth mortgage market and form a joint venture financial planning business with ipac securities limited.

Letter from the Chairman

With **profits up 6.6 percent** on last year and total assets **increasing 8.1 percent** we have achieved strong results. We are now beginning to **reap the rewards** of all the hard work put in over the last few years, and the **future looks brighter than ever.**

Pictured opposite from left:

Peter Bolt
Ken McKinnon
Russell Fredericks
Bryce Wauchope
Vivien Twyford
Harold Hanson
George Edgar (seated)

Dear Members

IMB has had a good year. It has increased its assets by over \$134 million (8.1 percent) and produced a record net profit of just under \$10.0 million which is up 6.6 percent over the previous year. This result completes four consecutive years of profit improvement.

The result was achieved despite volatile interest rate movements and unremitting pressure on margins.

After five increases in official rates, a total of 1.50 percent in the preceding eighteen months to December 2000, there were three decreases in official interest rates, totalling 1.25 percent, in the second half of the year. We are pleased to have achieved a significant increase in loan writings notwithstanding the interest rate movements, increased competition from mortgage managers and an increasing array of products and distribution channels.

On the deposit side, the low interest rate environment has increased competition within and between traditional retail and wholesale markets, the share market and funds managers. A delay in the reduction of deeming rates for pensioners, following the reduction in interest rates, had a significant adverse comparative impact on the interest costs in the second half of the year.

During the year, the IMB has significantly re-positioned itself in the market. It opened a further two new sales centres in the ACT, launched its internet banking package, access.imb, expanded into the Perth mortgage market, and commenced a joint venture financial planning business with ipac securities limited. In July 2001, the announcement of the purchase of Australian Unity Building Society Limited and the formation of a strategic alliance with the Australian Unity group further enhanced IMB's expanded focus.

Growth was achieved despite the burden imposed by further regulatory amendments. The burdensome Goods and Services Tax commenced on 1 July 2000. The new constitution was adopted at the October annual general meeting as required by Corporations Law; and extensive work continues to ensure compliance with the yet to be finalised Financial Services Reform Bill, due to be implemented sometime in the coming year.

The chief executive officer, Wayne Morris and the new senior staff appointed during the year and last year have effected significant changes energetically and enthusiastically, and by their leadership, influencing IMB staff to strive for similarly effective and satisfying results. We will continue to emphasise the recruitment and development of top quality staff. The desired levels of personal service to customers depend upon success in this sphere.

All in all the re-positioning is already delivering improvements that can be expected to increase shareholder value and benefits to members in future years.

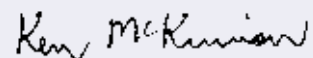
In 2000 IMB initiated the IMB Community Foundation as a tangible benefit to members. It supports economic and social development activities in the various communities that we serve. It has had a successful first year. A further \$500,000 has been allocated to the foundation for 2001 to support seventeen projects as far apart as Wollongong and Bermagui and inland to Goulburn and Canberra. Their prosperity is fundamental to our well being; it is for mutual benefit.

The year saw changes on the Board. Mr David Waters retired on 20 December 2000 after seventeen years as a director, the last eight of which as chairman. During Mr Waters' time on the Board, IMB had sustainable growth from an asset base of \$400 million to a level exceeding \$1.7 billion. Mr Waters made a valuable contribution to the IMB over an extended period of time. I wish him a long and healthy retirement.

Mr George Edgar accepted an invitation to join the board in December. Mr Edgar, who had then recently retired as President Flat Products, BHP Port Kembla, is well known and respected in the Illawarra community. I welcome Mr Edgar to the board and look forward to his contribution to the IMB.

For the coming year IMB anticipates modest continuing growth. The chief executive's report comments on a number of activities that will further strengthen IMB's range of products, its level of service to members, and its efficiency. The re-positioning of the IMB will have greater impact, taking the IMB further towards achievement of its vision of being a strong and successful financial institution, regionally based, but with a national focus.

These are challenging times. Thankfully the executive team, the staff and my fellow directors are meeting these challenges energetically, creatively and most importantly, successfully.

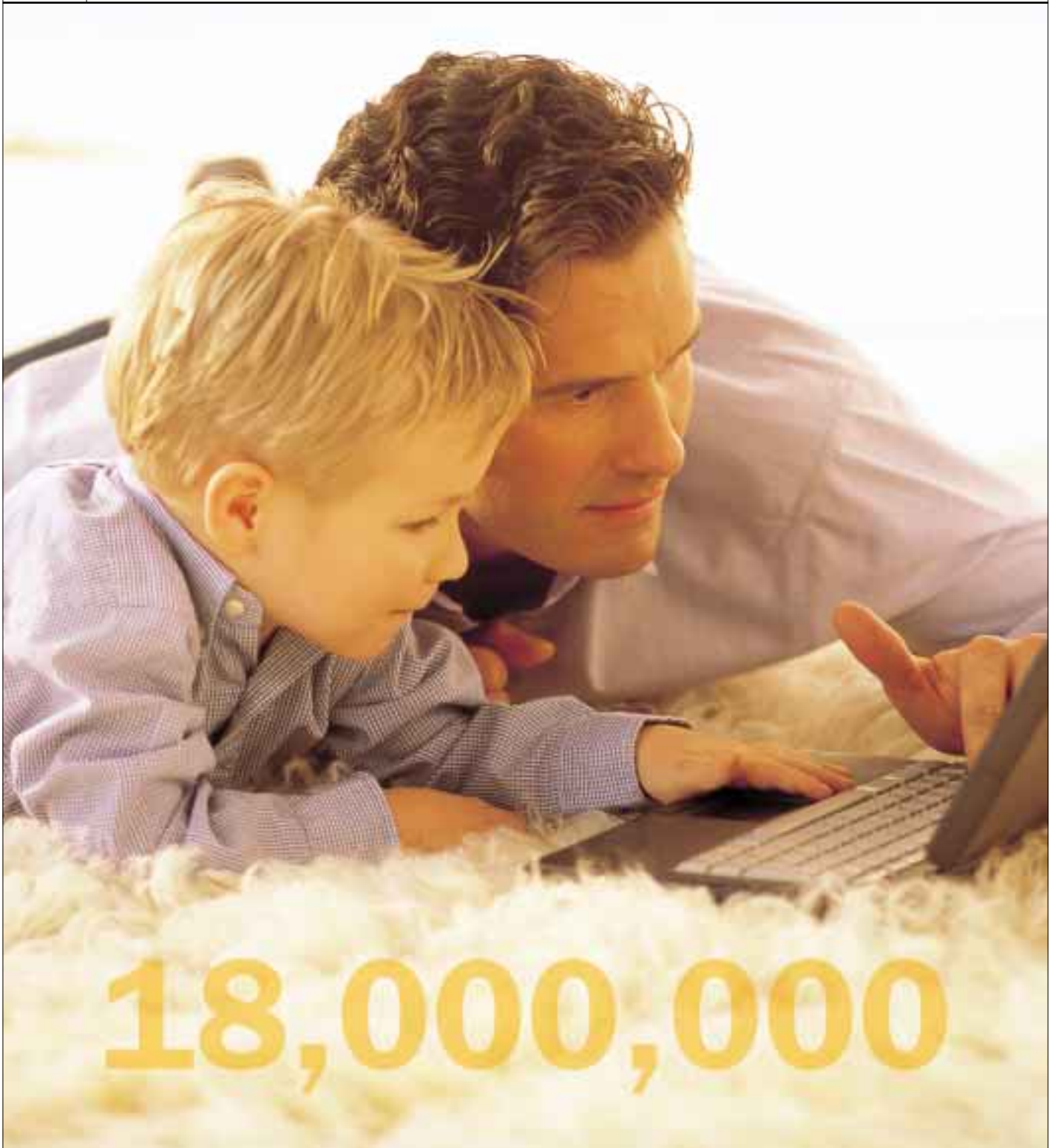


Prof KR McKinnon AO Chairman



This year our net profit was **\$9.95m**,
a group record

In an ever tougher marketplace, we have proven that our approach of providing a great service to our members at fair and sustainable prices sets us apart from the competition. While others are tightening their belts, we're expanding. **Thank you for making our year such a big success.**



18,000,000

This year all **18,000,000** Australians are now able to access IMB

We're proud that we're making IMB more accessible to every Australian. By developing a national presence through local brokers and our online banking service, everyone can benefit from our outstanding service, products and interest rates. **More new members benefits us all.**



Chief Executive's Review of Operations

With our emphasis on **sustainable profit growth**, and the **successful implementation of strategies** to counter intense competition, we have built **better results** than ever in a **fiercely competitive** market.

Overview

The year just completed has seen the implementation of a significant number of strategic initiatives. These initiatives, discussed further in this report, include geographical expansion into most states, product diversification into the secured commercial lending market and small business markets, increased use of mortgage brokers, the launch of the IMB internet banking package access.imb, and a financial planning joint venture with ipac securities limited.

IMB has continued its positive trend of improving profits and sustaining asset growth. This performance reflects IMB's strong growth in total loans outstanding, its ability to compete successfully in its areas of operation and strong support from the community it serves. The increase in profit for the year is even more satisfying because the initiatives mentioned above have involved substantial effort, time and costs and moreover they will have significant longer term positive impact.

External economic conditions resulted in an increase in official interest rates in the first half of the year, only to be followed by significant decreases in the second half. Substantial additional effort was required to maintain adequate net interest margins while maintaining a competitive market position.

Profit

Group profit from ordinary activities at just under \$10.0 million was a record for IMB, an improvement of \$0.6 million over the previous year. In the second half, the board declared a fully franked final dividend of 10.5 cents per share. This brings the total for the year to 17.5 cents per share, the same rate as the previous year. As anticipated, the return on average equity, at 9.2 percent is at a similar level to the previous year. The 6.6 percent increase in profit for the year under review is a very satisfying outcome in the light of competitive forces faced by the IMB.



At IMB we're always looking for ways to **improve our business**. By focusing on **minimising bad and doubtful debt levels** we have been able to **decrease** it by **30.4 percent** bringing it down to \$0.9 million – with our **mortgage arrears well below the national average**.

Bad and doubtful debts expense

Bad and doubtful debts expense was \$0.9 million, a decrease of \$0.4 million or 30.4 percent on the previous year. Significant management focus will ensure bad debts expense will be kept under control. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories.

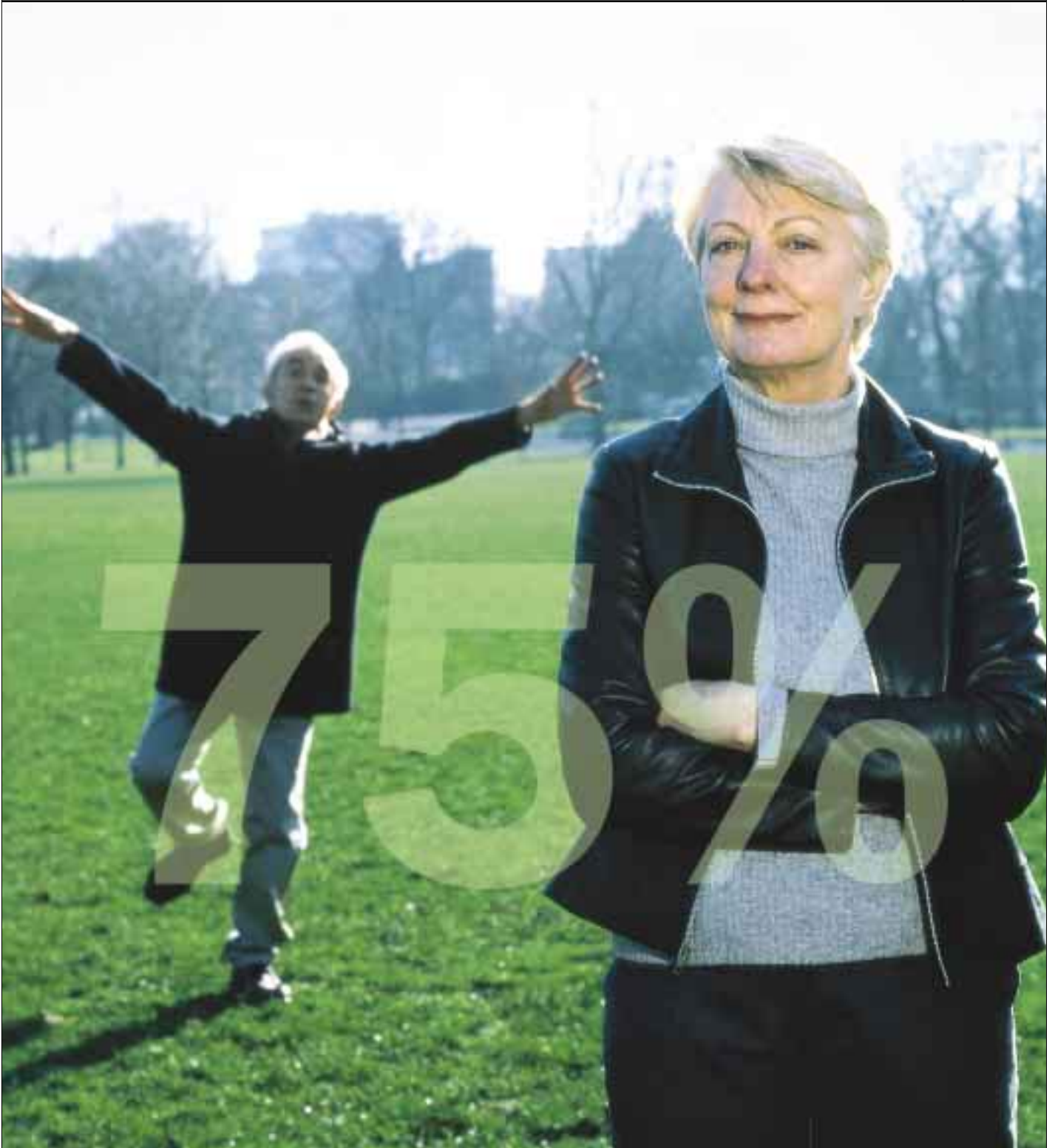
Net interest income

Net interest income for the year was \$46.1 million, up \$2.6 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. While the net interest margin may further reduce in 2001 to 2002, albeit at a slower rate of contraction than over the last five years, continuing growth in loans outstanding will help to grow the net interest income.

Non interest income

Excluding revenue from the land development joint venture, non interest income improved by \$1.7 million or approximately 16.1 percent on the previous year and is the highest ever achieved by IMB.

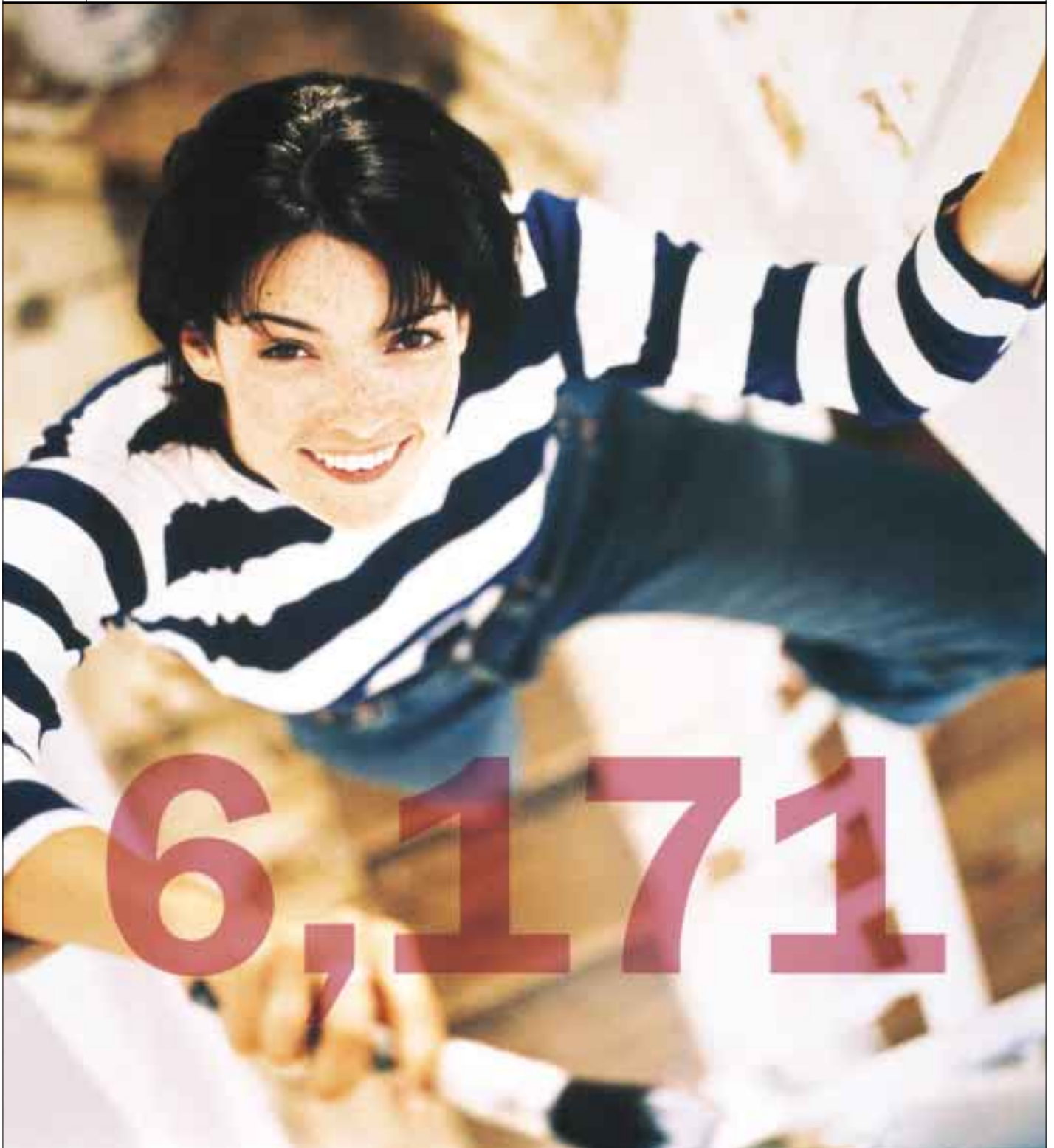
Including revenue from land development non interest income reduced by \$0.7 million or approximately 5.0 percent on the previous year. In addition to revenue from the land development joint venture, non interest income sources are primarily transaction cost recoveries, loan fees, commissions on insurance and investment product sales. It should be noted that less than 25 percent of our members pay any transaction fees each month. New initiatives relating to key alliances and joint ventures will see significant ongoing improvement in this area.



This year over **75%** of our members enjoyed fee free banking

As a mutual organisation, IMB is run for the benefit of you, our members. So rather than cutting services, we're looking for ways to improve them. We believe in providing a fantastic service to our members at a competitive price, so we'll show you how to minimise fees.

And we all reap the rewards of a better, more profitable IMB.



This year we helped **6,171** people own their own home

Nothing is more important to most people than the satisfaction of owning their own home. At IMB we are providing a viable alternative to the big banks, with more personalised service, competitive rates and flexibility in approach. **And this year loan approvals have grown 43.2 percent.**



Loan approvals continue to be our primary area of business activity and **profitability**. This year we've increased **loan approvals** by a massive **43.2 percent** to **\$801.7 million**.

Non interest expense

Non interest expense (including individually significant items) increased to \$44.6 million, from \$43.4 million in 2000, an increase of \$1.2 million or 2.8 percent. Most of the increase is attributable to initiatives viewed as investments in the future of IMB.

Personnel costs have increased by \$2.5 million or 13.9 percent during the year and occupancy costs have also increased by 2.1 percent. The increase in personnel costs included remuneration reviews and an increase in staffing levels. This is primarily due to the expansion to the ACT, Victoria and Western Australia, an increase in loan writing and processing personnel reflecting the increased lending volume and a significant increase in training throughout IMB. This commitment to training, expanded in last year's report, is ongoing and represents the need to have well trained and experienced staff. Additional senior staff have also been added in key positions throughout our sales division to assist IMB reach its operational goals as defined in its strategic plan.

General expenses reduced by \$0.5 million or 2.6 percent. Costs attributable to land development sales reduced by \$2.5 million. Increases include \$1.2 million, which is the direct unrecoverable goods and services tax ("GST") impost for the year following its implementation on 1 July 2000. This has been slightly offset by a reduction in income tax payable of \$0.3 million attributable to the reduction in corporate income tax rates as part of the GST implementation, resulting in an after tax cost this year of \$0.9 million. A further reduction in income tax rates commencing on 1 July 2001 still will not fully offset the ongoing direct unrecoverable costs of the GST to IMB.

The ratio of non interest expense (including individually significant items) to ordinary income for the group improved from 76.3 percent in 2000 to 75.5 percent in 2001. Non interest expense (including individually significant items) as a proportion of average total assets for the group, maintained at 2.6 percent a similar ratio in 2001 to that in 2000.

Loan approvals

IMB has achieved excellent loan approval levels of \$801.7 million, of which mortgage secured loans were \$769.3 million. This is an increase of \$242.0 million or 43.2 percent compared to last year, mostly in the second half (up \$525.3 million or 90.1 percent compared to the first half).

Loans outstanding increased to \$1.6 billion, up \$156.4 million, or 11.2 percent over the previous year.

Prevailing low interest rates mean that home loans continue to be extremely affordable. In the year under review, our borrowers maintained the practice of repaying their loans at much faster rates than the contracted minimum repayments. There was also a further increase in the annual rate of discharges in 2001. Significant effort is being expended on ensuring this discharge ratio reduces to a more satisfactory level in an environment where mortgage loans have become much more commoditised. An emphasis not just on retention, but members' ongoing needs, will see the implementation of an effective customer relationship management strategy.



Just like the **Wollongong IMB Hawks**, we aim to be **national leaders** in our field, that's why we have **diversified** our **business** and our **lending operations** are branching out across the country. We aim to **grow** our **customer base** and **distribution network** to provide a **national presence**.

Business strategies

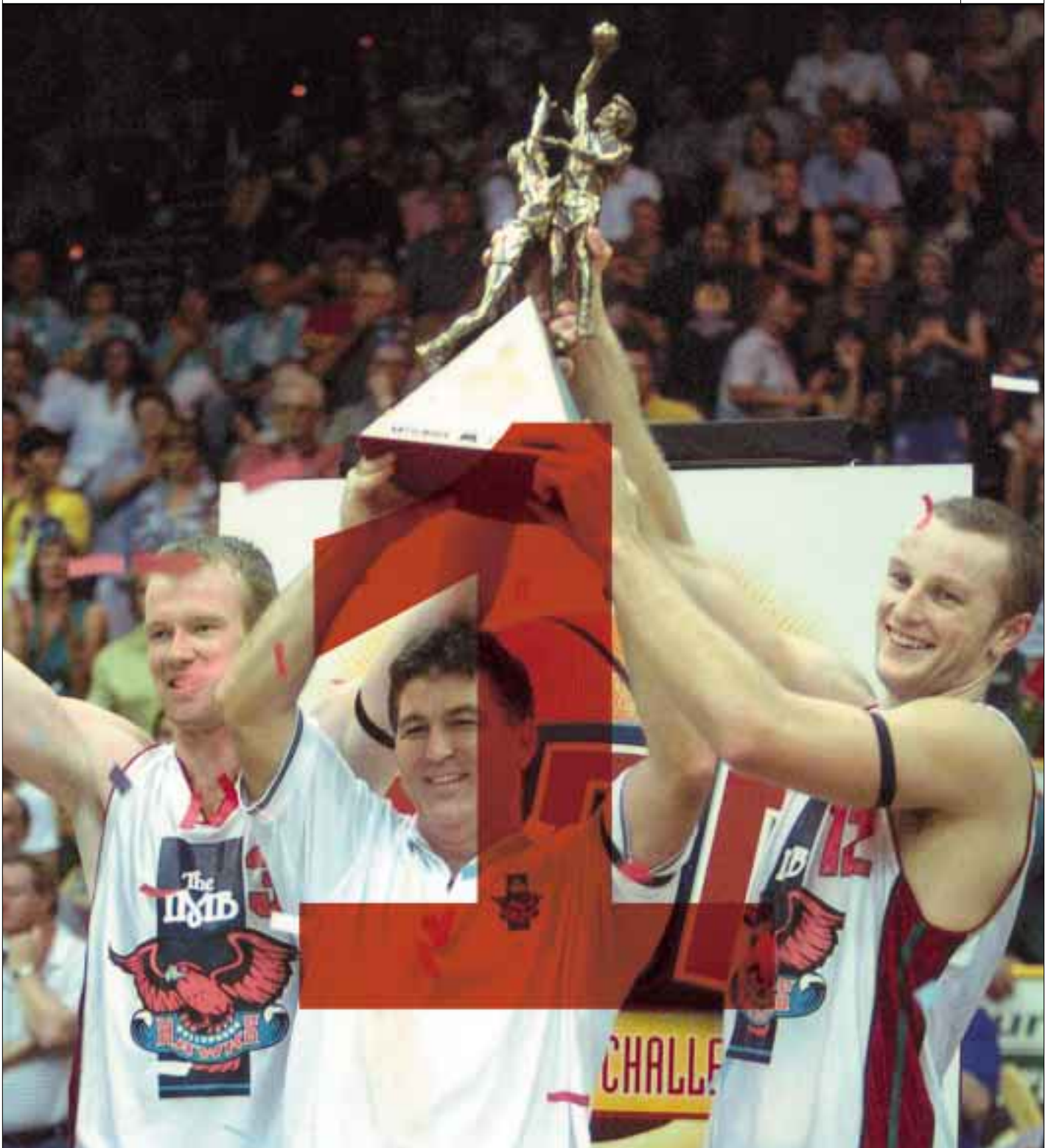
Over the last 12 months IMB has successfully diversified in a number of ways. Geographically we have launched lending operations in Perth and Melbourne to complement our lending operations in south east Queensland and our full service centres throughout key areas of NSW and ACT.

Distribution of our lending products has become more diversified. An increasing number of mortgage brokers and a widespread team of mobile lenders complement our network of sales centres. A good relationship with the broker marketplace is a key strategy to achieve an increased share of the national mortgage market. Our lending results also reflect a satisfactory entry into the secured commercial lending market. Each of these factors combined with competitive mortgage lending products give a platform for further improvements in market share in coming years. We expect a growing profit contribution to IMB's overall performance from the lending book.

A review of the savings and investment products and services resulted in the launch of a number of new and improved products. These included a new commercial loan product, a small business package, further focus into the middle markets for high net worth depositors with senior dedicated personnel and new products as well as improvements to the Wisdom Savers product. Other improvements in products and services will be implemented over the next 12 months.

On 17 July 2001 the acquisition of Australian Unity Building Society Limited was announced. This purchase, along with a strategic alliance entered into with Australian Unity Limited means that IMB has now entered the Victorian marketplace offering lending and deposit products. In addition IMB will offer Australian Unity insurance products on an agency basis through its service centres in NSW and ACT.

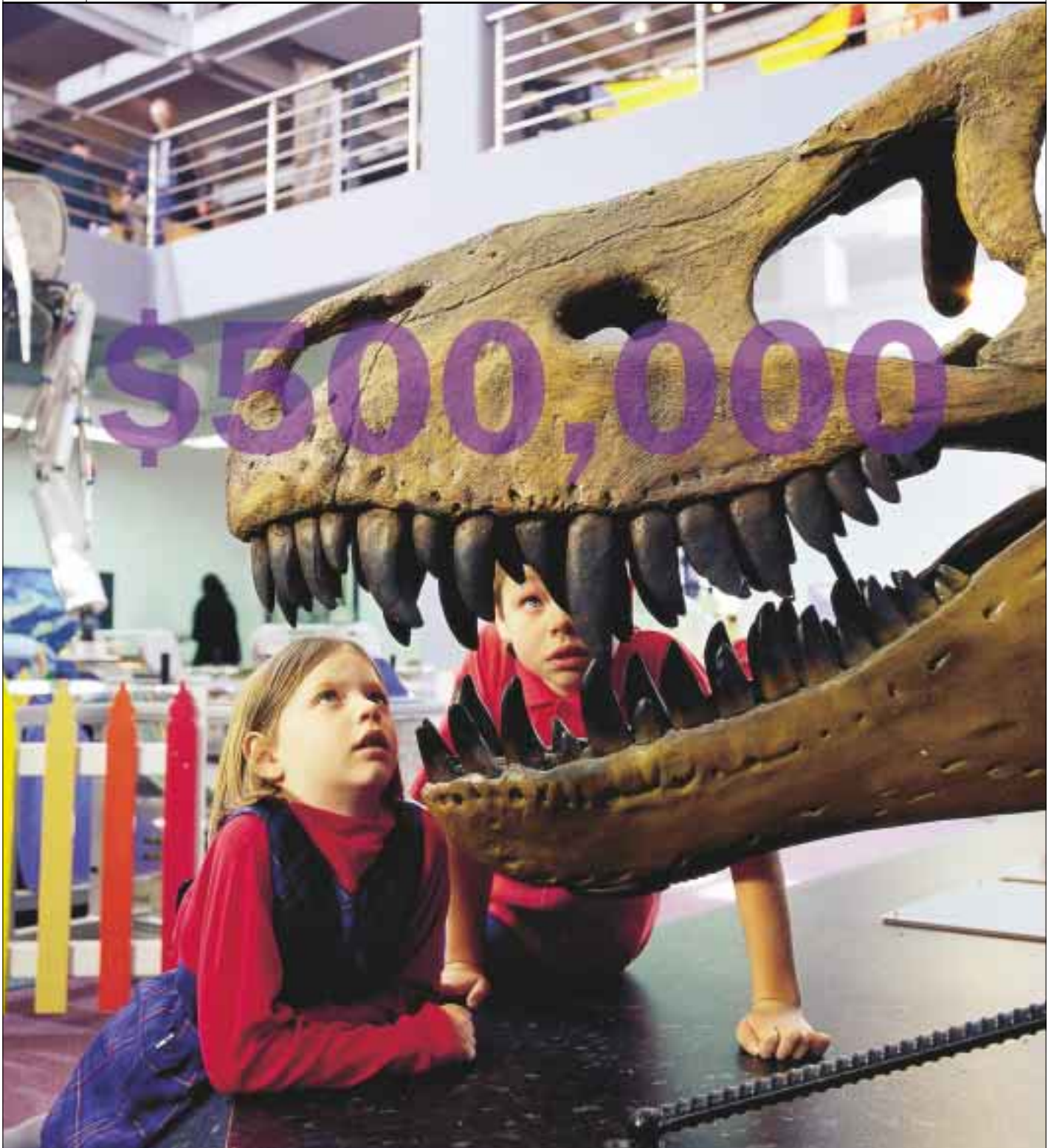
Our service focus continues to concentrate on the creation of differentiation between IMB and its competition. We try to provide better member service and satisfaction levels than our competitors. We are easy to do business with. We continually review how well we are achieving that aim using independent advice and through discussions with our members. Our members are the cornerstones of the business.



This year the Wollongong IMB Hawks are **Number 1** in the NBL

At IMB we believe in supporting the communities in which we operate and encouraging excellence wherever it may be. That's why we are so proud to be the major sponsor of the Wollongong IMB Hawks Basketball team – NBL National Champions for 2000-01.

IMB slamdunks another fantastic year.



This year IMB donated a further **\$500,000** to community projects

This year IMB added a further \$500,000 to the IMB Community Foundation making a total donation of \$1 million since commencement. We believe that by investing in programs such as the Science Centre at Wollongong University we can help to encourage a better, smarter Australia. With over 65,000 visitors using the IMB funded resource package a year, we all benefit. **Feels good, doesn't it?**



This year IMB has **donated a further \$500,000** to the **IMB Community Foundation** to be used in a variety of community based projects in widely varying areas. From **educational** programs to the **unemployed**, from **tourism and industry development** to **indigenous culture**. IMB actively **supports** the community in all its **variety**.

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 in which it serves. Projects supported were not just geographically diverse, but also diverse in nature and size of support requested. Examples of larger projects include the Wollongong Conservatorium of Music for its Children's Music Education Program, The Wollongong Science Centre for its School and Community Education Officer Project, the Wollongong University for its Managing Energy Balance for Longer Life Project and Southern Skills Kiama for its Youth Job Creation Initiative. Smaller projects include support to Volunteering Illawarra for its Volunteering Skills – Mature Unemployed Project, Volunteering ACT for its Helping Hand Community Business Project and The Crossing Land Education Centre at Bermagui for its Young People Learning by Doing Project.

Other support for the community includes sports scholarships given to three very deserving recipients. A further three year university academic scholarship has also been given to another recipient this year. This brings to three the number of recipients currently enjoying IMB support for their pursuit of academic excellence.

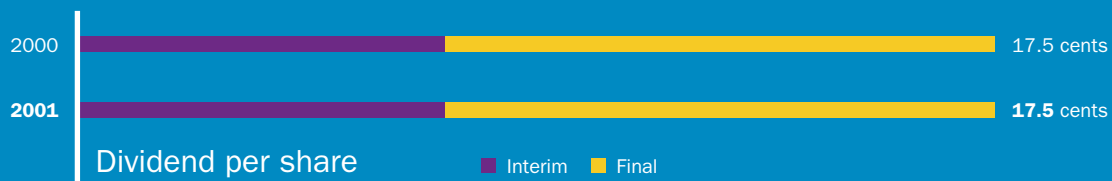
This is in addition to the wide ranging sponsorship support for a number of community and sporting bodies. The much acclaimed sponsorship of the Wollongong IMB Hawks has assisted the Hawks in their successful quest to become National Basketball League champions. This sponsorship and the achievements of the Hawks have assisted IMB in brand recognition throughout the country as we continue growing our national profile.

Centenary Estates Joint Venture

IMB is now in its fourteenth year of involvement with a residential land development joint venture at Albion Park. It has been profitable, but in recent years has recorded marginal performance. This year has been similar to recent history, with the joint venture's land development activities contributing \$243,000 to the group's after tax performance. A large number of blocks of land were sold in the last quarter and not brought to account in the year under review as this stage was not registered until July 2001. This will assist an improved performance in the coming year.

Research and development

IMB remains an investor in four research and development projects, each of which has concluded the research phase. IMB continues its active work with the researcher of one project who now undertakes the role of marketer of the successful technology. In the other projects IMB continues working with the relevant statutory authorities to achieve, where appropriate, an orderly exit from those projects. This is either where the technology has not proved successful, or commercial reward is unlikely. Two of these projects were finalised in July 2001.



In a consistently **challenging** and **competitive marketplace**, we have been able to build on our **strategic platform** for future growth as well as **investing** in our staff, our products and our distribution channels. By continuing to focus on **maximising growth** and maintaining our excellent levels of **service**, we will continue to **build** on our **success**.

Management and Staff

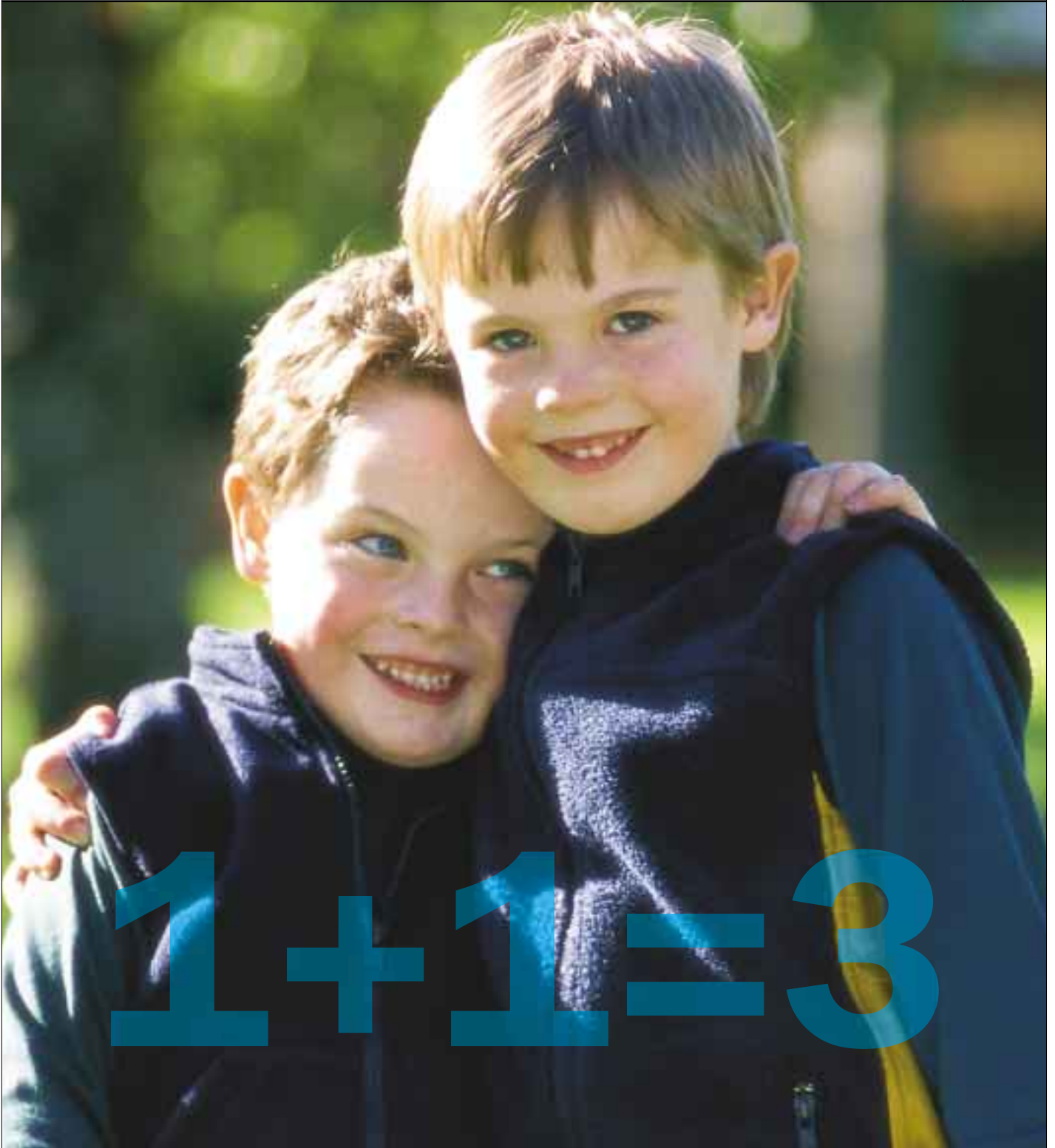
During the year under review, there has been a further addition to the IMB executive team. Mr Robert Turnbull has joined IMB as General Manager Sales. Mr Turnbull brings extensive experience in the financial services sector and complements the skills and experience of the management team in developing and implementing the agreed strategic initiatives.

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

The improved performance and efficiencies achieved over the last two years, in an often difficult economic climate, as well as the significant investment in the development of our staff, 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



1 + 1 = 3

This year with our new strategic alliances, we're stronger than ever

At IMB we're looking outwards not inwards, which is why we have recently entered into two new strategic alliances to provide an increased range of products and better service enabling us to make IMB more accessible to everyone. By working with other companies we can benefit from their expertise, after all, two heads are better than one. **IMB helps you reach your goals.**

Chief Executive and Senior Executives



Above from left:

Wayne Morris
Mark Anderson
Bob Turnbull
Robert Ryan

Peter Wayne Morris

ACIS ACIM MNIA AIMM AIFS AMP (Harv)

Mr Morris is the chief executive. Since joining the Company in 1977, he has held a number of positions in both the sales network and administration, as well as a range of management positions. Mr Morris is a director of IMB DB Fund Pty Ltd, IMB SAS Fund Pty Ltd and IMB Financial Planning Limited. He is also a director of Australian Settlements Limited and Illawarra Regional Information Service Limited. Mr Morris is also a councillor and serves on the executive of the Australian Association of Permanent Building Societies.

Robert Stewart Turnbull

Mr Turnbull is general manager sales and joined the Company in November 2000. As general manager sales he is responsible for the overall management of the Company's sales and retail operations, IMB direct, marketing and product development. Prior to joining IMB, Mr Turnbull was a director of RAMS Home Loans and held senior management positions with Advance Bank Ltd.

Mark Leonard Anderson

B.Com (Land Economy) AICD, AICUM, AMIAA, LICM

Mr Anderson is general manager operations and joined the Company in June 1999. He has 26 years experience in credit and risk management, insurance, commercial and consumer lending in the financial services industry. As general manager operations, Mr Anderson is responsible for IMB share trading, cards, insurances and transaction processing; lending and loans administration; information systems and technology; property and support services. Mr Anderson also serves on the executive committee of the Australian division of Visa International.

Robert James Ryan

B.Ec MCommLaw FCIS FCIM ACA FTIA AICD

Mr Ryan is the general manager finance/company secretary and joined the Company in November 1999. He is responsible for the overall management of the Company's finance, treasury, compliance, strategic project and corporate services. Prior to joining IMB, Mr Ryan held the positions of managing director, chief financial officer and company secretary at Australian Resources Limited.

Directors' Particulars

We are proud at IMB to have a team of **dedicated professionals** who can bring their vast amount of **experience** from a **diverse** range of businesses to **enrich** and **strengthen** your mutual society.

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 is 70 years of age and 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. Professor McKinnon is a higher education consultant. He is also chairman of the Australian Press Council and a director of the College of Law.

Peter Francis Bolt OAM

Mr Bolt, whose area of expertise is business and local government management, is 70 years of age and 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, vice president of the Illawarra Retirement Trust and president of the Illawarra Basketball Association. 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 Premsure Local Government Joint Insurance Authority.

George Anthony Edgar

Mr Edgar whose area of expertise is business management is 59 years of age and was appointed non executive director in December 2000. Mr Edgar is the former president of BHP Flat Products and former chief executive officer of BHP integrated steel. Mr Edgar is also a member of the remuneration committee. He is also the deputy chancellor, University of Wollongong, member of the Illawarra Regional Development Board and director of Mainteck Services Australia.

Lindsay Russell Fredericks

FPNA FAICD FAIM

Mr Fredericks, whose area of expertise is accounting and management consulting, is 61 years of age and has been a non executive director since 1990. He is a member of the Audit and Risk Management and the IMB Community Foundation committees. Mr Fredericks is a management consultant specialising in administrative and financial projects and business writing, and networks with other consultants in business re-engineering, client relationship management systems and strategic planning projects. He is managing director of Moresground 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 Cooperative 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 25 year member of the Lions Service Organisation.

Harold Hanson AM

Dip.Law (Sydney)

Mr Hanson, whose area of expertise is the legal field, is 69 years of age. He has been a non executive director since 1990 and is a member of the remuneration and the IMB Community Foundation committees. 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 and a member of the Salvation Army Community Advisory Board for the Illawarra, a former alderman of Wollongong City Council, former deputy chairman of Illawarra Electricity, a Fellow of the University of Wollongong and chairman of the Wollongong University Foundation. He was the 1987 New South Wales Lawyer of the Year and the 1998 winner of the NSW award for excellence in regional tourism.

Vivien Jennifer Twyford

BA Grad Dip Com (Mgmt) FAICD

Ms Twyford, whose area of expertise is business consulting, is 59 years of age. She has been a non executive director since 1990 and is a member of the IMB Community Foundation committee. Ms Twyford is managing director of Twyford Consulting, a director of Theatre South and a member of the Illawarra Advisory Board of the Salvation Army. She is inaugural president of the Australasian Chapter of the International Association of Public Participation (IAP2) and chairman of the Visiting Committee, Faculty of Commerce, University of Wollongong. She served as chairman of the Illawarra Branch of the Australian Institute of Management for 4 years and was a member of the Illawarra Regional Development Board from 1993 to 1996. She has been a consultant in the area of business improvement, people and strategy for 21 years and now specialises in community consultation.

Bryce Edward Wauchope

FCA FICA

Mr Wauchope is 66 years of age, and has been a non executive director since 1992. Mr Wauchope is the chairman of the Audit and Risk Management committee and a director of IMB Financial Planning Limited. He is also director of Helix Resources NL, president of the Financial Executives Institute of Australia, and former chairman of BA Australia Ltd.

Corporate Governance Statement

For the year ended 30 June 2001

This statement outlines the main corporate governance practices that were in place throughout the financial year. These practices are dealt with under the following headings: Board of Directors and its Committees, Internal Control Framework and The Role of Members.

Board of Directors and its Committees

The board is responsible for the overall corporate governance of the Company and its controlled entities ("the consolidated entity") including the strategic direction, establishing goals for management and monitoring the achievement of these goals. To give further effect, it has established a number of board committees to assist in the execution of its responsibilities including the remuneration committee, the audit and risk management committee, and the land development committee.

The full board currently holds thirteen scheduled meetings each year, plus strategy meetings and extraordinary meetings at such other times as may be necessary to address any specific matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman and the chief executive officer. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities including visits to operations, for contact with a wider group of employees.

Board Composition

The composition of the board is prescribed by the Company's constitution, and details of the directors of the Company in office at the date of this statement appear on page 17 of this report.

The board comprises seven non executive directors. The size and composition of the board is determined by the full board, subject to the limits imposed by the constitution.

- Only the board may nominate an employee for election as a director.
- The chairman of the board must be a non executive director.
- Directors are elected at the annual general meeting.
- Subject to the constitution, the board may appoint any person as a director to fill a casual vacancy. The term of office of a director so appointed will end at the start of the next annual general meeting at which meeting the retiring director is eligible for election.

A director must retire from office at the start of the third annual general meeting after the director was last elected and if eligible, may be re-elected.

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's constitution, directors must keep the board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Independent Professional Advice

Each director has the right to seek independent professional advice for Company related matters at the consolidated entity's expense provided that prior approval is received from the chairman and a copy of the advice received is made available to all other members of the board.

Policy regarding Directors' Interests

In February 1993 the board adopted the following policy in respect of dealings in securities of the Company by directors, officers and their associates.

- Purchase or sale of Company shares is permitted within 6 weeks after announcements subject to prior advice to the chairman who will notify the board.
- Purchase or sale of Company shares is permitted at other times with the prior consent of the board who will examine the transaction (and any information known by the director or officer) prior to giving approval, to ensure that the transaction is not related to inside information, nor could be seen to be related to such information.
- Generally transactions in Company shares within a period of two months leading up to an announcement will not be approved.
- The above guidelines extend to sale and purchase of Company shares by directors and officers personally, by directors' and officers' spouses and dependent children, and by any company in which a director or officer holds a majority of the shares. It will also extend to any company in which a director or officer is an officer (director, secretary, executive officer or employee), unless appropriate arrangements are in place within that company to ensure that the director or officer takes no part in the company's decision to buy or sell the Company shares, and further to ensure that the director or officer could not have passed inside information to those making the decision. Usually, this can be done by the director or officer not being present at any meeting in which the purchase or sale of Company shares is discussed or approved.
- It is the responsibility of the director or officer to ensure the order to purchase or sell expires no more than 6 weeks after the relevant announcement is made.
- The above guidelines also apply to transactions in debentures, stocks, bonds, notes, options and other securities of the Company, but will not apply to any election made to acquire shares or other securities under the terms of any plan for the reinvestment of dividends or the issue of bonus shares in lieu of dividends or the issue of shares under the employee share scheme.
- "Selected officer" or "officer", means a member of the executive group and other person or persons in the employ of the Company nominated by the chief executive.
- This policy applies only to transactions of a material nature. For these purposes, transactions by any one person (or associates thereof) of less than 2,500 shares in aggregate in any period of six months shall be deemed to be not material.

Remuneration Committee

The role of the remuneration committee is to review and make recommendations to the board on remuneration packages and policies applicable to the chief executive and senior executives. For senior executives this follows receipt of appropriate recommendations from the chief executive. The remuneration committee obtains independent advice on the appropriateness of remuneration packages.

Corporate Governance Statement continued

The members of the remuneration committee during the year were:

Prof KR McKinnon AO (chairman)
Mr GA Edgar (appointed 20 December 2000)
Mr H Hanson AM
Mr DJ Waters OAM (retired 20 December 2000)

The chief executive Mr PW Morris is invited to remuneration committee meetings as required to discuss management performance and remuneration packages. The remuneration committee meets as required.

Total remuneration for all non executive directors, approved by members at the 2000 annual general meeting, is not to exceed \$307,000.

Further details of executives' remuneration, superannuation and retirement payments are set out in note 30 to the financial report.

Audit and Risk Management Committee

The primary purpose of the committee is to assist the board of IMB in fulfilling its supervisory responsibilities by:

- serving as an independent and objective party to monitor the IMB's financial reporting process, risk management and internal control systems;
- reviewing and appraising the audit efforts of the IMB's external auditors and the internal audit department; and
- providing an open avenue of communication among the external auditor, financial and senior management, the internal audit department, and the board of IMB.

Consistent with this function, the committee should encourage continuous improvement of, and should foster adherence to, the IMB's policies, procedures and practices at all levels.

The members of the audit and risk management committee during the year were:

Mr BE Wauchope (chairman)
Mr PF Bolt
Mr LR Fredericks
Mr DJ Waters OAM (retired 20 December 2000)
Prof KR McKinnon AO (appointed ex officio member 20 December 2000)

Internal Control Framework

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the board has instigated an internal control framework that can be described under five headings.

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the board. Monthly actual results are reported against budget and revised forecasts for the year are prepared quarterly. The consolidated entity reports to members half-yearly.
- Approval levels – delegated authority is given to nominated officers to perform the daily operations of the Company. Maximum loan approval limits are delegated subject to qualifications and experience of the nominated officer. Cheque signatory authority for the various Company bank accounts are also delegated to nominated officers subject to experience and task related need. The delegated authority for each of these is reviewed on a quarterly basis. Authority to incur expenditure and also capital commitments is delegated to nominated senior

officers. The board reviews these levels on a regular basis and changes are only made following a recommendation from the chief executive.

- Operating unit controls – financial controls and procedures including information systems controls are detailed in procedures manuals.
- Functional speciality reporting – the consolidated entity has identified a number of key areas which are subject to regular reporting to the board such as risk management levels pertaining to liquidity risk, market risk, credit risk, data risk and operations risk. The board reviews each of these areas monthly and the risk policies underlying the reports at least annually. In addition to the review of risk management levels and the financial reporting described above other key matters reviewed monthly are the level of arrears on the loan portfolio as well as specific loan performance where deemed applicable.
- Investment appraisal – the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures and levels of authority.

Internal Audit

The internal auditors assist the board in ensuring compliance with these internal controls. The audit and risk management committee is responsible for approving the program of internal audit visits to be conducted each financial year and for the scope of the work to be performed at each location.

The Role of Members

The board of directors aims to ensure that the members are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders and members as follows:

- Public release of performance results, plus declared dividend as soon as available.
- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document) and is available on request for other members. The board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by legislation and applicable Accounting Standards.
- The half-yearly report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document) and is available on request for other members. This document contains summarised financial information and a review of the operations of the consolidated entity during the period. Half-year financial statements are prepared in accordance with Accounting Standards and relevant legislation and contain an independent review report from the external auditors.
- Proposed changes to the constitution of the consolidated entity are submitted to a vote of members.

The board encourages full participation of members at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategies and goals. Important issues are presented to the members as separate resolutions.

The members are responsible for voting on the election of directors as prescribed by the constitution.

Directors' Report

For the year ended 30 June 2001

The directors have pleasure in presenting their report, together with the financial report of Illawarra Mutual Building Society Ltd, ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2001 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 \$9,951,000 (2000 \$9,339,000). Income tax of the consolidated entity for the financial year was \$4,529,000 (2000 \$4,112,000).

Dividends

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

- a final dividend of \$0.105 per share amounting to \$3,574,000 franked to 100 percent at a tax rate of 34 percent, in respect of the year ended 30 June 2000, paid on 30 August 2000;
- an interim dividend of \$0.07 per share amounting to \$2,446,000 franked to 100 percent at a tax rate of 34 percent, in respect of the year ended 30 June 2001, paid on 27 February 2001; and
- a final dividend of \$0.105 per share amounting to \$3,743,000 franked to 100 percent at a tax rate of 30 percent, in respect of the year ended 30 June 2001, to be paid on 30 August 2001.

Total dividends provided for or paid in respect of the year ended 30 June 2001 were \$0.175 per share (2000 \$0.175) amounting to \$6,189,000 (2000 \$5,918,000).

Directors

The directors of the Company 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
 Harold Hanson AM
 Vivien Jennifer Twyford
 Bryce Edward Wauchope
 David John Waters OAM

The particulars of the age, qualifications, experience and special responsibilities of each director are set out on page 17 of this report.

Mr GA Edgar accepted an invitation to join the board on 20 December 2000 in place of Mr DJ Waters who retired from the board on that date.

At the annual general meeting of the Company on 26 September 2001, two directors, 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.

Principal Activities

The principal activities of the consolidated entity during the financial year were the provision to members of banking 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 2001.

Review of Operations

Loan approvals were \$801,704,000 (2000 \$559,694,000) with group loans under management net of provisions growing to \$1,604,548,000 representing an increase of 10.8% (2000 2.5%). Net interest income increased to \$46,072,000 representing an improvement of \$2,597,000 resulting mainly from an increase in interest income from investments.

Bad and doubtful debts expense decreased by \$411,000 to \$939,000 (2000 \$1,350,000). Non interest income decreased by \$740,000 and non interest expense increased by \$2,037,000 to provide a profit from ordinary activities before tax of \$14,480,000. This is an increase of \$1,029,000 or 7.7% over the previous year.

The decrease in non interest income is primarily due to lower sales of developed land. The increase in non interest expense resulted primarily from an increase in personnel expenses associated with increased lending activity.

The contribution to consolidated profit after tax from land development activities decreased from a profit of \$323,000 in 2000 to a profit of \$243,000 in 2001.

Research and development activities resulted in a \$221,000 profit after tax from ordinary activities attributable to members compared with a loss of \$58,000 after tax for 2000.

Consolidated profit after tax from ordinary activities attributable to members was a record \$9,951,000, an increase of \$612,000 or 6.6% over 2000.

Events Subsequent to Balance Date

The consolidated entity acquired 100% of the shares in Australian Unity Building Society Ltd, a Victorian building society and obtained control on 1 July 2001. Consideration provided was \$9,680,000. The fair value of the net assets of Australian Unity Building Society Ltd at the date of acquisition was \$9,430,000.

Other than the matter discussed above, 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 2001 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.

Directors' Report continued

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 14 of the financial report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

State of Affairs

Otherwise than disclosed in this report, in the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Directors' Interests

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

Director	Holding at 1 August 2001
Mr PF Bolt	7,598
Mr GA Edgar	21,030
Mr LR Fredericks	3,756
– associates	25,153
Mr H Hanson	8,759
Prof KR McKinnon	15,848
Ms VJ Twyford	2,064
Mr BE Wauchope	1,000
– associates	9,289

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 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.

Details of the premiums paid in respect of individual directors or executive officers are not contained in the insurance policies outlined above.

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.

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 2001 and the number of meetings attended by each director.

	Meetings of Committees				
	Directors' meetings	Audit and Risk Management	Centenary Estate JV	Remuneration	IMB Community Foundation
Number of meetings held	13	4	12	3	5
Number of meetings attended					
Mr PF Bolt	11	4	11	–	–
Mr GA Edgar*	7	–	–	2	–
Mr LR Fredericks	12	4	–	–	5
Mr H Hanson	12	–	–	2	5
Prof KR McKinnon***	13	2	–	3	–
Ms VJ Twyford	12	–	–	–	5
Mr DJ Waters**	7	2	–	1	–
Mr BE Wauchope	13	4	–	–	–

* Mr GA Edgar was appointed a director and member of the remuneration committee at the board meeting held 20 December 2000.

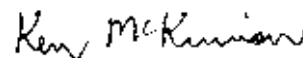
** Mr DJ Waters resigned as chairman at the board meeting held 20 December 2000.

*** Prof KR McKinnon was appointed chairman at the board meeting held 20 December 2000. He was also appointed ex-officio member of the audit and risk management committee at the 20 December 2000 board meeting.

Rounding of Amounts

The amounts in the financial report have been rounded to the nearest thousand dollars in accordance with ASIC Class Order 98/100 dated 10 July 1998.

Signed in accordance with a resolution of the directors.



KR McKinnon AO Chairman



H Hanson AM Director

Wollongong, 1 August 2001

Statements of Financial Performance

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

	Note	Consolidated		Company	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Interest revenue	3	123,596	107,767	123,338	107,588
Interest expense	3	(77,524)	(64,292)	(77,720)	(64,452)
Net interest income		46,072	43,475	45,618	43,136
Bad and doubtful debts expense	3	(939)	(1,350)	(939)	(1,350)
Net interest income after bad and doubtful debts		45,133	42,125	44,679	41,786
Revenue from land development	3	1,437	3,908	-	-
Other revenue from ordinary activities	3	12,509	10,778	12,357	10,771
Total ordinary income (after bad and doubtful debts)		59,079	56,811	57,036	52,557
Personnel expense	3	(20,181)	(17,725)	(19,963)	(17,725)
Occupancy expense	3	(5,021)	(4,916)	(4,990)	(4,916)
Land development expense	3	(1,279)	(3,757)	-	-
Payment system charges	3	(3,655)	(3,521)	(3,655)	(3,521)
Marketing expense	3	(2,784)	(2,457)	(2,776)	(2,457)
Data processing expense	3	(1,380)	(1,309)	(1,377)	(1,309)
Other expenses from ordinary activities	3	(10,299)	(9,675)	(10,291)	(9,423)
Profit from ordinary activities before income tax	3	14,480	13,451	13,984	13,206
Income tax expense relating to ordinary activities	4	(4,529)	(4,112)	(4,382)	(4,102)
Profit from ordinary activities attributable to members		9,951	9,339	9,602	9,104

The statements of financial performance should be read in conjunction with the accompanying notes 1 to 34 which form part of the financial report.

Statements of Financial Position

At 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

	Note	Consolidated		Company	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Assets					
Cash		13,042	19,750	12,797	19,729
Trading securities	8	139,651	144,006	139,651	144,006
Receivables	7	2,293	2,626	1,430	1,325
Investment securities	8	62,563	75,288	62,563	75,288
Loans	9	1,554,548	1,398,121	1,562,225	1,405,708
Shares in entities and other financial assets	8	807	807	2,402	2,744
Inventories	11	6,397	5,647	-	-
Property, plant and equipment	12	17,383	16,625	17,366	16,625
Intangibles	13	20	-	-	-
Tax assets	4	1,870	1,698	1,427	1,316
Other	14	1,433	1,185	803	-
Total Assets		1,800,007	1,665,753	1,800,664	1,666,741
Liabilities					
Deposits	15	1,670,240	1,506,834	1,677,825	1,514,848
Accounts payable	16	6,699	7,574	2,080	2,645
Interest bearing liabilities	17	-	33,000	-	33,000
Tax liabilities	4	3,884	7,166	3,000	6,094
Provisions	18	7,177	6,348	7,110	6,348
Total Liabilities		1,688,000	1,560,922	1,690,015	1,562,935
Net Assets		112,007	104,831	110,649	103,806
Equity					
Contributed equity	19	34,007	30,577	34,007	30,577
Reserves	20	30,880	30,880	30,880	30,880
Retained profits	5	47,120	43,374	45,762	42,349
Total Equity		112,007	104,831	110,649	103,806

The statements of financial position should be read in conjunction with the accompanying notes 1 to 34 which form part of the financial report.

Statements of Cash Flows

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

	Note	Consolidated		Company	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		123,263	107,680	123,005	107,501
Dividends received		10	13	10	13
Non interest income					
– land development		1,916	3,538	–	–
– other		12,354	10,392	12,242	10,472
Interest paid					
– deposits		(77,835)	(59,084)	(78,059)	(59,226)
– borrowings		(19)	(2,011)	(19)	(2,011)
Non interest expense					
– personnel		(19,521)	(17,730)	(19,371)	(17,730)
– occupancy		(5,021)	(4,384)	(4,990)	(4,384)
– land development		(2,186)	(2,822)	–	–
– payment system charges		(3,655)	(3,521)	(3,655)	(3,521)
– marketing		(2,784)	(2,457)	(2,776)	(2,457)
– data processing		(1,380)	(1,309)	(1,377)	(1,309)
– other		(6,485)	(7,476)	(6,271)	(6,784)
Income tax paid	4	(7,983)	(5,415)	(7,587)	(5,415)
Net cash flows from operating activities	28	10,674	15,414	11,152	15,149
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase in loans		(157,280)	(36,205)	(157,371)	(35,650)
Proceeds from sale of securitised loans		–	50,000	–	50,000
Net (increase)/decrease in investments		14,906	(62,838)	14,656	(62,838)
Payment for intangible assets		(24)	–	–	–
Expenditure on property, plant and equipment		(3,240)	(2,863)	(3,220)	(2,863)
Proceeds from sale of property, plant and equipment		127	1,646	127	1,646
Net cash flows from investing activities		(145,511)	(50,260)	(145,808)	(49,705)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits		163,736	45,275	163,316	44,998
Net decrease in interest bearing liabilities		(33,000)	(500)	(33,000)	(500)
Dividends paid		(2,591)	(1,289)	(2,591)	(1,289)
Transfer of business		(16)	–	–	–
Net cash flows from financing activities		128,129	43,486	127,725	43,209
Net (decrease)/increase in cash held		(6,708)	8,640	(6,931)	8,653
Cash at the beginning of the financial year		19,750	11,110	19,729	11,076
Cash at the end of the financial year	28	13,042	19,750	12,798	19,729

The statements of cash flows should be read in conjunction with the accompanying notes 1 to 34 which form part of the financial report.

Notes to the Financial Report

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

1 Statement of Significant Accounting Policies

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical cost 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, except where there is a change in accounting policy, are consistent with those of the previous year.

Reclassification of financial information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 July 2000 of the revised standards AASB1018 Statement of Financial Performance, AASB1034 Financial Report Presentation and Disclosures and the new AASB1040 Statement of Financial Position.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to note 5.

Revenue and expense items previously disclosed as abnormal items have been reclassified and are now disclosed as individually significant items in note 3. These items are no longer identified separately on the face of the statement of financial performance.

The following assets and liabilities have been moved from classifications and are now disclosed as separate line items on the face of the statement of financial position:

- tax assets, previously presented within other assets
- tax liabilities, previously presented within provisions.

Principles of Consolidation

The consolidated financial report of the economic entity includes the financial statements of the Company, being the parent entity, and all its controlled entities ("the consolidated entity"). Balances and effects of inter-entity transactions are eliminated on consolidation.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced, or up to the date control ceased.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The principal sources of revenue are interest income, commission income and fee income.

Interest income on loans is calculated daily based on the closing balance for each day and charged at the end of each month. Commission income is recognised on an accruals basis net of the amount of goods and services tax ("GST"). Fee income is recognised net of GST as it accrues.

Dividends and distributions from controlled entities are brought to account in the statements of financial performance when they are declared. Dividends and distributions from other parties are brought to account in the statements of financial performance when they are received.

Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill will be amortised on a straight-line basis over the life of the original Joint Venture agreement, being three years.

Loans

Loans are recognised at recoverable amount, after assessing required provisions for doubtful debts.

Bad Debts Written Off and Provision for Doubtful Debts

All known bad debts are written off in the year in which they are identified as bad. Provision for doubtful debts is made in respect of loans, revolving credit facility outstandings and overdrawn accounts where there is reasonable doubt that not all the principal and interest can be collected.

A general provision is made in accordance with the minimum requirements of the prudential standards, with an additional provision being made in excess of the minimum prudential requirements in the following loan categories:

	IMB General Provision	Prudential Standards
Personal loans		
9 to 12 months	100%	80%
6 to 9 months	100%	60%
3 to 6 months	100%	40%
2 to 3 months	30%	0%
1 to 2 months	5%	0%
0 to 1 month	2%	0%
Revolving credit facilities		
9 to 12 months	100%	80%
6 to 9 months	100%	60%
3 to 6 months	100%	40%
Overdrawn accounts		
2 to 3 months	60%	40%
1 to 2 months	60%	40%

Specific provisions are made for any particular loan that is identified as being doubtful of recovery. Where a general provision for a loan is greater than the specific provision, a general provision is made for the additional amount.

Investments

Securities held for trading purposes are recorded at market value. Unrealised gains and losses on revaluation are taken to the statements of financial performance.

Investment securities and other investments not held for trading purposes are recorded at cost adjusted for premium or discount amortisation. Interest income is accrued and premiums and discounts are deferred and amortised from the date of purchase to maturity. Changes in market values of such securities are not taken into account unless there is considered to be a permanent diminution in value. Investments in other entities are carried at cost less provision for amortisation where applicable.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

1 Statement of Significant Accounting Policies continued

Deposits and Interest Expense

Deposits are recorded at the principal amount. Interest expense on deposits is calculated daily based on the closing balance for each day and is brought to account on an accruals basis.

Income Tax

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Recoverable Amount

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of a non-current asset materially exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows have been discounted to their present value.

Property, Plant and Equipment

Property is recorded at cost. The Company's policy is to obtain an independent valuation of freehold land and buildings every three years. Plant and equipment is recorded at cost.

Costs incurred on property, plant and equipment that do not meet the criteria of capitalisation are expensed as incurred.

Depreciation/amortisation is provided on a straight-line basis on all property, plant and equipment, other than freehold land. The useful life of each category of property, plant and equipment is:

Freehold buildings	40 years
Leasehold improvements	The lease term
Plant and equipment	4 to 15 years

Assets are depreciated/amortised from the date of acquisition or from the time an asset is completed and held ready for use. The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Operating Leases

Payments made under operating leases are charged against profit in equal instalments over the accounting periods covered by the lease term.

Joint Venture Operations

The consolidated entity's interests in unincorporated joint ventures is brought to account by including its interest in the following amounts in the appropriate categories in the statements of financial position and statements of financial performance:

- the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable; and
- the income and expenses in relation to the joint venture.

The consolidated entity's interests in incorporated joint ventures is brought to account using the equity method of accounting.

Investment in Land Development Project Valuation

Development properties are recorded at the lower of cost and net realisable value. Cost includes the costs of acquisition and expenses incidental to the development and holding costs including interest, rates and taxes.

Recognition of income

Income from sales is generally recognised on exchange of contracts. However, where contracts include conditions precedent to the performance of the contract, the sales are recognised upon the satisfaction of those conditions. The amount of costs matched against sales is based on an average recovery factor calculated on estimated total costs to estimated total sales for each stage of the project.

Investment in Research and Development Projects

Investments by the consolidated entity in research and development syndicates are included in other assets in the statement of financial position.

Income is brought to account on a straight line basis over the term of the investment. Accordingly, taxation benefits derived are deferred and brought to account over the term of the investment. The capitalised research and development expenditure is amortised on a straight-line basis over the same period.

Deferred expenditure and core technology is reviewed in accordance with the policy set out under the heading "Recoverable Amount". The impact of this review on the recognition of income tax benefits and income earned on the investment is also assessed at this time.

Dividends Payable

Dividends payable are recognised when declared and brought to account in the year in which the profits are earned.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

1 Statement of Significant Accounting Policies continued

Deferred Expenses

Establishment fees

The Company provides a home loan product whereby the member does not pay any initial establishment fees. The out of pocket costs the Company incurs in relation to setting up the loan (ie valuation and legal costs), are deferred as assets.

These costs become payable by the member if the loan balance is reduced, within the first three years of the loan being settled, to less than half of the amount advanced. The deferred fees are amortised on a straight-line basis over this three year period, being the period during which the Company receives a benefit from the asset. If the costs become payable by the borrower during this time, the funds received are credited to the deferred costs asset.

Loan referral fees

Payments are made to third parties for the referral of loan business to the Company. These amounts are deferred as assets and amortised on a straight-line basis over three years.

Costs of acquisitions

Costs may be incurred by the Company as a direct result of the acquisition of other businesses. These costs relate to the investigation, negotiation and amalgamation phases of the purchase of other businesses. These amounts are deferred as assets and amortised on a straight-line basis over the period of time during which benefits are expected to be realised.

Employee Entitlements

Salaries, redundancy costs and annual leave

The provisions for employee entitlements to salaries, redundancy costs and annual leave represent the amounts which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current salary rates and include related on-costs.

Long service leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the consolidated entity resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in salary rates and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation plan

The Company contributes to employee superannuation funds. These contributions are charged against profit in the period in which they are incurred. Further information is set out in note 21.

Directors' Retirement Benefits

Provision for directors' retirement benefits is made in accordance with the Company's constitution.

Derivative Financial Instruments

Derivative financial instruments are used to manage interest rate exposure. The consolidated entity uses interest rate swaps to hedge interest rate risks. Income or expenses on these instruments are recorded on an accruals basis as an adjustment to interest income on loans over the periods covered by the contracts. Further information is set out in note 34.

Marketing

All marketing expenses are charged against profit in the period in which they are incurred.

Securitisation

The Company, through its Securitisation program, packages and sells residential mortgage loans. In consideration for the sale the Company receives an amount equivalent to the unpaid balances of the loans.

Under the securitisation program the Company is appointed as servicer of the securitised loans. The duties of the servicer include the origination, servicing, administration and collection duties relating to the mortgage portfolio in accordance with the Company's normal practices. The Company receives a monthly fee for performing these duties in relation to the purchased loans. This fee is earned over the period in which the relevant income is earned. In addition the Company is entitled to residual income from the program, comprising interest received on securitised loans less interest due to the purchaser and other expenses of the securitisation program. The timing and amount of these residual income receipts cannot be readily measured because of the significant uncertainties inherent in estimating future movements in repayment rates on the underlying mortgage loans and interest margins. Consequently, the residual income receivable is not recognised as an asset and no gain is recognised on the transfer of the loans. The residual income is therefore being recognised when receivable.

Accounts payable

Liabilities are recognised for amounts to be paid for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 30 days.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Comparative Amounts

Where necessary, comparative amounts have been adjusted to conform with changes in presentation for the current year.

Where additional disclosure is made for the first time and the past year's comparative amounts are not available, no amounts are shown.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

2 Change in Accounting policies

Revaluation of non-current assets

The consolidated entity has applied AASB 1041 Revaluation of Non-current Assets for the first time from 1 July 2000. The standard requires each class of non-current asset, other than inventories, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance, to be measured on either the cost or fair value basis. The consolidated entity has applied AASB 1041 as follows:

Investments

The consolidated entity has continued to use the cost basis for listed and unlisted shares in other corporations. Therefore there is no financial effect in the current period or prior period.

Freehold land and buildings

The consolidated entity has adopted the cost basis for land and buildings and has deemed the cost to be equal to the carrying value of the freehold land and buildings as at 1 July 2000.

The carrying value brought forward as at 1 July 2000 of \$9,304,000 is carried at directors' valuation 2000. The change in accounting policy has no financial effect in the current or prior period. As a consequence of making this election on the adoption of AASB 1041, the balance of the asset revaluation reserve at 1 July 2000 related to freehold land and buildings which is no longer available for asset write-downs is \$5,625,000.

Other non-current assets

The consolidated entity has continued to use the cost basis for other non-current assets such as receivables, plant and equipment and research and development expenditure. Therefore there is no financial effect in the current period or prior period.

Deferral of loan referral fees

The consolidated entity has adopted a new accounting policy in relation to loan referral fees. These fees are paid to third parties for the referral of new loans. Previously these fees were expensed as incurred, however the benefit to the consolidated entity for this expenditure is not immediate, rather it is realised over the life of the loan.

The change has been effected to provide closer matching of income and expenses. Loan referral fees are now deferred as an asset and amortised on a straight-line basis over a period of three years. The average loan duration is approximately four years.

The change in accounting policy has resulted in an increase in profit from ordinary activities after income tax of \$530,000 in the consolidated entity and the Company for the year ended 30 June 2001.

3 Profit from Ordinary Activities

Revenue

Interest revenue

Loans

- related entities
- other

Trading securities

Investment securities

Non interest income

Dividends

Profit from sale of property, plant and equipment*

Land development

Fees

- loans
- other

Payment system income

Property income

Bad debts recovered

Commissions

- insurance
- other

Securitisation

Other

Total Revenue

	Consolidated		Company	
	2001	2000	2001	2000
	\$000	\$000	\$000	\$000

Loans				
– related entities	–	–	647	669
– other	107,509	95,979	106,604	95,144
Trading securities	9,300	7,731	9,300	7,731
Investment securities	6,787	4,057	6,787	4,044
	123,596	107,767	123,338	107,588
Non interest income				
Dividends	10	13	10	13
Profit from sale of property, plant and equipment*	3	80	3	80
Land development	1,437	3,908	–	–
Fees				
– loans	1,882	1,866	1,882	1,866
– other	6,679	5,468	6,679	5,468
Payment system income	1,632	1,383	1,632	1,383
Property income	130	309	130	309
Bad debts recovered	261	182	261	182
Commissions				
– insurance	629	667	629	667
– other	522	663	377	663
Securitisation	264	103	264	103
Other	497	44	490	37
	13,946	14,686	12,357	10,771
Total Revenue	137,542	122,453	135,695	118,359

All the above income is from operating activities. There were no sources of income from outside operating activities.

* The gross proceeds from the sale of property, plant and equipment amounted to \$127,000 (2000 \$1,646,000)

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

3 Profit from Ordinary Activities continued

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Expenses				
Interest expense				
Deposits				
– controlled entities	–	–	218	223
– other	77,505	62,281	77,483	62,218
Borrowings	19	2,011	19	2,011
	77,524	64,292	77,720	64,452
Bad and doubtful debts expense				
– bad debts written off	1,024	1,074	1,024	1,074
– (decrease)/increase in provision	(85)	276	(85)	276
	939	1,350	939	1,350
Non interest expense				
<i>Personnel</i>				
Salaries	17,141	15,682	16,999	15,682
Payroll tax	981	892	981	892
Fringe benefits tax	145	128	145	128
Superannuation	1,254	1,029	1,246	1,029
Increase/(decrease) in provisions for employee entitlements	660	(6)	592	(6)
	20,181	17,725	19,963	17,725
<i>Occupancy</i>				
Depreciation and amortisation				
– buildings	153	165	153	165
– leasehold improvements	411	368	411	368
Repairs and maintenance	325	390	324	390
Rental on operating leases	2,958	2,808	2,958	2,808
Other	1,174	1,185	1,144	1,185
	5,021	4,916	4,990	4,916
<i>General</i>				
Depreciation and amortisation				
– goodwill	4	–	–	–
– deferred expenses	65	–	57	–
– furniture, fixtures, fittings and other equipment	1,101	847	1,101	847
– computer equipment	552	983	550	983
– investment in controlled entities	–	–	593	593
– deferred research and development expenditure	593	593	–	–
Loss from sale of property, plant and equipment	140	125	140	125
Auditor's remuneration				
– audit of the financial statements	145	135	124	99
– other services				
– assurance services	15	44	12	44
– taxation services – returns	9	3	9	3
– taxation services – advice	265	29	265	49
– legal services	66	–	90	–
– consultancy services	40	31	36	31
Data processing	1,380	1,309	1,377	1,309
Supervision levies	203	184	203	184
Land development	1,279	3,757	–	–
Marketing	2,784	2,457	2,776	2,457
Payment system charges	3,655	3,521	3,655	3,521
Other	7,101	5,904	7,111	5,668
	19,397	19,922	18,099	15,913
Total non interest expense	44,599	42,563	43,052	38,554
Individually significant items included in profit from ordinary activities before income tax				
Deferred research and development expenditure written off	–	797	–	797
Total Expenses	123,062	109,002	121,711	105,153
Profit from ordinary activities before income tax	14,480	13,451	13,984	13,206

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

4 Income Tax

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
The income tax shown in the financial statements varies from the prima facie tax payable on the pre tax accounting profit as follows:				
Profit from ordinary activities	14,480	13,451	13,984	13,206
Prima facie income tax at 34% (2000 36%) of profit from ordinary activities	4,923	4,842	4,755	4,754
Tax effect of permanent differences which increase tax expense				
– depreciation of buildings	52	60	52	60
– amortisation/write-off of investment in controlled entities	–	–	201	500
– amortisation/write-off of deferred research and development expenditure	201	500	–	–
– other	47	4	40	–
Tax effect of permanent differences which decrease tax expense				
– dividends received	(3)	(4)	(3)	(4)
– tax deductions from research and development investments	(803)	(1,337)	(803)	(1,337)
– other	–	–	–	(2)
Restatement of deferred tax balances due to changes in company tax rates	112	47	140	131
Income tax attributable to operating profit	4,529	4,112	4,382	4,102
Income tax attributable to operating profit comprises				
Provision attributable to current year	5,015	5,488	4,932	5,169
Provision attributable to future years				
– deferred income tax	(294)	(1,428)	(419)	(1,003)
– future income tax benefit	(172)	52	(111)	(64)
Under/(over) provision in prior year	(20)	–	(20)	–
	4,529	4,112	4,382	4,102

During the previous year, the government introduced legislation which reduced the company tax rate from 36% to 34% for the year ended 30 June 2001 and a further reduction will decrease the company tax rate to 30% for the year ending 30 June 2002. The financial effects of the changes in tax rates have been brought to account in the financial statements for the year ended 30 June 2001.

TAX LIABILITIES

Provision for income tax

Balance at beginning of the year	3,412	3,339	3,095	3,341
Income tax paid	(7,983)	(5,415)	(7,587)	(5,415)
Current year's income tax expense on profit from ordinary activities	5,015	5,488	4,932	5,169
Under/(over) provision in prior year	(20)	–	(20)	–
Balance at end of the year	424	3,412	420	3,095

Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2000 34% or 30% depending on when the liability was expected to be realised) on the following items

Expenditure currently deductible for tax but deferred and amortised for accounting purposes

	3,460	3,754	2,580	2,999
Total tax liabilities	3,884	7,166	3,000	6,094

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
4 Income Tax <small>continued</small>				
TAX ASSETS				
<i>Future income tax benefit</i>				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2000 34% or 30% depending on when the benefit was expected to be realised) on the following items:				
Provisions and accrued employee entitlements not currently deductible	1,823	1,645	1,380	1,263
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	47	53	47	53
	1,870	1,698	1,427	1,316

Future income tax benefit not taken to account

The potential future income tax benefit in a controlled entity, which is a company, arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain:

Tax losses carried forward	838	503	-	-
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The potential future tax benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

5 Retained Profits

Retained profits at the beginning of the year	43,374	39,953	42,349	39,163
Net profit attributable to members	9,951	9,339	9,602	9,104
Net transfers to and from retained profits	(16)	-	-	-
Dividends	(6,189)	(5,918)	(6,189)	(5,918)
Retained profits at the end of the year	47,120	43,374	45,762	42,349

6 Dividends

Fully franked dividend provided on 31 December 1999				
- \$0.07 per share franked to 100 percent at a tax rate of 36 percent paid on 28 February 2000 on 33,490,484 shares	-	2,344	-	2,344
Fully franked dividend provided on 30 June 2000				
- \$0.105 per share franked to 100 percent at a tax rate of 34 percent paid on 30 August 2000 on 34,040,780 shares	-	3,574	-	3,574
Fully franked dividend provided on 31 December 2000				
- \$0.07 per share franked to 100 percent at a tax rate of 34 percent paid on 27 February 2001 on 34,937,793 shares	2,446	-	2,446	-
Fully franked dividend provided on 30 June 2001				
- \$0.105 per share franked to 100 percent at a tax rate of 30 percent to be paid on 30 August 2001 on 35,580,928 shares	3,743	-	3,743	-
	6,189	5,918	6,189	5,918

DIVIDEND FRANKING ACCOUNT

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends

- class C 30% (2000 34%) franking credits	39,103	29,177	36,891	27,336
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The ability to use the franking account credits is dependent on there being sufficient available profits to declare dividends.

	\$	\$
Basic earnings per share	0.28	0.28

Diluted earnings per share is not different from the basic earnings per share shown above. The calculation of earnings per share was based on the weighted average number of permanent shares being 35,005,000 (2000 33,235,000). 60,949 (2000 Nil) shares have been issued since 30 June 2001 and before the signing of this report.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

7 Receivables	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Sundry debtors	2,293	2,626	1,430	1,325

Receivables are carried at nominal amounts due and are under normal business terms and conditions.

8 Investments

Trading securities at market value				
– bills of exchange accepted or endorsed by a bank	9,453	15,772	9,453	15,772
– certificates of deposit issued by banks	122,422	125,730	122,422	125,730
– deposits with banks	7,776	2,504	7,776	2,504
	139,651	144,006	139,651	144,006
Investment securities at cost plus accrued income				
– bills of exchange accepted or endorsed by a bank	9,982	24,722	9,982	24,722
– certificates of deposit issued by banks	–	5,966	–	5,966
– deposits with banks	6,829	44,600	6,829	44,600
– deposits with building societies	45,752	–	45,752	–
	62,563	75,288	62,563	75,288
Shares in entities and other investments				
Shares in unlisted companies at cost	807	807	807	807
Investment in controlled entities				
– at cost	–	–	10,432	10,182
– accumulated amortisation	–	–	(8,837)	(8,245)
	807	807	2,402	2,744
Total Investments	203,021	220,101	204,616	222,038

MATURITY SCHEDULE OF INVESTMENTS

Securities maturing				
– up to three months	172,125	194,779	172,125	194,779
– from three to twelve months	20,074	24,515	20,074	24,515
– from one to five years	10,015	–	10,015	–
– over five years	807	807	2,402	2,744
Total Investments	203,021	220,101	204,616	222,038

VALUATION OF INVESTMENTS

Investment and trading securities – at market value	202,214	219,286	202,214	219,286
Shares in unlisted companies – at cost	807	807	807	807
Investment in controlled entities – at written down value	–	–	1,595	1,937
	203,021	220,093	204,616	222,030

Oakvale Capital Limited independently provided yields to assist in the valuation of the Company's investment securities at 30 June 2001. Shares in controlled entities are valued at cost net of amortisation where applicable.

TERMS OF TRADING AND INVESTMENT SECURITIES	Average maturity		Effective interest rates	
	2001 (mths)	2000 (mths)	2001 (%)	2000 (%)
Bills of exchange accepted or endorsed by a bank	1	3	4.97	6.22
Certificates of deposit issued by banks	3	2	5.05	6.28
Deposits with banks	1	1	4.84	5.93
Deposits with building societies	1	–	5.52	–

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

9 Loans

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Loans to				
– controlled entities	–	–	7,677	7,587
– other persons	1,555,519	1,399,177	1,555,519	1,399,177
Provision for doubtful debts (refer note 10)	(971)	(1,056)	(971)	(1,056)
Total Loans	1,554,548	1,398,121	1,562,225	1,405,708
LOANS BY SECURITY				
Secured by mortgage	1,498,273	1,333,319	1,505,950	1,340,906
Unsecured	57,246	65,858	57,246	65,858
Provision for doubtful debts	(971)	(1,056)	(971)	(1,056)
Total Loans	1,554,548	1,398,121	1,562,225	1,405,708
LOANS BY PURPOSE				
Residential loans	1,366,110	1,247,415	1,366,110	1,247,415
Personal loans	87,793	113,103	87,793	113,103
Commercial loans	92,092	28,619	99,769	36,206
Revolving credit	9,524	10,040	9,524	10,040
Provision for doubtful debts	(971)	(1,056)	(971)	(1,056)
Total Loans	1,554,548	1,398,121	1,562,225	1,405,708
LOANS BY MATURITY				
Loans maturing				
– revolving credit	9,524	10,040	9,524	10,040
– up to three months	12,568	13,476	13,096	14,172
– from three to twelve months	39,734	43,103	41,318	45,194
– from one to five years	195,003	212,563	200,568	217,363
– over five years	1,298,690	1,119,995	1,298,690	1,119,995
Provision for doubtful debts	(971)	(1,056)	(971)	(1,056)
Total Loans	1,554,548	1,398,121	1,562,225	1,405,708
CONCENTRATION OF LOANS				
South Coast	160,622	154,552	160,622	154,552
Southern Highlands	217,003	202,104	217,003	202,104
Sydney	458,158	403,390	458,158	403,390
Wollongong	401,806	381,261	409,483	388,848
Other	317,930	257,870	317,930	257,870
Provision for doubtful debts	(971)	(1,056)	(971)	(1,056)
Total Loans	1,554,548	1,398,121	1,562,225	1,405,708

Excludes \$50,000,000 (2000 \$50,000,000) of securitised residential loans. Total loans under management are \$1,604,548,000 (2000 \$1,448,121,000).

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

10 Provision for Doubtful Debts

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
General provision				
Balance at the beginning of the financial year	815	345	815	345
Movement in provision	(59)	470	(59)	470
Balance at the end of the financial year	756	815	756	815
Specific provision				
Balance at the beginning of the financial year	241	435	241	435
Movement in provision	(26)	(194)	(26)	(194)
Balance at the end of the financial year	215	241	215	241
Total Provision for Doubtful Debts	971	1,056	971	1,056
Statutory provision	484	659	484	659
Movement in general provision	(59)	470	(59)	470
Movement in specific provision	(26)	(194)	(26)	(194)
Bad debts recognised directly	1,024	1,074	1,024	1,074
Bad and doubtful debts expense	939	1,350	939	1,350
Non accrual loans				
Total non accrual loans	1,029	1,743	1,029	1,743
Specific provision	(215)	(241)	(215)	(241)
Net non accrual loans	814	1,502	814	1,502
Restructured loans	-	-	-	-
Assets acquired through enforcement of security	-	-	-	-
Past due loans	1,382	1,884	1,382	1,884
Interest revenue on non accrual loans	104	589	104	589
Interest foregone on non accrual loans	14	42	14	42

The specific provision includes the Company's provision for loans specifically identified as doubtful of recovery. The general provision includes additional provision required under the Prudential Standards at 30 June 2001, and the additional provision required to meet the Company's provisioning policy.

Non accrual loans are loans where the recovery of all interest and principal is considered to be reasonably doubtful, hence provisions are recognised.

Restructured loans arise when the member is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non accrual loans when provisions are required.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past due loans are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision is required, the loan is included in non accrual loans.

11 Inventories

Freehold land held for development and sale				
- acquisition costs	2,897	2,961	-	-
- development costs capitalised	1,546	1,440	-	-
- rates, taxes and interest capitalised	1,954	1,246	-	-
Total Inventories	6,397	5,647	-	-

In June 2001, Mr K Jackson JP, Dip Bus (Val) FAPI Registered No. 2240, provided an independent market valuation on an engloba basis of the undeveloped land component of the above inventories. The consolidated entity's interest in this land, which is carried at a cost of \$5,097,000 (2000 \$4,500,000), was valued at \$10,625,000 (2000 \$8,660,000).

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

12 Property, Plant and Equipment

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Freehold land				
– at 2000 directors' valuation	–	3,330	–	3,330
– at cost	3,330	–	3,330	–
	3,330	3,330	3,330	3,330
Freehold buildings				
– at 2000 directors' valuation	–	5,974	–	5,974
– at cost	5,974	–	5,974	–
– accumulated depreciation	(153)	–	(153)	–
	5,821	5,974	5,821	5,974
Total land and buildings	9,151	9,304	9,151	9,304
Plant and equipment				
– at cost	24,212	22,315	24,193	22,315
– accumulated depreciation	(16,170)	(15,720)	(16,168)	(15,720)
Total plant and equipment	8,042	6,595	8,025	6,595
Work in progress – at cost	190	726	190	726
Total Property, Plant and Equipment	17,383	16,625	17,366	16,625

VALUATIONS

Independent valuations were last carried out on 10 May 1999 by Mr H Zweep AICMV FREI on the open market value of the properties based on their existing use. The independent valuation valued freehold land and buildings at \$9,780,000, adjusted for the sale in June 2000 of the IMB Arcade building. The Company's policy is to obtain an independent valuation of freehold land and buildings every three years.

The directors' valuation in 2000 was carried out as at 30 June 2000 and was on the open market value of the properties based on their existing use. In revaluing freehold land and buildings, the directors have not taken into account the potential impact of capital gains tax.

13 Intangibles

Goodwill – at cost	24	–	–	–
Accumulated amortisation	(4)	–	–	–
Total Intangibles	20	–	–	–

14 Other Assets

Capitalised research and development expenditure – at cost	6,859	6,859	–	–
Accumulated amortisation	(6,267)	(5,674)	–	–
	592	1,185	–	–
Deferred expenditure – at cost	906	–	860	–
Accumulated amortisation	(65)	–	(57)	–
	841	–	803	–
Total Other Assets	1,433	1,185	803	–

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
15 Deposits				
Members' deposits	1,658,508	1,494,772	1,666,093	1,502,777
Accrued interest	11,732	12,062	11,732	12,071
Total Deposits	1,670,240	1,506,834	1,677,825	1,514,848
DEPOSITS BY MATURITY				
Deposits maturing				
– on call	611,848	541,452	619,433	549,466
– up to three months, excluding those on call	796,416	605,935	796,416	605,935
– from three to six months	128,005	170,049	128,005	170,049
– from six to twelve months	108,618	158,063	108,618	158,063
– from one to five years	25,353	31,335	25,353	31,335
Total Deposits	1,670,240	1,506,834	1,677,825	1,514,848
CONCENTRATION OF DEPOSITS				
South Coast	305,674	277,451	305,674	277,451
Southern Highlands	215,295	191,633	215,295	191,633
Sydney	175,440	200,169	175,440	200,169
Wollongong	668,021	602,985	675,606	610,999
Other	305,810	234,596	305,810	234,596
Total Deposits	1,670,240	1,506,834	1,677,825	1,514,848
16 Accounts Payable				
Sundry creditors and accruals	6,699	7,574	2,080	2,645
17 Interest Bearing Liabilities				
Wholesale debt – medium term note	–	33,000	–	33,000
Total Interest Bearing Liabilities	–	33,000	–	33,000
INTEREST BEARING LIABILITIES BY MATURITY				
– from three to six months	–	33,000	–	33,000
Total Interest Bearing Liabilities	–	33,000	–	33,000
The medium term note was carried at the principal amount. Interest was paid at a fixed margin above the applicable bank bill rate which was reset quarterly. Interest was expensed as it accrued. The medium term note was retired on 1 December 2000.				
18 Provisions				
Dividends payable	3,743	3,574	3,743	3,574
Employee entitlements (refer note 21)	3,434	2,774	3,367	2,774
Total Provisions	7,177	6,348	7,110	6,348

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

19 Contributed Equity

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Issued and paid up capital				
35,580,928 (2000 34,040,780) ordinary shares, fully paid	34,007	30,577	34,007	30,577

Under its constitution, the Company may issue new shares at any time. Also under the constitution of the Company, no person may hold an entitlement in any class of shares of more than five percent (5%) of the nominal value of all shares of that class. Subject to the constitution, a member of the Company is entitled to vote and has one vote only, irrespective of the number of shares or the number or amounts of deposits held. Under the Company's constitution, depositors have an equity interest in the net assets of the consolidated entity upon its winding up. Therefore, in the event of a surplus on winding up, the amount attributable to shareholders would be reduced by an amount equal to the equity interest of depositors at that time.

Movements in Ordinary Share Capital

Balance at the beginning of the financial year	30,577	14,689	30,577	14,689
Balance of share premium reserve	–	11,601	–	11,601
Issue on 30 August 1999 of 341,812 shares under the dividend re-investment plan	–	1,873	–	1,873
Issue on 24 February 2000 of 491,100 shares under the employee share acquisition scheme	–	1,055	–	1,055
Issue on 28 February 2000 of 550,296 shares under the dividend re-investment plan	–	1,359	–	1,359
Issue on 30 August 2000 of 897,013 shares under the dividend re-investment plan	2,028	–	2,028	–
Issue on 27 February 2001 of 643,135 shares under the dividend re-investment plan	1,402	–	1,402	–
Balance at the end of the financial year	34,007	30,577	34,007	30,577

20 Reserves

Asset revaluation	5,625	5,625	5,625	5,625
General	25,255	25,255	25,255	25,255
Total Reserves	30,880	30,880	30,880	30,880

21 Employee Entitlements

Aggregate employee entitlements, including on-costs	3,434	2,774	3,367	2,774
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:	%	%	%	%
Assumed rate of increase in salary rates	5.00	5.00	5.00	5.00
Discount rate	5.74	6.00	5.74	6.00

Directors' Retirement Benefits

Under the Company's constitution, benefits are payable on retirement to directors. The amount paid is equal to the amount permitted to be payable by the Corporations Act 2001 without further approval by members. The Company's liability for directors' retirement benefits has been included in employee entitlements.

Superannuation Funds

The Company contributes on behalf of its employees to the following superannuation funds:

- The IMB Staff Defined Benefit Superannuation Fund
- The IMB Staff Accumulation Superannuation Fund

The IMB Staff Defined Benefit Superannuation Fund

The Company pays contributions in respect of each fund member based on a fixed percentage of the member's salary. The fund provides defined benefits based on years of service and the final average salary. An actuarial assessment of the fund at 1 September 1999 was carried out by Mr S Defina, FIAA on 6 December 1999. The assessment concluded that the assets of the fund are sufficient to meet all the benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each fund member.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

21 Employee Entitlements continued

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
	Fund assets at net market value	Accrued benefits	Excess	Vested benefits
The IMB Staff Defined Benefit Fund at 30 June 2001	5,215	2,638	2,577	2,811
The IMB Staff Defined Benefit Fund at 30 June 2000	4,721	2,638	2,083	2,515

Fund assets at market value have been calculated at 30 June 2001, being the date of the most recent financial statements of the fund. Accrued benefits are benefits that the fund was, at the date of the last actuarial review on 1 September 1999, obliged to pay at some future date, as a result of membership of the fund. Vested benefits have been calculated at 30 June 2001, being the date of the most recent financial statements of the fund. Vested benefits are benefits which are not conditional upon the continued membership of the fund or any factor other than resignation from the fund.

Employer contributions to the fund totalled \$203,000 (2000 \$204,000).

The IMB Staff Accumulation Superannuation Fund

The Company paid contributions in respect of each fund member at the rate of 8 percent (2000 7 percent) of each fund member's gross salary. Employees may contribute to the fund on a voluntary basis. In addition, the Company contributes further amounts to members' accounts commensurate with length of service and grade. As the fund is an accumulation fund, benefits provided to fund members are based on the amounts credited to each member's account in the fund. No actuarial assessment is required for this fund.

Vested benefits are benefits which are not conditional upon the continued membership of the fund or any factor other than resignation from the fund. All contributions received into the fund are vested.

Employer contributions to the fund on behalf of the Company totalled \$1,043,000, including \$42,000 in administration fees (2000 \$825,000). Employer contributions to the fund on behalf of the consolidated entity totalled \$1,051,000, including \$42,000 in administration fees (2000 \$825,000).

22 Commitments

Loans approved but not advanced, payable				
– not later than one year	252,965	137,502	252,965	137,502
Capital commitments not taken up in the financial statements, payable				
– not later than one year	126	1,656	126	1,656
Operating lease liabilities, payable				
– not later than one year	2,638	2,651	2,638	2,651
– later than one year but not later than five years	4,306	3,552	4,306	3,552
– later than five years	110	–	110	–
	7,054	6,203	7,054	6,203

The consolidated entity leases property under operating leases expiring up to seven years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

23 Unused Credit Facilities

Bank overdraft	2,500	2,500	2,500	2,500
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The overdraft facility when drawn is secured by a charge over mortgage loans made by the Company to members. This facility is subject to annual review.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

24 Contingent Liabilities

Guarantees given by Illawarra Mutual Building Society Ltd

Real Estate Development

Guarantee in favour of Shellharbour City Council \$705,000 (2000 \$705,000) 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 (2000 \$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 (2000 \$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 consolidated entity is currently subject to audits by the ATO on two of its syndicates.

The ATO has issued a position paper on one syndicate. The Company responded to the position paper. No amended tax assessments have been issued by the ATO and the directors intend to defend the Company's taxation position should any adjustments be proposed by the ATO.

A second syndicate is also being audited by the ATO. At this time, no position paper has been issued by the ATO and no amended assessments have been received.

While the final outcomes of the audits are uncertain, the directors believe that all tax deductions claimed in connection with its research and development syndicates were appropriate and no adjustment to the provision for income tax is required as at 30 June 2001.

25 Controlled Entities

Entity	Principal Activity	Ownership Interest	
		2001	2000
		%	%
IMB Funeral Fund Management Pty Ltd	Trustee	100	100
IMB Land Pty Ltd	Land development	100	100
IMB Community Foundation Pty Ltd	Funding of community projects	100	100
Macquarie Syndication (No. 8) Pty Ltd	Research and development	100	100
Lophaver Pty Ltd	Investment	100	100
– Lafoten Pty Ltd*	Research and development	100	100
– Sonoridad Pty Ltd*	Research and development	100	100
– Vesteralen Pty Ltd*	Research and development	100	100

* Controlled entities of Lophaver Pty Ltd which holds 100% of the equity in each of the controlled entities.

Each of these entities was incorporated in New South Wales, Australia.

Transfer of entity

During the financial year the business undertakings of IMB Friendly Society Ltd were transferred to Independent Mutual Friendly Society Ltd. The business of IMB Friendly Society Ltd was transferred for no consideration as the Company did not have ownership. The Company formerly deemed IMB Friendly Society Ltd a controlled entity as the Company had the capacity to dominate decision making.

Details of the transfer are as follows:

	Consolidated 2001 \$000
Consideration	–
Net assets of entity transferred	
Cash	456
Sundry debtors	28
Withdrawable deposits	(458)
Sundry creditors	(5)
Income tax provision	(5)
	16
Loss on transfer	(16)
	%
Interest held after transfer	–

The entity was transferred on 30 June 2001 and the operating results to that date have been included in consolidated operating profit.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

26 Interests in Joint Venture Operations

The consolidated entity holds various interests in a number of unincorporated joint ventures as follows:

Controlled entity participating in joint venture	Percentage interest		Nature of activities	Contribution to net profit attributable to members	
	2001 %	2000 %		2001 \$000	2000 \$000
IMB Land Pty Ltd	50.0	50.0	Land development	81	236
Macquarie Syndication (No. 8) Pty Ltd	36.0	36.0	Research and development	–	(279)
Lafoten Pty Ltd	99.9	99.9	Research and development	–	–
Sonoridad Pty Ltd	63.0	63.0	Research and development	221	221
Vesteralen Pty Ltd	99.9	99.9	Research and development	–	–

The parent entity also holds an interest in an incorporated joint venture as follows:

IMB Financial Planning Limited	50.0	–	Financial planning	(65)	–
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Included in the assets of the consolidated entity are the following items which represent the consolidated entity's interest in the assets employed in the joint ventures, recorded in accordance with the accounting policies described in note 1.

	2001 \$000	2000 \$000
Assets		
Cash	393	184
Receivables	862	1,302
Inventories	6,398	5,647
Other	113	–
Total Assets	7,766	7,133

27 Service Contracts and Economic Dependencies

The Company entered into a service agreement with UBS Brinson Limited on 1 October 1998. Under the service agreement, UBS Brinson Limited assists the Company in the management of a portion of the Company's trading securities.

On 5 June 1996, the Company entered into a service agreement with Oakvale Capital Limited. Under the service agreement, Oakvale Capital Limited assists the Company in the management of a portion of the Company's trading securities.

On 22 May 1998, the Company entered into a service agreement with Oakvale Capital Limited. Under the service agreement, Oakvale Capital Limited provides Asset/Liability Management Services.

The Company has an economic dependency on Cashcard Australia Limited for the switching of ATM, Eftpos and other forms of electronic payments.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

28 Notes to the Statements of Cash Flows

	Consolidated		Company	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
RECONCILIATION OF CASH				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related item in the statements of financial position:				
Cash	13,042	19,750	12,797	19,729
Cash excludes short term deposits of \$14,555,000 (2000 \$40,603,000) which are included in investments.				
RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Profit from ordinary activities after income tax	9,951	9,339	9,602	9,104
Depreciation of property, plant and equipment	2,217	2,363	2,215	2,363
Amortisation of deferred research and development expenditure	593	1,390	-	-
Amortisation of investment in controlled entities	-	-	593	1,390
Amortisation of goodwill	4	-	-	-
Amortisation of loan referral fees	65	-	57	-
Loss on sale of property, plant and equipment	137	49	137	49
Bad debts written off	939	1,074	939	1,074
Net cash provided by operating activities before changes in assets and liabilities	13,906	14,215	13,543	13,980
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year				
(Increase)/decrease in accrued interest on investments	(333)	(87)	(333)	(87)
(Increase)/decrease in inventories	(750)	748	-	-
(Increase)/decrease in sundry debtors	333	(743)	(105)	(286)
(Increase)/decrease in future income tax benefit	(172)	52	(111)	(64)
Increase/(decrease) in accrued interest on members' deposits	(330)	3,197	(339)	3,215
Increase/(decrease) in sundry creditors	1,633	(882)	1,943	(631)
Increase/(decrease) in provision for employee entitlements	660	(6)	593	(6)
Increase/(decrease) in provision for income tax	(2,988)	72	(2,675)	(245)
Increase/(decrease) in deferred tax payable	(294)	(1,428)	(419)	(1,003)
Increase/(decrease) in deferred expenses	(906)	-	(860)	-
Increase/(decrease) in provision for doubtful debts	(85)	276	(85)	276
Net cash flows from operating activities	10,674	15,414	11,152	15,149
CASH FLOWS PRESENTED ON A NET BASIS				
Cash flows arising from loan advances and repayments, member deposits and withdrawals and from sales and purchases of investment securities have been presented on a net basis in the statements of cash flows.				
NON CASH FINANCING AND INVESTING ACTIVITIES				
Issue of share capital under the dividend re-investment plan and employee share acquisition scheme	3,430	4,287	3,430	4,287

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

29 Directors' Remuneration

Company
2001 2000

Directors' income

The number of directors whose income (including superannuation and retirement benefits) from the Company or any related party falls within the following bands:

\$30,000 – \$39,999	1	–
\$40,000 – \$49,999	–	4
\$50,000 – \$59,999	–	2
\$90,000 – \$99,999	2	–
\$100,000 – \$109,999	2	1
\$130,000 – \$139,999	1	–
\$170,000 – \$179,999	1	–
\$210,000 – \$219,999*	1	–

	Consolidated		Company	
	2001	2000	2001	2000
	\$000	\$000	\$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	972	405	971	402

*The directors' remuneration for 2001 includes the retirement benefits paid to the former chairman.

Due to changes in the Corporations Law and the adoption of the Company's constitution at the 2000 annual general meeting, the accrued directors' retirement benefits have increased. The result has increased the overall directors' remuneration shown in the above table for 2001 by \$512,000.

Directors' income does not include insurance premiums paid by the Company in respect of directors' and officers' liabilities and legal expenses contracts, as the insurance policies do not specify premiums paid in respect of individual directors.

30 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:

\$110,000 – \$119,999	–	1	–	1
\$140,000 – \$149,999	–	1	–	1
\$150,000 – \$159,999	1	1	1	1
\$160,000 – \$169,999	1	–	1	–
\$220,000 – \$229,999	–	1	–	1
\$260,000 – \$269,999	1	–	1	–
	\$000	\$000	\$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	578	641	578	641
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Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level. Executives' remuneration does not include insurance premiums paid by the Company in respect of directors' and officers' liabilities and legal expenses contracts, as the insurance policies do not specify premiums paid in respect of individual executives.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

31 Related Party Transactions

Directors

The names of each person holding the position of director of the Company during the financial year are Messrs PF Bolt, GA Edgar, LR Fredericks, H Hanson, DJ Waters, BE Wauchope, Prof KR McKinnon, and Ms VJ Twyford. Mr DJ Waters retired on 20 December 2000 and Mr GA Edgar was appointed on this date.

Details of directors' remuneration and retirement payments and benefits are set out in note 29.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests at year end.

The Company participates in a real estate development joint venture through IMB Land Pty Ltd, a controlled entity. The other participant in the joint venture is Miltonbrook Land Pty Ltd. This company is significantly influenced by a relative of both Messrs LR Fredericks and DJ Waters.

The Company has advanced secured loans to the joint venture during the course of the development. The interest rate is at a fixed commercial margin above the applicable bank bill rate set on the first working day of the month for the ensuing month. The aggregate amount of these loans is \$15,354,000 at 30 June 2001 (2000 \$15,173,000). During the year there were repayments of \$7,561,000 (2000 \$8,794,000), interest of \$1,299,000 (2000 \$1,343,000) and advances of \$6,443,000 (2000 \$6,340,000).

Ms VJ Twyford is a director and shareholder in Vivien Twyford Communication Pty Limited, which has provided consultancy services to the Company throughout the year in relation to the IMB Community Foundation. The total cost of these services was \$43,500 (2000 \$46,800). These services were provided under the terms of a contract that was awarded after a competitive tender process involving several applicants.

Loans to directors of the Company are provided in the ordinary course of business and are subject to the terms normally imposed by the Company on members in accordance with the Company's constitution. The aggregate amount of the loans outstanding relating to Messrs LR Fredericks and Ms VJ Twyford is \$256,000 (2000 \$222,000). The aggregate amount of repayments on these loans was \$40,000 (2000 \$327,000). The aggregate amount of advances on these loans was \$57,000 (2000 \$nil). The aggregate amount of interest on these loans was \$17,000 (2000 \$33,000).

The relevant interests of directors and director related entities in the share capital of the Company in aggregate at 30 June 2001 was 94,497 shares (2000 61,266). During the year, directors and director related entities acquired an aggregate of 21,247 shares (2000 36,341). The comparative 2000 issue included 2,483 shares through the bonus issue and 28,018 shares as a result of the share capital split in the preceding year. The aggregate amount of dividends paid to directors, or director related entities, was \$14,000 (2000 \$10,000).

The Company has also received deposits from the directors and their related entities. These amounts were received on the same terms and conditions as are applicable to members generally and are trivial or domestic in nature.

Unless otherwise stated in this note, all dealings with related parties are in the ordinary course of business and on normal commercial terms and conditions.

Wholly Owned Group

The Company participates in research and development projects through controlled entities, Lophaver Pty Ltd and Macquarie Syndication (No. 8) Pty Ltd. During the year, the Company amortised its investment in controlled entities Lophaver Pty Ltd by \$593,000 (2000 \$593,000) and Macquarie Syndication (No. 8) Pty Ltd \$nil (2000 \$797,000).

The aggregate amount of the investments in Lophaver Pty Ltd and Macquarie Syndication (No. 8) Pty Ltd at 30 June is:

	2001 \$000	2000 \$000
Total investment	9,430	9,430
Accumulated amortisation	(8,838)	(8,245)
	592	1,185

The Company seeks a return on the investment in excess of the Company's normal commercial lending rate which will be earned from the research and development investment.

During the year, the Company received a tax loss of \$1,073,000 (2000 \$981,000) from Sonoridad Pty Ltd, a controlled entity, for no consideration.

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to \$3,435,000 (2000 \$3,666,000). These amounts are received on normal commercial terms and conditions.

Other Related Parties

IMB Financial Planning Limited has related party transactions with the Company. Deposits with the Company by IMB Financial Planning Limited amount to \$263,000. These amounts are received on normal commercial terms and conditions.

The Company provides accounting services to IMB Financial Planning Limited. In return for these services, IMB Financial Planning Limited has paid the Company fees amounting to \$21,000. The Company also provides premises for IMB Financial Planning Limited. The Company has received \$38,000 in rent from IMB Financial Planning Limited. These tenancies are subject to operating leases under normal commercial terms and conditions.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

32 Statement of Operations of Segments

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

33 Average Statement of Financial Position and Related Interest

	Consolidated					
	2001			2000		
	Average Balance \$000	Interest \$000	Average Rate %	Average Balance \$000	Interest \$000	Average Rate %
INTEREST EARNING ASSETS						
Loans	1,430,193	107,509	7.52	1,405,694	95,979	6.83
Trading securities	155,350	9,300	5.99	136,497	7,731	5.66
Investment securities	101,428	6,787	6.69	51,537	4,057	7.87
Total Interest Earning Assets	1,686,971	123,596	7.33	1,593,728	107,767	6.76
NON INTEREST EARNING ASSETS						
Inventories	6,022			6,021		
Property, plant and equipment	17,004			17,223		
Other assets	22,765			22,040		
Total Non Interest Earning Assets	45,791			45,284		
Total Assets	1,732,761			1,639,012		
INTEREST BEARING LIABILITIES						
Deposits	1,588,537	77,524	4.88	1,482,598	64,292	4.34
NON INTEREST BEARING LIABILITIES						
Other liabilities	35,924			55,434		
Total Liabilities	1,624,461			1,538,032		
Net Assets	108,300			100,980		
Net Interest Income		46,072			43,475	
Interest spread			2.45			2.42
Interest margin			2.73			2.73
				2001 over 2000		
				Increase/(decrease) due to change in		
				Average	Average	Total
				Balance	Rate	\$000
				\$000	\$000	\$000
VOLUME AND RATE ANALYSIS						
Interest Earning Assets						
Loans				1,673	9,857	11,530
Trading securities				1,068	501	1,569
Investment securities				3,927	(1,197)	2,730
Change in interest income				6,667	9,162	15,829
Interest Bearing Liabilities						
Deposits				4,594	8,638	13,232
Change in interest expense				4,594	8,638	13,232
Change in net interest income				2,074	523	2,597

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

34 Risk Management and Financial Instruments

Financial institutions face an array of risks, the most important being credit risk, market risk and liquidity risk. The Company's directors recognise that the success or otherwise of the Company depends on its management of these risks. The directors have established a framework of risk management policies and controls, which are implemented and monitored by senior management and specialist committees. The Company's internal audit section is responsible for the continual monitoring of adherence to risk management policies.

Credit Risk

The Company offers fixed and variable rate mortgage loans, personal loans and revolving credit facilities to members, primarily householders including some small business and corporate clients. Credit risk arises from the possibility that the borrower will not adhere to the repayment terms of the loan contract.

The Company's maximum exposures to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

The Company seeks to minimise this risk by adopting high standards for lending quality, which are incorporated into the loan approval process. Monitoring and management of credit risk is the responsibility of a specialist credit management department.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The consolidated entity's maximum credit risk exposure in relation to interest rate swap contracts, which is limited to the net fair value of the swap agreement at balance date, is \$nil (2000 \$3,840,000).

Counterparty risk for investments in financial instruments and derivatives is limited to Australian licensed banks which have a Standard and Poors short term credit rating of A2 or above. The Company also invests in other Authorised Deposit-Taking Institutions subject to specific counterparty risk criteria being met.

Liquidity Risk

Liquidity risk arises from the mismatch in the maturity of the Company's assets and its liabilities. The Company has in place liquidity risk management policies and procedures designed to ensure it has sufficient funds to meet all its obligations.

Liquidity standards set by the directors ensure that in addition to meeting the minimum requirements set by the Australian Prudential Regulation Authority, further liquid funds are available as required. It is a continuing objective of the Company to maintain a stable funding base through diversification of funding sources and obtaining longer term funding. The Company's liquidity position is monitored on a daily basis.

Market Risk

The operations of the Company are subject to risk of interest rate fluctuations to the extent that there is a difference between the amount of the Company's interest earning assets and the amount of interest bearing liabilities that mature or re-price in specific periods. This risk is known as market risk. The market risk is the primary responsibility of the risk management committee. This committee is comprised of senior management who, with the support of sophisticated analysis tools, monitor and implement strategies to manage this risk within limits set by the directors.

During the current financial year this strategy has included the use of interest rate swaps, which are a form of derivative financial instrument. Under interest rate swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and variable rate interest amounts calculated by reference to an agreed notional principal amount.

The following table indicates the swaps used and their weighted interest rate at 30 June:

	2001	2000
Pay-fixed swaps		
Notional amount (\$000)	460,000	530,000
Average pay rate (%)	5.97	6.31
Average receive rate (%)	4.91	6.18
Pay-variable swaps		
Notional amount (\$000)	15,000	115,000
Average pay rate (%)	4.89	6.24
Average receive rate (%)	5.37	5.14

The effect of these swaps on maturity dates and interest spread received by the Company at 30 June 2001 is illustrated in the following table:

	Net assets/ (liabilities) pre hedges \$000	Swaps \$000	Net assets/ (liabilities) post hedges \$000
At call	115,198	–	115,198
Maturing 0-2 years	(509,993)	250,000	(259,993)
Maturing 2-3 years	255,071	(150,000)	105,071
Maturing 3-5 years	236,928	(100,000)	136,928
Total	97,204	–	97,204
Interest spread	2.58%	-0.27%	2.31%

The Company does not enter into transactions involving derivative financial instruments other than for hedging market risk.

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

34 Risk Management and Financial Instruments continued

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

Financial instruments	Floating interest rate		Fixed interest rate maturing in			
			1 year or less		Over 1 to 5 years	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000
FINANCIAL ASSETS						
Cash	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Shares in unlisted companies	-	-	-	-	-	-
Bills of exchange	-	-	19,435	40,494	-	-
Certificates of deposits	-	-	112,407	131,696	10,015	-
Deposits with banks	14,555	46,050	50	1,054	-	-
Deposits with building societies	-	-	45,752	-	-	-
Loans to other persons	785,523	581,007	203,493	290,842	565,532	526,272
Total financial assets	800,078	627,057	381,137	464,086	575,547	526,272
FINANCIAL LIABILITIES						
Wholesale debt - medium term note	-	-	-	33,000	-	-
Deposits	611,848	541,452	1,033,039	934,047	25,353	31,335
Sundry creditors	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-
Employee entitlements	-	-	-	-	-	-
Total financial liabilities	611,848	541,452	1,033,039	967,047	25,353	31,335
Unrecognised financial instruments						
Interest rate swaps	445,000	415,000	(105,000)	(120,000)	(340,000)	(295,000)
Loans approved not advanced	122,081	62,590	7,824	14,921	88,343	55,256

More than 5 years		Non interest bearing		Total carrying amount as per statement of financial position		Weighted average effective interest rate		
2001	2000	2001	2000	2001	2000	2001	2000	
\$000	\$000	\$000	\$000	\$000	\$000	%	%	
								FINANCIAL ASSETS
-	-	13,042	19,750	13,042	19,750			Cash
-	-	2,293	2,626	2,293	2,626			Receivables
-	-	807	807	807	807			Shares in unlisted companies
-	-	-	-	19,435	40,494	4.97	6.22	Bills of exchange
-	-	-	-	122,422	131,696	5.05	6.28	Certificates of deposits
-	-	-	-	14,605	47,104	4.84	5.93	Deposits with banks
-	-	-	-	45,752	-	5.52	-	Deposits with building societies
-	-	-	-	1,554,548	1,398,121	7.04	7.51	Loans to other persons
-	-	16,142	23,183	1,772,904	1,640,598			Total financial assets
								FINANCIAL LIABILITIES
-	-	-	-	-	33,000	-	6.80	Wholesale debt - medium term note
-	-	-	-	1,670,240	1,506,834	4.22	4.85	Deposits
-	-	6,699	7,574	6,699	7,574			Sundry creditors
-	-	3,743	3,574	3,743	3,574			Dividends payable
-	-	3,434	2,774	3,434	2,774			Employee entitlements
-	-	13,876	13,922	1,684,116	1,553,756			Total financial liabilities
								Unrecognised financial instruments
-	-	-	-	-	-			Interest rate swaps
34,717	4,736	-	-	-	-	7.21	8.40	Loans approved not advanced

Notes to the Financial Report continued

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

34 Risk Management and Financial Instruments continued

The aggregate fair values of financial assets and liabilities of the consolidated entity, both recognised and unrecognised at balance date are as follows:

	Consolidated			
	Total carrying amount as per statement of financial position		Aggregate net fair value	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
FINANCIAL ASSETS				
Cash	13,042	19,750	13,042	19,750
Receivables	2,293	2,626	2,293	2,626
Shares in unlisted companies	807	807	807	807
Bills of exchange	19,435	40,494	19,306	40,493
Certificates of deposits	122,422	131,695	122,422	131,695
Deposits with banks	14,605	47,105	14,565	47,105
Deposits with building societies	45,752	-	45,752	-
Loans to other persons	1,554,548	1,398,121	1,581,853	1,415,624
Total financial assets	1,772,904	1,640,598	1,800,040	1,658,100
FINANCIAL LIABILITIES				
Wholesale debt – medium term note	-	33,000	-	33,204
Deposits	1,670,240	1,506,834	1,670,524	1,506,545
Sundry creditors	6,699	7,574	6,699	7,574
Dividends payable	3,743	3,574	3,743	3,574
Employee entitlements	3,434	2,774	3,434	2,774
Total financial liabilities	1,684,116	1,553,756	1,684,400	1,553,671
Net financial assets	88,788	86,842	115,640	104,429
Interest rate swaps	-	-	(2,610)	473
Net financial assets net of swaps	88,788	86,842	113,030	104,902

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Recognised financial instruments

Cash and receivables: The carrying amount approximates fair value.

Investments: Trading securities are carried at net market/net fair value. For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability.

Loans: The fair values of loans receivable excluding doubtful debts, are estimated using discounted cash flow analysis, based on nominal annual interest rates (paid monthly) derived from domestic swap interest rates. Loan repayments have not been taken into consideration when determining the future cash flows. The nominal interest rates used have been applied to all interest payments received for loans repricing in a given period. The methodology used to determine the net fair value of the known future cash flows is in accordance with generally accepted discounted cash flow analysis.

Wholesale debt: The fair value of wholesale debt is estimated using discounted cash flow analysis, based on nominal annual interest rates (paid quarterly) derived from domestic swap interest rates.

Deposits: The carrying amount of short term deposits approximates fair value because of their short term to maturity or they are receivable on demand. The fair values of long term deposits are estimated using discounted cash flow analysis, based on nominal annual interest rates (paid monthly) derived from domestic swap interest rates.

Dividends payable, sundry creditors and employee entitlements: The carrying amount approximates fair value.

Unrecognised financial instruments

Interest rate swap arrangements: The fair values of interest rate swap contracts is determined as the present value of the future interest cash flows, using nominal annual interest rates (paid monthly) derived from domestic swap interest rates.

Directors' Declaration

For the year ended 30 June 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

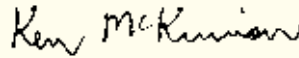
In the opinion of the directors of Illawarra Mutual Building Society Ltd:

- (a) the financial statements and notes, set out on pages 22 to 48 are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2001 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Wollongong this 1st day of August 2001.

Signed in accordance with a resolution of the directors.



KR McKinnon AO Chairman



H Hanson AM Director

Independent Audit Report

to the Members of Illawarra Mutual Building Society Ltd

For the year ended 30 June 2001

Scope

We have audited the financial report of Illawarra Mutual Building Society Ltd for the financial year ended 30 June 2001, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 22 to 49.

The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

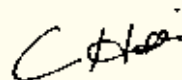
Audit Opinion

In our opinion, the financial report of Illawarra Mutual Building Society Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



KPMG



CP Hollis Partner

Wollongong, 1 August 2001

Shareholders' Information

at 1 August 2001

Illawarra Mutual Building Society Ltd and its Controlled Entities

Top Twenty Shareholders

	Number of Shares	% of Total
Name of Shareholder		
National Nominees Ltd	1,700,216	4.77
Chase Manhattan Nominees Ltd	1,688,679	4.74
UBS Nominees Pty Ltd	1,143,428	3.21
Rubicon Nominees Pty Ltd	422,471	1.19
MF Hands	321,370	0.90
UBS Warburg Private Clients Nominees	289,522	0.81
FH Rast	284,513	0.80
Captain Starlight Nominees Pty Ltd	222,751	0.62
K O'Connor	204,572	0.57
Permanent Trustee Company Ltd	201,730	0.57
WC & JA Bradley	185,280	0.52
J Xanthoudakis	183,055	0.51
WL Hughes	176,728	0.50
SJ Bridger	173,559	0.49
DL Craker	165,830	0.47
RM Hanbury	165,022	0.46
I & J Polak Pty Ltd	164,424	0.46
GD Carey	157,080	0.44
Warman Investments Pty Ltd	151,664	0.43
EW Wright	150,213	0.42
Total	8,152,107	22.88

	Shareholders	Number of Shares	% of Total
Employee Share Acquisition Scheme	168	369,746	1.04
Distribution of Shareholdings	Shareholders	Number of Shares	% of Total
1 – 100	89	3,884	0.01
101 – 1,000	1,925	994,869	2.79
1,001 – 5,000	1,964	5,365,565	15.05
5,001 – 10,000	481	3,608,481	10.12
10,001 – 20,000	319	4,502,390	12.63
20,001 – 50,000	232	6,861,972	19.25
50,001 – 100,000	56	3,991,740	11.20
100,001 and over	38	10,312,976	28.95
Total	5,104	35,641,877	100.00

Five Year History and Comparison

Illawarra Mutual Building Society Ltd and its Controlled Entities

Statistical Highlights	2001 \$000	2000 \$000	1999 \$000	1998 \$000	1997 \$000	
Statement of Financial Performance						
For the year ended 30 June						
Interest income	123,596	107,767	98,347	95,919	110,122	
Interest expense	77,524	64,292	58,770	56,002	63,612	
Interest margin	46,072	43,475	39,577	39,917	46,510	
Non interest income	13,946	14,686	13,702	12,391	9,230	
Bad and doubtful debts expense	939	1,350	1,382	602	943	
Non interest expense	44,599	42,563	39,455	42,479	46,773	
Individually significant items	–	797	314	1,592	1,824	
Profit from ordinary activities before income tax	14,480	13,451	12,128	7,635	6,200	
Income tax expense	4,529	4,112	3,432	1,565	1,344	
Profit from ordinary activities	9,951	9,339	8,696	6,070	4,856	
Statement of Financial Position						
At 30 June						
Assets						
Loans	1,554,548	1,398,121	1,413,266	1,344,681	1,223,491	
Liquids	215,256	239,044	167,882	171,871	142,209	
Other	30,203	28,588	31,119	38,823	43,146	
Total	1,800,007	1,665,753	1,612,267	1,555,375	1,408,846	
Liabilities						
Deposits	1,670,240	1,506,834	1,458,362	1,421,892	1,288,123	
Other	17,760	54,088	56,782	43,051	33,602	
Total	1,688,000	1,560,922	1,515,144	1,464,943	1,321,725	
Shareholders' equity	112,007	104,831	97,123	90,432	87,121	
Share Information						
Shares on issue	000's	35,581	34,041	14,689	14,152	13,626
Earnings per share***	cents	28.0	28.1	27.0	21.8	18.1
Net tangible assets per share *	\$	3.15	3.08	6.61	6.39	6.39
Dividend per share:						
Interim**	cents	7.0	7.0	13.0	12.0	12.0
Final**	cents	10.5	10.5	22.0	17.0	15.0
Dividend cover	times	1.60	1.58	0.77	1.49	1.33
Closing share price **	\$	2.46	2.39	5.12	3.60	4.75
Highest share price **	\$	2.46	6.50	6.00	4.80	5.00
Lowest share price **	\$	2.10	2.00	3.70	3.10	4.20
Average share price **	\$	2.29	3.31	4.95	3.86	4.66
Shares traded	000's	1,623	1,383	671	717	752
Turnover	%	4.6	4.2	4.6	5.1	5.6

* Under the Company's constitution, depositors have an equity interest in the net assets of the consolidated entity upon its winding up. Therefore, in the event of winding up, the amount attributable to shareholders would be reduced by an amount equal to the equity interest of depositors at that time.

** On 30 August 1999, the Company made a bonus share issue, ex-dividend of one fully paid share for every ten held. On 26 October 1999, the share capital of the Company was split with each share being divided into two shares.

*** Prior year comparatives for 1996 to 1999 have been adjusted to reflect the share split on 26 October 1999.

Five Year History and Comparison continued

Illawarra Mutual Building Society Ltd and its Controlled Entities

Statistical Highlights (continued)

		2001	2000	1999	1998	1997
Key Ratios						
Capital adequacy	%	10.55	11.26	10.68	9.93	10.63
Total asset growth	%	8.06	3.32	3.66	10.40	10.29
Net asset growth	%	6.84	7.94	7.40	3.80	4.17
Net assets/total assets	%	6.22	6.29	6.02	5.81	6.18
Liquid assets/total liabilities	%	12.75	15.31	11.08	11.73	10.76
After tax return on average net assets	%	9.19	9.25	9.27	6.84	5.69
After tax return on average total assets	%	0.57	0.57	0.55	0.41	0.36
Net interest income/average total assets	%	2.6	2.7	2.5	2.7	3.5
Non interest income/average total assets	%	0.8	0.9	0.9	0.8	0.7
Non interest expenses/average total assets	%	2.5	2.6	2.5	2.9	3.5
Non interest expenses/operating income	%	75.5	74.9	76.0	82.2	85.4
Bad debts expense/average loans	%	0.07	0.10	0.10	0.05	0.08
Return on interest earning assets	%	7.3	6.8	6.4	6.7	8.6
Cost of funds	%	4.9	4.3	4.1	4.1	5.2
Interest margin	%	2.7	2.7	2.6	2.8	3.6
Other Statistics						
Total loans approved	\$m	801.7	559.7	491.6	565.4	492.5
	No	10,411	10,165	9,059	12,172	11,240
Home loans approved	\$m	769.4	519.1	448.1	502.5	448.1
	No	6,171	4,772	3,875	4,462	4,350
Average home loan approved	\$000	124.7	108.8	115.6	112.6	103.0
Members' deposits	\$m	1,670.2	1,506.8	1,458.4	1,421.9	1,288.1
Deposit accounts	000	289.2	281.1	282.9	287.6	305.5
Average balance per deposit account	\$	5,775	5,360	5,155	4,944	4,216
Interest paid to depositors	\$m	77.5	62.3	57.7	56.0	63.6
Number of sales centres	No	35	31	30	31	45
Average deposits per sales centre	\$m	47.7	48.6	48.6	45.9	28.6
Assets per sales centre	\$m	51.4	53.7	53.7	50.2	31.3
Staff (full time equivalent)	No	370	357	344	344	414
Assets per staff member	\$m	4.9	4.7	4.7	4.5	3.4
Staff per million dollars assets	No	0.21	0.21	0.21	0.22	0.29

Notice of Annual General Meeting

The annual general meeting of members of Illawarra Mutual Building Society Ltd will be held at the Hoskins Room, Novotel Northbeach, 2-14 Cliff Road, Wollongong on Wednesday 26 September 2001 at 10:00am.

Directors' and Officers' Shareholders' Diary

Annual general meeting 26 September 2001 at 10:00am.

Announcement of half-yearly results and interim dividend February 2002.

Books close and interim dividend paid 27 February 2002.

Announcement of full year results and final dividend August 2002.

Books close and final dividend paid 30 August 2002.

Registered Office

253-259 Crown Street
Wollongong
New South Wales 2500



2002

...and next year we'll continue to build on our strong foundations...

