

IMB ANNUAL REPORT 2006

BUILDING MORE FOR MEMBERS



IMB Ltd ABN 92 087 651 974



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BUILDING SOCIETY OF THE YEAR



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NOTICE OF ANNUAL GENERAL MEETING

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

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



ABOUT IMB

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

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



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

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

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

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



OUR MISSION

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

OUR VISION

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

OUR VALUES

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

INTEGRITY

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

COMMUNITY

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

CO-OPERATION

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

EXCELLENCE

Demonstrating excellence and consistently showing initiative through actions and decisions.

RESPECT

Showing respect for the individual in all interactions and activities.

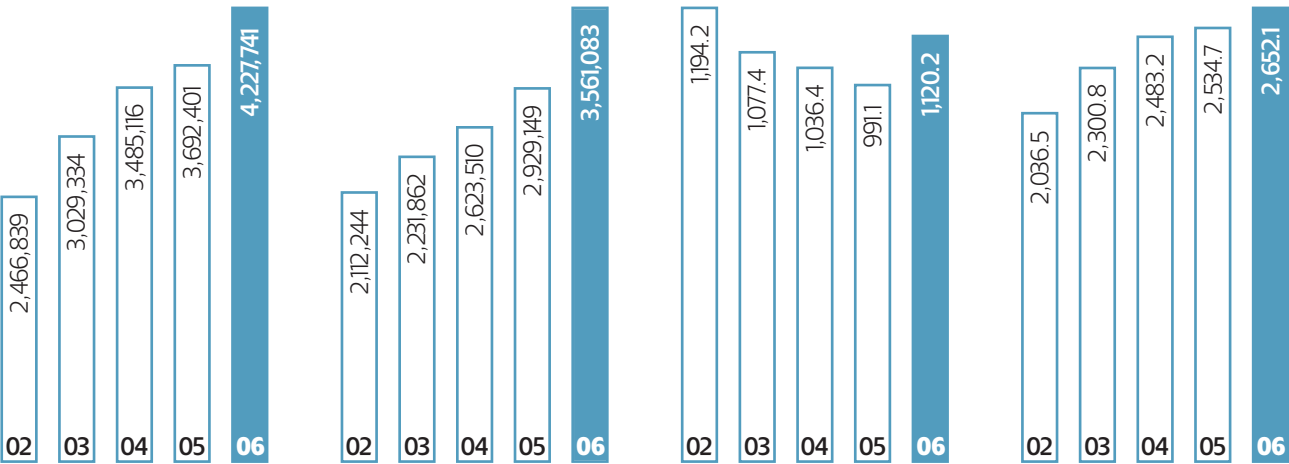
MORE MEMBER VALUE



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



HIGHLIGHTS



**TOTAL ASSETS
UNDER MANAGEMENT
\$ MILLION**

14.5%
increase

Total assets increased by \$535M to \$4.2 billion

**LOANS UNDER
MANAGEMENT
\$ MILLION**

21.6%
increase

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

**LOANS APPROVED
\$ MILLION**

13.0%
increase

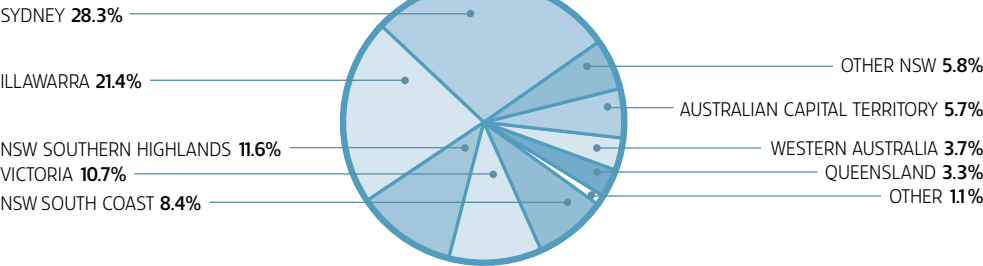
Loans totalling \$1,120.2M were approved during the year

**MEMBERS' DEPOSITS
\$ MILLION**

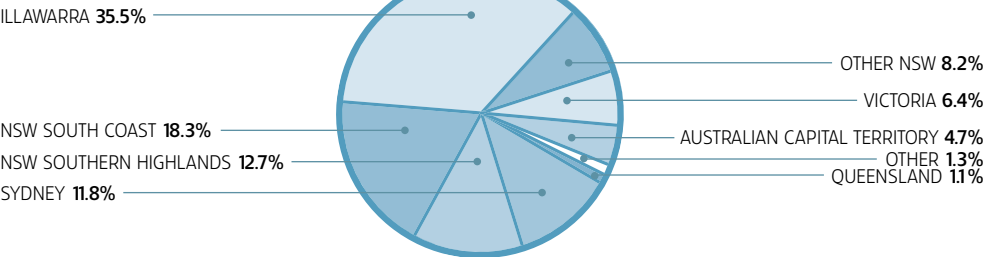
4.6%
increase

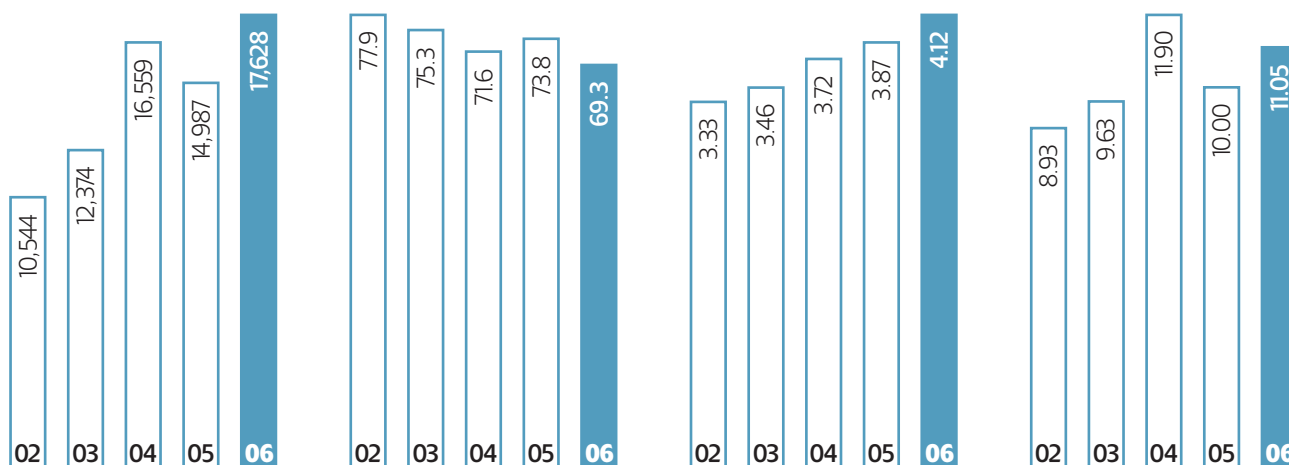
Members' deposits increased by \$117M to \$2.7 billion

LOANS BY LOCATION



DEPOSITS BY LOCATION





PROFIT AFTER TAX \$ MILLION

17.6%
increase

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

EFFICIENCY RATIO %

4.5%
improved

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

NET TANGIBLE ASSETS PER SHARE \$

6.5%
increase

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

RETURN ON AVERAGE EQUITY %

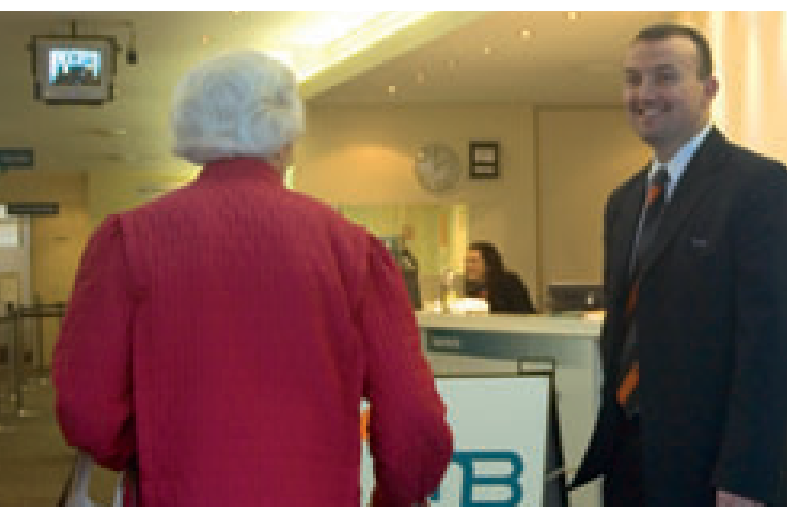
11.0%
increase

Return on average equity up from 10.0% to 11.1%

OTHER HIGHLIGHTS

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

MORE BRANCHES



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



CHAIRMAN'S LETTER

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



RUSSELL FREDERICKS
IMB CHAIRMAN

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

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

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

STRATEGIES

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

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

The strategic plan includes three key areas of concentration or focus. The first, **growing the business** in terms of geographic expansion, volume of business done,

improved cost efficiencies and increased revenue streams, is vital to IMB's long term future and viability.

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

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

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

Thirdly, and to effectively implement and drive the above two strategic factors, it is essential to **have a highly motivated and skilled workforce**. IMB has in place, amongst other things: the upgrading of staff training programs; remuneration targets in line with external benchmarks; improving

OH&S management, reporting and accountabilities; support of career-path development and encouraging our people to 'live' the IMB values.

MUTUALITY AND MEMBERS

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

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

DIVIDEND

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

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

CAPITAL MANAGEMENT

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

BUILDING SOCIETY OF THE YEAR – AGAIN!

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

CORPORATE GOVERNANCE

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

board and management policies and of our internal charters and Corporate Governance Guide with those Standards.

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

ABACUS

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

APPRECIATION

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

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

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



LR Fredericks, Chairman

MORE WINNING PRODUCTS & SERVICES



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



CEO'S REVIEW of OPERATIONS

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



WAYNE MORRIS
IMB CHIEF EXECUTIVE

OVERVIEW

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

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

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

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

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

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

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

PROFIT

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

NET INTEREST INCOME

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

NON INTEREST INCOME

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

BAD AND DOUBTFUL DEBTS EXPENSE

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

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

NON INTEREST EXPENSE

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

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

BALANCE SHEET

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

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

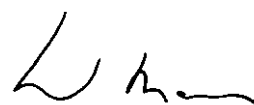
MANAGEMENT AND STAFF

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

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

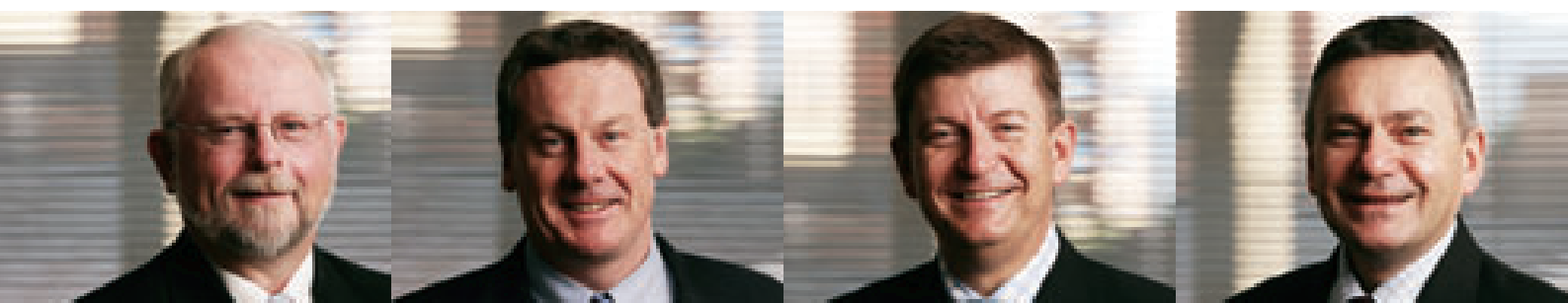
OUTLOOK

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



PW Morris
Chief Executive

SENIOR MANAGEMENT



PETER WAYNE MORRIS

ACIS ACIM MNIA AIMM
AIFS AMP (Harv)

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

ROBERT JAMES RYAN

BEC MCommLaw FCIS
FCIM ACA FTIA

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

MARK LEONARD ANDERSON

B.Com (Land Economy) JP

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

MALCOLM RAYMOND HARLEY

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

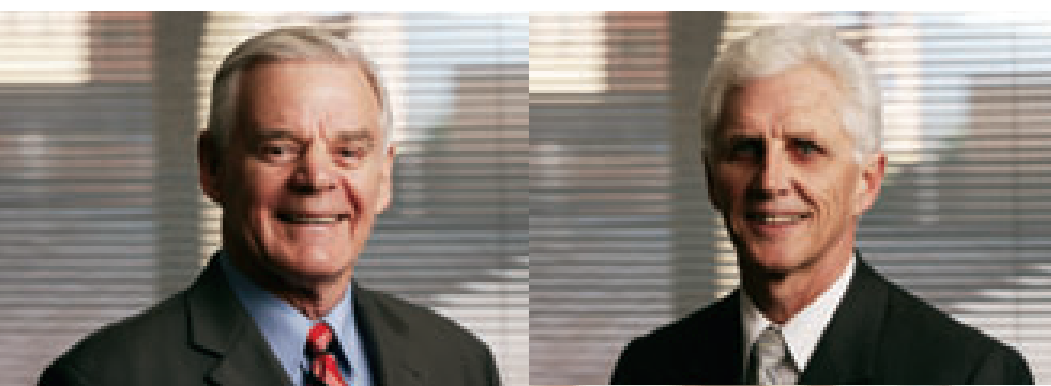
MORE FOR THE COMMUNITY



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



BOARD of DIRECTORS



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



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



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

LINDSAY RUSSELL FREDERICKS

FPNA FAICD FAIM

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

MICHAEL JOHN COLE

BEc (Syd) MEc (Syd) ASIA

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

GEORGE ANTHONY EDGAR

Bsc (Tech.Met.)

Mr Edgar, whose expertise is business management, has been a non executive director since 2000. He is a member of the remuneration and CEO evaluation committee

and the nominations and governance committee. Mr Edgar is the former president of BHP Flat Products and former chief executive officer of BHP Integrated Steel. He is also deputy chancellor, University of Wollongong, director of Shin Investments Pty Ltd and past Chairman of Mainteck Services Australia. As well as being a director of IMB Ltd, Mr Edgar is also a director of all entities wholly owned by IMB Ltd.

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

HAROLD HANSON AM

Dip.Law (Sydney)

Mr Hanson, whose area of expertise is the legal field, has been a non executive director since 1990. He is a member of the audit and risk management committee, the nominations and governance committee, the IMB Community Foundation committee and the land development committee. He has practised as a solicitor in private practice in Wollongong since 1960 and is now a private legal consultant. He is a former Chairman and a life member of Tourism Wollongong, and was a commissioner and board member of the NSW Tourism Commission and Tourism NSW from 1988 to 1997. Mr Hanson is a life member of Apex, a board member of the Australian and New Zealand College for Seniors, fellow of the University of Wollongong and former Chairman of the Wollongong University Foundation. He is also a former member of the Salvation Army Community Advisory Board for the Illawarra, a former alderman

of Wollongong City Council and former deputy Chairman of Illawarra Electricity. He was the 1987 New South Wales Lawyer of the Year and the 1998 winner of the NSW award for excellence in regional tourism. As well as being a director of IMB Ltd, Mr Hanson is also a director of all entities wholly owned by IMB Ltd.

LYNTON PATRICK NICHOLAS

FCPA FCIS

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

VIVIEN JENNIFER TWYFORD

BA Grad Dip Com (Mgmt) FAICD

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

CORPORATE GOVERNANCE

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2006.

BOARD OF DIRECTORS BOARD OF DIRECTORS AND ITS COMMITTEES

Role of the Board

The board is responsible for the overall corporate governance of the Company and its controlled entities ("the consolidated entity") including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The board has delegated responsibility for operation and administration of the Company to the Chief Executive and executive management. Responsibilities are delineated by formal authority delegations.

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a remuneration and CEO evaluation committee, a nominations and governance committee, an audit and risk management committee, a land development committee and an IMB Community Foundation committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

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

The agenda for meetings is prepared by the company secretary in conjunction with the Chairman and the chief executive. Standing items include the chief executive report,

financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities including visits to business operations, for contact with a wider group of employees.

Director education

The consolidated entity has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning performance of directors. Directors also have the opportunity to visit consolidated entity facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. A copy of the advice received is made available to all other members of the board.

Composition of the Board

The names of the directors of the Company in office at the date of this report are set out in the Directors' report on page 26 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 page 21 of this financial report.

The board comprises seven independent 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.

An independent non executive director is a director who is not a member of management and who:

- has not within the last three years been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has been a principal or employee of a material professional adviser or a material consultant to the Company or another group member;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer; and
- has no material contractual relationship with the Company or another group member other than as a director of the Company.

NOMINATIONS AND GOVERNANCE COMMITTEE

The nominations and governance committee oversees the appointment and induction process for directors and committee members, and the selection, appointment and succession planning process of the Company's chief executive. The committee makes recommendations to the board on the appropriate skill mix, personal qualities, expertise and diversity of each position. 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 and IMB's Fit and Proper Policy. The committee identifies potential candidates. The board then appoints the

most suitable candidate. Board candidates must stand for election at the next general meeting of members. In addition the committee is responsible for advising the board on corporate governance, and developing, regularly reviewing and updating the corporate governance manual.

The nominations and governance committee comprises the following members, all of whom were non executive directors:

Mr LR Fredericks (Chairman)
Mr GA Edgar
Ms LT Gearing
Mr H Hanson AM

The nominations and governance committee meets two times annually or more frequently as required.

REMUNERATION AND CEO EVALUATION COMMITTEE

The remuneration and CEO evaluation committee reviews and makes recommendations to the board on remuneration packages and policies applicable to the chief executive and senior executives and the board. 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 and CEO evaluation committee during the year were:

Mr LR Fredericks (Chairman)
Mr MJ Cole
Mr GA Edgar
Ms VJ Twyford

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

The remuneration and CEO evaluation committee meets two times annually or more frequently as required.

Base emoluments for all directors, approved by members at the 2004 annual general meeting, is not to exceed \$450,000. This includes superannuation payments required under legislation.

Further details of directors' and executives' remuneration, superannuation and retirement payments are set out in the Related Party Disclosures in Note 31 to the financial report.

AUDIT AND RISK MANAGEMENT COMMITTEE

Audit and Risk Management Committee

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

- serving as an independent and objective party to monitor the IMB's financial reporting process, risk management and internal control systems;
- reviewing and appraising the audit efforts of the IMB's external auditors and the internal audit;
- 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 and risk management 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 MJ Cole (Chairman)
Ms LT Gearing
Mr H Hanson AM
Mr LP Nicholas
Mr LR Fredericks (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 chief executive and the chief financial officer declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2006 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

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

Oversight of risk management system

The board oversees the establishment, implementation and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the consolidated entity.

Risk management and compliance and control

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

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the board. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to members half-yearly.
- Convergence with Australian equivalents to International Financial Reporting Standards ("AIFRS") has been a key current financial reporting project during the financial year ended 30 June 2006. The board established a formal project, monitored by a steering committee, to ensure a smooth transition to AIFRS reporting.

Details of the impact of transition from Australian Generally Accepted Accounting Principles ("AGAAP") to AIFRS on the financial report for the year ended 30 June 2006 are included in Note 36 and Note 37 to the financial accounts.

- 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 in place such that occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.

Assessment of effectiveness of risk management

Internal Audit

The internal auditors assist the board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the abovementioned compliance and control systems. The audit and risk 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.

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 consolidated entity. 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 an actual or potential 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 31 to the financial accounts.

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.
- 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 up to 5,000 shares in aggregate in any period of six months shall be deemed to be not material.

COMMUNICATION WITH MEMBERS

The board provides members with information via its Continuous Disclosure Policy. This policy is in place to:

- identify matters that may have a material effect on the price or value of IMB shares or any quoted and unquoted securities;
- ensure disclosure of such matters to ASIC or the ASX as the case may be, with subsequent disclosure to IMB members.

In summary, IMB's Continuous Disclosure Policy operates as follows:

- On a weekly basis IMB's Executive Group examines all areas of the consolidated entity's internal and external environment to determine whether any 'price sensitive' matters exist.
- The Executive Group is responsible for interpreting the Company's Continuous Disclosure Policy, and where necessary, informing the board so that the board can determine if disclosure is necessary. The board will then appoint a representative who is responsible for any necessary communications with the ASX or ASIC and subsequently with members.

The board of directors also 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:

- All disclosures of 'price sensitive' information are made via the IMB website, together with media releases, public announcements and other information concerning IMB's operations.
- Public release of performance results, plus declared dividend as soon as available.
- A full copy of the Annual Report is made available to all shareholders and members via the Company's website and upon request.
- The concise report is distributed to all shareholders (unless a shareholder has specifically requested not to receive this document and they hold less than 5,000 shares) and any member who has elected to receive this document. This document is also available to any other member upon request. 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 half-yearly report is distributed to all shareholders (unless a shareholder has specifically requested not to receive this document and they hold less than 5,000 shares) and any member who has elected to receive this document. This document is also available to any other member upon request. 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.

- All of the above information, including that of the previous three years, is made available on the Company's website (www.imb.com.au).
- 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 single resolutions. To assist members in communicating issues with the board, a question form is issued with the AGM notice and members are invited to submit questions in advance.

The members are requested to vote on the appointment and aggregate remuneration of directors as prescribed by the constitution. Copies of the constitution are available to any member who requests it.

DIRECTORS' REPORT

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

DIRECTORS

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

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

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director are set out on page 21 of this report.

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

COMPANY SECRETARY

The particulars of the qualifications and experience of the Company Secretary are set out on page 17 of this report.

PRINCIPAL ACTIVITIES

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

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

OPERATING AND FINANCIAL REVIEW

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

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

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

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

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

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

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

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

DIVIDENDS

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

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

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

EVENTS SUBSEQUENT TO REPORTING DATE

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

LIKELY DEVELOPMENTS

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

STATE OF AFFAIRS

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

DIRECTORS' INTERESTS

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

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

KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel remuneration is set out in Note 31 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 board believes that the joint venture has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the joint venture land development.

MEETINGS OF DIRECTORS

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

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

(a) Mr Fredericks is an ex officio member of the Audit and Risk Management Committee.

(b) Mr Edgar attended 3 Audit and Risk Management Committee meetings as an observer.

(c) Ms Twyford attended 1 Audit and Risk Management Committee meeting as an observer.

DIRECTORS' REPORT continued

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

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

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

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

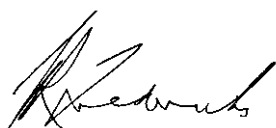
The lead auditor's independence declaration is set out on page 29 and forms part of the directors' report for the financial year ended 30 June 2006.

ROUNDING OF AMOUNTS

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

Dated at Wollongong this 1st day of August 2006

Signed in accordance with a resolution of the directors:



LR Fredericks, Chairman



MJ Cole, Director

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

To: the Directors of IMB Ltd,

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

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



A handwritten signature in black ink, appearing to read 'CP Hollis'.

CP Hollis
Partner

Dated at Wollongong this 1st day of August 2006

FINANCIAL STATEMENTS

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INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Interest revenue	3	260,874	237,673	263,019	168,809
Interest expense	3	(194,101)	(172,220)	(196,317)	(114,282)
Net interest income		66,773	65,453	66,702	54,527
Bad and doubtful debts expense	3	(1,075)	(902)	(1,075)	(902)
Net interest income after bad and doubtful debts		65,698	64,551	65,627	53,625
Revenue from land development	3	130	1,850	—	—
Share of profits of joint venture entity	29	247	103	—	—
Other income	3	15,885	17,087	15,510	27,855
Net income		81,960	83,591	81,137	81,480
Land development expense	3	(113)	(674)	—	—
Other expenses	3	(56,755)	(61,020)	(56,699)	(60,524)
Profit before tax	3	25,092	21,897	24,438	20,956
Income tax expense	4	(7,464)	(6,910)	(7,342)	(6,425)
Profit for the year attributable to members of the Company		17,628	14,987	17,096	14,531
		\$	\$		
Basic and diluted earnings per share from continuing operations	5	0.44	0.38		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 35 to 76.

BALANCE SHEETS

AS AT 30 JUNE 2006

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
ASSETS					
Cash and cash equivalents	30	60,743	34,226	15,103	10,869
Available for sale investments	9	575,336	—	610,961	—
Trading securities	9	—	131,741	—	131,741
Investment securities	9	—	552,780	—	579,498
Loans and receivables	10	3,561,083	2,929,152	3,563,894	1,954,077
Equity accounted investments	29	1,486	1,239	—	—
Other financial assets	11	957	10,074	3,635	13,024
Derivative asset	19	1,291	—	1,291	—
Inventories	13	3,009	258	—	—
Property, plant and equipment	14	18,395	18,527	18,395	18,527
Intangible assets	8	3,044	3,512	3,044	3,512
Other assets	15	2,397	10,894	10,327	17,481
Total Assets		4,227,741	3,692,403	4,226,650	2,728,729
LIABILITIES					
Sundry creditors	16	46,749	36,496	9,153	16,417
Deposits	17	2,652,087	2,534,727	2,654,986	2,540,948
Securitised loans funding	18	1,346,436	948,357	1,382,060	—
Interest bearing liabilities	20	10,000	10,000	10,000	10,000
Current tax liabilities	4	1,079	2,271	1,079	2,271
Provisions	21	5,506	5,192	5,506	5,192
Net deferred tax liabilities	4	1,297	823	1,271	824
Total Liabilities		4,063,154	3,537,866	4,064,055	2,575,652
Net Assets		164,587	154,537	162,595	153,077
EQUITY					
Issued capital	22	46,936	46,936	46,936	46,936
Reserves	23	26,488	25,255	26,488	25,255
Retained profits	6	91,163	82,346	89,171	80,886
Total equity attributable to members of the Company		164,587	154,537	162,595	153,077

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 35 to 76.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		259,486	238,008	259,519	169,144
Dividends received		21	10	21	810
Other cash receipts in the course of operations		15,806	18,752	13,710	24,531
Interest paid on deposits		(192,833)	(171,969)	(192,938)	(114,032)
Income taxes paid		(8,488)	(7,169)	(8,410)	(5,434)
Net loans funded		(383,269)	(311,755)	(377,169)	(305,921)
Net increase in deposits		113,986	51,323	110,663	50,514
Other cash payments in the course of operations		(35,710)	(52,229)	(59,179)	(54,074)
Net cash flows from operating activities	30	(231,001)	(235,029)	(253,783)	(234,462)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Payments for)/redemptions of available for sale investments		(141,554)	92,344	(141,055)	97,059
Proceeds from disposal of shares		—	501	—	501
Expenditure on property, plant and equipment, and intangibles		(4,203)	(4,981)	(4,203)	(4,981)
Proceeds from sale of property, plant and equipment		385	488	385	488
Net cash flows from investing activities		(145,372)	88,352	(144,873)	93,067
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from securitised loans funding		410,473	146,372	410,473	146,372
Dividends paid		(7,583)	(5,568)	(7,583)	(5,568)
Net cash flows from financing activities		402,890	140,804	402,890	140,804
Net increase/(decrease) in cash and cash equivalents held		26,517	(5,873)	4,234	(591)
Cash and cash equivalents at the beginning of the year		34,226	40,099	10,869	11,460
Cash and cash equivalents at the end of the year	30	60,743	34,226	15,103	10,869

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 35 to 76.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	CONSOLIDATED		COMPANY	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total equity at the beginning of the year	36	154,537	145,116	153,077	144,112
Adjustments on adoption of AASB 132 and AASB 139 net of tax to:					
— Retained profits	36(i)	(1,228)	—	(1,228)	—
— Available for sale revaluation reserve	23	59	—	59	—
— Cashflow hedging reserve	23	(365)	—	(365)	—
— Equity investment revaluation reserve	23	418	—	418	—
— General reserve for credit losses	23	432	—	432	—
Available for sale investments net of tax	23	(487)	—	(487)	—
Equity investments net of tax	23	(101)	—	(101)	—
Cashflow hedges net of tax	23	1,267	—	1,267	—
General reserve for credit losses	23	10	—	10	—
Net income recognised directly in equity		5	—	5	—
Profit after tax for the year		17,628	14,987	17,096	14,531
Total recognised income and expense for the year attributable to members of the Company		17,633	14,987	17,101	14,531
Transactions with ordinary shareholders in their capacity as ordinary shareholders:					
— Dividends paid	7	(7,583)	(8,076)	(7,583)	(8,076)
— Shares issued through the dividend re-investment plan	22	—	2,510	—	2,510
Total equity at the end of the year		164,587	154,537	162,595	153,077

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out in pages 35 to 76.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1 SIGNIFICANT ACCOUNTING POLICIES

IMB Ltd (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in jointly controlled entities.

The consolidated financial report was authorised for issue by the directors on 1 August 2006.

(a) STATEMENT OF COMPLIANCE

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purposes of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian Generally Accepted Accounting Principles ("AGAAP").

This is the consolidated entity's first annual consolidated financial report to be prepared in accordance with Australian Accounting Standards, being AIFRS and AASB 1. First Time adoption of Australian equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance, and cash flows of the consolidated entity and the Company is provided in notes 36 and 37.

(b) BASIS OF PREPARATION

The financial report is presented in Australian dollars.

The consolidated entity has elected to early adopt the following accounting standard:

- AASB 119 Employee Benefits

The consolidated entity has elected not to early adopt the following standards that were available for early adoption:

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards

The consolidated entity plans to adopt AASB 7 and AASB 2005-10 in the 2007 financial year. The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company or the consolidated entity as the standard and the amendments are concerned only with disclosures.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments, available-for-sale investments, and trading securities.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in

accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of the financial report in accordance with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated entity's financial report such as:

- loan impairment (notes 1i and 12); and
- consolidation of Special Purpose Entities (notes 1c and 10)

Estimates and judgement are continually evaluated and are based on historical experience and other factors including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actuals result in the future may differ from those reported.

The preparation of the consolidated financial report in accordance with AIFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous AGAAP. Except for the change in accounting policy relating to classification and measurement of financial instruments (see note 37), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, as required by AASB 1.

Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy. The accounting policies have been applied consistently throughout the consolidated entity for the purposes of this consolidated financial report.

(c) BASIS OF CONSOLIDATION

Balances and effects of inter-entity transactions are eliminated on consolidation. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced, or up to the date control ceased.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Special Purpose Entities (SPEs)

Securitised positions are held through a number of SPEs. As the Company is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the consolidated entity's balance sheet and income statement.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances in the consolidated entity's bank accounts and cash on hand. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

(e) LOANS

Current period policy

Loans are initially recorded at amounts funded net of origination income and expenses. Subsequent measurement is at amortised cost under the effective interest rate method, after assessing required provisions for impairment as described in note 1i.

Comparative period policy

Loans are recognised at recoverable amount, after assessing required provisions for impairment as described in note 1i.

The quantitative effects of these changes in accounting policy are set out in notes 37c and 37f.

(f) CASH FLOW HEDGES

Current period policy

The consolidated entity uses derivative financial instruments to hedge its exposure to interest rate risks arising from operating, financing and investing activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes.

On entering into a hedging relationship, the consolidated entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cashflows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated.

For a derivative designated as hedging a cash flow exposure arising from a recognised asset or liability (or highly probable forecast transaction), the gain or loss on the derivative associated with the effective portion of the hedge is initially recognised in equity in the cash flow hedge reserve and reclassified into the income statement when the hedged cash flow occurs. The gain or loss relating to the ineffective portion of the hedge is recognised immediately in the income statement.

Comparative period policy

Derivative financial instruments are used to manage interest rate risk 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.

(g) REVENUE RECOGNITION

(i) Interest income and fees for services rendered

Except as described below, 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 arising from loans and investments is brought to account using the effective interest rate method. Commission and fee income is recognised in the income statement when the service is provided (except as described in part (ii) below).

(ii) Loan origination income

Current period policy

Revenue received in relation to the origination of loans is deferred and recognised in the income statement, as an increase in loan interest income, on a yield basis over the expected life of the relevant loans. The balance outstanding of the deferred origination income is recognised in the balance sheet as a decrease in the value of loans outstanding.

Comparative period policy

Revenue received in relation to the origination of loans is recognised in the income statement net of GST as it is received.

The quantitative effect of the change in accounting policy is set out in note 37c.

(iii) Dividend income

Dividends and distributions from controlled entities are brought to account in the income statement when they are declared. Dividends and distributions from other parties are brought to account in the income statement when they are received.

(h) EXPENSES

(i) Loan origination expenses

Current period policy

Expenses incurred directly in the origination of loans are deferred and recognised in the income statement, as a reduction to loan interest income, on a yield basis over the expected life of the relevant loans. The balance outstanding of the deferred origination expenses is recognised in the balance sheet as an increase in the value of loans outstanding.

Comparative period policy

Expenses relating to the origination of loans are recognised in the income statement net of GST as they are incurred, except for up front broker commissions. These expenses are deferred and amortised on a straight line basis over 3 years.

The quantitative effect of the change in accounting policy is set out in note 37c.

(ii) Securitisation set-up expenses

Current period policy

Expenses incurred directly in the establishment and marketing of securitisation vehicles are

deferred and recognised in the income statement on a yield basis over the expected life of the relevant liability to note holders. The balance outstanding of deferred securitisation expenses is recognised in the balance sheet as a reduction in the funding liability for the securitised assets.

Comparative period policy

Expenses incurred directly in the establishment and marketing of securitisation vehicles are deferred and recognised in the income statement on a straight line basis over the expected life of the securitised loans. The balance outstanding of deferred securitisation expenses is recognised in the balance sheet as an asset.

The quantitative effect of the change in accounting policy is set out in note 37d.

(i) IMPAIRMENT

The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets (see note 11), are reviewed at each reporting date (if not more regularly) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Loan impairment

All loan assets are subject to recurring review and assessed for possible impairment. All bad debts are written off in the period in which they are identified.

Current period policy

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

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

The consolidated entity makes judgements as to whether there is any observable data indicating that there is a significant decrease in the estimated future cash flows from a portfolio of loans. The evidence may include observable data indicating that there has been an adverse change in the payment status of the borrowers in a group, or national or local economic conditions that are likely to have triggered a worsening of the loan quality, that will eventually lead to losses. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of

impairment similar to those in the portfolio. The methodology and assumptions used for estimating likely future losses are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Changes in the assumptions used for estimating likely future losses could result in a change in provisions for loan losses and have a direct impact on the impairment charge.

A general reserve for credit losses is also held as an additional allowance for bad debts to meet prudential requirements.

Comparative period policy

Provision for impaired assets is made in respect of loans, revolving credit facilities outstanding 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 several loan categories.

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 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. The Company's policy is to maintain an appropriate additional general provision.

The quantitative effect of the change in accounting policy is set out in note 37f.

Calculation of recoverable amount – other assets

The recoverable amount of other non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(j) AVAILABLE FOR SALE INVESTMENTS

Current period policy

Available for sale investments consist of securities that are not actively traded and are intended to be held for an indefinite period of time. Such securities are available for sale and may be sold should the need arise, including liquidity needs, or impacts of changes in interest rates, or equity prices.

Available for sale investments are initially carried at fair value plus transaction costs. Gains and losses arising from subsequent changes in fair value are recognised directly in the available for sale reserve in equity, until the asset is derecognised or impaired, at which time the cumulative gain or loss will be recognised in the income statement. Fair values of quoted investments in active markets are based on current mid-prices. If the relevant market

is not considered active, and other methods of determining fair value do not result in a reasonable estimate, then the investment is measured at cost less impairment losses.

Comparative period policy

Financial instruments were either classified as held for trading or held to maturity. Those classified as held for trading were revalued to reflect fair values at the balance sheet date, with the revaluation increment or decrement for the period being taken to the income statement for that period. Those designated as held to maturity were carried at cost plus accrued interest, with the accrued interest being recognised in the income statement for the period. All equity securities were held at cost unless there was considered to be a permanent diminution in value.

The quantitative effect of the change in accounting policy is set out in notes 37a and 37b.

(k) DEPOSITS AND INTEREST EXPENSE

Deposits are recorded at the principal amount as they are either payable at call, or repriced within 12 months. Interest expense on deposits is calculated daily based on the closing balance for each day and is brought to account on an accruals basis.

(l) INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates current at the balance sheet date.

Deferred tax assets and deferred tax liabilities have been netted off in the balance sheet in accordance with AASB 112. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all its wholly-owned subsidiaries. Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax

consolidated group are recognised in the separate financial statements of the members of the tax consolidated group by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

The Company, in conjunction with other members of the tax consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements require payments to/(from) the Company equal to the current tax liability (asset) assumed by the Company and any tax-loss deferred tax asset assumed by the Company, resulting in the Company recognising an inter-company receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-company receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the Company's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the Company default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(m) PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (refer below) and impairment losses (see note 1i). The cost of such assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site at which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Certain items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2004, the date of transition to AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. These items had a total fair value of \$8,320,000 at transition date. This resulted in no adjustments to amounts recorded under previous AGAAP.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• Buildings	40 years
• Leasehold Improvements	up to 7 years
• Plant and equipment	3 – 15 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(n) INTANGIBLES

Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable net assets acquired.

Goodwill is stated at deemed cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but tested annually for impairment. For joint venture entities, the consolidated financial statements include the carrying amount of goodwill in the equity accounted investment carrying amounts.

Computer Software

Where computer software costs are not integrally related to associated hardware, the consolidated entity recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the consolidated entity controls.

The consolidated entity carries capitalised computer software assets at cost less amortisation and any impairment losses.

These assets are amortised over the estimated useful lives of the computer software (being between 3 and 5 years) on a straight-line basis. Computer software maintenance costs are expensed as incurred. Any impairment loss is recognised in the income statement when incurred.

(o) OPERATING LEASES

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(p) JOINT VENTURE ENTITY

The consolidated entity's interests in incorporated joint ventures is brought to account using 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 income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

(q) 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.

(r) DIVIDENDS PAYABLE

Dividends payable are recognised when declared.

(s) EMPLOYEE BENEFITS

(i) Defined contribution plans

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

(ii) Defined benefit plan

The consolidated entity's net obligation in respect of the defined benefit superannuation plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses as at 1 July 2004, the date of transition to AIFRS, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 July 2004 in calculating the consolidated entity's obligation in respect of a plan,

to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. Past service cost is the increase in the present value of the defined benefit obligation for employees' services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

(iii) Wages, salaries, and annual leave

Liabilities for employee benefits for wages, salaries, and annual leave expected to be settled within 12 months of the reporting period represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on 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.

(iv) 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 national 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.

(t) DIRECTORS' RETIREMENT BENEFITS

A provision for directors' retirement benefits was made in accordance with the Company's constitution. Retirement benefits have ceased to be accrued from 28 September 2004 for all directors, with the retirement benefits accrued up to that date being fully provided for and the consolidated entity has no obligation to increase the provision. The balance of the provision will be utilised as the relevant current directors retire from service.

(u) INTEREST BEARING LIABILITIES

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 of 120 basis points (2005: 240 basis points).

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

(v) SECURITISATION

The Company, through its securitisation program, packages residential and commercial mortgage loans, and uses these pools of loans to raise funds from investors of an amount equivalent to the unpaid balances of the loans. As the Company is exposed to the majority of the residual risk associated with these SPEs, their underlying assets, liabilities, revenues and expenses are reported in the consolidated entity's consolidated balance sheet and income statement.

(w) SUNDRY CREDITORS

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. Payables are stated at cost and are normally settled within 30 days.

(x) 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 Australian Taxation Office ("ATO") is included as an asset or liability in the balance sheet.

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

(y) EARNINGS PER SHARE

Earnings per share is determined by dividing net profit after tax attributed to members of the Company, by the weighted average number of ordinary shares of the Company.

(z) USE AND REVISION OF ACCOUNTING ESTIMATES

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
2 REVENUE					
Interest revenue	3	260,874	237,673	263,019	168,809
Fee and commission revenue		14,428	14,979	14,428	14,979
Revenue from land development	3	130	1,850	—	—
Securitisation revenue	3, 36a	—	—	—	10,806
Other income		1,704	1,607	1,082	1,569
Sale of Cashcard shares	3	—	501	—	501
Total revenue		277,136	256,610	278,529	196,664
3 PROFIT BEFORE TAX					
Interest revenue					
Loans					
— to members		211,390	187,835	211,324	117,296
— consolidated entities, Key Management Personnel, and director related entities	31, 32	158	127	258	152
Available for sale investments	37b	49,161	—	51,272	—
Trading securities		—	7,134	—	7,134
Investment securities	37b	—	42,577	—	44,227
Other interest revenue		165	—	165	—
		260,874	237,673	263,019	168,809
Interest expense					
Deposits					
— from members		120,805	113,376	120,805	113,376
— controlled entities		—	—	105	133
— subordinated debt		683	768	683	768
Securitised loans funding		72,609	58,071	74,720	—
Other interest expense		4	5	4	5
		194,101	172,220	196,317	114,282
Net interest income		66,773	65,453	66,702	54,527
Bad and doubtful debts expense					
— bad debts written off	12	900	621	900	621
— increase in provision		175	281	175	281
		1,075	902	1,075	902
Net interest income after bad and doubtful debts		65,698	64,551	65,627	53,625
Income from land development		130	1,850	—	—
Share of profits of joint venture entity	29	247	103	—	—
Other income					
Dividends		21	10	21	810
Profit from sale of property, plant and equipment		95	44	95	44
Fees		11,084	11,923	11,084	11,923
Payment system fees		2,118	1,934	2,118	1,934
Property income		115	113	115	113
Bad debts recovered		157	244	157	244
Commissions		1,226	1,122	1,226	1,122
Securitisation	37e	—	—	—	10,806
Profit from sale of Cashcard shares		—	501	—	501
Refund of interest paid to Australian Taxation Office		538	—	538	—
Other		531	1,196	156	358
		15,885	17,087	15,510	27,855
Net income		81,960	83,591	81,137	81,480
OTHER EXPENSES					
Personnel expense					
Salaries		23,786	22,293	23,786	22,293
Payroll tax		1,472	1,355	1,472	1,355
Fringe benefits tax		460	480	460	480
Superannuation		2,197	2,239	2,197	2,239
		27,915	26,367	27,915	26,367

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		COMPANY	
NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
3 PROFIT BEFORE TAX (CONTINUED)				
Occupancy expense				
Depreciation and amortisation				
— buildings	147	147	147	147
— leasehold improvements	515	476	515	476
Repairs and maintenance	265	287	265	287
Rental on operating leases	3,680	3,429	3,680	3,429
Other	1,591	1,584	1,591	1,584
	6,198	5,923	6,198	5,923
Payment system expense	4,944	4,624	4,944	4,624
Marketing expense	4,160	4,079	4,160	4,079
Data processing expense	1,854	1,837	1,854	1,837
Postages and printing expense	1,629	1,617	1,629	1,617
Loan origination and securitisation expense 37c, 37d	—	4,052	—	4,052
Contributions to IMB Community Foundation	500	500	500	500
Goods and services tax not recovered	1,972	2,025	1,972	2,025
Sundry expenses				
Depreciation and amortisation				
— furniture, fixtures, fittings and other equipment	1,345	1,414	1,345	1,414
— computer equipment	1,050	1,121	1,050	1,121
— intangibles	1,078	829	1,078	829
Loss from sale of property, plant and equipment	28	47	28	47
Auditors' remuneration (KPMG)				
— audit and review of financial reports	224	237	231	245
— other services				
— other assurance services	75	78	56	52
— taxation services	16	130	16	130
— advisory services	131	66	131	66
Other	3,636	6,074	3,592	5,596
Total other expenses	56,755	61,020	56,699	60,524
Land development expense	113	674	—	—
Total non interest expense	56,868	61,694	56,699	60,524
Profit before tax	25,092	21,897	24,438	20,956

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
4 TAXATION				
a) Income tax expense				
Recognised in the income statement				
Current tax expense				
— current year	6,954	6,203	6,868	5,588
— adjustment for prior years	30	160	30	199
	6,984	6,363	6,898	5,787
Deferred tax expense				
— origination and reversal of temporary differences	480	547	444	638
Total income tax expense	7,464	6,910	7,342	6,425
Reconciliation between income tax expense and profit before tax				
Profit before tax	25,092	21,897	24,438	20,956
Prima facie income tax expense at 30% on operating profit	7,527	6,569	7,331	6,287
Increase in income tax expense due to:				
— income tax under provided for in prior year	30	160	30	199
— depreciation of buildings	44	44	44	44
— non deductible entertainment	35	47	35	47
— imputation gross-up on dividends received	2	—	2	—
— other	26	250	100	249
Decrease in income tax expense due to:				
— franking credits on dividends received	(8)	(4)	(8)	(4)
— unfranked dividend from wholly owned subsidiary in tax consolidated group	—	—	—	(241)
— non-assessable profit on disposal of shares	—	(156)	—	(156)
— other	(192)	—	(192)	—
Income tax expense	7,464	6,910	7,342	6,425
Deferred tax recognised directly in equity				
Relating to equity investments	10	—	10	—
Relating to available for sale investments	(202)	—	(202)	—
Relating to cash flow hedges	497	—	497	—
	305	—	305	—
b) Current tax liabilities				
The current tax liability for the consolidated entity of \$1,079,000 (2005: \$2,271,000) and for the Company of \$1,079,000 (2005: \$2,271,000) represent the amount of income taxes payable in respect of current and prior financial periods due to the relevant tax authority. In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability initially recognised by the members in the tax-consolidated group.				
Deferred tax (liabilities)/assets				
Deferred tax assets and liabilities are attributable to the following:				
Deferred expenditure	(1,063)	(1,300)	(1,063)	(1,300)
Deferred lending fees	(1,873)	(1,325)	(1,873)	(1,325)
Property, plant and equipment	(828)	(537)	(828)	(537)
Derivative asset	(387)	—	(387)	—
Other equity investments	(136)	—	(136)	—
Freehold land held for development	(26)	—	—	—
Other	—	(18)	—	—
Total deferred tax liabilities	(4,313)	(3,180)	(4,287)	(3,162)
Provisions	858	865	858	865
Employee benefits	1,527	1,451	1,527	1,451
Unearned income	426	—	426	—
Available for sale investments	183	—	183	—
Other	22	41	22	22
Total deferred tax assets	3,016	2,357	3,016	2,338
Net deferred tax liabilities	(1,297)	(823)	(1,271)	(824)

	CONSOLIDATED	
	2006 \$	2005 \$
5 EARNINGS PER SHARE		
Basic earnings per share	0.44	0.38

IMB Ltd is a mutual entity comprising members limited by guarantee and shareholder members. All members have an equitable interest in the assets and earnings of the entity.

The calculation of earnings per share is based on a net profit of \$17,628,000 (2005: \$14,987,000) and a weighted average number of ordinary shares being 39,912,000 (2005: 39,781,000). A reconciliation of the weighted average number of ordinary shares is provided below.

	2006	2005
Weighted average number of ordinary shares		
<i>In thousands of shares</i>		
Issued ordinary shares at 1 July	39,912	39,130
Effect of shares issued August 2004	—	651
Weighted average number of ordinary shares at 30 June	39,912	39,781

Diluted earnings per share

The consolidated entity does not have any potential ordinary shares that may be considered dilutive therefore diluted earnings per share is the same as basic earnings per share. No shares have been issued since 30 June 2006 and before the signing of this report.

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
6 RETAINED PROFITS					
Retained profits at the beginning of the year		82,346	75,435	80,886	74,431
Profit for the year attributable to members of the Company		17,628	14,987	17,096	14,531
Adjustments on adoption of AASB 132 and AASB 139	36i	(1,228)	—	(1,228)	—
Dividends recognised during the year	7	(7,583)	(8,076)	(7,583)	(8,076)
Retained profits at the end of the year		91,163	82,346	89,171	80,886

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

Dividends recognised in the current year by the Company are:

2006				
2006 interim dividend	7.5	2,993	100%	27-Feb-06
2005 final dividend	11.5	4,590	100%	30-Aug-05
		7,583		
2005				
2005 interim dividend	7.0	2,793	100%	27-Feb-05
2004 special dividend	2.0	783	100%	30-Aug-04
2004 final dividend	11.5	4,500	100%	30-Aug-04
		8,076		

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

Subsequent Events

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

	COMPANY	
	2006 \$000	2005 \$000
Dividend Franking Account		
30% franking credits available to members of the Company for dividends in subsequent financial years	34,772	31,006

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 year end;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax-consolidated group at year end; and
- (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. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by \$2,138,000 (2005: \$1,967,000).

In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of \$383,000 (2005: \$1,357,000) franking credits.

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
8 INTANGIBLE ASSETS				
Intangible computer software				
Carrying amount at the beginning of the year	3,512	3,063	3,512	3,063
Additions	610	1,278	610	1,278
Amortisation	(1,078)	(829)	(1,078)	(829)
Carrying amount at the end of the year	3,044	3,512	3,044	3,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
9 INVESTMENTS				
Available for sale investments*				
— government and semi-government securities	73,684	—	73,684	—
— bills of exchange accepted or endorsed by a bank	4,985	—	4,985	—
— certificates of deposit issued by banks	187,053	—	187,053	—
— deposits with banks	32,889	—	32,889	—
— floating rate notes	261,453	—	297,078	—
— other bonds**	15,272	—	15,272	—
	575,336	—	610,961	—
Trading securities***				
— government and semi-government securities	—	28,791	—	28,791
— bills of exchange accepted or endorsed by a bank	—	37,913	—	37,913
— certificates of deposit issued by banks	—	50,566	—	50,566
— deposits with banks	—	3,237	—	3,237
— other bonds**	—	11,234	—	11,234
	—	131,741	—	131,741
Investment securities***				
— certificates of deposit issued by banks	—	84,028	—	84,028
— deposits with banks	—	66,191	—	66,191
— deposits with other financial institutions	—	166,577	—	166,577
— floating rate notes	—	235,984	—	262,702
	—	552,780	—	579,498
Total Investments	575,336	684,521	610,961	711,239
MATURITY SCHEDULE OF INVESTMENTS				
Securities maturing				
— up to three months	184,996	329,859	184,996	329,859
— from three to twelve months	142,502	131,989	142,502	131,989
— from one to five years	247,838	222,673	247,839	222,673
— greater than five years	—	—	35,624	26,718
Total Investments	575,336	684,521	610,961	711,239

* All available for sale investments are revalued to market value (refer to note 1j for details on accounting policy).

** Other bonds are domestic securities of foreign sovereigns, supranationals, and government agencies. These instruments have been approved by the Australian Prudential Regulation Authority ("APRA") who has assigned them a 0% risk weighting for capital adequacy purposes.

*** Trading securities are carried at market value, while investment securities are carried at cost plus accrued interest.

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
10 LOANS AND RECEIVABLES					
Loans to					
— members*		3,302,344	2,928,375	3,302,344	1,953,300
— related entities, Key Management Personnel, and director related entities	31, 32	2,351	2,415	5,162	2,415
— other Approved Deposit taking Institutions ("ADI")		252,945	—	252,945	—
Provision for impairment	12	(1,381)	(1,638)	(1,381)	(1,638)
Net deferred loan income and expenses	1g, 1h	4,824	—	4,824	—
Total loans net of provisions for impairment and deferred income and expenses		3,561,083	2,929,152	3,563,894	1,954,077
LOANS BY MATURITY					
Loans to members maturing					
— revolving credit		12,033	8,654	14,844	8,654
— up to three months		13,111	12,265	13,111	12,265
— from three to twelve months		42,081	38,987	42,081	38,979
— from one to five years		228,184	213,527	228,184	207,626
— over five years		3,009,286	2,657,357	3,009,286	1,688,191
Provision for impairment	12	(1,381)	(1,638)	(1,381)	(1,638)
Net deferred loan income and expenses	1g, 1h	4,824	—	4,824	—
		3,308,138	2,929,152	3,310,949	1,954,077
Other ADI term loans maturing					
— up to three months		127,802	—	127,802	—
— from three to twelve months		107,094	—	107,094	—
— from one to five years		18,049	—	18,049	—
Total loans net of provisions for impairment and deferred income and expenses		3,561,083	2,929,152	3,563,894	1,954,077
CONCENTRATION OF LOANS					
Loans to members					
New South Wales					
— Illawarra		707,861	649,766	710,672	454,598
— South Coast		276,241	246,302	276,241	177,450
— Southern Highlands		382,501	351,764	382,501	231,926
— Sydney		933,975	834,947	933,975	520,937
— Other		193,154	174,613	193,154	120,839
Total New South Wales		2,493,732	2,257,392	2,496,543	1,505,750
Australian Capital Territory		187,590	141,798	187,590	95,221
Queensland		107,888	103,408	107,888	68,717
Victoria		354,878	299,139	354,878	209,471
Western Australia		123,453	100,252	123,453	59,989
Other Australia		37,154	28,801	37,154	16,567
Provision for impairment	12	(1,381)	(1,638)	(1,381)	(1,638)
Net deferred loan income and expenses	1g, 1h	4,824	—	4,824	—
		3,308,138	2,929,152	3,310,949	1,954,077
Other ADI term loans					
New South Wales		67,488	—	67,488	—
Queensland		30,013	—	30,013	—
Victoria		10,154	—	10,154	—
Western Australia		30,283	—	30,283	—
South Australia		90,243	—	90,243	—
Other Australia		24,764	—	24,764	—
Total loans net of provisions for impairment and deferred income and expenses		3,561,083	2,929,152	3,563,894	1,954,077

* Includes \$1,102,702,000 of securitised residential loans and \$282,843,000 of securitised commercial loans (2005: \$751,197,000 of residential loans and \$223,875,000 of commercial loans in the consolidated figures only).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
11 OTHER FINANCIAL ASSETS				
Other equity investments – at fair value	957	10,074	2,785	11,903
Investments in controlled entities – at cost	—	—	754	752
Loans to subsidiaries	—	—	96	369
Total other financial assets	957	10,074	3,635	13,024
The consolidated other equity investments value for 2005 includes \$9,509,000 being IMB's investment in Australian Unity Building Society Limited ("AUBS"), a wholly owned company. AUBS was recently voluntarily liquidated. On liquidation this amount was offset against the Company payable to AUBS. There was no profit or loss on liquidation. Refer also to note 16.				
12 PROVISION FOR IMPAIRMENT				
Collective provision for credit losses				
Opening balance	—	—	—	—
Adjustment on adoption of AASB 132 and AASB 139	1,206	—	1,206	—
Additions to collective provision	175	—	175	—
Closing balance*	1,381	—	1,381	—
Specific provision				
Opening balance	463	290	463	290
Adjustment on adoption of AASB 132 and AASB 139	(463)	—	(463)	—
Additions to specific provision	—	173	—	173
Closing balance	—	463	—	463
General provision				
Opening balance	1,175	1,067	1,175	1,067
Adjustment on adoption of AASB 132 and AASB 139	(1,175)	—	(1,175)	—
Additions to general provision	—	108	—	108
Closing balance	—	1,175	—	1,175
Total Provision for Impairment	1,381	1,638	1,381	1,638
Bad debt expense				
Additions to collective provision	175	—	175	—
Additions to specific provision	—	173	—	173
Additions to general provision	—	108	—	108
Bad debts written off directly	900	621	900	621
	1,075	902	1,075	902
Restructured loans**	—	—	—	—
Real estate acquired via security***	—	—	—	—
Revenue on real estate acquired	—	—	—	—

* The Company also holds a general reserve for credit losses as an additional allowance for bad debts to comply with prudential requirements. Refer to note 23 for details of this reserve.

** 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.

*** Real estate 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.

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
13 INVENTORIES				
Freehold land held for development and sale				
— acquisition costs	2,746	116	—	—
— development costs capitalised	176	142	—	—
— rates, taxes and interest capitalised	87	—	—	—
Total Inventories	3,009	258	—	—

On 5 July 2006, Mr K Jackson, JP, Dip Bus (Val) FAPI Registered No. 2240, provided an independent market valuation as at 30 June 2006 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 \$3,009,000 (2005: \$258,000), was valued at \$4,600,000 (2005: \$2,365,000). The comparative valuation included property that was sold during the financial year, while the 2006 valuation includes property purchased during the financial year. The income tax payable if the land was sold at balance date at valuation would be \$447,000.

14 PROPERTY, PLANT AND EQUIPMENT

Freehold land				
— at cost	3,165	3,165	3,165	3,165
Freehold buildings				
— at cost	5,892	5,892	5,892	5,892
— accumulated depreciation	(1,031)	(884)	(1,031)	(884)
	4,861	5,008	4,861	5,008
Total land and buildings	8,026	8,173	8,026	8,173
Plant and equipment				
— at cost	30,685	28,652	30,685	28,652
— accumulated depreciation	(21,540)	(19,262)	(21,540)	(19,262)
Total plant and equipment	9,145	9,390	9,145	9,390
Work in progress – at cost	1,224	964	1,224	964
Total Property, Plant and Equipment	18,395	18,527	18,395	18,527

Valuations of land and buildings

Independent valuations were carried out as at 30 June 2005 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 \$13,095,000. 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 (2005: Nil) capital gains tax would be payable if the assets were sold at reporting date at fair value.

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 and end of the year	3,165	3,165	3,165	3,165
Buildings				
Carrying amount at the beginning of the year	5,008	5,155	5,008	5,155
Depreciation	(147)	(147)	(147)	(147)
Carrying amount at the end of the year	4,861	5,008	4,861	5,008
Plant and Equipment				
Carrying amount at the beginning of the year	9,390	9,607	9,390	9,607
Additions	1,308	453	1,308	453
Transfers from work in progress	1,745	2,831	1,745	2,831
Disposals	(378)	(488)	(378)	(488)
Depreciation	(2,920)	(3,013)	(2,920)	(3,013)
Carrying amount at the end of the year	9,145	9,390	9,145	9,390
Work in progress				
Carrying amount at the beginning of the year	964	1,614	964	1,614
Additions	2,005	2,181	2,005	2,181
Transfers to plant and equipment	(1,745)	(2,831)	(1,745)	(2,831)
Carrying amount at the end of the year	1,224	964	1,224	964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
15 OTHER ASSETS					
Sundry debtors		2,044	1,701	9,974	8,288
Other deferred costs		353	695	353	695
Accumulated amortisation		—	(128)	—	(128)
		353	567	353	567
Loan referral fees		—	8,819	—	8,819
Accumulated amortisation		—	(4,403)	—	(4,403)
	37c	—	4,416	—	4,416
Securitisation set-up expenses		—	5,888	—	5,888
Accumulated amortisation		—	(1,678)	—	(1,678)
	37d	—	4,210	—	4,210
Total Other Assets		2,397	10,894	10,327	17,481
16 SUNDRY CREDITORS					
Sundry creditors – controlled by the group		9,209	19,759	9,153	16,417
Sundry creditors – controlled by SPEs		37,540	16,737	—	—
Total Sundry creditors		46,749	36,496	9,153	16,417
The sundry creditors – controlled by the group value for 2005 includes \$9,509,000 being IMB's debt to Australian Unity Building Society Limited ("AUBS"), a formerly wholly owned company. AUBS was recently voluntarily liquidated. On liquidation this amount was offset against the Company's equity investment in AUBS. There was no profit or loss on liquidation. Refer also to note 11.					
17 DEPOSITS					
Members' deposits		2,630,004	2,516,018	2,632,903	2,522,239
Accrued interest		22,083	18,709	22,083	18,709
Total Deposits		2,652,087	2,534,727	2,654,986	2,540,948
DEPOSITS BY MATURITY					
Deposits maturing					
— on call		867,712	820,449	870,611	826,670
— up to three months, excluding those on call		1,170,187	1,222,805	1,170,187	1,222,805
— from three to six months		386,702	311,688	386,702	311,688
— from six to twelve months		210,805	169,604	210,805	169,604
— from one to five years		16,681	10,181	16,681	10,181
Total Deposits		2,652,087	2,534,727	2,654,986	2,540,948
CONCENTRATION OF DEPOSITS					
New South Wales					
— Illawarra		940,906	916,931	943,805	923,152
— South Coast		485,973	477,278	485,973	477,278
— Southern Highlands		337,930	325,851	337,930	325,851
— Sydney		312,564	289,752	312,564	289,752
— Other		218,240	265,168	218,240	265,168
Total New South Wales		2,295,613	2,274,980	2,298,512	2,281,201
Australian Capital Territory		124,469	123,422	124,469	123,422
Queensland		28,126	25,554	28,126	25,554
Victoria		170,619	89,750	170,619	89,750
Other Australia		33,260	21,021	33,260	21,021
Total Deposits		2,652,087	2,534,727	2,654,986	2,540,948

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
18 SECURITISED LOANS FUNDING					
Notes payable	36a, 37d	1,346,436	948,357	—	—
Loans from securitisation trusts	37d, 37e	—	—	1,382,060	—
Securitised Loans Funding		1,346,436	948,357	1,382,060	—
19 DERIVATIVE ASSET					
Interest rate swaps at fair value	37a	1,291	—	1,291	—
20 INTEREST BEARING LIABILITIES					
Subordinated Debt	1u	10,000	10,000	10,000	10,000
21 PROVISIONS					
Make good provision					
Balance at the beginning of the year		354	302	354	302
Provisions made during the year		77	52	77	52
Provisions used during the year		(14)	—	(14)	—
Balance at the end of the year		417	354	417	354
Employee benefits					
Balance at the beginning of the year		4,838	4,517	4,838	4,517
Provisions made during the year		1,979	2,242	1,979	2,242
Provisions used during the year		(1,728)	(1,921)	(1,728)	(1,921)
Balance at the end of the year	24	5,089	4,838	5,089	4,838
Total provisions		5,506	5,192	5,506	5,192
22 ISSUED CAPITAL					
Issued capital					
39,911,640 (2005: 39,911,640) ordinary shares, fully paid		46,936	46,936	46,936	46,936

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. A member of the Company is entitled to one vote only, irrespective of the number of shares or the number or amounts of deposits held. All members have an equitable interest in the assets and earnings of the Company.

MOVEMENTS IN ISSUED CAPITAL

Balance at the beginning of the year	46,936	44,426	46,936	44,426
Issue on 30 August 2004 of 781,809 shares under the dividend re-investment plan*	—	2,510	—	2,510
Balance at the end of the year	46,936	46,936	46,936	46,936

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
23 RESERVES					
Available for sale revaluation reserve					
Balance at the beginning of the year		—	—	—	—
Adjustment on adoption of AASB 132 and AASB 139	37a	59	—	59	—
Revaluation movement for the year net of tax		(487)	—	(487)	—
Balance at the end of the year		(428)	—	(428)	—
Cashflow hedging reserve					
Balance at the beginning of the year		—	—	—	—
Adjustment on adoption of AASB 132 and AASB 139	37a	(365)	—	(365)	—
Revaluation movement for the year net of tax		1,267	—	1,267	—
Balance at the end of the year		902	—	902	—
Equity investments revaluation reserve					
Balance at the beginning of the year		—	—	—	—
Adjustment on adoption of AASB 132 and AASB 139	37a	418	—	418	—
Revaluation movement for the year net of tax		(101)	—	(101)	—
Balance at the end of the year		317	—	317	—
General reserve for credit losses					
Balance at the beginning of the year		—	—	—	—
Adjustment on adoption of AASB 132 and AASB 139	37f	432	—	432	—
Transfer from retained profits		10	—	10	—
Balance at the end of the year		442	—	442	—
General reserve					
Balance at the beginning of the year		25,255	25,255	25,255	25,255
Balance at the end of the year		25,255	25,255	25,255	25,255
Total Reserves		26,488	25,255	26,488	25,255

Available for sale revaluation ("AFS") reserve

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

Cashflow hedging reserve

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

Equity investments revaluation reserve

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

General reserve for credit losses

The general reserve for credit losses contains an additional allowance for bad debts, above that calculated in accordance with note 1i. The general reserve for credit losses together with the amounts calculated in accordance with note 1i must be adequate to comply with prudential requirements.

General reserve

The general reserve includes retained profits from prior years.

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
24 EMPLOYEE BENEFITS				
Current				
Liability for annual leave	1,863	1,768	1,863	1,768
Liability for banked time	4	4	4	4
Liability for directors' retirement benefits	668	668	668	668
	2,535	2,440	2,535	2,440
Non Current				
Present value of obligations – defined benefit fund	6,982	7,893	6,982	7,893
Fair value of defined benefit fund assets	(6,905)	(6,728)	(6,905)	(6,728)
Present value of net obligations	77	1,165	77	1,165
Unrecognised actuarial gains (and losses)	302	(854)	302	(854)
Recognised liability for defined benefit obligations	379	311	379	311
Liability for long-service leave	2,175	2,087	2,175	2,087
Total Employee benefits	5,089	4,838	5,089	4,838
Directors' Retirement Benefits				
In accordance with the resolutions passed at the 2004 Annual General Meeting:				
— IMB Ltd's constitution was amended to remove the entitlement to retirement benefits for any director appointed after 28 September 2004;				
— The persons who held office as directors of IMB Ltd at 28 September 2004 will upon retirement or death in office, be paid retirement benefits.				
The amount to be paid is equal to the amount of retirement benefits permitted to be payable under the Corporations Act 2001 without further approval by members, accrued by those directors up until 28 September 2004. Those directors ceased to accrue any further retirement benefits after that date.				
Liability for The IMB Staff Defined Benefit Superannuation Plan Obligations				
The Company makes contributions in respect of each plan member based on a fixed percentage of the member's salary. The plan provides defined benefits on retirement based on years of service and the final average salary. An actuarial assessment of the plan at 1 July 2006 was carried out by J Dean, BEC, FIAA on 14 July 2006.				
Movements in the net liability for defined benefit obligations recognised in the balance sheet				
Net liability for defined benefit obligations at the beginning of the year	311	177	311	177
Contributions received	(261)	(296)	(261)	(296)
Expenses recognised in the income statement	329	430	329	430
Net liability for defined benefit obligations at the end of the year	379	311	379	311
Amounts for the current and previous annual periods are as follows:				
Defined benefit obligation	6,982	7,893	6,982	7,893
Fund assets	(6,905)	(6,728)	(6,905)	(6,728)
Deficit	77	1,165	77	1,165
The consolidated entity and the Company have used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from the transition date.				
Changes in the present value of the defined benefit obligations are as follows:				
Defined benefit obligation at the beginning of the year	7,893	6,234	7,893	6,234
Service cost	483	579	483	579
Interest cost	334	257	334	257
Actuarial (gains)/losses	(841)	1,011	(841)	1,011
Contributions by employees	174	132	174	132
Benefits paid	(926)	(150)	(926)	(150)
Other	(135)	(170)	(135)	(170)
Defined benefit obligation at the end of the year	6,982	7,893	6,982	7,893
Changes in the fair value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	6,728	6,057	6,728	6,057
Expected return	803	563	803	563
Contributions by employer	261	296	261	296
Contributions by employees	174	132	174	132
Benefits paid	(926)	(150)	(926)	(150)
Other	(135)	(170)	(135)	(170)
Fund assets at the end of the year	6,905	6,728	6,905	6,728

	CONSOLIDATED		COMPANY	
	2006	2005	2006	2005
24 EMPLOYEE BENEFITS (CONTINUED)				
The major categories of fund assets as a percentage of total fund assets are as follows:				
	%	%	%	%
Australian shares	28	25	28	25
International shares	27	25	27	25
Property/alternate investments	15	10	15	10
Fixed interest	25	30	25	30
Cash	5	10	5	10
Total	100	100	100	100

The trustee's investment policies and strategies for the defined benefit superannuation funds and post retirement benefits funds do not use target allocations for the individual asset categories. The trustee's investment goals are to maximise returns subject to specific risk management policies. Its risk management policies permit investment in mutual funds, and prohibit direct investment in debt and equity securities and derivative financial instruments. The trustee addresses diversification by the use of mutual fund investments whose underlying investments are in domestic and international fixed interest securities and domestic and international equity securities. These mutual funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

Expenses recognised in the income statement	\$000	\$000	\$000	\$000
Current service costs	483	579	483	579
Interest on obligation	334	257	334	257
Expected return on fund assets	(488)	(412)	(488)	(412)
Actuarial losses	—	6	—	6
	329	430	329	430

The expense is recognised in the income statement in "Other expenses".

The actual return on fund assets was \$803,000 (2005: \$563,000), and the Company expects to contribute \$267,000 to its defined benefit superannuation fund in the 2007 financial year.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	%	%	%	%
Discount rate at 30 June	4.90	4.25	4.90	4.25
Expected return on fund assets at 30 June	7.3	7.0	7.3	7.0
Future salary increases	5.0	5.0	5.0	5.0

The overall expected long-term rate of return on assets is 7.3%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Surplus for defined benefit fund on a funding basis:

	FUND PLAN 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 2006	6,905	5,063	1,842	4,368
The Aon Master Trust – IMB Defined Benefit Superannuation Plan at 30 June 2005	6,728	5,063	1,665	4,360

- (i) Fund assets at net market value and accrued benefits have been calculated at 30 June 2006, being the date of the most recent unaudited financial statements of the fund.
- (ii) Contribution recommendations are based on a funding methodology that will result in adequate funding for payments expected to be made over the next five years. The levels of the contributions to the funds are assessed annually.
- (iii) Accrued benefits are benefits which the funds are presently obliged to pay at some future date, as a result of membership of the fund and calculated in accordance with AAS 25. Accordingly, the excess/(deficit) does not always equal the defined benefit obligation.

The Company has a legal liability to make up a deficit in the funds but no legal right from any surplus in the fund.

24 EMPLOYEE BENEFITS (CONTINUED)

The principal economic assumptions used in making these recommendations include:

	CONSOLIDATED		COMPANY	
	2006 %	2005 %	2006 %	2005 %
Expected return on fund assets	6.0	6.0	6.0	6.0
Future salary increases	4.5	4.5	4.5	4.5

Defined contribution superannuation funds

The Company makes contributions to a defined contribution superannuation fund. The amount recognised as expense was \$1,889,000 for the financial year (2005: \$1,824,000).

	\$000	\$000	\$000	\$000
25 CAPITAL AND OTHER COMMITMENTS				
Loan commitments approved but not advanced				
— not later than one year	355,249	337,797	355,249	337,797
Capital expenditure commitments not taken up in the financial statements				
— not later than one year	600	782	600	782
Non cancellable operating rentals payable				
— not later than one year	3,206	2,910	3,206	2,910
— later than one year but not later than five years	6,132	4,426	6,132	4,426
— later than five years	128	42	128	42
	9,466	7,378	9,466	7,378

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 FINANCING ARRANGEMENTS

Bank overdraft available	2,500	2,500	2,500	2,500
Bank overdraft used	—	—	—	—
Facilities not utilised	2,500	2,500	2,500	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 9.5% (2005: 9.25%).

27 CONTINGENT LIABILITIES

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

CONTINGENT LIABILITIES CONSIDERED REMOTE

Guarantees given by IMB Ltd

Real Estate Development

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

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

Business Banking clients

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

CHANGES IN CONTINGENT LIABILITIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued
FOR THE YEAR ENDED 30 JUNE 2006

		OWNERSHIP INTEREST	
PRINCIPAL ACTIVITY		2006 %	2005 %
28 CONSOLIDATED ENTITIES			
Parent entity			
IMB Ltd			
Subsidiaries			
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
Securitisation SPEs*			
Illawarra Warehouse Trust No. 1	Securitisation trust		
Illawarra Series 2003-1 Trust	Securitisation trust		
Illawarra Series 2004-1 RMBS Trust	Securitisation trust		
Illawarra Series 2005-1 RMBS Trust	Securitisation trust		
Illawarra CMBS Warehouse Trust No. 1	Securitisation trust		
Illawarra Series 2004-1 CMBS Trust	Securitisation trust		

* Refer note 1c. These entities are consolidated on the basis of risk exposure, not control or ownership.

All entities were incorporated in Australia.

29 EQUITY ACCOUNTED INVESTMENTS

Details of the interest in an incorporated joint venture is as follows:

			PERCENTAGE INTEREST	
NAME	NATURE OF ACTIVITIES	JOINT VENTURE REPORTING DATE	2006 %	2005 %
IMB Financial Planning Limited	Financial planning	30 June 30 June	50.0	50.0

CONSOLIDATED		
	2006 \$000	2005 \$000
Results of incorporated joint venture		
The consolidated entity's share of the joint venture entity's result consists of:		
Revenues	1,195	925
Expenses	(889)	(773)
Profit before income tax expense	306	152
Income tax expense	(59)	(49)
Net profit accounted for using the equity method	247	103
Balance sheet		
The consolidated entity's share of the joint venture entity's assets and liabilities consists of:		
Current assets	832	542
Non-current assets	974	945
Total assets	1,806	1,487
Current liabilities	173	141
Non-current liabilities	16	7
Total liabilities	189	148
Net assets accounted for using the equity method	1,617	1,339
Share of post-acquisition retained profits attributable to joint venture entity		
Share of joint venture entity's retained profits at the beginning of the year	(542)	(645)
Share of joint venture entity's net profit	247	103
Share of joint venture entity's retained profits at the end of the year	(295)	(542)
Movement in carrying amount of investment in incorporated joint venture		
Carrying amount at the beginning of the year	1,239	1,136
Share of joint venture entity's net profit	247	103
Carrying amount at the end of the year	1,486	1,239

		CONSOLIDATED		COMPANY	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
30 NOTES TO THE STATEMENTS OF CASH FLOWS					
RECONCILIATION OF CASH					
Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related item in the balance sheets:					
Cash controlled by the group		15,108	10,872	15,103	10,869
Cash controlled by SPEs		36a 45,635	23,354	—	—
Total		60,743	34,226	15,103	10,869
RECONCILIATION CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year attributable to members of the Company		17,628	14,987	17,096	14,531
(Profit)/loss on sale of property, plant and equipment		(67)	3	(67)	3
Profit on sale of shares		—	(501)	—	(501)
Bad debts expense		1,075	902	1,075	902
Depreciation of property, plant and equipment, and amortisation of intangibles		4,134	3,988	4,134	3,988
General reserve for credit losses movement net of tax		312	—	312	—
Tax effect of AASB139 changes		(305)	—	(305)	—
Amortisation of deferred expenditure		—	4,052	—	4,052
Operating profit before changes in assets and liabilities		22,777	23,431	22,245	22,975
Changes in assets and liabilities:					
(Increase)/decrease in accrued interest on investments		(3,499)	335	(3,499)	335
(Increase) in loans and receivables		(383,272)	(311,745)	(377,166)	(305,919)
(Increase)/decrease in inventories		(2,751)	384	—	—
(Increase)/decrease in sundry debtors		(343)	323	(1,687)	(2,013)
(Increase) in deferred tax asset		(527)	—	(517)	—
Increase in accrued interest on members' deposits		3,375	251	3,375	251
(Increase) in deferred expenses		—	(4,378)	—	(4,378)
Increase/(decrease) in sundry creditors		10,257	5,112	(7,265)	2,586
Increase in deposits		113,985	51,323	110,663	50,514
Increase in provision for employee entitlements		251	196	251	196
Decrease in equity investments		8,875	—	—	—
(Decrease) in provision for income tax		(1,138)	(1,425)	(1,192)	(237)
Increase in other provisions		63	—	63	—
Increase in deferred tax liability		946	1,164	946	1,228
Net cash flows from operating activities		(231,001)	(235,029)	(253,783)	(234,462)
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		—	2,510	—	2,510

31 RELATED PARTY DISCLOSURES

The following were key management personnel of the consolidated entity and Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Directors

Mr LR Fredericks (Chairman)
 Mr MJ Cole
 Mr GA Edgar
 Ms LT Gearing
 Mr H Hanson AM
 Mr LP Nicholas
 Ms VJ Twyford

Executives

Mr PW Morris (Chief Executive)
 Mr RJ Ryan (Deputy CEO/Chief Financial Officer and Company Secretary)
 Mr ML Anderson (General Manager, Operations)
 Mr MR Harley (General Manager, Sales and Marketing)

Basis of remuneration

Remuneration levels of directors and executives of the consolidated entity and Company are competitively set to attract and retain appropriately qualified and experienced officers. The remuneration and CEO evaluation committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative Australian companies.

Directors

Base remuneration and superannuation contributions for all directors, last voted upon by members at the 2004 Annual General Meeting, is not to exceed \$450,000. The board did not propose an increase to this limit at the 2005 Annual General Meeting. Each director receives superannuation contributions at the prescribed rate of the Superannuation Guarantee Act.

Executives

Short Term Incentive Bonus

A performance based short term incentive compensation is in place to reward key management personnel for meeting or exceeding their financial and personal objectives.

Each year the board's remuneration and CEO evaluation committee sets the performance indicators for the key management personnel. For the General Managers, this review is based on the recommendation of the Chief Executive. The financial performance objectives are "profit after tax" and "total assets" for the consolidated entity compared to the approved budget for the financial year.

At the end of the financial year the remuneration and CEO evaluation committee assesses the actual performance of the consolidated entity compared to the approved budget for the consolidated entity.

For the General Managers 75 percent of the short term incentive payment is based on the performance of the consolidated entity against the approved budget for the consolidated entity.

The remaining 25 percent is based on individual key performance indicators as agreed.

These are also ratified by the remuneration and CEO evaluation committee following the recommendation of the Chief Executive. At the end of the year the short term incentive payment is approved by the Chief Executive and noted by the remuneration and CEO evaluation committee.

For the Chief Executive the short term incentive payment is based solely on the financial performance objectives of the consolidated entity compared to the approved budget for the financial year. At the end of the year the remuneration and CEO evaluation committee approves the short term incentive payment for the Chief Executive.

A percentage of the Executive's Total Employment Costs is the basis for the short term incentive payment depending upon the performance and results. No bonus is payable if the performance is below the minimum agreed objectives (which is 90 percent of the key performance indicators). If the agreed budget and targets are met then a short term incentive bonus of 20 percent is payable. When these targets are exceeded the maximum short term incentive bonus payable is 50 percent.

Details of the nature and amount of each major element of remuneration for each director of the consolidated entity and Company and each of the aforementioned executives are:

		SHORT TERM				POST EMPLOYMENT	OTHER			Proportion of remuneration performance related
		Salary and fees	STI cash bonus	Non-monetary benefits	Total	Super-annuation benefits	Retirement benefits	Other long term benefits	Total	
		\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors										
Mr LR Fredericks, Chairman	2006	103,200	—	—	103,200	9,288	—	—	112,488	—
	2005	77,804	—	—	77,804	7,002	1,221	—	86,027	—
Mr MJ Cole	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	48,638	—	—	48,638	4,377	11,818	—	64,833	—
Mr GA Edgar	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	48,638	—	—	48,638	4,377	1,221	—	54,236	—
Ms LT Gearing	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	48,638	—	—	48,638	4,377	11,818	—	64,833	—
Mr H Hanson AM	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	48,638	—	—	48,638	4,377	1,221	—	54,236	—
Mr LP Nicholas*	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	29,167	—	—	29,167	2,625	—	—	31,792	—
Ms VJ Twyford	2006	51,600	—	—	51,600	4,644	—	—	56,244	—
	2005	48,638	—	—	48,638	4,377	1,221	—	54,236	—
Prof KR McKinnon**	2006	—	—	—	—	—	—	—	—	—
	2005	38,292	—	—	38,292	3,446	271,116	—	312,854	—
Total Non-Executive Directors	2006	412,800	—	—	412,800	37,152	—	—	449,952	—
	2005	388,453	—	—	388,453	34,958	299,636	—	723,047	—

31 RELATED PARTY DISCLOSURES (CONTINUED)

		SHORT TERM				POST EMPLOYMENT	OTHER			
		Salary and fees	STI cash bonus	Non- monetary benefits	Total	Super- annuation benefits	Retirement benefits	Other long term benefits	Total	Proportion of remuneration performance related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Executives										
Mr PW Morris***	2006	337,243	85,917	22,569	445,729	15,204	—	6,498	467,431	19.3
	2005	393,164	—	47,250	440,414	14,628	—	3,415	458,457	—
Mr RJ Ryan	2006	250,861	59,556	32,029	342,446	10,790	—	4,665	357,901	17.4
	2005	212,629	20,000	47,703	280,332	10,010	—	4,329	294,671	7.1
Mr ML Anderson	2006	172,841	44,656	34,092	251,589	8,322	—	3,582	263,493	17.7
	2005	162,773	—	47,209	209,982	7,895	—	6,244	224,121	—
Mr MR Harley****	2006	168,511	44,925	19,385	232,821	9,809	—	3,331	245,961	19.3
	2005	—	—	—	—	—	—	—	—	—
Total Executives	2006	929,456	235,054	108,075	1,272,585	44,125	—	18,076	1,334,786	18.5
	2005	768,566	20,000	142,162	930,728	32,533	—	13,988	977,249	2.1
Total Remuneration	2006	1,342,256	235,054	108,075	1,685,385	81,277	—	18,076	1,784,738	13.9
	2005	1,157,019	20,000	142,162	1,319,181	67,491	299,636	13,988	1,700,296	1.5

* Appointed 1 December 2004

** Retired 1 December 2004

*** The 2005 salary figure includes accrued annual leave of \$65,815 paid out under an approved Australian Workplace Agreement.

**** Commenced 12 September 2005

	CONSOLIDATED		COMPANY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
The key management personnel compensation included in "personnel expense" (see note 3) is as follows:				
Short-term employee benefits	1,685	1,319	1,685	1,319
Post employment benefits	81	67	81	67
Retirement benefits*	—	300	—	300
Other long-term benefits	18	14	18	14
Total	1,784	1,700	1,784	1,700

* Retirement benefits have ceased to be accrued from 28 September 2004 for all directors, with the retirement benefits accrued up to that date being \$668,000. This amount has been fully provided for and the Company has no obligation to increase the provision. The balance of the provision will be used as the current directors retire from service.

31 RELATED PARTY DISCLOSURES (CONTINUED)

Loans to key management personnel and their related parties

		Opening balance	Closing balance	Value drawn down	Repayments made	Interest and fees paid in the reporting period	Highest balance in period
		\$	\$	\$	\$	\$	\$
Mr LR Fredericks related party	2006	295,600	290,829	—	24,672	19,901	295,330
	2005	299,034	295,600	—	22,978	19,544	299,034
Mr PW Morris	2006	928,194	881,997	10,000	117,456	61,259	930,373
	2005	1,341,338	928,194	28,000	502,219	64,075	1,345,026
Mr PW Morris related party	2006	177,535	175,443	1,000	15,078	11,986	179,130
	2005	—	177,535	191,500	16,310	2,345	180,000
Mr ML Anderson	2006	1,014,130	1,002,893	50	76,062	64,775	1,014,183
	2005	579,578	1,014,130	525,800	132,873	41,625	1,052,111

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the consolidated entity to key management personnel and their related parties, and the number of individuals in each group, are as follows:

		Opening Balance	Closing Balance	Interest and fees paid in the reporting period	Number in group at 30 June
		\$	\$	\$	
Total for key management personnel	2006	1,942,324	1,884,890	126,034	2
Total for key management personnel	2005	1,920,916	1,942,324	105,700	2
Total for other related parties	2006	473,135	466,272	31,887	2
Total for other related parties	2005	299,034	473,135	21,889	2
Total for key management personnel and their related parties	2006	2,415,459	2,351,162	157,921	4
Total for key management personnel and their related parties	2005	2,219,950	2,415,459	127,589	4

All loans to key management personnel and their related parties are made on an arms length basis, on the same terms and conditions and at the same interest rates available to members of the general public. All loans are secured by residential mortgage, and no amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

Key management personnel holdings of shares and deposits

The movement during the year in the number of ordinary shares in IMB Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Purchases	Sales	Held at 30 June 2006
Directors				
Mr LR Fredericks	4,693	—	—	4,693
— related party	4,554	—	—	4,554
Mr MJ Cole	2,131	—	—	2,131
Mr GA Edgar	48,976	—	10,000	38,976
Ms LT Gearing	2,000	—	—	2,000
Mr H Hanson AM	16,273	—	—	16,273
Mr LP Nicholas	2,000	—	—	2,000
— related party	43,890	—	—	43,890
Ms VJ Twyford	5,704	—	—	5,704
Executives				
Mr PW Morris	8,400	—	—	8,400
Mr RJ Ryan	4,000	—	—	4,000
Mr ML Anderson	—	—	—	—
Mr MR Harley	—	—	—	—

The Company has also received deposits from key management personnel 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.

31 RELATED PARTY DISCLOSURES (CONTINUED)

Key management personnel transactions with the Company or its controlled entities

A number of 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. Two 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. Details of the transactions are as follows:

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. Fees paid during the year under this contract were \$62,700 (2005: \$53,900).

Mr LP Nicholas is the Chairman of The Flagstaff Group Ltd (a not for profit organisation providing employment for 200 people with disabilities), which has received a pledge for a grant of \$40,000 (2005: nil) from the IMB Community Foundation for the development of a CD and DVD recycling unit in the Shoalhaven.

32 OTHER RELATED PARTY DISCLOSURES

Subsidiaries

Due to the consolidated entity's adoption of tax consolidations, the liability for payments of income tax for all members of the tax consolidated group became the liability of the parent. However, the tax consolidated group has entered into a tax funding agreement as described in note 11. The aggregate amount of loans provided by the Company to subsidiaries under the agreements is:

	2006 \$000	2005 \$000
IMB Land Pty Ltd	7	341
IMB Securitisation Services Pty Ltd	89	28
	96	369

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to \$2,157,000 (2005: \$2,699,000). These amounts are received on normal commercial terms and conditions. IMB Land Pty Ltd also has borrowings from the Company advanced during the course of land development. In accordance with normal commercial terms and conditions, the interest rate is set on the first working day of the month for the ensuing month at a fixed margin above the applicable bank bill rate. The aggregate amount of these loans is \$5,623,000 at 30 June 2006 (2005: nil). During the year there were repayments of nil (2005: \$1,327,000) and advances of \$5,423,000 (2005: \$29,000). Aggregate interest of \$200,000 (2005: \$53,000) was charged in the year.

Joint Venture Entity

IMB Financial Planning Limited has related party transactions with the Company. Deposits with the Company by IMB Financial Planning Limited amount to \$749,000 (2005: \$498,000). 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 \$14,000 (2005: \$14,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received \$30,000 (2005: \$30,000) 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 (2005: \$15,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of \$28,000 (2005: \$51,000) was due from IMB Financial Planning Limited.

33 SEGMENT REPORTING

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

34 AVERAGE BALANCE SHEET AND RELATED INTEREST

	CONSOLIDATED					
	2006			2005		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
	\$000	\$000	%	\$000	\$000	%
INTEREST BEARING ASSETS						
Loans and receivables to members	3,109,823	211,548	6.80	2,770,870	187,962	6.78
Available for sale investments	867,439	49,161	5.67	—	—	—
Trading securities	—	—	—	128,335	7,134	5.56
Investment securities	—	—	—	720,332	42,577	5.91
Total Interest Bearing Assets	3,977,262	260,709	6.55	3,619,537	237,673	6.57
Bad and doubtful debts expense		(1,075)			(902)	
NON INTEREST BEARING ASSETS						
Inventories	2,938	—	—	243	—	—
Property, plant and equipment	21,772	—	—	19,082	—	—
Other assets	41,686	—	—	57,441	—	—
Total Non Interest Bearing Assets	66,396	—	—	76,766	—	—
Total Assets	4,043,658	259,634	—	3,696,303	236,771	—
INTEREST BEARING LIABILITIES						
Deposits	2,612,513	120,805	4.62	2,527,698	113,376	4.48
Notes payable	1,206,418	72,609	6.02	967,125	58,076	6.01
Subordinated debt	10,000	683	6.83	10,000	768	7.68
Total Interest Bearing Liabilities	3,828,931	194,097	5.07	3,504,823	172,220	4.91
NON INTEREST BEARING LIABILITIES						
Other liabilities	56,725	—	—	42,426	—	—
Total Liabilities	3,885,656	194,097	—	3,547,249	172,220	—
Net Assets	158,002		—	149,054		—
Net Earning Asset Income		65,537	—		64,551	—
Interest spread			1.48			1.66
Interest margin			1.65			1.78
Earning asset margin			1.62			1.75

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

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

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

35 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 reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet.

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 derivative financial instruments, 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 \$1,124,000 (2005: \$345,000).

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

Liquidity Risk

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

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

Market Risk

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

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

	2006	2005
The following table indicates the swaps used and their weighted interest rate at 30 June:		
Pay-fixed swaps		
Notional amount (\$000)	220,000	250,000
Average pay rate (%)	5.75	5.65
Average receive rate (%)	5.80	5.69

The effect of these swaps on maturity dates and interest spread received by the Company at 30 June 2006 is illustrated in the following table:

	Net assets/(liabilities) pre hedges	Swaps	Net assets/(liabilities) post hedges
	\$000	\$000	\$000
At call	530,390	—	530,390
Maturing 0–2 years	(843,701)	60,000	(783,701)
Maturing 2–3 years	330,338	(45,000)	285,338
Maturing 3–5 years	131,724	(15,000)	116,724
Total	148,751	—	148,751
Interest spread	1.48%	—	1.48%

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

35 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

	CONSOLIDATED			
	CARRYING AMOUNT		FAIR VALUE	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
FINANCIAL ASSETS				
Cash and cash equivalents	60,743	34,226	60,743	34,226
Sundry debtors	2,044	1,701	2,044	1,701
Equity accounted investments	1,486	1,239	1,486	1,239
Other financial assets	957	10,074	957	10,074
Government and semi-government securities	73,684	28,791	73,684	28,791
Bills of exchange	4,985	37,913	4,985	37,913
Certificates of deposit	187,053	134,594	187,053	134,625
Deposits with banks	32,889	69,428	32,889	69,428
Deposits with other financial institutions	252,945	166,577	252,945	166,577
Floating rate notes	261,453	235,984	261,453	235,984
Corporate bonds	15,272	11,234	15,272	11,234
Loans to other persons	3,308,138	2,929,149	3,327,278	2,955,715
Total financial assets	4,201,649	3,660,910	4,220,789	3,687,507
FINANCIAL LIABILITIES				
Deposits	2,652,087	2,534,727	2,650,684	2,534,663
Sundry creditors	46,749	36,493	46,749	36,493
Securitised loans funding	1,346,436	948,358	1,346,436	948,358
Interest bearing liabilities	10,000	10,000	10,008	10,008
Employee entitlements	5,089	4,838	5,089	4,838
Total financial liabilities	4,060,361	3,534,416	4,058,966	3,534,360
Net financial assets	141,288	126,494	161,823	153,147
Interest rate swaps	1,266	—	1,266	(372)
Net financial assets net of swaps	142,554	126,494	163,089	152,775

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

Current period

All financial instruments are carried at their fair value.

Comparative period

Cash and receivables: The carrying amount approximates fair value.

Investments: Trading securities are carried at net fair value. For financial instruments traded in organised financial markets, fair value is the current quoted market mid 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 quarterly) 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 quarterly) derived from domestic swap interest rates.

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

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 quarterly) derived from domestic swap interest rates.

35 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

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

		FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING IN				NON INTEREST BEARING		TOTAL CARRYING AMOUNT AS PER BALANCE SHEET		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
		2006 \$000	2005 \$000	1 YEAR OR LESS	OVER 1 TO 5 YEARS	5 YEARS OR MORE		2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 %	2005 %
FINANCIAL INSTRUMENTS	NOTE												
FINANCIAL ASSETS													
Cash and cash equivalents	30	45,635	23,354	—	—	—	—	15,108	10,872	60,743	34,226		
Sundry debtors	15	—	—	—	—	—	—	2,044	1,701	2,044	1,701		
Investments accounted for using the equity method	29	—	—	—	—	—	—	1,486	1,239	1,486	1,239		
Other financial assets	11	—	—	—	—	—	—	957	10,074	957	10,074		
Derivative asset	19	1,291	—	—	—	—	—	—	—	1,291	—		
Government and semi-government securities	9	—	—	8,577	21,485	—	—	—	—	73,684	28,791	5.61	5.39
Bills of exchange	9	—	—	4,985	37,913	—	—	—	—	4,985	37,913	5.84	5.63
Certificates of deposit	9	—	—	187,053	134,594	—	—	—	—	187,053	134,594	6.01	5.92
Deposits with banks	9	32,889	69,377	—	51	—	—	—	—	32,889	69,428	6.12	5.23
Deposits with other financial institutions	10	—	—	234,896	140,913	—	—	—	—	252,945	166,577	6.12	6.15
Corporate bonds	9	—	—	7,222	7,188	—	—	—	—	15,272	11,234	5.64	5.52
Floating rate notes	9	—	—	90,822	50,327	—	—	—	—	261,453	235,984	6.36	6.29
Loans and receivables	10	2,348,084	2,065,681	231,841	186,704	296	400	—	—	3,308,138	2,929,149	7.05	7.10
Total financial assets		2,427,899	2,158,412	765,396	899,037	15,555	400	19,595	23,886	4,202,940	3,660,910		
FINANCIAL LIABILITIES													
Deposits	17	867,712	820,449	1,767,694	1,704,097	—	—	—	—	2,652,087	2,534,727	5.23	4.61
Sundry creditors	16	—	—	—	—	—	—	46,749	36,493	46,749	36,493		
Securitised loans funding	18	—	—	1,346,436	948,357	—	—	—	—	1,346,436	948,357	6.19	5.86
Loan capital	20	—	—	10,000	10,000	—	—	—	—	10,000	10,000	7.23	6.85
Employee benefits	24	—	—	—	—	—	—	5,089	4,838	5,089	4,838		
Total financial liabilities		867,712	820,449	3,124,130	2,662,454	—	—	51,838	41,331	4,060,361	3,534,415		
Derivative financial instruments													
Interest rate swaps (notional value)		220,000	250,000	(115,000)	(80,000)	—	—	—	—	—	—		
Loans approved not advanced		298,468	291,514	2,767	2,721	9,006	7,844	—	—	355,249	337,797	7.80	7.56

36 EXPLANATION OF TRANSITION TO AIFRS

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

The accounting policies in note 1 have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information for the year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

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

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

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

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36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Company balance sheets – Summary

\$000	COMPANY								
	AIFRS ADJUSTMENTS – REFER NOTE 36						ACCOUNTING POLICY CHANGES – REFER NOTE 37		
	1 JULY 2004			30 JUNE 2005			1 JULY 2005		
	AGAAP	Adjustments Refer Table 1	AIFRS	AGAAP	Adjustments Refer Table 2	AIFRS	AIFRS except AASB 132/139	Adjustments Refer Table 3	AIFRS
ASSETS									
Cash and cash equivalents	11,460	—	11,460	10,869	—	10,869	10,869	—	10,869
Trading securities	49,912	—	49,912	131,741	—	131,741	131,741	(131,741)	—
Sundry debtors	6,272	(6,272)	—	8,287	(8,287)	—	—	—	—
Available for sale investments	—	—	—	—	—	—	—	475,297	475,297
Investment securities	759,104	—	759,104	579,498	—	579,498	579,498	(579,498)	—
Loans and receivables	1,795,434	—	1,795,434	1,954,077	—	1,954,077	1,954,077	1,215,153	3,169,230
Other financial assets	13,934	(93)	13,841	13,042	(18)	13,024	13,024	418	13,442
Deferred tax assets	1,849	(1,462)	387	1,776	(1,776)	—	—	—	—
Property, plant and equipment	22,389	(2,752)	19,637	21,871	(3,344)	18,527	18,527	—	18,527
Intangible assets	—	2,989	2,989	—	3,512	3,512	3,512	—	3,512
Other assets	7,782	6,272	14,054	9,193	8,288	17,481	17,481	(8,624)	8,857
Total Assets	2,668,136	(1,318)	2,666,818	2,730,354	(1,625)	2,728,729	2,728,729	971,005	3,699,734
LIABILITIES									
Sundry creditors	13,831	—	13,831	16,417	—	16,417	16,417	—	16,417
Deposits	2,490,183	—	2,490,183	2,540,948	—	2,540,948	2,540,948	—	2,540,948
Securitised loans funding	—	—	—	—	—	—	—	971,614	971,614
Interest bearing liabilities	10,000	—	10,000	10,000	—	10,000	10,000	—	10,000
Current tax liabilities	3,696	—	3,696	2,271	—	2,271	2,271	—	2,271
Provisions	4,517	479	4,996	4,527	665	5,192	5,192	—	5,192
Deferred tax liabilities	1,526	(1,526)	—	2,606	(1,782)	824	824	(290)	534
Derivative liability	—	—	—	—	—	—	—	365	365
Total Liabilities	2,523,753	(1,047)	2,522,706	2,576,769	(1,117)	2,575,652	2,575,652	971,689	3,547,341
Net Assets	144,383	(271)	144,112	153,585	(508)	153,077	153,077	(684)	152,393
EQUITY									
Issued capital	44,426	—	44,426	46,936	—	46,936	46,936	—	46,936
Reserves	30,880	(5,625)	25,255	30,880	(5,625)	25,255	25,255	544	25,799
Retained profits	69,077	5,354	74,431	75,769	5,117	80,886	80,886	(1,228)	79,658
Total Equity	144,383	(271)	144,112	153,585	(508)	153,077	153,077	(684)	152,393

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Company balance sheets – reconciliation of adjustments

Table 1

1 July 2004 \$000	Note	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Re- classifications	Total Adjustments
ASSETS							
Cash and cash equivalents							—
Trading securities							—
Sundry debtors	36d					(6,272)	(6,272)
Available for sale investments							—
Investment securities							—
Loans and receivables							—
Other financial assets	36h			(93)			(93)
Deferred tax assets	36g, 36h			53		(1,515)	(1,462)
Property, plant and equipment	36c, 36d				237	(2,989)	(2,752)
Intangible assets	36d					2,989	2,989
Other assets	36d					6,272	6,272
Total Assets		—	—	(40)	237	(1,515)	(1,318)
LIABILITIES							
Sundry creditors							—
Deposits							—
Securitised loans funding							—
Interest bearing liabilities							—
Current tax liabilities							—
Provisions	36b, 36c	177			302		479
Deferred tax liabilities	36h			(11)		(1,515)	(1,526)
Derivative liability							—
Total Liabilities		177	—	(11)	302	(1,515)	(1,047)
Net Assets		(177)	—	(29)	(65)	—	(271)
EQUITY							
Issued capital							—
Reserves	36f		(5,625)				(5,625)
Retained profits	36f, 36i	(177)	5,625	(29)	(65)		5,354
Total Members' Equity		(177)	—	(29)	(65)	—	(271)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Company balance sheets – reconciliation of adjustments

Table 2

30 June 2005 \$000	Note	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Re- classifications	Total Adjustments
ASSETS							
Cash and cash equivalents							—
Trading securities							—
Sundry debtors	36d					(8,287)	(8,287)
Available for sale investments							—
Investment securities							—
Loans and receivables							—
Other financial assets	36h			(18)			(18)
Deferred tax assets	36g, 36h			153		(1,929)	(1,776)
Property, plant and equipment	36c, 36d				168	(3,512)	(3,344)
Intangible assets	36d					3,512	3,512
Other assets	36d					8,288	8,288
Total Assets		—	—	135	168	(1,928)	(1,625)
LIABILITIES							
Sundry creditors							—
Deposits							—
Securitised loans funding							—
Interest bearing liabilities							—
Current tax liabilities							—
Provisions	36b, 36c	311			354		665
Deferred tax liabilities	36h			147		(1,929)	(1,782)
Derivative liability							—
Total Liabilities		311	—	147	354	(1,929)	(1,117)
Net Assets		(311)	—	(12)	(186)	1	(508)
EQUITY							
Issued capital							—
Reserves	36f		(5,625)				(5,625)
Retained profits	36f, 36i	(311)	5,625	(12)	(186)	1	5,117
Total Members' Equity		(311)	—	(12)	(186)	1	(508)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Company balance sheets – reconciliation of adjustments

Table 3

1 July 2005 \$000	Note	Interest Rate Swaps	Liquid Invest- ments	Equity Invest- ments	Deferred Loan Origin- ation Fees	Deferred Securit- isation Expenses	Securit- isation Re-rec- ognition	Taxation	Loan Impair- ment	Reclass- ifications	Total Adjust- ments
ASSETS											
Cash and cash equivalents											—
Trading securities	37b									(131,741)	(131,741)
Sundry debtors											—
Available for sale investments	37a, 37b		64							475,233	475,297
Investment securities	37b									(579,498)	(579,498)
Loans and receivables	37b, 37c, 37e, 37f				3,643		975,072		432	236,006	1,215,153
Other financial assets	37a			418							418
Deferred tax assets	36g, 36h							458		(458)	—
Property, plant and equipment											—
Intangible assets											—
Other assets	37c, 37d				(4,415)	(4,209)					(8,624)
Total Assets		—	64	418	(772)	(4,209)	975,072	458	432	(458)	971,005
LIABILITIES											
Sundry creditors											—
Deposits											—
Securitised loans funding	37d, 37e					(3,458)	975,072				971,614
Interest bearing liabilities											—
Current tax liabilities											—
Provisions											—
Deferred tax liabilities	36h							168		(458)	(290)
Derivative liability	37a	365									365
Total Liabilities		365	—	—	—	(3,458)	975,072	168	—	(458)	971,689
Net Assets		(365)	64	418	(772)	(751)	—	290	432	—	(684)
EQUITY											
Issued capital											—
Reserves	37a, 37f	(365)	95	418				(36)	432		544
Retained profits	36i		(31)		(772)	(751)		326			(1,228)
Total Members' Equity		(365)	64	418	(772)	(751)	—	290	432	—	(684)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheets – summary

CONSOLIDATED									
	AIFRS ADJUSTMENTS – REFER NOTE 36						ACCOUNTING POLICY CHANGES – REFER NOTE 37		
	1 JULY 2004			30 JUNE 2005			1 JULY 2005		
\$000	AGAAP	Adjustments Refer Table 4	AIFRS	AGAAP	Adjustments Refer Table 5	AIFRS	AIFRS except AASB 132/139	Adjustments Refer Table 6	AIFRS
ASSETS									
Cash and cash equivalents	11,466	28,633	40,099	10,872	23,354	34,226	34,226	—	34,226
Trading securities	49,912	—	49,912	131,741	—	131,741	131,741	(131,741)	—
Sundry debtors	6,714	(6,714)	—	8,318	(8,318)	—	—	—	—
Available for sale investments	—	—	—	—	—	—	—	448,579	448,579
Investment securities	759,104	(22,200)	736,904	579,498	(26,718)	552,780	552,780	(552,780)	—
Loans and receivables	1,794,810	828,700	2,623,510	1,954,077	975,075	2,929,152	2,929,152	240,081	3,169,233
Other financial assets	565	—	565	10,074	—	10,074	10,074	418	10,492
Equity accounted investments	1,136	—	1,136	1,112	127	1,239	1,239	—	1,239
Inventories	642	—	642	258	—	258	258	—	258
Deferred tax assets	1,896	(1,555)	341	1,795	(1,795)	—	—	—	—
Property, plant and equipment	22,389	(2,752)	19,637	21,871	(3,344)	18,527	18,527	—	18,527
Intangible assets	—	2,989	2,989	—	3,512	3,512	3,512	—	3,512
Other assets	7,782	2,025	9,807	9,193	1,701	10,894	10,894	(8,624)	2,270
Total Assets	2,656,416	829,126	3,485,542	2,728,809	963,594	3,692,403	3,692,403	(4,067)	3,688,336
LIABILITIES									
Sundry creditors	8,136	23,245	31,381	19,759	16,737	36,496	36,496	—	36,496
Deposits	2,483,154	—	2,483,154	2,534,727	—	2,534,727	2,534,727	—	2,534,727
Securitised loans funding	—	807,199	807,199	—	948,357	948,357	948,357	(3,458)	944,899
Interest bearing liabilities	10,000	—	10,000	10,000	—	10,000	10,000	—	10,000
Current tax liabilities	3,696	—	3,696	2,271	—	2,271	2,271	—	2,271
Provisions	4,517	479	4,996	4,527	665	5,192	5,192	—	5,192
Deferred tax liabilities	1,526	(1,526)	—	2,606	(1,783)	823	823	(290)	533
Derivative liability	—	—	—	—	—	—	—	365	365
Total Liabilities	2,511,029	829,397	3,340,426	2,573,890	963,976	3,537,866	3,537,866	(3,383)	3,534,483
Net Assets	145,387	(271)	145,116	154,919	(382)	154,537	154,537	(684)	153,853
EQUITY									
Issued capital	44,426	—	44,426	46,936	—	46,936	46,936	—	46,936
Reserves	30,880	(5,625)	25,255	30,880	(5,625)	25,255	25,255	544	25,799
Retained profits	70,081	5,354	75,435	77,103	5,243	82,346	82,346	(1,228)	81,118
Total Equity	145,387	(271)	145,116	154,919	(382)	154,537	154,537	(684)	153,853

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheets – reconciliation of adjustments

Table 4

1 July 2004 \$000	Note	Securitisation Consolidation	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Re- classification	Total Adjustments
ASSETS								
Cash and cash equivalents	36a	28,633						28,633
Trading securities								—
Sundry debtors	36a, 36d	(4,689)					(2,025)	(6,714)
Available for sale investments								—
Investment securities	36a	(22,200)						(22,200)
Loans and receivables	36a	828,700						828,700
Other financial assets								—
Equity accounted investments								—
Inventories								—
Deferred tax assets	36g, 36h				53		(1,608)	(1,555)
Property, plant and equipment	36c, 36d					237	(2,989)	(2,752)
Intangible assets	36d						2,989	2,989
Other assets	36d						2,025	2,025
Total Assets		830,444	—	—	53	237	(1,608)	829,126
LIABILITIES								
Sundry creditors	36a	23,245						23,245
Deposits								—
Securitised loans funding	36a	807,199						807,199
Interest bearing liabilities								—
Current tax liabilities								—
Provisions	36b, 36c		177			302		479
Deferred tax liabilities	36h				82		(1,608)	(1,526)
Derivative liability								—
Total Liabilities		830,444	177	—	82	302	(1,608)	829,397
Net Assets		—	(177)	—	(29)	(65)	—	(271)
EQUITY								
Issued capital								—
Reserves	36f			(5,625)				(5,625)
Retained profits	36f, 36i		(177)	5,625	(29)	(65)		5,354
Total Members' Equity		—	(177)	—	(29)	(65)	—	(271)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheets – reconciliation of adjustments

Table 5

30 June 2005 \$000	Note	Securitisation Consolidation	Defined Benefit Fund	Property Assets	Taxation	Make Good Provision	Equity Accounting	Re- classifications	Total Adjustments
ASSETS									
Cash and cash equivalents	36a	23,354							23,354
Trading securities									—
Sundry debtors	36a, 36d	(6,617)						(1,701)	(8,318)
Available for sale investments									—
Investment securities	36a	(26,718)							(26,718)
Loans and receivables	36a	975,075							975,075
Other financial assets									—
Equity accounted investments	36e						127		127
Inventories									—
Deferred tax assets	36g, 36h				153			(1,948)	(1,795)
Property, plant and equipment	36c, 36d					168		(3,512)	(3,344)
Intangible assets	36d							3,512	3,512
Other assets	36d							1,701	1,701
Total Assets		965,094	—	—	153	168	127	(1,948)	963,594
LIABILITIES									
Sundry creditors	36a	16,737							16,737
Deposits									—
Securitised loans funding	36a	948,357							948,357
Interest bearing liabilities									—
Current tax liabilities									—
Provisions	36b, 36c		311			354			665
Deferred tax liabilities	36h				165			(1,948)	(1,783)
Derivative liability									—
Total Liabilities		965,094	311	—	165	354	—	(1,948)	963,976
Net Assets		—	(311)	—	(12)	(186)	127	—	(382)
EQUITY									
Issued capital									—
Reserves	36f			(5,625)					(5,625)
Retained profits	36f, 36i		(311)	5,625	(12)	(186)	127		5,243
Total Members' Equity		—	(311)	—	(12)	(186)	127	—	(382)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Consolidated balance sheets – reconciliation of adjustments

Table 6

1 July 2005 \$000	Note	Interest Rate Swaps	Liquid Investments	Equity Investments	Deferred Loan Origination Fees	Deferred Securitisation Expenses	Taxation	Loan impairment	Re- classifications	Total Adjustments
ASSETS										
Cash and cash equivalents										—
Trading securities	37b								(131,741)	(131,741)
Sundry debtors										—
Available for sale investments	37a, 37b		64						448,515	448,519
Investment securities	37b								(552,780)	(552,780)
Loans and receivables	37b, 37c, 37f				3,643			432	236,006	240,081
Other financial assets	37a			418						418
Equity accounted investments										—
Inventories										—
Deferred tax assets	36g, 36h						458		(458)	—
Property, plant and equipment										—
Intangible assets										—
Other assets	37c, 37d				(4,415)	(4,209)				(8,624)
Total Assets		—	64	418	(772)	(4,209)	458	432	(458)	(4,067)
LIABILITIES										
Sundry creditors										—
Deposits										—
Securitised loans funding	37d					(3,458)				(3,458)
Interest bearing liabilities										—
Current tax liabilities										—
Provisions										—
Deferred tax liabilities	36h						168		(458)	(290)
Derivative liability	37a	365								365
Total Liabilities		365	—	—	—	(3,458)	168	—	(458)	(3,383)
Net Assets		(365)	64	418	(772)	(751)	290	—	—	(684)
EQUITY										
Issued capital										—
Reserves	37a, 37f	(365)	95	418			(36)	432		544
Retained profits	36i		(31)		(772)	(751)	326			(1,228)
Total Members' Equity		(365)	64	418	(772)	(751)	290	432	—	(684)

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Income statements – summary

COMPANY			
AIFRS ADJUSTMENTS – REFER NOTE 36			
30 JUNE 2005			
\$000	AGAAP	Adjustments Refer Table 7	AIFRS
Interest revenue	168,809	—	168,809
Interest expense	(114,234)	(48)	(114,282)
Net interest income	54,575	(48)	54,527
Bad and doubtful debts expense	(902)	—	(902)
Net interest income after bad and doubtful debts	53,673	(48)	53,625
Other revenue	27,855	—	27,855
Net income before non interest expenses	81,528	(48)	81,480
Other expenses	(60,318)	(206)	(60,524)
Profit before income tax	21,210	(254)	20,956
Income tax expense	(6,442)	17	(6,425)
Profit for the year	14,768	(237)	14,531

Income statements – reconciliation of adjustments

Table 7

Company – 30 June 2005 \$000	Note	Make good provision	Defined Benefit Fund	Income tax	Total Adjustments
Interest revenue					—
Interest expense	36c	(48)			(48)
Net interest income		(48)			(48)
Bad and doubtful debts expense					—
Net interest income after bad and doubtful debts		(48)			(48)
Other revenue					—
Net income before non interest expenses		(48)			(48)
Other expenses	36b, 36c	(72)	(134)		(206)
Profit before income tax		(120)	(134)		(254)
Income tax expense	36g, 36h			17	17
Profit for the year		(120)	(134)	17	(237)

Income statements – summary

CONSOLIDATED			
AIFRS ADJUSTMENTS – REFER NOTE 36			
30 JUNE 2005			
\$000	AGAAP	Adjustments Refer Table 8	AIFRS
Interest revenue	168,909	68,764	237,673
Interest expense	(114,101)	(58,119)	(172,220)
Net interest income	54,808	10,645	65,453
Bad and doubtful debts expense	(902)	—	(902)
Net interest income after bad and doubtful debts	53,906	10,645	64,551
Revenue from land development	1,850	—	1,850
Other revenue	27,338	(10,251)	17,087
Net income before non interest expenses	83,094	394	83,488
Cost of land development sales	(674)	—	(674)
Other expenses	(60,372)	(648)	(61,020)
Share of profits/(losses) of joint venture entity	(24)	127	103
Profit before income tax	22,024	(127)	21,897
Income tax expense	(6,927)	17	(6,910)
Profit for the year	15,097	(110)	14,987

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Income statements – reconciliation of adjustments

Table 8

Consolidated – 30 June 2005 \$000	Note	Securitisation re-recognition	Securitisation consolidation	Make Good Provision	Equity Accounting	Defined Benefit Fund	Income tax	Total Adjustments
Interest revenue	36a	70,414	(1,650)					68,764
Interest expense	36a, 36c	(59,721)	1,650	(48)				(58,119)
Net interest income		10,693	—	(48)				10,645
Bad and doubtful debts expense								—
Net interest income after bad and doubtful debts		10,693	—	(48)				10,645
Revenue from land development								—
Other revenue	36a	(10,251)						(10,251)
Net income before non interest expenses		442	—	(48)				394
Cost of land development sales								—
Other expenses	36a, 36b, 36c	(442)		(72)		(134)		(648)
Share of profits/(losses) of joint venture entity	36e				127			127
Profit before income tax		—	—	(120)	127	(134)		(127)
Income tax expense	36g, 36h						17	17
Profit for the year		—	—	(120)	127	(134)	17	(110)

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

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

The impact on deferred tax of the adjustments described below is set out in notes 36g and 36h.

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

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

The consolidated entity has also invested in some of the notes issued by the SPEs and the effect of eliminating this investment is to reduce **Investment securities** and **Securitised loans funding** by \$22,200,000 at 1 July 2004, and by \$26,718,000 at 30 June 2005; to decrease **Interest revenue** and **Interest expense** by \$1,650,000 for the year ended 30 June 2005. There is no effect in the Company.

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

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

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

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

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

36 EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

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

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

The Company and consolidated entity have decided to reclassify sundry receivables as "other assets". The effect in the Company is to decrease **Sundry debtors** and increase **Other assets** by \$6,272,000 at 1 July 2004 and \$8,287,000 at 30 June 2005. The effect in the consolidated entity is to decrease **Sundry debtors** and increase **Other assets** by \$2,025,000 at 1 July 2004 and \$1,701,000 at 30 June 2005.

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

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

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

(g) The changes detailed in notes 36 and 37 increased the deferred tax asset for the Company and consolidated entity as follows:

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

(h) The changes detailed in notes 36 and 37 increased the deferred tax liability for the Company and consolidated entity as follows:

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

The effect on the income statement for the Company and consolidated entity of the tax changes detailed in notes 36f and 36g for the year ended 30 June 2005, was to increase the previously reported tax charge for the period by \$12,000. The deferred tax assets and liabilities have been netted off in the balance sheets, and consolidated balance sheets provided in note 36.

Under previous AGAAP the Company assumed the tax assets and liabilities of the entities that are members of its tax consolidated group. Under AIFRS, the deferred tax liability and asset balances are retained by the relevant tax consolidated group members, except where they relate to tax losses, with only the current tax liability assumed by the head entity. The effect in the company is to decrease **Other financial assets** by \$93,000 at 1 July 2004 and \$18,000 at 30 June 2005; and to decrease **Deferred tax liabilities** by \$93,000 at 1 July 2004 and \$18,000 at 30 June 2005. There is no change in the consolidated entity.

Under previous AGAAP deferred tax assets and liabilities were disclosed separately. Under AIFRS, they are set-off and only a net deferred tax asset or net deferred tax liability is disclosed. The effect in the consolidated entity is to decrease **Deferred tax asset** and **Deferred tax liability** by \$1,608,000 at 1 July 2004, \$1,948,000 at 30 June 2005, and \$458,000 at 1 July 2005. The effect in the Company is to decrease **Deferred tax asset** and **Deferred tax liability** by \$1,515,000 at 1 July 2004, \$1,929,000 at 30 June 2005, and \$458,000 at 1 July 2005.

(i) The effect of the changes detailed in notes 36 and 37 on retained earnings is as follows:

		AIFRS ADJUSTMENTS		ACCOUNTING POLICY CHANGES
\$000	Note	1 Jul 2004	30 Jun 2005	1 Jul 2005
Property, plant and equipment	36c	(65)	(186)	—
Employee benefits	36b	(177)	(311)	—
Adoption of AASB 139	37a, 37c, 37d	—	—	(1,554)
Deferred tax	36g, 36h, 37a	(29)	(12)	326
Asset revaluation reserve	36f	5,625	5,625	—
Other		—	1	—
Total adjustment to Company retained earnings		5,354	5,117	(1,228)
Equity accounted investments	36e	—	127	—
Other		—	(1)	—
Total adjustment to consolidated retained earnings		5,354	5,243	(1,228)

37 CHANGES IN ACCOUNTING POLICY

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

The adoption of AASB 139 has resulted in the Company and consolidated entity recognising available for sale investments and all derivative financial instruments as assets or liabilities at fair value. This change has been accounted for by adjusting the opening balance of equity (retained earnings, cashflow hedging reserve, available for sale revaluation reserve and equity investment revaluation reserve) at 1 July 2005. The impact on the balance sheet in the comparative period is set out in the table in note 36 as an adjustment to the opening balance sheet at 1 July 2005. The transitional provisions will not have any effect in future reporting periods.

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

(b) In accordance with AASB 139, financial assets previously classified as trading or investment securities are now classified as Available for sale investments, except assets that are classified as Loans and receivables which are financial assets that have fixed or determinable payments and are not quoted in an active market. The effect of this change for the consolidated entity at 1 July 2005 is to decrease **Trading securities** and **Investment securities** by \$131,741,000 and \$552,780,000 respectively, and to increase **Available for sale investments** and **Loans and receivables** by \$448,515,000 and \$236,006,000 respectively. The effect of this change for the Company at 1 July 2005 is to decrease **Trading securities** and **Investment securities** by \$131,741,000 and \$579,498,000 respectively, and to increase **Available for sale investments** and **Loans and receivables** by \$475,233,000 and \$236,006,000 respectively.

(c) Under previous AGAAP, certain income and expense items relating directly to the origination of loans were recognised in the income statement as received. Broker trail commissions were previously deferred and amortised to the income statement on a straight line basis over the expected life of broker originated loans. Under AIFRS, these income and expense items are capitalised and included in the loan's effective yield and recognised over the expected life of the loan. The effect in the Company and consolidated entity is to increase **Loans and receivables** by \$3,643,000, decrease **Other assets** by \$4,415,000 and decrease **Retained profits** by \$772,000 at 1 July 2005.

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

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

(e) Under previous AGAAP, loans that had been securitised were de-recognised by the Company. Under AIFRS different interpretation of the de-recognition rules applicable to securitisations required a reassessment of the accounting for the Company's existing securitisations. All the Company's securitised loans have now been recognised on the balance sheet because the Company is exposed to the majority of the residual risks associated with these loans.

The effect in the Company is to increase **Loans and receivables** and **Securitised loans funding** by \$975,072,000 at 1 July 2005, and securitisation revenue is now recognised as interest income.

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

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

38 EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

For dividends declared after 30 June 2006 refer to note 7.

There were no other events subsequent to balance date.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

In the opinion of the directors of IMB Ltd ("the Company"):

- (a) the financial statements and notes, set out on pages 31 to 76 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 2006 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 Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the year ended 30 June 2006.

Dated at Wollongong this 1st day of August 2006.

Signed in accordance with a resolution of the directors:



LR Fredericks
Chairman



MJ Cole
Director

INDEPENDENT AUDIT REPORT

TO MEMBERS OF IMB LTD

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the income statements, balance sheets, statements of cash flows, statements of changes in equity, and accompanying Notes 1 to 38 to the financial statements, and the directors' declaration as set out on pages 31 to 77 for both IMB Ltd (the "Company") and the consolidated entity, for the year ended 30 June 2006. 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. The directors are also responsible for preparing the relevant reconciling information regarding the statements required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards.

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.

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 2006 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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'.

CP Hollis
Partner

Dated at Wollongong,
this 1st day of August 2006.

SHAREHOLDERS' INFORMATION

AS AT 1 AUGUST 2006

TOP TWENTY SHAREHOLDERS	NUMBER OF SHARES	% OF TOTAL
Name of Shareholder		
RBC Dexia Investment Services Australia Nominees Pty Ltd	1,900,137	4.76
Dean Whitestone Pty Ltd	450,000	1.13
FH Rast	370,000	0.93
MF Hands	334,885	0.84
Austock Nominees Pty Ltd	311,715	0.78
RJ Davis	305,000	0.76
B B Nominees Pty Ltd	302,406	0.76
J Xanthoudakis	262,983	0.66
K O'Connor	254,203	0.64
UBS Wealth Management Aust Nominees Pty Ltd	253,752	0.64
G & H Custodians Pty Ltd	226,858	0.57
WC & JA Bradley	205,551	0.52
BA Rogerson	200,645	0.50
DL Craker	195,830	0.49
AJ Bridger	185,000	0.46
WL Hughes	176,728	0.44
RM Hanbury	173,952	0.44
AM Dipietro	169,419	0.42
Rubicon Nominees Pty Ltd	165,466	0.41
BJ Higgins	165,000	0.41
Total	6,609,530	16.56

	SHAREHOLDERS	NUMBER OF SHARES	% OF TOTAL
Employee Share Acquisition Scheme	71	229,808	0.58

DISTRIBUTION OF SHAREHOLDINGS	SHAREHOLDERS	NUMBER OF SHARES	% OF TOTAL
1 — 100	121	6,516	0.02
101 — 1,000	1,498	740,062	1.85
1,001 — 5,000	1,926	4,738,080	11.87
5,001 — 10,000	685	4,784,499	11.99
10,001 — 20,000	421	5,864,676	14.69
20,001 — 50,000	292	9,007,601	22.57
50,001 — 100,000	74	5,118,146	12.82
100,001 and over	46	9,652,060	24.19
Total	5,063	39,911,640	100.00

STATISTICAL HIGHLIGHTS

AS AT 30 JUNE 2006

	2006** \$000	2005** \$000	2004 \$000	2003 \$000	2002 \$000	
INCOME STATEMENT						
FOR THE YEAR ENDED 30 JUNE						
Interest income	260,874	237,673	156,371	144,032	119,346	
Interest expense	194,101	172,220	101,816	90,468	72,398	
Interest margin	66,773	65,453	54,555	53,564	46,948	
Income from equity investments	—	—	(947)	(1,834)	—	
Non interest income	16,015	18,937	28,021	30,818	18,610	
Bad and doubtful debts expense	1,075	902	925	1,109	898	
Non interest expense	56,621	61,592	57,763	61,308	50,400	
Profit before tax	25,092	21,896	22,941	20,131	14,260	
Income tax expense	7,464	6,909	6,382	7,999	3,716	
Net loss attributable to outside equity interests	—	—	—	242	—	
Profit after tax	17,628	14,987	16,559	12,374	10,544	
BALANCE SHEET						
AS AT 30 JUNE						
Assets						
Loans and receivables	3,561,083	2,929,149	1,794,810	1,831,901	1,837,244	
Liquids	575,336	684,521	823,824	590,473	319,250	
Other	91,322	78,731	37,782	46,999	35,345	
	4,227,741	3,692,401	2,656,416	2,469,373	2,191,839	
Liabilities						
Deposits	2,652,087	2,534,727	2,483,154	2,300,781	2,036,491	
Securitised loans funding	1,346,436	948,358	—	—	—	
Other	64,631	54,779	27,875	35,677	31,264	
	4,063,154	3,537,864	2,511,029	2,336,458	2,067,755	
Shareholders' equity	164,587	154,537	145,387	132,915	124,084	
Total assets under management	4,227,741	3,692,401	3,485,116	3,029,334	2,466,839	
SHARE INFORMATION						
Shares on issue	000's	39,912	39,912	39,130	38,110	36,933
Earnings per share	cents	44.2	38.0	43.0	33.0	28.9
Net tangible assets per share*	\$	4.12	3.87	3.72	3.46	3.33
Dividend per share:						
Interim	cents	7.5	7.0	7.0	7.0	7.0
Final	cents	12.0	11.5	11.5	11.5	11.5
Special	cents	0.5	—	2.0	—	—
Dividend cover	times	2.21	2.03	2.10	1.78	1.56
Closing share price	\$	3.00	3.10	3.16	2.85	3.04
Highest share price	\$	3.35	3.60	3.33	3.20	3.20
Lowest share price	\$	3.00	2.95	2.85	2.75	2.40
Average share price	\$	3.10	3.16	3.12	3.03	2.84
Shares traded	000's	2,113	1,979	1,995	1,901	1,855
Turnover	%	5.3	5.0	5.1	5.0	5.1

* IMB Ltd is a mutual entity comprising Members by guarantee and shareholder Members. All Members have an equitable interest in the assets and earnings of the entity. 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.

** 2005 and 2006 figures are reported in terms of AIFRS standards in force at that time. Earlier years figures have not been amended.

STATISTICAL HIGHLIGHTS

AS AT 30 JUNE 2006

		2006**	2005**	2004	2003	2002
KEY RATIOS						
Capital adequacy	%	11.03	10.57	11.41	10.51	11.36
Total asset growth	%	14.50	5.93	7.57	12.66	21.77
Net asset growth	%	6.50	6.49	9.38	7.12	10.78
Net assets/total assets	%	3.89	4.19	5.47	5.38	5.66
Liquid assets/total liabilities	%	14.16	18.54	32.81	25.27	15.44
After tax return on average net assets	%	11.05	10.00	11.90	9.63	8.93
After tax return on average total assets	%	0.44	0.41	0.64	0.51	0.51
Net interest income/average total assets	%	1.7	1.8	2.1	2.2	2.3
Non interest income/average total assets	%	0.4	0.5	1.1	1.3	0.9
Non interest expenses/average total assets	%	1.4	1.7	2.2	2.4	2.4
Non interest expenses/operating income	%	69.3	73.8	71.6	75.3	77.9
Bad debts expense/average loans	%	0.03	0.03	0.05	0.06	0.05
Return on interest earning assets	%	6.6	6.6	6.2	6.2	6.0
Cost of funds	%	5.1	4.9	4.2	4.0	3.8
Interest margin	%	1.65	1.78	2.16	2.29	2.35
OTHER STATISTICS						
Total loans approved	\$m	1,120.2	991.1	1,036.4	1,077.4	1,194.2
	No.	11,549	9,480	10,015	10,582	11,512
Home loans approved	\$m	883.2	791.3	900.3	966.8	903.7
	No.	5,444	5,152	5,799	6,295	6,646
Average home loan approved	\$000	162.2	153.6	155.3	153.6	136.0
Members' deposits	\$m	2,652.1	2,534.7	2,483.2	2,300.8	2,036.5
Deposit accounts	000	332.5	326.6	323.3	320.3	320.4
Average balance per deposit account	\$	7,976	7,761	7,681	7,183	6,356
Interest paid to depositors	\$m	120.8	113.4	101.8	89.7	72.4
Number of sales centres	No.	37	34	33	34	34
Average deposits per sales centre	\$m	71.4	74.6	75.2	67.7	59.9
Assets per sales centre	\$m	114.3	108.6	80.5	72.6	64.5
Staff (full time equivalent)	No.	404	395	415	396	377
Assets per staff member	\$m	10.5	9.3	6.4	6.2	5.8
Staff per million dollars assets	No.	0.10	0.11	0.16	0.16	0.17

** 2005 and 2006 figures are reported in terms of AIFRS standards in force at that time. Earlier years figures have not been amended.

LOCATIONS

IMB BRANCHES

NEW SOUTH WALES

Albion Park	147 Tongarra Road Albion Park 2527
Batemans Bay	21 Orient Street Batemans Bay 2536
Bega	193-195 Carp Street Bega 2550
Bowral	Shops 9 & 10, Oxley Mall Wingecarribee Street Bowral 2576
Camden	Shop 26, 180-186 Argyle Street Camden 2570
Corrimal	Shops 2-4, Corrimal Court Princes Highway Corrimal 2518
Dapto	2-4 Bong Bong Road Dapto 2530
Eden	199 Imlay Street Eden 2551
Fairy Meadow	84B Princes Highway Fairy Meadow 2519
Figtree	Shop 32 & 33, Westfield Shopping Town Princes Highway Figtree 2525
Goulburn	Shop 27, Argyle Mall Goulburn 2580
Kiama	86 Terralong Street Kiama 2533
Liverpool	Shop 19, Liverpool Plaza Macquarie Street Liverpool 2170
Macarthur Square	Shop L10, L11 Level 2 Macarthur Square Shopping Centre Ambarvale 2560
Merimbula	Cnr Merimbula Drive & Market Street Merimbula 2548
Miranda	Shop G, 105 Westfield's Shoppingtown Miranda 2228
Moruya	55 Vulcan Street Moruya 2537
Narooma	127 Wagonga Street Narooma 2546
Nowra	86 Kinghorn Street Nowra 2541
Parramatta	207 Church Street Parramatta 2150

Penrith	25 Riley Street Penrith 2750
Picton	Shop 1A, 148 Argyle Street Picton 2571
Queanbeyan	Shop 7, Riverside Plaza Queanbeyan 2620
Shellharbour	Shop 46, Shellharbour Stockland Shopping Centre Stockland Shellharbour 2529
Thirroul	Shop 6, Anita Theatre King Street Thirroul 2515
Ulladulla	89 Princes Highway Ulladulla 2539
Unanderra	102 Princes Highway Unanderra 2526
Vincentia	Shop 17, Burton Street Mall Vincentia 2540
Warilla	6 George Street Warilla 2528
Warrawong	Shop 114 Westfield Shopping Centre Warrawong 2502
Wollongong	205 Crown Street Wollongong 2500
Woonona	367-369 Princes Highway Woonona 2517
Wynyard	312 George Street Sydney 2000

ACT

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

FINANCIAL PLANNING

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

CORPORATE DIRECTORY

SHAREHOLDERS' DIARY AND OTHER INFORMATION

Payment of final dividend 30 August 2006

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

NOTICE OF ANNUAL GENERAL MEETING

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

COMPANY SECRETARY

Robert James Ryan BEc MCommLaw FCIS FCIM ACA FTIA

REGISTERED OFFICE

253-259 Crown Street
Wollongong NSW 2500

SHARE REGISTRY

IMB Ltd is not listed on the Australian Stock Exchange.

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

The share register is available for inspection at:

Level 6 Executive Services

253-259 Crown Street

Wollongong NSW 2500

ADVISORS

SOLICITORS

Watson Mangioni
Level 13
50 Carrington St
Sydney NSW 2000

AUDITORS

KPMG
Level 3
63 Market St
Wollongong NSW 2500

COMMUNITY SPONSORSHIPS

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

IMB COMMUNITY FOUNDATION PROJECTS

ARAFMI Illawarra Staff Training 2006

- ARAFMI Illawarra

Bra Education for Female Athletes

- Biomechanics Research Laboratory, University of Wollongong

Capturing Memories

- Eden Community Access Centre Inc.

Children's Walk at Eurobodalla Regional Botanic Gardens

- Eurobodalla Regional Botanic Gardens

Community Garden

- Helping Hands

Cruise Eden

- Sapphire Coast Tourism

Cutting Edge Science

- Science Centre and Planetarium

Development of Early Childhood Music Education

- Conservatorium of Music

The IMB Education Wing

- Historical Aircraft Restoration Society Inc

IMB Travelling I.T.

- Eurobodalla Adult Education Centre

Our Past Our Future

- Shoalhaven Historical Society

Oz-Japan Arts and Craft Festival

- Queanbeyan City Council

Rural Tourism Map of the Far South Coast of NSW

- Sapphire Coast Producers' Association Inc.

Security Shredding Service Expansion

- Tulgeen Group

Shoalhaven CD and DVD Recycling Project

- The Flagstaff Group Limited

Stories From the Elders: Completing the Picture for a Healthier Community

- University of Wollongong and New South Wales Department of Health

Students Helping In New Environments (SHINE!)

- Volunteering ACT Incorporated

Timber Storage System

- Berry Men's Shed

Travelling IT Laboratory

- Far South Community College

University of Wollongong Black Opal Leadership Program

- Wollongong Unicentre - Centre for Student Development

Youth Drug Forum Manual and Training Package

- Youth Solutions

OTHER COMMUNITY SPONSORSHIPS

Bega High School

Bega Kennel Club Sponsorship

Bega Valley String Orchestra

Bellambi Public School

Berry Show Animal Nursery

Bowral Breakfast for Champions

Camden Primary School

Canteen Bowls Marathon

Cronulla Crays Surf Life Saving

Cronulla South Public School

Dare to Dream

Dapto Anglican Church Carols

Disability Trust Trivia Night

Eden Lady Golfers Association

Eden Schools Prize Sponsorship

FSC Vet Golfers Association

Illawarra Basketball Association

IMB Lotus – James Harrigan Motorsport

IMB WAVE FM – Breakfast on the Beach

Kidzwish

KyStars – Kiama Lions Young Talent Quest

Lake Illawarra Public School

Luke Cridland Cyclist

Mogo Zoo

Narooma Sport and Gamefishing Club

Narooma Surf Life Saving

– George Bass Marathon

Shaun Boyle – Skeleton Racing

Shoalhaven Rowing Club

Southern Districts Rugby Club

Southern Highlands Netball

St Patricks Trivia Night

Sutherland Australia Day Festival

Sydney Greek Festival

Team IMB – Damien White V8 Ute

Towradgi Turtles Surf Club

Twofold Bay Yacht Club

– 2005/06 Sailing Series

Warilla North Fellowship

Warrilla North Public School

Warrawong Macedonian Association

Wedding Expo (ACT)

Wesley Uniting Employments

– Tubs in the Basin

WIN Golf Day – To Support Breast Cancer

Wollondilly Camden Family

Support Services

Wollongong IMB Hawks

Wollongong IMB Lions Football Club

Wollongong Symphony Orchestra



2006 ANNUAL REPORT
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