

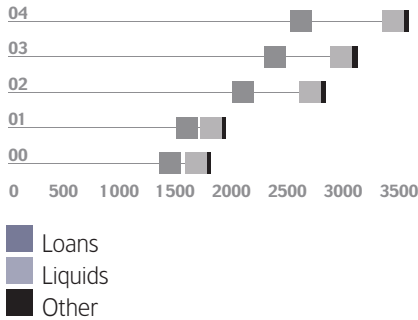
IMB Annual Report 2004

strength
innovation
growth
The way it should be

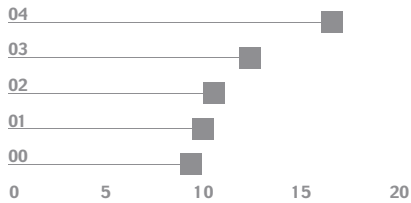


In an Australian first, international rating agency Standard and Poor's assigned a corporate credit rating to IMB making it the only building society or credit union in Australia to ever have been given a public investment grade rating.

Total Assets Under Management \$M



Operating Profit After Tax \$M



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Highlights

Financial

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

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

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

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

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

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

Deposits grew by 7.9% to \$2.5 billion.

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

Products and Services

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

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

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

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

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

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

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

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

Corporate

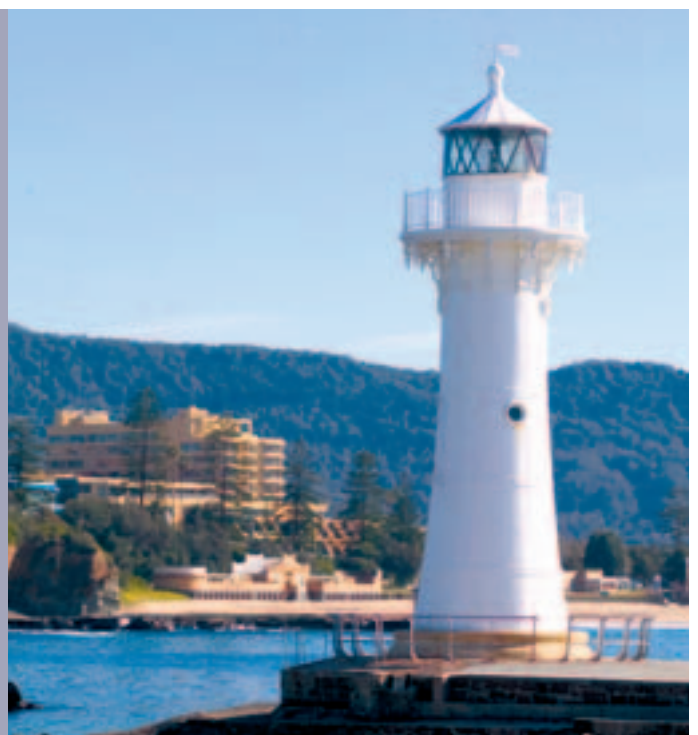
Standard and Poor's Ratings Services assigned a public rating of BBB- long term, A-3 short term to IMB, making it the only building society or credit union in Australia to have ever been given a public investment grade rating.

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

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

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

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



Letter from the Chairman

Dear Members,

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

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

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

* 74.8% net of the Cashcard contribution to profit.

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

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

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

The way it should be

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

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

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

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

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

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

But it is different from the banks in that it is committed to face-to-face and branch customer service. It remains true to its century long commitment to care for its customers/members. IMB puts this service even ahead of maximisation of profit. Service to members is a primary reason for its existence. Indeed an independent analysis by CANNEX Financial Services Research Group has assessed the annual member benefits accruing from lower fees and other services at an average of \$62 per member, a not inconsiderable sum [approximately \$11.9m in total], much of which would flow through to the bottom line if IMB was solely profit oriented.

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



Letter from the Chairman Cont'd

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

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

The Company will thus be in the best shape ever as it enters its one hundred and twenty fifth year in 2005. Its reputation as an institution of integrity and strength is at a high level. It has modernised without losing the human touch. It services its customers well. It cares for its staff. It acknowledges that it is their commitment and skills that forge the Company's reputation. It is a force for good in its communities, particularly through its Community Foundation.

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

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



Prof KR McKinnon AO
Chairman

A continued
focus on
ensuring all
stakeholders
are rewarded

The way it should be



Chief Executive's Review of Operations

Overview

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

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

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

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

IMB has continued with its expansion into most states, product diversification and a strengthening of the distribution channels and alliance opportunities available throughout Australia. The longer term benefits of these efforts will ensure that IMB continues to be a force in the banking and financial services sector of Australia.

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



Chief Executive's Review of Operations Cont'd

Overview cont'd

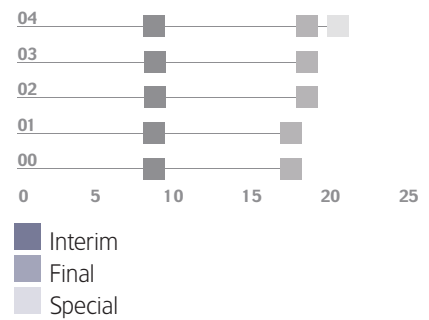
We value our ongoing relationship with all of our stakeholders. IMB staff are an important stakeholder group. Reflecting the need to ensure IMB attracts and retains the right type of staff member to serve our members, we launched a set of IMB Values during the year. IMB's Values reflect the way we do things at IMB. They are the guiding principles by which we run the business and conduct ourselves in all interactions with our colleagues, our customers, our suppliers and all other stakeholders. The values are grouped under the headings of integrity, community, co-operation, excellence and respect. Commitment has been sought and obtained from every IMB staff member to these values.

Profit

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

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

Dividend per Share ¢



Record profit – the seventh consecutive year

The way it should be



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

Net earning assets income

Net earning assets income for the year was \$52.7 million, up \$2.1 million on the previous year. This is an extremely pleasing result, especially when viewed in the context of the securitisation program extended throughout the year, the results of which are reflected in non interest income discussed below. The improvement reflects the strategies implemented to counter intense competition in the housing finance market and the market for retail deposits in an extremely low interest rate environment. Nevertheless an increasingly competitive marketplace will dictate that tightening net interest margins, albeit at a slower rate of contraction than over the last five years, will continue.

Non interest income

Non interest income contracted by \$2.8 million, or approximately 9.1% on the previous year. After deducting the revenue from land development, as the previous year had a material amount due to the sale of the majority of the existing land bank, non interest income improved by \$8.9 million or 46.5%. As noted earlier in this report IMB sold its shareholding in Cashcard Australia Pty Ltd following its takeover by First Data Corporation. This resulted in a profit of \$4.1 million. The income stream from IMB's securitisation programs also increased by \$4.1 million over the previous year to \$7.2 million.

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



Chief Executive's Review of Operations Cont'd

Bad and doubtful debts expense

Bad and doubtful debts expense was \$0.9 million, a decrease of \$0.2 million on the previous year. This is an excellent result, in light of the ongoing growth in loan balances and the contracting property market experienced in the second half of the year. Part of this expense was the raising of a further general provision of \$0.3 million against the commercial loan book, irrespective of the fact that at June 30, no commercial loans were in arrears more than 90 days, nor had any commercial loan reached this level during the reporting period. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories. The residential book is one of the best in the country, a view substantiated by the current quarterly review by the mortgage insurance Company, PMI Mortgage Insurance Ltd.

Non interest expense

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

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

A guaranteed
loan approval
service
standard

The way it should be



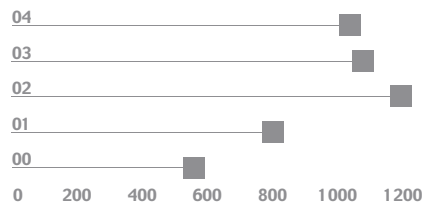
Balance sheet

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

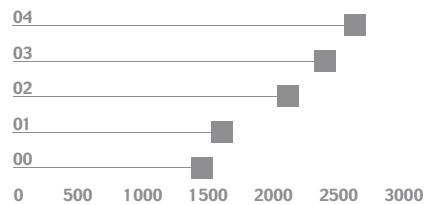
On balance sheet loans outstanding remained constant at \$1.8 billion. Total loans under management, including securitised loans increased by \$0.2 billion or 9.7 % compared to last year. This led to a new milestone for IMB, namely assets under management of just slightly below \$3.5 billion, being achieved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

Equally important is the increase in deposits to \$2.5 billion, up \$0.2 billion, or 7.9 % over the previous year. This strong growth, both in dollars and percentage, highlights the fact that the initiatives implemented by IMB recognise that to achieve sustainable, profitable growth, then all parts of IMB need to grow at a similar and controlled pace. The deposit growth has been sourced from both the retail and wholesale sector. Other wholesale debt strategies have also been implemented to ensure future growth strategies will not be curtailed.

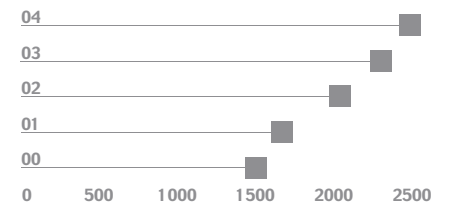
Total Loans Approved \$M



Loans under management \$M



Member Deposits \$M



Chief Executive's Review of Operations Cont'd

Business strategies

IMB will continue to look for acquisition opportunities to profitably grow the business. We have focussed on strengthening our balance sheet to ensure we can avail ourselves of opportunities as and when they arise. Our philosophy of being able to offer banking and financial services is reflected in our growth strategy throughout the year. Future acquisitions will continue to be sought. Similarly IMB will continue to source alliance partners to widen the products and services available.

We have also invested significantly in technology in the current year. Much of this investment will continue into the new year. A complete replacement of the front end of our loans processing system has been implemented, with the resultant improvement in efficiency and member service enabling IMB to provide a guaranteed loan approval service standard that is the envy of our competitors. The significant upgrade of our call centre technology is in its final stages of implementation. The call centre has been located in a purpose built site at Fairy Meadow, with state of the art technology and a large increase in the number of employees.

This reflects IMB's support of the Illawarra economy in our desire to ensure new positions, wherever possible, are located in this region. This investment not only supports the strategy of further diversification of distribution channels, it also has resulted in a significant improvement in service standards to our members.

A new state
of the art
call centre

The way it should be

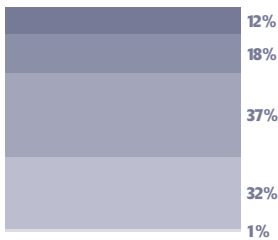


Ongoing reviews of products and services have resulted in the launch of a number of new or improved deposit and lending products, along with a number of improved insurance products. By continually reviewing our product offerings and those of our alliance partners, IMB is able to ensure all products offered by IMB, whether our products or on behalf of another institution are not just competitive but also supportable.

It should be noted that less than 25% of our members pay any transaction fees each month, a similar percentage to the previous year. Again this is a reflection of the difference between IMB and a number of our competitors. IMB continues to seek ways to ensure that our members truly receive benefits from being part of IMB.

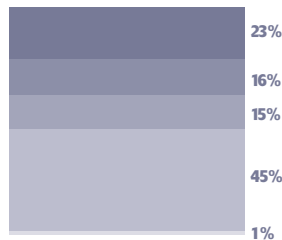
The growth of IMB to be a provider of banking and financial services with a national profile is a key strategy for the future. Implementation of the strategy is on track as are the results of the efforts and costs attributable to the strategy. This strategy is providing demonstrable results and the investment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

Loans by location



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

Deposits by Source



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



Chief Executive's Review of Operations Cont'd

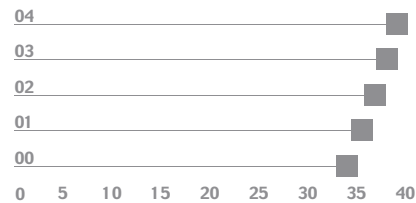
A mutual interest in the community

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

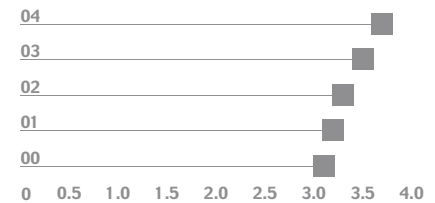
Again IMB has provided another three year university academic scholarship to a worthy recipient this year. A total of four recipients are currently enjoying IMB support for their pursuit of academic excellence.

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

No of Shares on Issue M



Net Assets per Share \$



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

Supporting
the
communities
in which
we serve

The way it should be



Management and Staff

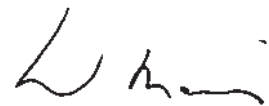
During the year under review, there have been no changes in the IMB executive. There has been significant strengthening of the senior management ranks in recent years. The skilled and experienced senior staff joining IMB has and will complement the existing staff to ensure the strategic initiatives contemplated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

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

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

Outlook

As contemplated last year, the improved performance and efficiencies achieved over the last few years, in a sometimes difficult economic climate, as well as the significant investment in the development of our staff and systems, constitute the strategic platform for future growth. We will continue to focus strongly on the key drivers to maximise performance and strengthen the IMB to the benefit of all its stakeholders; being our members, our shareholders, our staff, as well as the communities in which we serve.



PW Morris
Chief Executive

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



Directors' and Executives' Particulars

Kenneth Richard McKinnon AO

AUA [Adel] BA BEd [Qld] EdD [Harv] DLitt [Hon] Deakin DLitt [Hon] Wgong DLitt [Hon] UNSW DUniv [Hon] James Cook FACE

Professor McKinnon was appointed chairman in December 2000, after being deputy chairman from 1996. He has been a non executive director since 1993 and is a member of the remuneration committee and the nomination 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. As well as being chairman of IMB Ltd, Professor McKinnon is also chairman of all entities wholly owned by IMB Ltd.

Michael John Cole

BEd [Syd] MEc [Syd] ASIA

Mr Cole, whose expertise is funds management, was appointed to the board as a casual non executive director on 8 December 2003. He is a member of the audit and risk management committee. He held many senior executive and board positions during his 17 years with Bankers Trust Australia Limited, and is now an independent consultant. Mr Cole is currently a director of NSW Treasury Corporation and chairman of SAS Trustee Corporation and chairman of Ironbark Capital Limited. As well as being a director of IMB Ltd, Mr Cole is also a director of all entities wholly owned by IMB Ltd.

George Anthony Edgar

Mr Edgar, whose expertise is business management, was appointed non executive director in 2000. He is a member of the remuneration committee and the nomination committee. Mr Edgar is the former president of BHP Flat Products and former chief executive officer of BHP Integrated Steel. He is also deputy chancellor, University of Wollongong, and past chairman of Mainteck Services Australia. As well as being a director of IMB Ltd, Mr Edgar is also a director of all entities wholly owned by IMB Ltd.



Lindsay Russell Fredericks

FPNA FAICD FAIM

Mr Fredericks, whose area of expertise is accounting and management consulting, has been a non executive director since 1990. He is chairman of the audit and risk management committee and a member of the IMB community foundation committee. Mr Fredericks is a management consultant specialising in accounting, administrative and financial projects for small business. Other former positions include: general manager of Shoalhaven Dairy Co Ltd, director of the Co-operative Federation of NSW, chairman of NSW Dairy and Food Industry Training Committee, deputy chairman of the National Committee and general manager of Miltonbrook Pty Ltd. Mr Fredericks is a 28 year member of the Lions Service Organisation. As well as being a director of IMB Ltd, Mr Fredericks is also a director of all entities wholly owned by IMB Ltd, with the exception of IMB Land Pty Ltd.

Lynette Therese Gearing

B.Comm, Dip Valuations, Cert Bus.Studies [Real Estate], FASFA

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

Harold Hanson AM

Dip.Law [Sydney]

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

Directors' and Executives' Particulars Cont'd

Vivien Jennifer Twyford

BA Grad Dip Com [Mgmt] FAICD

Ms Twyford, whose area of expertise is business consulting, has been a non executive director since 1990. She is chairperson of the IMB community foundation committee. Ms Twyford is managing director of Twyford Consulting and has been a consultant in the area of business improvement, people and strategy for 22 years, now specialising in community consultation. In 2002, the University of Wollongong awarded her a fellowship. She is inaugural president of the Australasian Chapter of the International Association of Public Participation [IAP2] and is vice president of the International Board of IAP2. Ms Twyford is an accredited mediator with the Australian Commercial Disputes Centre. She is a member of the Illawarra Advisory Board of the Salvation Army and was chairperson of the Illawarra Branch of the Australasian Institute of Management for 4 years. Ms Twyford was a member of the Illawarra Regional Development Board from 1993 to 1996. As well as being a director of IMB Ltd, Ms Twyford is also a director of all entities wholly owned by IMB Ltd.

Peter Francis Bolt OAM

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

Peter Wayne Morris

ACIS ACIM MNIA AIMM AIFS AMP [Harv]

Mr Morris is the chief executive. Since joining the Company in 1977, he has held a number of positions in both the branch network and administration, as well as a range of management positions. Mr Morris is a director of IMB DB Fund Pty Ltd, IMB SAS Fund Pty Ltd, and King Financial Services Pty Ltd. He is also chairman of IMB Financial Planning Ltd and chairman of the Australian Association of Permanent Building Societies.

Robert James Ryan

BEC MCommLaw FCIS FCIM ACA FTIA

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

Robert Stewart Turnbull

Mr Turnbull is head of retail distribution and joined the Company in 2000. As head of retail distribution he is responsible for the overall management of the Company's branch 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] AICUM, AMIAA, LICM

Mr Anderson is general manager operations and joined the Company in 1999. He has 30 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 and is a director of Australian Settlements Limited.

Corporate Governance Statement

This statement outlines the main corporate governance practices in place throughout the financial year.

Board of Directors

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 nomination committee, the audit and risk management committee, the centenary estate joint venture committee and the IMB community foundation 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, the chief executive and the company secretary. Standing items include the chief executive report, financial reports and 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.

Director Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit the Company's facilities and meet with management to gain a better understanding of business operations.

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.

Board Composition

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on pages 21 to 23 of this report.

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 pages 14 and 16 of this financial 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 an independent 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.

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.

Nomination Committee

The nomination committee oversees the appointment and induction process for directors. It reviews the composition of the board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. When a vacancy exists or there is a need for particular skills, the committee in consultation with the board determines the selection criteria based on the skills deemed necessary. Potential candidates are identified by the committee. The board then appoints the most suitable candidate who must stand for election at the next general meeting of members. The committee is also responsible for the selection, appointment and succession planning process of the Company's chief executive.

In addition the committee is responsible for advising the board on corporate governance.

The nomination committee was formed on 23 April 2003 and comprises the following members, all of whom are non executive directors:

Prof KR McKinnon AO [Chairman]

Mr GA Edgar

Ms LT Gearing

Mr H Hanson AM

The nomination committee meets as required.

Corporate Governance Statement Cont'd

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.

The members of the remuneration committee during the year were:

Prof KR McKinnon AO [Chairman]

Mr GA Edgar

Mr H Hanson AM

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.

Base emoluments for all non executive directors, approved by members at the 2003 annual general meeting, is not to exceed \$353,800. This excludes superannuation payments required under legislation and retirement benefits in accordance with the Company's constitution.

Further details of directors' and executives' remuneration, superannuation and retirement payments are set out in Notes 32 and 33 to the financial report.

Audit and Risk Management

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 IMB's financial reporting process, risk management and internal control systems;
- Reviewing and appraising the audit efforts of IMB's external auditors and the internal audit department;
- Providing an open avenue of communication among the external auditor, financial and senior management, the internal auditing department, and the board of IMB; and
- Considering whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

The audit committee also conducts an annual review of its processes and current performance against its Charter to ensure that it has carried out its functions in an effective manner.

Consistent with this function, the committee encourages continuous improvement of, and fosters 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 LR Fredericks [Chairman]

Mr PF Bolt [retired 26 November 2003]

Mr MJ Cole [appointed 24 May 2004]

Ms LT Gearing

Prof KR McKinnon AO [ex officio member]

The internal and external auditors, the chief executive and the chief financial officer, are invited to audit and risk management committee meetings at the discretion of the committee.

The external auditors met with the audit and risk management committee four times during the year.

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. 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 the 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, levels of authority and due diligence requirements where businesses are being acquired.

Comprehensive practices are established such that occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.

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.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. Every employee has a nominated supervisor to whom they refer any issues arising from their employment.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the company and consolidated entity are set out in Note 34.

Code of Conduct

The directors are expected to abide by the Australian Institute of Company Directors Code of Conduct.

Dealings in Company securities by directors and employees and their associates

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 six 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.

Corporate Governance Statement Cont'd

- It is the responsibility of the director or officer to ensure the order to purchase or sell expires no more than six 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 5,000 shares in aggregate in any period of six months shall be deemed to be not material.

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 concise 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 concise 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 the Corporations Act 2001. The board ensures that the full annual financial report is available to all shareholders and members should they request it.

- 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 in Australia 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 2004

The directors have pleasure in presenting their report, together with the financial report of IMB Ltd, ["the Company"] and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004 and the auditor's report thereon.

Directors

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

Kenneth Richard McKinnon AO, Chairman

Peter Francis Bolt OAM

[retired 26 November 2003]

Michael John Cole

[appointed 8 December 2003]

George Anthony Edgar

Lindsay Russell Fredericks

Lynette Therese Gearing

Harold Hanson AM

Vivien Jennifer Twyford

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director are set out on page 14 to 16 of this report.

At the annual general meeting of the Company on 28 September 2004, three directors, Mr MJ Cole, Mr GA Edgar and Ms VJ Twyford will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-election.

Principal Activities

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

There has been no significant change in the nature of these activities during the year ended 30 June 2004.

Review and Results of Operations

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

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

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

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

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

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

Dividends

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

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

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

Directors' Report Cont'd

For the Year Ended 30 June 2004

Events Subsequent to Reporting Date

For reporting periods starting on or after 1 July 2005, the consolidated entity must comply with International Financial Reporting Standards [IFRS] as issued by the Australian Accounting Standards Board [AASB]. At balance date, it was not possible to quantify the effect of the convergence to IFRS as key International Accounting Standards and AASBs are currently under development. Refer to Note 38 for more details.

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

Likely Developments

Details of the likely developments in the operations of the consolidated entity in subsequent financial years are disclosed in the Chairman's letter and Chief Executive's Review of Operations on pages 2 to 13 of the financial report.

State of Affairs

Details of any significant changes in the state of affairs of the consolidated entity are disclosed in the Chairman's letter and Chief Executive's Review of Operations on pages 2 to 13 of the financial report.

Directors' Interests

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

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

Directors' and Senior Executives' Remuneration

Directors' and senior executives' remuneration are set out in Notes 32 and 33 to the financial statements.

Directors' and Officers' Indemnification and Insurance

Indemnification

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

Insurance

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

Environmental Regulation

The consolidated entity's interest in a joint venture land development is subject to environmental regulations. The 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 2004 and the number of meetings attended by each director.

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

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

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

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

Rounding Off

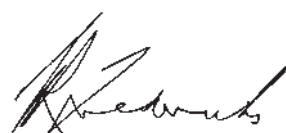
The company is of a kind referred to in the ASIC Class order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Wollongong this 30th day of July 2004

Signed in accordance with a resolution of the directors:



KR McKinnon AO, Chairman



LR Fredericks, Director

Financial Statements

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Statements of Financial Performance

For the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Interest revenue	3	156,371	144,032	156,370	142,726
Interest expense	3	[101,816]	[90,468]	[101,968]	[90,649]
Net interest income		54,555	53,564	54,402	52,077
Bad and doubtful debts expense	3	[925]	[1,109]	[925]	[1,109]
Net interest income after bad and doubtful debts		53,630	52,455	53,477	50,968
Income from equity investments	3	[947]	[1,834]	[947]	[1,834]
Net earning asset income		52,683	50,621	52,530	49,134
Revenue from land development	3	50	11,703	-	-
Other revenue from ordinary activities	3	27,971	19,115	27,731	23,703
Net ordinary income before non interest expenses		80,704	81,439	80,261	72,837
Cost of property sold	3	[22]	[6,724]	-	-
Other expenses from ordinary activities	3	[57,707]	[54,460]	[57,665]	[53,517]
Share of losses of associates and joint ventures accounted for using the equity method	30	[34]	[124]	-	-
Profit from ordinary activities before related income tax expense	3	22,941	20,131	22,596	19,320
Income tax expense relating to ordinary activities	4	[6,382]	[7,999]	[6,269]	[6,358]
Net Profit		16,559	12,132	16,327	12,962
Net loss attributable to outside equity interests	29	-	242	-	-
Net profit attributable to members of the parent entity	6	16,559	12,374	16,327	12,962
		\$	\$		
Basic earnings per share	5	\$0.43	\$0.33		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 28 to 62.

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Assets					
Cash assets	31	11,466	17,849	11,460	17,759
Due from other financial institutions		3,342	428	3,342	428
Trading securities	9	49,912	112,413	49,912	112,413
Receivables	8	3,372	14,110	2,930	3,221
Investment securities	9	759,104	459,783	759,104	459,763
Loans	10	1,794,810	1,831,901	1,795,434	1,838,655
Equity accounted investments	30	1,136	1,170	-	-
Other financial assets	11	565	671	13,934	13,946
Inventories	13	642	570	-	-
Property, plant and equipment	14	22,389	21,706	22,389	21,675
Intangible assets	15	-	892	-	390
Deferred tax assets	4	1,896	2,068	1,847	2,457
Other assets	16	7,782	5,812	7,782	5,791
Total Assets		2,656,416	2,469,373	2,668,134	2,476,498
Liabilities					
Due to other financial institutions		465	319	465	319
Payables	17	7,671	15,395	13,366	20,695
Deposits	18	2,483,154	2,300,781	2,490,183	2,305,465
Loan capital	19	10,000	10,000	10,000	10,000
Current tax liabilities	4	3,696	1,796	3,696	-
Deferred tax liabilities	4	1,526	4,177	1,526	4,097
Provisions	20	4,517	3,990	4,517	3,990
Total Liabilities		2,511,029	2,336,458	2,523,753	2,344,566
Net Assets		145,387	132,915	144,381	131,932
Equity					
Contributed equity	21	44,426	41,209	44,426	41,209
Reserves	22	30,880	30,880	30,880	30,880
Retained profits	6	70,081	60,617	69,075	59,843
Total parent entity interest		145,387	132,706	144,381	131,932
Outside equity interests	29	-	209	-	-
Total Equity	23	145,387	132,915	144,381	131,932

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 28 to 62.

Statements of Cash Flows

For the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
Interest received		153,333	143,170	153,333	141,865
Income from equity investments		[947]	[1,834]	[947]	[1,834]
Dividends received		24	6	24	4,609
Other cash receipts in the course of operations		30,428	20,390	19,331	19,062
Interest paid					
- deposits		[98,955]	[87,702]	[99,110]	[87,883]
- borrowings		[2]	[2]	[2]	[2]
Income taxes paid	4	[5,670]	[5,473]	[3,461]	[5,469]
Other cash payments in the course of operations		[60,102]	[50,582]	[60,466]	[47,573]
Net cash provided by operating activities	31	18,109	17,973	8,702	22,775
Cash flows from investing activities					
Net increase in loans		[232,573]	[271,554]	[226,442]	[281,484]
Net increase in investments		[234,488]	[283,564]	[233,441]	[274,592]
Proceeds from disposal of shares		4,391	-	4,391	-
Expenditure on property, plant and equipment		[6,317]	[7,056]	[6,350]	[7,021]
Proceeds from sale of property, plant and equipment		120	234	120	234
Net cash used in investing activities		[468,867]	[561,940]	[461,722]	[562,863]
Cash flows from financing activities					
Net increase in deposits		179,514	261,526	181,860	258,631
Net proceeds from securitised loans		268,739	284,961	268,739	284,961
Dividends paid		[3,878]	[3,301]	[3,878]	[3,301]
Net cash provided by financing activities		444,375	543,186	446,721	540,291
Net [decrease]/increase in cash held		[6,383]	[781]	[6,299]	203
Cash at the beginning of the financial year		17,849	18,630	17,759	17,556
Cash at the end of the financial year	31	11,466	17,849	11,460	17,759

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 28 to 62.

Notes to the Financial Statements

For the Year Ended 30 June 2004

1 Statement of Significant Accounting Policies

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

[b] Principles of Consolidation

The consolidated financial report 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. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial report. 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.

[c] 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. Other interest income is recognised in the statements of financial performance when earned. 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.

[d] Due from/to other Financial Institutions

Balances due from/to other financial institutions includes loans and settlement account balances due from/to other authorised deposit taking institutions.

[e] Bad Debts Written Off and Provision for Impairment

All known bad debts are written off in the year in which they are identified as bad. Provision for impaired assets 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 specific 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 Specific 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%

Additional specific provisions are made for any particular loan that is identified as being doubtful of recovery.

A general provision is maintained to cover any unidentified losses within the commercial loan portfolio. The level of the general provision is made having regard to asset growth, economic conditions, the level of risk weighted assets and other general risk factors. It is the Company's intention to maintain the additional general provision at a level equivalent to at least 0.5% of the commercial loan portfolio.

[f] Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill is amortised on a straight-line basis over three to ten years.

[g] Loans

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

[h] 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.

[h] Investments cont'd

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.

[i] 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.

[j] Income Tax – Note 4

The consolidated entity adopts the income statement 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, or if relating to tax losses when realisation is virtually certain.

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 28. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group [after elimination of intra-group transactions].

The tax-consolidated group has entered into a tax funding agreement that requires wholly-owned subsidiaries to make contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date.
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a “stand alone basis” so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly-owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense/revenue.

[k] Recoverable Amount of Non-current Assets

The carrying amounts of non-current assets valued on the cost basis 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 exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs. In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

[l] 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	Up to 7 years
Plant and equipment	3 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.

[m] Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

[n] Joint Venture Operations

The consolidated entity's interests in unincorporated joint ventures are 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 accounting principles. Investments in incorporated joint venture entities are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's share of the incorporated joint venture entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

1 Statement of Significant Accounting Policies

[o] Investment in Land Development Project

Valuation

Development properties are carried at the lower of cost and net realisable value. Cost includes expenses incidental to the cost of acquisition, development and holding costs including borrowing costs, rates and taxes. Independent valuations for development properties are obtained on an annual basis.

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.

[p] Dividends Payable

Dividends payable are recognised when declared.

[q] Deferred Expenses

Expenditure is deferred where it is considered that it is probable that future economic benefits embodied in the expenditure will eventuate and can be reliably measured. Deferred expenditure is amortised over the period in which the related benefits are expected to be derived and is reviewed at each reporting date to determine the amount, if any, that is no longer recoverable. Any such amount is written off in the Statements of Financial Performance.

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 and mergers

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.

Securitisation set up costs

Set up costs for the securitisation program are capitalised and amortised over five years.

[r] Employee Benefits

Salaries, redundancy costs and annual leave

Liabilities for employee benefits for wages, salaries, and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Long service leave

The liability for employee benefits for 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 reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to notional government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

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 24.

[s] Directors' Retirement Benefits

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

[t] Loan Capital

Subordinated Floating Rate Notes were issued for a ten year period maturing 2012 with an option to redeem at par after five years, subject to Australian Prudential Regulation Authority [APRA] approval. Interest is paid quarterly in arrears based on the 90 day Bank Bill Rate plus a margin.

In line with APRA's capital adequacy measurement rules the Floating Rate Notes are included in lower tier 2 capital.

[u] 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 37.

[v] Fiduciary Activities

A controlled entity, IMB Securitisation Pty Limited, acts as manager for a securitisation trust. Fees derived by the controlled entity in respect of its activities are included in the Statements of Financial Performance.

[w] Securitisation

The Company, through its securitisation program, packages and sells residential and commercial mortgage loans, transferring all risks and rewards of ownership to a special purpose vehicle. Details of the value of securitised loans are included by way of note only as they represent assets under management only and are not assets of the Company. In consideration for the sale the Company receives an amount equivalent to the unpaid balances of the loans. Refer to Note 10 for the value of securitised loans.

Under the securitisation program the Company is appointed as servicer and custodian of the securitised loans. The duties of the Company in this capacity include the origination, servicing, administration, security packet custodian 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 residual income is recognised when received. Interest rate swap and redraw facilities are provided at arm's length to the program by the Company in accordance with APRA's prudential guidelines.

[x] Payables

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

[y] Goods and Services Tax

Revenues, expenses and assets are

recognised net of the amount of goods and services tax [GST]. 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 a current asset or liability in the statements of financial position.

Cash flows are included in the statements 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.

[z] Earnings per share

Earnings per ordinary share is determined by dividing net profit after tax attributed to members of the parent entity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

		Consolidated		Company	
	Note	2004 \$000	2003 \$000	2004 \$000	2003 \$000

2 Revenue from Ordinary Activities

From operating activities:

Interest revenue		156,371	144,032	156,370	142,726
Fee and commission income		15,521	14,803	15,521	14,803
Proceeds from equity investments and sale of securities		[947]	[1,834]	[947]	[1,834]
Revenue from land development		50	11,703	-	-
Securitisation income		7,238	3,131	7,238	3,131
Other income		1,157	1,181	917	5,769

From outside operating activities:

Sale of shares		4,055	-	4,055	-
Total revenue from ordinary activities		183,445	173,016	183,154	164,595

3 Profit from Ordinary Activities before Income Tax Expense

Interest Revenue

Loans					
- controlled entities		-	-	62	510
- other entities		118,242	122,604	118,179	121,142
Trading securities		3,272	7,219	3,272	6,865
Investment securities		34,857	14,209	34,857	14,209
		156,371	144,032	156,370	142,726

Interest expense

Deposits					
- controlled entities		-	-	152	155
- subordinated debt		758	729	758	729
- other		101,056	89,737	101,056	89,763
Borrowings		2	2	2	2
		101,816	90,468	101,968	90,649

Net interest income		54,555	53,564	54,402	52,077
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Bad and doubtful debts expense

- bad debts written off	12	688	1,109	688	1,109
- increase/[decrease] in provision		237	-	237	-
		925	1,109	925	1,109

Net interest income after bad and doubtful debts		53,630	52,455	53,477	50,968
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Income from equity investments		[947]	[1,834]	[947]	[1,834]
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Net Earning Asset Income		52,683	50,621	52,530	49,134
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Revenue from land development		50	11,703	-	-
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Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
3 Profit from Ordinary Activities before Income Tax Expense cont'd				
Other revenue from ordinary activities				
Dividends	24	6	24	4,609
Profit from sale of property, plant and equipment	11	25	11	25
Fees				
- loans	2,839	2,922	2,839	2,922
- other	9,623	8,836	9,623	8,836
Payment system income	1,942	1,980	1,942	1,980
Property income	84	146	84	146
Bad debts recovered	229	214	229	214
Commissions				
- insurance	893	544	893	544
- other	224	521	224	521
Securitisation	7,238	3,131	7,238	3,131
Sale of shares	4,055	-	4,055	-
Other	809	790	569	775
	27,971	19,115	27,731	23,703
Net ordinary income before non interest expenses	80,704	81,439	80,261	72,837
Personnel expense				
Salaries	21,587	21,133	21,587	20,450
Payroll tax	1,262	1,155	1,262	1,155
Fringe benefits tax	420	354	420	354
Superannuation	1,900	1,750	1,900	1,750
Increase in provisions for employee benefits	527	176	527	176
	25,696	24,568	25,696	23,885
Occupancy expense				
Depreciation and amortisation				
- buildings	148	147	148	147
- leasehold improvements	372	421	372	421
Repairs and maintenance	238	248	238	248
Rental on operating leases	3,082	3,309	3,082	3,309
Other	1,451	1,301	1,451	1,301
	5,291	5,426	5,291	5,426
Land development expense	22	6,724	-	-
Payment system charges	4,607	4,483	4,607	4,483
Marketing expense	3,923	3,861	3,923	3,861
Data processing charges	1,579	1,782	1,579	1,782

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

3 Profit from Ordinary Activities before Income Tax Expense cont'd

Other expenses from ordinary activities

Depreciation and amortisation

- goodwill		892	336	390	280
- deferred expenses		3,523	2,247	3,523	2,247
- furniture, fixtures, fittings and other equipment		1,431	1,323	1,431	1,323
- computer equipment		1,423	745	1,423	745
Loss from sale of property, plant and equipment		65	110	65	110
Loss on sale of company		575	-	930	-
Auditors' remuneration [KPMG]					
- audit of the financial statements		165	145	154	134
- other services					
- other audit services		88	101	88	101
- taxation services		153	344	153	344
- other services		136	107	147	107
Consultancy		770	944	770	944
Cash deliveries		581	618	581	618
Legal costs		388	475	388	475
Supervision levies		274	216	274	216
Postages		550	534	550	534
Printing and stationery		1,023	1,115	1,023	1,115
Telecommunications		684	916	684	916
Contributions to IMB Community Foundation		500	500	500	500
Goods and services tax not recovered		1,893	1,841	1,893	1,841
Other		1,497	1,723	1,602	1,530

		16,611	14,340	16,569	14,080
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Total other expenses from ordinary activities		57,729	61,184	57,665	53,517
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Share of losses of associates and joint ventures

accounted for using the equity method	30	34	124	-	-
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Total non interest expense		57,763	61,308	57,665	53,517
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Profit from ordinary activities before related income tax expense		22,941	20,131	22,596	19,320
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Note 3[a] Individually significant revenues and expenses included in profit from ordinary activities before income tax expense

Capital gain on sale of shares		4,055	-	4,055	-
Capital loss on sale of controlled entity		[575]	-	[930]	-
Dividends from subsidiary		-	-	-	4,603
Revenue from sale of land		-	11,703	-	-
Cost of property sold		-	[6,724]	-	-

Profit before tax from individually significant items		3,480	4,979	3,125	4,603
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Note 3[b] Revision of accounting estimate

Deferred tax balances

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

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

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

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

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
4 Income Tax				
The income tax expense shown in the financial statements varies from the prima facie tax payable on the pre tax accounting profit as follows:				
Profit from ordinary activities	22,941	20,131	22,596	19,320
Prima facie income tax expense at 30% [2003 30%] on the profit from ordinary activities	6,882	6,039	6,779	5,796
Increase in income tax expense due to:				
- depreciation of buildings	44	44	44	44
- amortisation/write-off of investment in controlled entities	117	17	117	92
- amortisation/write-off of deferred costs	-	92	-	-
- other	26	706	16	706
- imputation gross up on dividends received	15	117	15	417
- income tax under provided for in prior year	260	-	260	-
Decrease in income tax expense due to:				
- other	[10]	-	[10]	-
- franking credits on dividends received	[51]	-	[51]	[999]
- franking credits received on investment security income	-	[369]	-	[369]
- tax deductions from research and development investments	-	-	-	[682]
- income tax over provided for in prior year	-	[7]	-	[7]
Income tax expense on the profit from ordinary activities before individually significant income tax items	7,283	6,639	7,170	4,998
Individually significant income tax items:				
Capital loss related to reset cost base of subsidiary assets under tax consolidation	[901]	-	[901]	-
Additional income tax paid for Research and Development syndicates settlement	-	1,360	-	1,360
Income tax expense attributable to profit from ordinary activities	6,382	7,999	6,269	6,358
Income tax expense attributable to profit from ordinary activities is made up of:				
- provision attributable to current year	8,097	5,908	6,496	3,472
- deferred income tax	[1,930]	429	[442]	1,310
- future income tax benefit	[45]	309	[45]	223
- research and development syndicates' tax settlement	-	1,360	-	1,360
- under/[over] provision in prior year	260	[7]	260	[7]
	6,382	7,999	6,269	6,358

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

4 Income Tax cont'd

Tax Liabilities

Provision for current income tax

Balance at the beginning of the year	1,796	-	-	-
Income tax paid:				
- current year	[3,777]	[3,970]	[3,363]	[3,966]
- prior year	[1,893]	[1,503]	[98]	[1,503]
Current year's income tax provision on profit from ordinary activities	8,097	5,908	6,496	3,472
Research and Development syndicates' tax settlement	[314]	1,360	[314]	1,360
Income tax expense related to wholly-owned subsidiary transactions in a tax consolidated group	-	-	1,188	-
[Over]/under provision in prior year	[213]	1	[213]	1
Transferred to future income tax benefit	-	-	-	636
Balance at the end of the year	3,696	1,796	3,696	-

Provision for deferred income tax

Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% on the following item:

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

	1,526	4,177	1,526	4,097
Total tax liabilities	5,222	5,973	5,222	4,097

Deferred Tax Assets

Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:

Provisions and accrued employee entitlements not currently deductible

	2,012	2,016	1,963	1,769
Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	[116]	52	[116]	52
Transferred from tax liabilities	-	-	-	636

Total deferred tax assets	1,896	2,068	1,847	2,457
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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 and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Tax losses carried forward	-	145	-	-
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The potential future tax benefit will only be obtained if:

[i] 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;

[ii] the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

[iii] no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$

5 Earnings per Share

Basic earnings per share	0.43	0.33
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The calculation of earnings per share was based on the weighted average number of ordinary shares being 38,767,000 [2003 37,677,000].

The consolidated entity does not have any potential ordinary shares on issue that may be considered dilutive therefore dilutive earnings per share has not been calculated. Earnings per share is based on a net profit of \$16,559,000 [2003 \$12,374,000].

No shares have been issued since 30 June 2004 to the date of signing of this report.

	Note	Consolidated		Company	
		2004	2003	2004	2003
		\$000	\$000	\$000	\$000

6 Retained Profits

Retained profits at the beginning of the year		60,617	55,126	59,843	53,764
Net profit attributable to members of the parent entity		16,559	12,374	16,327	12,962
Dividends recognised during the year	7	[7,095]	[6,883]	[7,095]	[6,883]
Retained profits at the end of the year		70,081	60,617	69,075	59,843

	Cents per share	Total amount \$000	% Franked	Date of payment
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7 Dividends

Dividends recognised in current year by the Company are:

2004				
2004 interim dividend	7.0	2,712	100%	28-Feb-04
2003 final dividend	11.5	4,383	100%	30-Aug-03
		7,095		
2003				
2003 interim dividend	7.0	2,636	100%	6-Mar-03
2002 final dividend	11.5	4,247	100%	30-Aug-02
		6,883		

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

Subsequent Events

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

Tax Consolidation Legislation

On 1 July 2003, IMB Ltd and its wholly-owned subsidiaries adopted the Tax Consolidation legislation which requires a tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity [being the head entity in the tax-consolidated group] disclosed at 30 June 2004 has been measured under the new legislation as those available from the tax-consolidated group.

Consolidated	
2004	2003
\$000	\$000

7 Dividends cont'd

Dividend Franking Account

30% franking credits available to shareholders of IMB Ltd
for dividends in subsequent financial years

28,711	21,739
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The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

[a] franking credits that will arise from the payment of the current tax liability

[b] franking debits that will arise from the payment of dividends recognised as a liability at the year end

[c] franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end

[d] franking credits that the entity may be prevented from distributing in subsequent years.

The ability to use the franking credits is dependent upon there being sufficient available profits to declare dividends.

Consolidated		Company	
2004	2003	2004	2003
\$000	\$000	\$000	\$000

8 Receivables

Sundry debtors

3,372	14,110	2,930	3,221
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Receivables are carried at nominal amounts due and are under normal business terms and conditions.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
9 Investments				
Trading securities - at market value				
- government and semi-government securities	10,914	-	10,914	-
- bills of exchange accepted or endorsed by a bank	7,964	5,982	7,964	5,982
- certificates of deposit issued by banks	29,852	20,409	29,852	20,409
- deposits with banks	1,182	31	1,182	31
- floating rate notes	-	10,026	-	10,026
- managed funds	-	75,965	-	75,965
	49,912	112,413	49,912	112,413
Investment securities - at cost plus accrued income				
- government and semi-government securities	-	378,465	-	378,465
- bills of exchange accepted or endorsed by a bank	59,540	9,995	59,540	9,995
- certificates of deposit issued by banks	312,413	-	312,413	-
- deposits with banks	44,984	53,791	44,984	53,771
- deposits with other financial institutions	113,061	17,532	113,061	17,532
- floating rate notes	229,106	-	229,106	-
	759,104	459,783	759,104	459,763
Total Investments	809,016	572,196	809,016	572,176
Maturity Schedule of Investments				
Securities maturing				
- up to three months	524,430	558,702	524,430	558,682
- from three to twelve months	85,701	13,494	85,701	13,494
- from one to five years	198,885	-	198,885	-
Total Investments	809,016	572,196	809,016	572,176
Market Value				
Investment and trading securities - at market value				
- government and semi-government securities	10,852	378,459	10,852	378,459
- bills of exchange accepted or endorsed by a bank	67,504	15,977	67,504	15,977
- certificates of deposit issued by banks	342,297	27,878	342,297	27,878
- deposits with banks	46,166	46,353	46,166	46,333
- deposits with other financial institutions	113,062	17,532	113,062	17,532
- floating rate notes	232,355	10,026	232,355	10,026
- managed funds	-	75,965	-	75,965
	812,236	572,190	812,236	572,170

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
10 Loans					
Loans to					
- controlled entities		-	-	622	6,754
- other persons		1,796,167	1,833,021	1,796,169	1,833,021
Provision for impairment	12	[1,357]	[1,120]	[1,357]	[1,120]
Loans net of provisions for impairment and income yet to mature		1,794,810	1,831,901	1,795,434	1,838,655
Loans by Security					
Secured by mortgage		1,742,101	1,780,584	1,742,725	1,787,338
Unsecured		54,066	52,437	54,066	52,437
Provision for impairment	12	[1,357]	[1,120]	[1,357]	[1,120]
		1,794,810	1,831,901	1,795,434	1,838,655
Loans by Purpose					
Residential loans	[a]	1,625,596	1,450,999	1,625,598	1,450,999
Personal loans		53,074	54,275	53,074	54,275
Commercial loans	[b]	108,716	318,399	109,338	325,153
Revolving credit		8,781	9,348	8,781	9,348
Provision for impairment	12	[1,357]	[1,120]	[1,357]	[1,120]
		1,794,810	1,831,901	1,795,434	1,838,655
Loans by Maturity					
Loans maturing					
- revolving credit		8,781	9,348	8,781	9,348
- up to three months		12,115	12,391	12,115	12,391
- from three to twelve months		34,777	39,179	34,777	39,179
- from one to five years		203,185	143,361	203,807	150,115
- over five years		1,537,309	1,628,742	1,537,311	1,628,742
Provision for impairment	12	[1,357]	[1,120]	[1,357]	[1,120]
		1,794,810	1,831,901	1,795,434	1,838,655
Concentration of Loans					
New South Wales					
- Illawarra		444,951	393,715	445,573	400,469
- South Coast		169,349	153,835	169,349	153,835
- Southern Highlands		240,857	237,056	240,857	237,056
- Sydney		514,896	607,814	514,896	607,814
- Other		112,390	112,893	112,390	112,893
Total New South Wales		1,482,443	1,505,313	1,483,065	1,512,067
Australian Capital Territory		81,677	73,212	81,677	73,212
Queensland		54,631	61,873	54,631	61,873
Victoria		114,164	128,380	114,164	128,380
Western Australia		50,620	49,086	50,620	49,086
Other Australia		12,632	15,157	12,634	15,157
Provision for impairment	12	[1,357]	[1,120]	[1,357]	[1,120]
		1,794,810	1,831,901	1,795,434	1,838,655

[a] Excludes \$610,737,000 [2003 \$559,961,000] of securitised residential loans.

[b] Excludes \$217,963,000 [2003 \$nil] of securitised commercial loans.

Total loans under management are \$2,623,510,000 [2003 \$2,391,862,000].

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
11 Other Financial Assets				
Shares in entities and other investments				
Other equity investments - at cost	565	671	2,393	2,675
Investments in controlled entities - at cost	-	-	10,261	11,271
Loans to controlled entities	-	-	7,999	6,719
Provision for impairment	-	-	[6,719]	[6,719]
Total other financial assets	565	671	13,934	13,946
12 Provision for Impairment				
Specific provision				
Opening balance	320	720	320	720
Movement in specific provision	[30]	[400]	[30]	[400]
Closing balance	290	320	290	320
General provision				
Opening balance	800	400	800	400
Movement in general provision	267	400	267	400
Closing balance	1,067	800	1,067	800
Total Provision for Impairment	1,357	1,120	1,357	1,120
Statutory Provision	89	129	89	129
Bad debt expense				
Movement in specific provision	[30]	[400]	[30]	[400]
Movement in general provision	267	400	267	400
Bad debts written off directly	688	1,109	688	1,109
	925	1,109	925	1,109
Non-accrual loans				
Without provisions	-	-	-	-
With provisions	206	271	206	271
Specific provisions	-	-	-	-
	206	271	206	271
Interest revenue on non-accrual loans	27	38	27	38
Interest foregone on non-accrual loans	-	-	-	-
Restructured loans	-	-	-	-
Real estate acquired via security				
Balance	-	610	-	610
Specific provision	-	-	-	-
	-	610	-	610
Revenue on real estate acquired	-	29	-	29
Past due loans	765	1,131	765	1,131

12 Provision for Impairment cont'd

The specific provision includes a provision required to meet the Company's provisioning policy and an additional provision for loans specifically identified as doubtful of recovery. The specific provision includes a provision required under the Prudential Standards as at 30 June 2004.

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.

Property 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.

	Consolidated		Company	
	2004	2003	2004	2003
	\$000	\$000	\$000	\$000

13 Inventories

Freehold land held for development and sale

- acquisition costs	300	300	-	-
- development costs capitalised	132	113	-	-
- rates, taxes and interest capitalised	210	157	-	-
Total Inventories	642	570	-	-

In June 2004, Mr K Jackson JP, Dip Bus [Val] FAPI Registered No. 2240, provided an independent market valuation on an englobo 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 \$642,000 [2003 \$570,000], was valued at \$4,988,000 [2003 \$3,675,000].

The income tax payable if the land was sold at balance date at valuation would be \$1,304,000.

14 Property, Plant and Equipment

Freehold land

- at cost	3,165	3,165	3,165	3,165
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Freehold buildings

- at cost	5,892	5,892	5,892	5,892
- accumulated depreciation	[737]	[589]	[737]	[589]
	5,155	5,303	5,155	5,303

Total land and buildings

	8,320	8,468	8,320	8,468
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Plant and equipment

- at cost	31,561	27,204	31,561	27,170
- accumulated depreciation	[19,106]	[17,439]	[19,106]	[17,436]

Total plant and equipment

	12,455	9,765	12,455	9,734
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Work in progress - at cost

	1,614	3,473	1,614	3,473
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Total Property, Plant and Equipment

	22,389	21,706	22,389	21,675
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Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

14 Property, Plant and Equipment cont'd

Valuations

Independent valuations were last carried out on 30 June 2002 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 \$10,510,000. The Company's policy is to obtain an independent valuation of freehold land and buildings every three years.

As freehold land and buildings are valued at cost, the valuation has not been brought to account.

Nil [2003 Nil] capital gains tax would be payable if the assets were sold at reporting date at fair value.

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning of the year	3,165	3,165	3,165	3,165
Carrying amount at the end of the year	3,165	3,165	3,165	3,165
Buildings				
Carrying amount at the beginning of the year	5,303	5,450	5,303	5,450
Depreciation	[148]	[147]	[148]	[147]
Carrying amount at the end of the year	5,155	5,303	5,155	5,303
Plant and Equipment				
Carrying amount at the beginning of the year	9,765	9,408	9,734	9,408
Additions	1,576	1,914	1,576	1,880
Transfers from work in progress	4,731	1,254	4,731	1,254
Disposals	[394]	[319]	[360]	[319]
Depreciation	[3,223]	[2,492]	[3,226]	[2,489]
Carrying amount at the end of the year	12,455	9,765	12,455	9,734
Work in progress				
Carrying amount at the beginning of the year	3,473	434	3,473	434
Additions	2,872	4,293	2,872	4,293
Transfers to plant and equipment	[4,731]	[1,254]	[4,731]	[1,254]
Carrying amount at the end of the year	1,614	3,473	1,614	3,473

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

15 Intangible Assets

Goodwill - at cost	857	1,439	857	857
Accumulated amortisation	[857]	[547]	[857]	[467]
Total Intangible Assets	-	892	-	390

16 Other Assets

Capitalised research and development expenditure - at cost	6,719	6,719	-	-
Accumulated amortisation	[6,719]	[6,719]	-	-
	-	-	-	-
Deferred expenditure				
Loan referral fees - at cost	9,897	7,246	9,897	7,246
Accumulated amortisation	[5,794]	[2,947]	[5,794]	[2,947]
	4,103	4,299	4,103	4,299
Loan establishment fees - at cost	-	194	-	194
Accumulated amortisation	-	[194]	-	[194]
	-	-	-	-
Securitisation set-up expenses - at cost	3,651	1,508	3,651	1,508
Accumulated amortisation	[565]	[487]	[565]	[487]
	3,086	1,021	3,086	1,021
Other - at cost	721	501	721	480
Accumulated amortisation	[128]	[9]	[128]	[9]
	593	492	593	471
Total Other Assets	7,782	5,812	7,782	5,791

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

17 Payables

Sundry creditors and accruals

- controlled entities	-	-	9,509	9,509
- other persons	7,671	15,395	3,857	11,186
Total Payables	7,671	15,395	13,366	20,695

18 Deposits

Members' deposits	2,464,696	2,285,182	2,471,725	2,289,866
Accrued interest	18,458	15,599	18,458	15,599
Total Deposits	2,483,154	2,300,781	2,490,183	2,305,465

Deposits by Maturity

Deposits maturing

- on call	800,971	759,318	808,000	764,002
- up to three months, excluding those on call	1,182,049	1,209,062	1,182,049	1,209,062
- from three to six months	313,494	179,807	313,494	179,807
- from six to twelve months	174,070	123,851	174,070	123,851
- from one to five years	12,570	28,743	12,570	28,743
Total Deposits	2,483,154	2,300,781	2,490,183	2,305,465

Concentration of Deposits

New South Wales

- Illawarra	899,164	837,697	906,193	842,381
- South Coast	468,882	434,878	468,882	434,878
- Southern Highlands	315,676	284,045	315,676	284,045
- Sydney	302,630	283,351	302,630	283,351
- Other	254,492	216,334	254,492	216,334

Total New South Wales	2,240,844	2,056,305	2,247,873	2,060,989
Australian Capital Territory	108,340	123,238	108,340	123,238
Queensland	26,897	17,830	26,897	17,830
Victoria	88,670	89,319	88,670	89,319
Other Australia	18,403	14,089	18,403	14,089
Total Deposits	2,483,154	2,300,781	2,490,183	2,305,465

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000

19 Loan Capital

Subordinated debt		10,000	10,000	10,000	10,000
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20 Provisions

Employee benefits	24	4,517	3,990	4,517	3,990
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21 Contributed Equity

Share capital

39,129,831 [2003 38,110,072] ordinary shares, fully paid		44,426	41,209	44,426	41,209
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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 ordinary 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 year		41,209	37,627	41,209	37,627
Issue on 30 August 2002 of 719,305 shares under the dividend re-investment plan		-	2,208	-	2,208
Issue on 6 March 2003 of 457,903 shares under the dividend re-investment plan		-	1,374	-	1,374
Issue on 30 August 2003 of 632,664 shares under the dividend re-investment plan		2,025	-	2,025	-
Issue on 28 February 2004 of 387,095 shares under the dividend re-investment plan		1,192	-	1,192	-
Balance at the end of the year		44,426	41,209	44,426	41,209

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
22 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

Asset revaluation reserve

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 1041. The full amount of the reserve of \$5,625,000 is not available for future asset write-downs as a result of using the deemed cost election for land and buildings when adopting AASB1041.

General reserve

The general reserve includes retained profits from prior years.

23 Total Equity Reconciliation

Total equity at the beginning of the year		132,915	124,084	131,932	122,271
Total changes in parent entity interest in equity recognised in statement of financial performance		16,559	12,374	16,327	12,962
Transactions with owners as owners:					
- Shares purchased through dividend re-investment plan		3,217	3,582	3,217	3,582
- Dividends	7	[7,095]	[6,883]	[7,095]	[6,883]
Total changes in outside equity interest	29	[209]	[242]	-	-
Total equity at the end of the year		145,387	132,915	144,381	131,932

24 Employee Benefits

Aggregate liability for employee benefits, including on-costs		4,517	3,990	4,517	3,990
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The present values of employee benefits 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	5.69	4.73	5.69	4.73

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, and in directors' remuneration.

24 Employee Benefits cont'd

Superannuation Funds

During the year the Company contributed on behalf of its employees to the following superannuation funds:

- The IMB Staff Defined Benefit Superannuation Fund *
- The IMB Staff Accumulation Superannuation Fund *
- The Aon Master Trust – IMB Staff Accumulation Superannuation Plan
- The Aon Master Trust – IMB Defined Benefit Superannuation Plan

* On 17 March 2004 the assets of the IMB Staff Defined Benefit Superannuation Fund and the IMB Staff Accumulation Superannuation Fund were transferred to the Aon Master Trust – IMB Defined Benefit Superannuation Plan and the Aon Master Trust – IMB Staff Accumulation Superannuation Plan respectively. The benefits and features of the Master Trust Plans are at least equivalent to those offered by the Funds.

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 July 2002 was carried out by S.A. Sweeney, FIAA on 6 February 2003. 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. The next actuarial assessment will be carried out on 1 July 2005. An actuarial review is currently being carried out as at the date of transfer to the Aon Master Trust. The results of this review are not yet available.

	Fund assets at net market value \$000	Accrued benefits \$000	Excess \$000	Vested benefits \$000
The Aon Master Trust – IMB Defined Benefit Superannuation Plan at 30 June 2004	6,027	3,249	2,778	3,792
The IMB Staff Defined Benefit Fund at 30 June 2003	5,187	3,249	1,938	3,200

Fund assets at market value have been calculated at 30 June 2004, being the date of the most recent unaudited financial statements of the fund. Accrued benefits have been obtained from the most recent unaudited financial statements of the fund being 30 June 2004, but are based on an actuarial review carried out on 1 July 2002. Accrued benefits are benefits which the fund is presently obliged to pay at some future date, as a result of membership of the fund. Vested benefits have been calculated at 30 June 2004, being the date of the most recent unaudited 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 \$305,000 [2003 \$278,000].

The IMB Staff Accumulation Superannuation Fund

The Company paid contributions in respect of each fund member at the rate of 9% [2003 9%] 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 \$1,595,000 [2003 \$1,473,000].

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
25 Commitments					
Loans approved but not advanced, payable					
- not later than one year		131,042	306,045	131,042	306,045
Capital expenditure commitments not taken up in the financial statements, payable					
- not later than one year		501	1,108	501	1,108
Operating lease liabilities, payable					
- not later than one year		3,118	2,880	3,118	2,880
- later than one year but not later than five years		5,628	4,715	5,628	4,715
- later than five years		22	47	22	47
		8,768	7,642	8,768	7,642

The Company leases property under operating leases expiring up to seven years. Leases generally provide the Company 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.

26 Unused Credit Facilities

Bank overdraft available		2,500	2,500	2,500	2,500
Bank overdraft used	31	[1,993]	-	[1,993]	-
Facilities not utilised		507	2,500	507	2,500

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. The facility is subject to an annual interest rate of 9.0% [2003 8.5%].

27 Contingent Liabilities and Contingent Assets

Contingent liabilities considered remote

Guarantees given by IMB Ltd

Real Estate Development

Guarantee in favour of Shellharbour City Council \$555,000 [2003 \$555,000] in association with real estate development activities undertaken by a controlled entity, IMB Land Pty Ltd and that entity's joint venturer.

Indemnity of \$50,000 [2003 \$50,000] in favour of the Commonwealth Bank of Australia covering guarantees by the bank as part of conditions relating to the purchase of land in association with real estate development activities undertaken by a controlled entity, IMB Land Pty Ltd and that entity's joint venturer.

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

Pledges

The Company has a pledge in favour of Westpac Banking Corporation of \$10,000,000 [2003 \$10,000,000] securing its cheque clearing facility.

Contingent assets not considered remote

Deferred settlement

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

28 Controlled Entities

Entity	Principal Activity	2004 %	2003 %
Australian Unity Building Society Limited	Dormant	100.0	100.0
Callidus Group Investments Pty Limited	Funds management	-	50.1
IMB Funeral Fund Management Pty Ltd	Trustee	100.0	100.0
IMB Land Pty Ltd	Land development	100.0	100.0
IMB Community Foundation Pty Ltd	Dormant	100.0	100.0
IMB Securitisation Services Pty Limited	Securitisation trust manager	100.0	100.0
Lophaver Pty Ltd	Investment	100.0	100.0
- Vesteraleen Pty Ltd*	Dormant	100.0	100.0

* Controlled entity of Lophaver Pty Ltd which holds 100% of the equity in this entity.

Australian Unity Building Society Limited and IMB Securitisation Services Pty Limited were incorporated in Victoria, Australia. All other entities were incorporated in New South Wales, Australia.

Acquisition/disposal of controlled entities

Acquisition of entities

No entities were acquired during the financial year.

Disposal of entities

On 25 November 2003, the consolidated entity disposed of all of its interest in the ordinary shares of Callidus Group Investments Pty Limited to Pariven Nominees Pty Ltd.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

28 Controlled Entities cont'd

Details of the disposal are as follows:

Consideration [cash]	80	-	80	-
Carrying amount of disposal	655	-	1,010	-
Loss on disposal	[575]	-	[930]	-
Net assets of entities disposed of				
Cash	325	-	325	-
Sundry debtors and prepayments	111	-	111	-
Equipment	30	-	30	-
Sundry creditors	[51]	-	[51]	-
Provisions	[62]	-	[62]	-
	353	-	353	-
	%	%	%	%
Interest after disposal	-	-	-	-

	Consolidated	
	2004 \$000	2003 \$000

29 Outside Equity Interests

Outside equity interests in controlled entities comprise:

Interest in retained losses at the start of the year	[328]	[86]
Interest in the net loss after income tax	-	[242]
Interest purchased by outside parties	328	-
Interest in retained losses at the end of the year	-	[328]
Interest in share capital	-	537
Total Outside Equity Interests	-	209

Outside equity interests arise when a company is controlled by the parent entity, but the parent entity does not own 100% of the share capital of this company. In this situation, separate disclosure of the outside interest in the equity is required under accounting standard AASB 1024. It is also a requirement under this standard to show the interest outside parties have in the profit or loss of the controlled entity for the year.

30 Interests in Joint Venture Operations

Investments accounted for using the equity method

The Company holds an interest in the following incorporated joint venture:

Entity participating in joint venture	Nature of activities	Percentage interest			
		2004 %	2003 %		
IMB Ltd	Financial planning	50.0	50.0		
		Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Assets and liabilities of joint venture					
Current assets		485	435	-	-
Non-current assets		881	962	1,828	1,828
Total assets		1,366	1,397	1,828	1,828
Current liabilities		105	128	-	-
Non-current liabilities		6	9	-	-
Total Liabilities		111	137	-	-
Net assets		1,255	1,260	1,828	1,828
Results of incorporated joint venture					
Share of loss from ordinary activities before income tax expense		[49]	[161]		
Share of income tax benefit relating to loss from ordinary activities		15	37		
Share of net loss accounted for using the equity method		[34]	[124]		
Movement in carrying amount of investment in incorporated joint venture					
Carrying amount at the beginning of the year		1,170	1,294		
Share of net loss		[34]	[124]		
Carrying amount at the end of the year		1,136	1,170		

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
31 Notes to the Statements of Cash Flows					
Reconciliation of Cash					
For the purposes of the statements of cash flows cash includes cash on hand and at bank, net of bank overdrafts.					
Cash at the end of the year as shown in the statements of cash flows is reconciled to the related item in the statements of financial position:					
Cash at bank and on hand		13,459	17,849	13,453	17,759
Bank overdraft	26	[1,993]	-	[1,993]	-
Cash assets		11,466	17,849	11,460	17,759
Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash Provided by Operating Activities					
Profit from ordinary activities after income tax		16,559	12,132	16,327	12,962
Add/[less] items classified as investing/financing activities:					
Depreciation of property, plant and equipment		3,375	2,636	3,375	2,636
Loss on sale of property, plant and equipment		120	85	120	85
Loss on sale of company		579	-	930	-
Profit on sale of shares		[4,391]	-	[4,391]	-
Bad debts expense		925	1,109	925	1,109
Add non-cash items:					
Amortisation of goodwill		892	336	390	280
Amortisation of deferred expenditure		3,523	2,247	3,523	2,247
Net cash provided by operating activities before change in assets and liabilities		21,582	18,545	21,199	19,319
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:					
Increase in accrued interest on investments		[3,038]	[860]	[3,038]	[860]
[Increase]/decrease in inventories		[74]	4,816	-	-
Decrease/[increase] in sundry debtors		7,708	[12,208]	[3,053]	[1,818]
Decrease/[increase] in future income tax benefit		172	337	-	[565]
Increase in accrued interest on members' deposits		2,859	2,764	2,859	2,764
Increase in deferred expenses		[3,473]	[3,326]	[3,493]	[3,326]
[Decrease]/increase in sundry creditors		[7,400]	5,455	[7,400]	5,775
Increase in provision for employee entitlements		527	176	527	176
[Decrease]/increase in provision for income tax		[29]	1,796	3,542	-
[Decrease]/increase in deferred tax payable		[725]	478	[2,441]	1,310
Net cash provided by operating activities		18,109	17,973	8,702	22,775
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		3,217	3,582	3,217	3,582

32 Directors' Remuneration

Remuneration of Specified Directors

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

	Consolidated and Company			2004 Total \$	2003 Total \$
	Salary and fees \$	Super Contributions \$	Retirement Benefits \$		
Prof KR McKinnon - Chairman	86,500	7,785	33,083	127,368	133,335
Mr PF Bolt - Director [non executive] - retired 26 November 2003	18,563	1,670	* 133,407	153,640	56,109
Mr MJ Cole - Director [non executive] - appointed 8 December 2003	25,359	2,282	27,282	54,923	-
Mr GA Edgar - Director [non executive]	44,550	4,010	29,711	78,271	93,559
Mr LR Fredericks - Director [non executive]	44,550	4,010	11,041	59,601	56,961
Ms LT Gearing - Director [non executive]	44,550	4,010	48,560	97,120	8,436
Mr H Hanson - Director [non executive]	44,550	4,010	11,826	60,386	56,961
Ms VJ Twyford - Director [non executive]	44,550	4,010	11,826	60,386	56,961
Mr BE Wauchope [ceased 25 September 2002]	-	-	-	-	179,095
Total Remuneration: Specified Directors	353,172	31,787	306,736	691,695	641,417

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

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

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

	Consolidated		Company	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party	692	641	692	641
Base emoluments	353	337	353	337
Superannuation contributions	32	30	32	30
Retirement benefits accrued	179	131	179	131
Retirement benefits paid	128	143	128	143
	692	641	692	641

Other transactions with the Company

A number of specified directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of those entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

32 Directors' Remuneration cont'd

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

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

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

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

	Consolidated		Company	
	2004	2003	2004	2003

33 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:

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

1,313	1,244	1,313	1,074
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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. IMB has not disclosed 5 specified executives in 2004 as there are not 5 officers who currently meet the definition of specified executive.

34 Related Party Transactions

Director related parties

The names of each person holding the position of director of the Company during the financial year are Professor KR McKinnon, Mr PF Bolt [retired 26 November 2003], Mr MJ Cole [appointed 8 December 2003], Mr GA Edgar, Mr LR Fredericks, Ms LT Gearing, Mr H Hanson, Ms VJ Twyford.

Details of directors' remuneration, retirement payments and benefits, and other transactions with the consolidated entity are set out in Note 32. Apart from the details disclosed in this note and Note 32, 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 Mr LR Fredericks. 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 are \$1,245,000 at 30 June 2004 [2003 \$13,508,000]. During the year there were repayments of \$12,883,000 [2003 \$1,021,000], interest of \$123,000 [2003 \$1,020,000] and advances of \$497,000 [2003 \$958,000].

The relevant interests of directors and director related entities in the share capital of the Company in aggregate at 30 June 2004 was 108,389 shares [2003 105,554]. During the year, directors and director related entities acquired an aggregate of 38,871 shares [2003 7,029]. The aggregate amount of dividends paid to directors, or director related entities, was \$16,101 [2003 \$17,048].

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.

Wholly Owned Group

In the past the Company participated in research and development projects through a controlled entity Loppnaver Pty Ltd. The aggregate amount of the investment in Loppnaver Pty Ltd as at 30 June 2004 is:

	2004 \$000	2003 \$000
Total investment	6,719	6,719
Accumulated amortisation	[6,719]	[6,719]
	-	-

Due to the consolidated entity's adoption of tax consolidations, the liability for payments of income tax for all members of the wholly owned group become the liability of the parent entity. However, the tax-consolidated group has entered into a tax funding agreement as described in Note 1. The aggregate amount of loans provided by the Company to subsidiaries under the agreement is:

	2004 \$000	2003 \$000
IMB Land Pty Ltd	1,232	-
IMB Securitisation Services Pty Ltd	48	-
	1,280	-

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to \$3,297,000 [2003 \$201,000]. 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 \$484,000 [2003 \$396,000]. These amounts are received on normal commercial terms and conditions.

During the year the Company provided accounting services to IMB Financial Planning Limited. In return for these services, IMB Financial Planning Limited has paid the company fees amounting to \$14,400 [2003 \$2,400]. The Company also provides premises for IMB Financial Planning Limited. The Company has received \$30,000 [2003 \$63,000] in rent from IMB Financial Planning Limited. These tenancies are subject to operating leases under normal commercial terms and conditions. The Company also provided computer maintenance services at a cost of \$15,000 [2003 \$15,000] to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of \$8,000 [2003 \$24,000] was owed from IMB Financial Planning Ltd.

35 Segment Reporting

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

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

36 Average Statement of Financial Position and Related Interest

	Consolidated					
	Average Balance \$000	2004 Interest \$000	Average Rate %	Average Balance \$000	2003 Interest \$000	Average Rate %
Interest Earning Assets						
Loans	1,832,640	118,242	6.45	1,915,575	122,604	6.40
Trading securities	54,863	3,272	5.96	123,757	7,219	5.83
Investment securities	641,086	34,857	5.44	302,277	14,209	4.70
Total Interest Earning Assets	2,528,589	156,371	6.18	2,341,609	144,032	6.15
Bad and doubtful debts expense		[925]			[1,109]	
Other Income Earning Assets						
Income from equity investments	24,601	[947]	[3.85]	35,658	[1,834]	[5.14]
Total Other Interest Earning Assets	24,601	[947]	[3.85]	35,658	[1,834]	[5.14]
Non Interest Earning Assets						
Inventories	625			3,197		
Property, plant and equipment	24,264			19,985		
Other assets	27,640			31,018		
Total Non Interest Earning Assets	52,529			54,200		
Total Assets	2,605,719	154,499		2,431,467	141,089	
Interest Bearing Liabilities						
Deposits	2,431,089	101,058	4.16	2,275,607	89,739	3.94
Subordinated debt	10,000	758	7.58	10,000	729	7.29
Total Interest Bearing Liabilities	2,441,089	101,816	4.17	2,285,607	90,468	3.96
Non Interest Bearing Liabilities						
Other liabilities	21,775			18,946		
Total Liabilities	2,462,864	101,816		2,304,553	90,468	
Net Assets	142,855			126,914		
Net Earning Asset Income		52,683			50,621	
Interest spread			2.01			2.19
Interest margin			2.16			2.29
Earning asset margin			2.02			2.08

Interest spread represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest margin represents net interest income as a percentage of average interest earning assets.

Earning asset margin represents net earning asset income as a percentage of average total assets.

36 Average Statement of Financial Position and Related Interest cont'd

Volume and Rate Analysis	2004 over 2003 Increase/[decrease] due to change in			2003 over 2002 Increase/[decrease] due to change in		
	Average Balance \$000	Average Rate \$000	Total \$000	Average Balance \$000	Average Rate \$000	Total \$000
Interest Earning Assets						
Loans	[5,315]	953	[4,362]	11,429	3,614	15,043
Trading securities	[4,021]	74	[3,947]	1,382	1,584	2,966
Investment securities	15,922	4,726	20,648	5,434	1,243	6,677
Change in interest income	6,586	5,753	12,339	18,245	6,441	24,686
Other income earning assets	569	318	887	-	[1,834]	[1,834]
Interest Bearing Liabilities						
Deposits	6,046	5,273	11,319	13,964	3,385	17,349
Subordinated debt	-	29	29	719	2	721
Change in interest expense	6,046	5,302	11,348	14,683	3,387	18,070
Change in net interest income	1,109	769	1,878	3,562	1,220	4,782

37 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, commercial 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, nor does it account for loan mortgage insurance policies taken out over certain risk exposures.

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 \$454,000 [2003 nil].

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.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

37 Risk Management and Financial Instruments cont'd

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:

	2004	2003
Pay-fixed swaps		
Notional amount [\$000]	345,000	425,000
Average pay rate [%]	5.74	5.77
Average receive rate [%]	5.54	4.74
Pay-variable swaps		
Notional amount [\$000]	-	-
Average pay rate [%]	-	-
Average receive rate [%]	-	-

The effect of these swaps on maturity dates and interest spread received by the Company at 30 June 2004 is illustrated in the following table:

	Net assets/ [liabilities] pre hedges \$000	Swaps \$000	Net assets [liabilities] post hedges \$000
At call	504,078	-	504,078
Maturing 0-2 years	[697,422]	160,000	[537,422]
Maturing 2-3 years	174,532	[130,000]	44,532
Maturing 3-5 years	149,355	[30,000]	119,355
Total	130,543	-	130,543
Interest spread	1.91%	-0.03%	1.88%

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

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	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Financial Assets				
Cash	11,466	17,849	11,466	17,849
Due from other financial institutions	3,342	428	3,342	428
Receivables	3,372	14,110	3,372	14,110
Investments accounted for using the equity method	1,136	1,004	1,136	1,004
Units in managed funds	-	75,965	-	75,965
Other financial assets	565	671	565	671
Government and semi-government securities	10,914	378,465	10,852	378,465
Bills of exchange	67,504	15,977	67,504	15,977
Certificates of deposit	342,265	20,409	342,297	20,409
Deposits with banks	46,166	53,822	46,166	53,822
Deposits with other financial institutions	113,061	17,532	113,062	17,532
Floating rate notes	229,106	10,026	232,355	10,026
Loans to other persons	1,794,810	1,831,901	1,815,659	1,862,365
Total financial assets	2,623,707	2,438,159	2,647,776	2,468,623

	Consolidated			
	Total carrying amount as per statement of financial position		Aggregate net fair value	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

37 Risk Management and Financial Instruments cont'd

Financial Liabilities

Deposits	2,483,154	2,300,781	2,482,230	2,300,976
Due to other financial institutions	465	319	465	319
Sundry creditors	7,671	15,395	7,671	15,395
Loan capital	10,000	10,000	10,006	10,008
Employee entitlements	4,517	3,990	4,517	3,990
Total financial liabilities	2,505,807	2,330,485	2,504,889	2,330,688
Net financial assets	117,900	107,674	142,887	137,935
Interest rate swaps	-	-	148	[7,455]
Net financial assets net of swaps	117,900	107,674	143,035	130,480

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.

Subordinated debt:

The fair value of subordinated 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.

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

37 Risk Management and Financial Instruments cont'd

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	Note	Floating Interest Rate		Fixed Interest Rate Maturing In:			
		2004 \$000	2003 \$000	1 year or less		Over 1 to 5 years	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Financial Assets							
Cash	31	-	-	-	-	-	-
Due from other financial institutions		3,342	428	-	-	-	-
Receivables	8	-	-	-	-	-	-
Other financial assets	11	-	-	-	-	-	-
Government and semi-government securities	9	-	-	10,914	378,465	-	-
Bills of exchange	9	-	-	67,504	15,977	-	-
Certificates of deposit	9	-	-	342,265	20,409	-	-
Deposits with banks	9	46,116	53,772	50	50	-	-
Deposits with other financial institutions	9	-	-	113,061	17,532	-	-
Managed Funds	9	-	-	-	75,965	-	-
Floating rate notes	9	-	-	30,220	10,026	198,886	-
Loans to other persons	10	1,274,831	1,209,567	109,755	175,978	409,936	446,356
Total financial assets		1,324,289	1,263,767	673,769	694,402	608,822	446,356
Financial Liabilities							
Deposits	18	800,971	759,318	1,669,613	1,512,720	12,570	28,743
Due to other financial institutions		465	319	-	-	-	-
Sundry creditors	17	-	-	-	-	-	-
Loan capital	19	-	-	10,000	10,000	-	-
Employee benefits	24	-	-	-	-	-	-
Total financial liabilities		801,436	759,637	1,679,613	1,522,720	12,570	28,743
Unrecognised financial instruments							
Interest rate swaps		345,000	425,000	[140,000]	[145,000]	[205,000]	[280,000]
Loans approved not advanced		237,145	241,586	8,954	9,348	29,038	55,111

38 Events Subsequent to Balance Date

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

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements [Australian GAAP]. The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised

below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

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

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the

consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

Fixed Interest Rate Maturing In: More than 5 years		Non Interest Bearing		Total Carrying Amount As Per Statement of Financial Position		Weighted Average Effective Interest Rate	
2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
-	-	11,466	17,849	11,466	17,849		
-	-	-	-	3,342	428	5.25	4.55
-	-	3,372	14,110	3,372	14,110		
-	-	565	671	565	671		
-	-	-	-	10,914	378,465	5.75	4.73
-	-	-	-	67,504	15,977	5.47	4.80
-	-	-	-	342,265	20,409	5.59	4.77
-	-	-	-	46,166	53,822	5.17	4.71
-	-	-	-	113,061	17,532	5.83	5.16
-	-	-	-	-	75,965	-	1.11
-	-	-	-	229,106	10,026	5.94	4.94
288	-	-	-	1,794,810	1,831,901	6.88	6.63
288	-	15,403	32,630	2,622,571	2,437,155		
-	-	-	-	2,483,154	2,300,781	4.43	3.91
-	-	-	-	465	319		
-	-	7,671	15,395	7,671	15,395		
-	-	-	-	10,000	10,000	7.88	7.10
-	-	4,517	3,990	4,517	3,990		
-	-	12,188	19,385	2,505,807	2,330,485		
-	-	-	-				
4,292	-	-	-			6.66	6.12

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

Assessment and planning phase

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

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;

- evaluation of the implications for staff, for example training requirements; and
- preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

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

Notes to the Financial Statements Cont'd

For the Year Ended 30 June 2004

38 Events Subsequent to Balance Date cont'd

Design phase

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

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

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

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the consolidated entity to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS. Except for certain training that has been given to operational staff, the consolidated entity has not yet commenced the implementation phase. However, the consolidated entity expects this phase to be substantially complete by 30 June 2005. The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

Financial Instruments

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

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

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

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

Income tax

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

Loan provisioning

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

Post employment benefits [ie superannuation]

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

Property, Plant and Equipment

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

Goodwill

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

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

Changes in Accounting Policies

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

Directors' Declaration

For the Year Ended 30 June 2004

In the opinion of the directors of IMB Ltd ["the Company"]:

[a] the financial statements and notes, set out on pages 25 to 62 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 2004 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 in Australia 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.

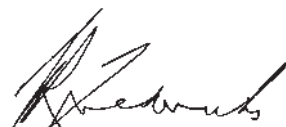
Dated at Wollongong this 30th day of July 2004.

Signed in accordance with a resolution of the directors:



KR McKinnon AO

Chairman



LR Fredericks

Director

Independent Audit Report

To the Members of IMB Ltd for the Year Ended 30 June 2004

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying Notes 1 to 38 to the financial statements, and the directors' declaration for both IMB Ltd [the "Company"] and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

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

Audit opinion

In our opinion, the financial report of IMB 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 2004 and of their performance for the financial year ended on that date; and
 - [ii] complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- [b] other mandatory professional reporting requirements in Australia.



KPMG

A handwritten signature in black ink, appearing to read 'CP Hollis', written over a light-colored background.

CP Hollis
Partner

Signed in Wollongong, this 30th day of July 2004.

Shareholders' Information

As at 30 July 2004

Top Twenty Shareholders		Number of Shares	% of Total
Name of Shareholder			
JP Morgan Nominees Aust Limited		1,755,405	4.49
RBC Global Services Australia Nominees Pty Ltd		1,150,137	2.94
Dean Whitestone Pty Ltd		400,000	1.02
RJ Davis		332,567	0.85
FH Rast		323,301	0.83
MF Hands		321,370	0.82
K O'Connor		269,204	0.69
Rubicon Nominees Pty Ltd		268,061	0.69
J Xanthoudakis		252,370	0.64
G & H Custodians Pty Ltd		226,858	0.58
SJ Bridger		224,075	0.57
AJ Bridger		199,295	0.51
WC & JA Bradley		197,256	0.50
R Petersen		195,860	0.50
WL Hughes		176,728	0.45
RM Hanbury		170,952	0.44
DL Craker		165,830	0.42
I & J Polak Pty Ltd		164,424	0.42
AM Dipietro		162,581	0.42
GD Carey		157,080	0.40
Total		7,113,354	18.18

Shareholders	Number of Shares	% of Total	
Employee Share Acquisition Scheme	76	169,561	0.43

Distribution of Shareholdings		Shareholders	Number of Shares	% of Total	
1	-	100	112	5,059	0.01
101	-	1,000	1,597	776,200	1.98
1,001	-	5,000	2,010	4,831,613	12.35
5,001	-	10,000	674	4,541,461	11.61
10,001	-	20,000	415	5,702,043	14.57
20,001	-	50,000	293	8,754,352	22.37
50,001	-	100,000	68	4,606,506	11.77
100,001	-	and over	45	9,912,597	25.34
Total			5,214	39,129,831	100.00

Five Year History and Comparison

Statistical Highlights	2004 \$000	2003 \$000	2002 \$000	2001 \$000	2000 \$000	
Statement of Financial Performance						
For the Year Ended 30 June						
Interest income	156,371	144,032	119,346	123,596	107,767	
Interest expense	101,816	90,468	72,398	77,524	64,292	
Interest margin	54,555	53,564	46,948	46,072	43,475	
Income from equity investments	[947]	[1,834]	-	-	-	
Non interest income	28,021	30,818	18,610	13,946	14,686	
Bad and doubtful debts expense	925	1,109	898	939	1,350	
Non interest expense	57,763	61,308	50,400	44,599	43,360	
Profit from ordinary activities before income tax	22,941	20,131	14,260	14,480	13,451	
Income tax expense	6,382	7,999	3,716	4,529	4,112	
Net loss attributable to outside equity interests	-	242	-	-	-	
Profit from ordinary activities after tax	16,559	12,374	10,544	9,951	9,339	
Statement of Financial Position						
As at 30 June						
Assets						
Loans	1,794,810	1,831,901	1,837,244	1,554,548	1,398,121	
Liquids	823,824	590,473	319,250	215,256	239,044	
Other	37,782	46,999	35,345	30,203	28,588	
	2,656,416	2,469,373	2,191,839	1,800,007	1,665,753	
Liabilities						
Deposits	2,483,154	2,300,781	2,036,491	1,670,240	1,506,834	
Other	27,875	35,677	31,264	17,760	54,088	
	2,511,029	2,336,458	2,067,755	1,688,000	1,560,922	
Shareholders' equity						
Value of securitised loans	828,700	559,961	275,000	50,000	50,000	
Total assets under management	3,485,116	3,029,334	2,466,839	1,850,007	1,715,753	
Share Information						
Shares on issue	000's	39,130	38,110	36,933	35,581	34,041
Earnings per share	cents	43.0	33.0	28.9	28.4	28.1
Net tangible assets per share *	\$	3.72	3.46	3.33	3.15	3.08
Dividend per share:						
Interim	cents	7.0	7.0	7.0	7.0	7.0
Final	cents	11.5	11.5	11.5	10.5	10.5
Special	cents	2.0	-	-	-	-
Dividend cover	times	2.10	1.78	1.56	1.62	1.58
Closing share price	\$	3.16	2.85	3.04	2.46	2.39
Highest share price **	\$	3.33	3.20	3.20	2.46	6.50
Lowest share price	\$	2.85	2.75	2.40	2.10	2.00
Average share price	\$	3.12	3.03	2.84	2.29	3.31
Shares traded	000's	1,995	1,901	1,855	1,623	1,383
Turnover	%	5.1	5.0	5.1	4.6	4.2

* 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 26 October 1999, the share capital of the Company was split with each share being divided into two shares.

Statistical Highlights		2004 \$000	2003 \$000	2002 \$000	2001 \$000	2000 \$000
Key Ratios						
Capital adequacy	%	11.41	10.51	11.36	10.55	11.26
Total asset growth	%	7.57	12.66	21.77	8.06	3.32
Net asset growth	%	9.38	7.12	10.78	6.84	7.94
Net assets/total assets	%	5.47	5.38	5.66	6.22	6.29
Liquid assets/total liabilities	%	32.81	25.27	15.44	12.75	15.31
After tax return on average net assets	%	11.90	9.63	8.93	9.18	9.25
After tax return on average total assets	%	0.64	0.51	0.51	0.57	0.57
Net interest income/average total assets	%	2.1	2.2	2.3	2.6	2.7
Non interest income/average total assets	%	1.1	1.3	0.9	0.8	0.9
Non interest expenses/average total assets	%	2.2	2.4	2.4	2.6	2.6
Non interest expenses/operating income	%	71.6	75.3	77.9	75.5	76.3
Bad debts expense/average loans	%	0.05	0.06	0.05	0.07	0.10
Return on interest earning assets	%	6.2	6.2	6.0	7.3	6.8
Cost of funds	%	4.2	4.0	3.8	4.9	4.3
Interest margin	%	2.16	2.29	2.35	2.73	2.73
Other Statistics						
Total loans approved	\$m	1,036.4	1,077.4	1,194.2	801.7	559.7
	No	10,015	10,582	11,512	10,411	10,165
Home loans approved	\$m	900.3	966.8	903.7	769.4	519.1
	No	5,799	6,295	6,646	6,171	4,772
Average home loan approved	\$000	155.3	153.6	136.0	124.7	108.8
Members' deposits	\$m	2,483.2	2,300.8	2,036.5	1,670.2	1,506.8
Deposit accounts	000	323.3	320.3	320.4	289.2	281.1
Average balance per deposit account	\$	7,681	7,183	6,356	5,775	5,360
Interest paid to depositors	\$m	101.8	89.7	72.4	77.5	62.3
Number of sales centres	No	34	34	34	35	31
Average deposits per sales centre	\$m	73.0	67.7	59.9	47.7	48.6
Assets per sales centre	\$m	78.1	72.6	64.5	51.4	53.7
Staff [full time equivalent]	No	415	396	377	370	357
Assets per staff member	\$m	6.4	6.2	5.8	4.9	4.7
Staff per million dollars assets	No	0.16	0.16	0.17	0.21	0.21

Shareholders' Diary and other information

- Announcement of full year results and final dividend August 2004
- Annual general meeting 28 September 2004 at 10:00am.

Notice of Annual General Meeting

The annual general meeting of members of IMB Ltd will be held at the Hoskins Room, Novotel Northbeach, 2-14 Cliff Rd, Wollongong on 28 September 2004 at 10:00am.

Company Secretary

Robert James Ryan BEc MCommLaw FCIS
FCIM ACA FTIA

Registered Office

253-259 Crown Street
Wollongong NSW 2500

Share Registry

IMB Ltd is not listed on the Australian Stock Exchange.

Shares are traded through an exempt market operated by the Company.

The share register is available for inspection at:

Level 6 Executive Services
253-259 Crown Street
Wollongong NSW 2500

Advisors

Solicitors

Watson Mangioni
Level 13
50 Carrington St
Sydney NSW 2000

Auditors

KPMG
Level 3
63 Market St
Wollongong NSW 2500

Projects funded by the IMB Community Foundation in 2004

Plan-it Youth - Shoalhaven

Department of Education and Training

Kiama Wine Show - Kiama Show Society

Establishment of Community Radio

Milton-Ulladulla & Districts Community Radio
Association of Broadcasters

Maritime History Stencils & Tourist Pamphlet
Eden Foreshore Committee

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

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

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

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

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

Macarthur 'Safer Celebration Pack' -
Youth Solutions

Illawarra Cycle Trail - Tourism Wollongong

Carers Handbook Re-printing - ARAFMI -
Illawarra Branch

Youth Memorial Entertainment Centre
The Dunn & Lewis Youth Development
Foundation

Multicultural Communities Resource Kit
Wollongong Women's Centre

The Main Hall - Stage 2

The Crossing Land Education Centre

Community Support

The Wollongong IMB Hawks

The Essendon Football Club

Cronulla Sharks Rugby League Club

Southern Districts Rugby Club

IMB Team Brock V8 Brute Racing Team
(Damien White)

IMB Aussie Racing Car Team
(James Harrigan)

Salvation Army Red Shield Appeal

Mission Australia

Kiama Lions Club

Narooma Mid Town Camp Quality





www.imb.com.au

