IMB

BANKING & FINANCIAL SERVICES

IMB Ltd ABN 92 087 651 974

IMB makes a difference

Annual Report 2007

Contents

Notice of Annual General Meeting

The annual general meeting of IMB Ltd will be held at the Hoskins Room, Novotel Northbeach, 2-14 Cliff Road, Wollongong on Tuesday 30 October 2007

ABF Australian Banking & Finance Magazine Awards 2007 Best Building Society

Proudly sponsored by 'yes' Optus

IMB makes a difference

We're different for a whole range of reasons and one is that we're a member based organisation providing an alternative to the big banks. Our focus on our members – depositors, borrowers and shareholders, our staff and the community helps us develop a strong business that benefits all our stakeholders.

About IMB

Who we are

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

With more than $4.6 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 38 branches throughout the Illawarra, Sydney, NSW South Coast, the ACT and in Melbourne, supported by an effective mobile lending team and ATM network. IMB also provides loans through nearly 100 broker groups across Australia.

IMB is regulated by the Australian Prudential Regulatory 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 and 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 Vision

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

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 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 organisational standards in conducting internal and external business activities.
Community	Enhancing each other's sense of belonging within the organisation and the IMB community as a whole.
Co-operation	Working co-operatively and effectively 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.

Five Year Summary

	AIFRS[1]			GAAP[1]	
	2007 $000	**2006** $000	**2005** $000	**2004** $000	**2003** $000
Income Statement For the year ended 30 June 2007					
Interest income	307,500	260,874	237,673	156,371	144,032
Interest expense	235,856	194,101	172,220	101,816	90,468
Interest margin	71,644	66,773	65,453	54,555	53,564
Income from equity investments	–	–	–	(947)	(1,834)
Non interest income	15,846	16,262	18,937	28,021	30,818
Bad and doubtful debts expense	1,221	1,075	902	925	1,109
Non interest expense	58,232	56,868	61,592	57,763	61,308
Profit before tax	28,037	25,092	21,896	22,941	20,131
Income tax expense	8,078	7,464	6,909	6,382	7,999
Net loss attributable to outside equity interests	–	–	–	–	242
Profit after tax	19,959	17,628	14,987	16,559	12,374
Balance Sheet As at 30 June 2007					
Assets					
Loans to members	3,499,034	3,308,138	2,929,149	1,794,810	1,831,901
Liquids	1,097,825	889,024	684,521	823,824	590,473
Other	30,939	30,579	78,731	37,782	46,999
Total assets	4,627,798	4,227,741	3,692,401	2,656,416	2,469,373
Liabilities					
Deposits	2,744,737	2,652,087	2,534,727	2,483,154	2,300,781
Securitised loans funding	1,639,772	1,346,436	948,358	–	–
Other	66,101	64,631	54,779	27,875	35,677
Total liabilities	4,450,610	4,063,154	3,537,864	2,511,029	2,336,458
Net assets	177,188	164,587	154,537	145,387	132,915

		AIFRS[1]			GAAP[1]	
		2007	2006	2005	2004	2003
Performance Ratios						
Capital adequacy	%	12.4	11.0	10.6	11.4	10.5
Total asset growth	%	9.5	14.5	5.9	7.6	12.7
Net asset growth	%	7.7	6.5	6.5	9.4	7.1
Liquid assets/total liabilities	%	24.7	21.9	18.5	32.8	25.3
After tax return on average net assets	%	11.8	11.2	10.0	11.9	9.6
Net interest income/average total assets	%	1.6	1.7	1.8	2.1	2.2
Non interest income/average total assets	%	0.4	0.4	0.5	1.1	1.3
Non interest expenses/average total assets	%	1.3	1.4	1.7	2.2	2.4
Non interest expenses/operating income	%	67.5	69.4	73.8	71.6	75.3
Bad debts expense/average loans	%	0.04	0.03	0.03	0.05	0.06
Cost of funds	%	5.6	5.1	4.9	4.2	4.0
Interest margin	%	1.60	1.65	1.78	2.16	2.29
Total loans approved	$m	952.9	1,120.2	991.1	1,036.4	1,077.4
	No.	9,809	11,549	9,480	10,015	10,582
Home loans approved	$m	781.4	883.2	791.3	900.3	966.8
	No.	4,776	5,444	5,152	5,799	6,295
Average home loan approved	$000	163.6	162.2	153.6	155.3	153.6
Deposit accounts	000	361.0	332.5	326.6	323.3	320.3
Number of sales centres	No.	38	37	34	33	34
Staff (full time equivalent)	No.	406	404	395	415	396

1 Amounts for years 2003 and 2004 were calculated in accordance with previous Australian GAAP. Amounts for 2005 to 2007 have been calculated in accordance with Australian equivalents to IFRS ("AIFRS").

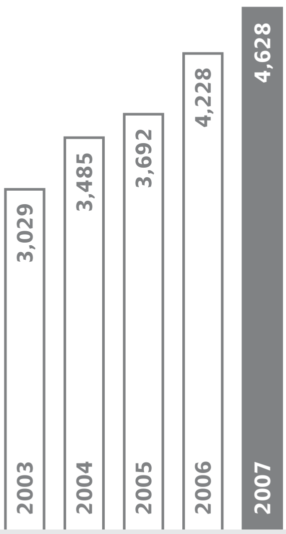
“A better alternative to banking”

As a long standing mutual building society we are as safe and secure as a bank, but unlike banks our focus is on meeting the needs of our members. We do this by providing better service and highly competitive pricing and product features.

In 2005, 2006 and now in 2007 – IMB has been singled out by independent experts from its competitors as the best building society in Australia.

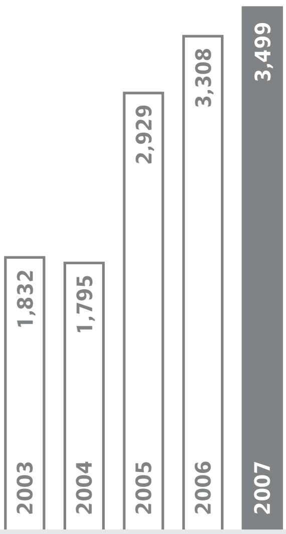
Highlights

Total assets under management $ million



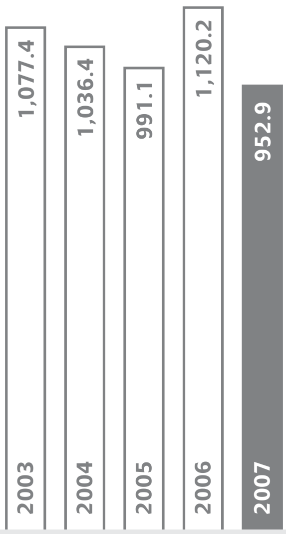
9.5% increase

Loans under management $ million



5.8% increase

Loans approved $ million

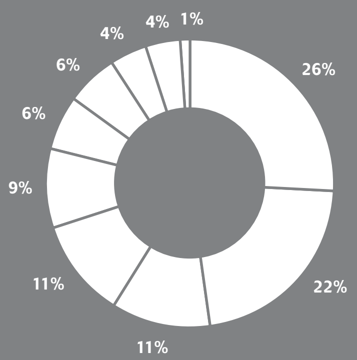


15.0% decrease

Members' deposits $ million

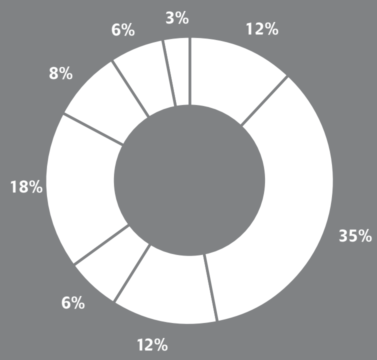
3.5% increase

Loans by location



26% Sydney
22% Illawarra
11% NSW Southern Highlands
11% Victoria
9% NSW South Coast
6% Other NSW
6% Australian Capital Territory
4% Western Australia
4% Queensland
1% Other

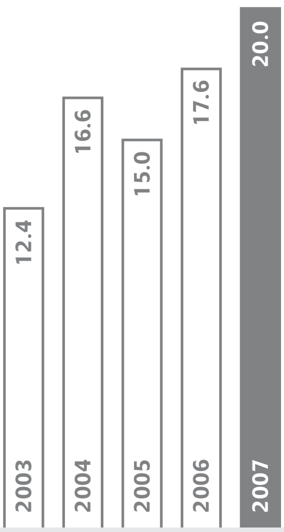
Deposits by location



12% Sydney
35% Illawarra
12% NSW Southern Highlands
6% Victoria
18% NSW South Coast
8% Other NSW
6% Australian Capital Territory
3% Other

"Another award-winning performance"

Profit after tax $ million

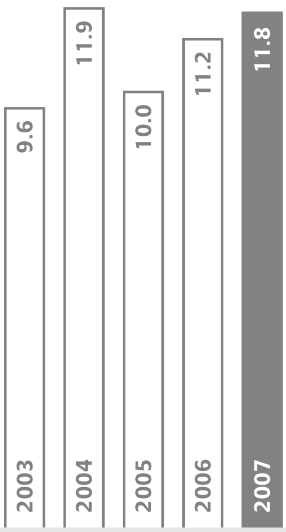


13.2% increase

Efficiency ratio %

1.9% improvement

Return on average equity %



5.4% increase

Dividends cents per share

3.0¢ per share increase

- **IMB was awarded the Best Building Society Award 2007 by Australian Banking and Finance Magazine. This is the third year in a row IMB has received national and independent recognition.**
- **Our Secured Personal loan and three of our deposit products – the IMB Reward Saver, IMB Cash Management Account and the IMB Balance + Account, were all awarded the maximum five-star rating from a leading independent reviewer.**
- **In the last twelve months, we successfully launched a Reverse Mortgage product and a new Home and Content provider – Vero Insurance.**
- **We opened IMB's newest branch at Glen Waverly in Victoria.**
- **We allocated a further $350,000 to the IMB Community Foundation, bringing the total amount of funds granted to the community to almost $4.0 million.**
- **We launched our fourth $500 million Residential Securities Offer and second $250 million Commercial Securities Offer in the Australian Bond Markets to both domestic and overseas investors.**

Chairman's Letter

On behalf of the board, I am pleased to report strong results for the year in which competitive pressures increased in a challenging operating environment.

The Group's operating profit after tax was $20.0 million, an increase of 13.2 percent on the previous year. The results continue to support the board's current strategic direction and members can be well satisfied with IMB's performance and financial results for the year under review.

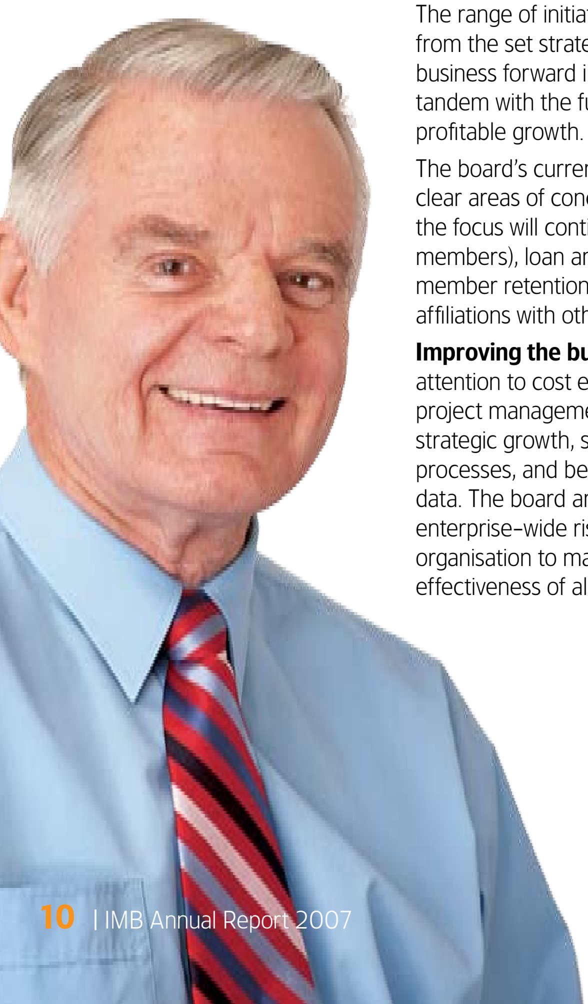
Strategies

It is IMB's 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 IMB's Mission and in tandem with the fundamental tenet of sustainable, profitable growth.

The board's current strategic plan incorporates four clear areas of concentration. In **growing the business**, the focus will continue on new branches (new members), loan and deposit volumes, business banking, member retention, "organic" growth and growth by affiliations with other mutual financial institutions.

Improving the business directs management attention to cost efficiencies, more effective (internal) project management, alignment of IT capabilities with strategic growth, sharper attention to key business processes, and best use of sales and member-related data. The board and management fully embrace enterprise-wide risk management across the organisation to maximise the security, efficiency and effectiveness of all systems, controls and practices.



A key to IMB's continued success is its **highly motivated and skilled workforce**. IMB is benefiting from a range of initiatives including enhancement of career development programmes, upgraded training programmes, personnel satisfaction through skills development and remuneration policies, and strong divisional leadership.

The board is working on **improvements in member/ stakeholder relations** by better recognising member expectations and concerns and addressing specific communications to the issues regarding mutuality and growth opportunities for IMB.

Members' Meetings

During the year, extraordinary general meetings of members and of each class of members were held to consider an amendment to the constitution. Although majority votes in favour were recorded at each meeting the required 75% majority was not achieved at the shareholder-members' meeting. The amendment did not proceed and directors and management will continue to pursue IMB's strategic goals "as usual".

These meetings highlighted the need for board guidance and education of members on a number of long term issues which affect the diverse interests of each class of members of IMB. The board, assisted by independent expert advisors, is moving with diligence to address those issues with a view to members achieving a better understanding of IMB as a mutual building society.

Mutuality and Members

As a building society dedicated to the principles of mutuality, IMB has the dominant responsibility of attending to the financial well-being of all members – depositors, borrowers, shareholders. This needs to be done in a way that not only ensures IMB remains their preferred provider of financial services, but also in a way that attracts others who have not yet experienced IMB's advantages.

One of the key measures of success in discharging this responsibility involves an annual assessment of 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 again conducted that assessment, and reported that the average-per-member value of those benefits amounted to $85 per member. Less than 24 percent of members are charged transaction fees and no member is charged account-keeping fees for their deposit account.

Dividend

The board declared a final dividend on ordinary share capital for the year of 15.0 cents per share, making a total dividend for 2006-07 of 23.0 cents. This was an increase of 3.5 cents (17.9 percent) above last year's normal dividend of 19.5 cents. A special dividend of 0.5 cents was also paid last year.

Based on the closing share price at 30 June, 2007 the dividend payment represents a direct yield of 7.3 percent, or 10.4 percent after adjusting for the franking credit. In addressing dividend payments, the board particularly takes into consideration IMB's need for capital in the current year and beyond, the net profit result and Australian Securities and Investments Commission's ("ASIC") mutuality guidelines.

Best Building Society!

IMB has again received a major award amongst financial services organisations. This year, IMB was awarded "Best Building Society" by Australian Banking and Finance Magazine. This follows on from the awards received over the past two years as "Building Society of the Year". This is a very creditable achievement and one which reflects most favourably on the attitude, skills and competence of our valued staff.

ABACUS

An important objective was achieved through the year when ABACUS, the industry organisation representing the mutual financial services industry, gained 100% membership of all mutual building societies and credit unions in Australia. That sector of authorised deposit-taking institutions ("ADI's") now has more than 4.5 million members across the nation.

Corporate Governance

The Annual Report contains a comprehensive statement on IMB's corporate governance policies. Directors and management are committed to strict adherence to those governance practices and prudential standards and will continue to view them in a positive context to IMB's advantage and not in any way as impediments to its progress.

Corporate Social Responsibility

IMB continues to support the members and the communities in which it operates through an annual grant to the IMB Community Foundation. The eighth year of allocations saw the total funds awarded to 150 community projects climb to $3.85 million since 2000.

The IMB Community Foundation is a very practical and tangible expression of IMB's leadership in this area of responsible social and business practice.

Board of Directors

Since the end of the financial year, one director, Ms Vivien Twyford, has retired and the board has appointed Mr Kieran Biddle to fill the casual vacancy. Mr Biddle will stand for election at the Annual General Meeting.

A directors' succession plan exists and at all times, the board will consider appointments on the basis of maintaining the desired levels of competency, fitness and propriety, noting that all candidates must undertake an assessment and comply with APRA's Fit & Proper Persons prudential standard.

APRA's prudential standards for ADI's coupled with IMB's corporate governance practices ensure that the board has the necessary levels and mix of skills, knowledge, qualifications and experience to manage the business, and that directors are independent both by definition and perception.

Outlook

Since August, 2006 the Reserve Bank of Australia has increased interest rates three times, with prospects of further rises evident. Coupled with knock-on effects from global financial market traumas and the idiosyncrasies of a pre-election period, the first half at least of 2007-08 will be challenging.

IMB has no direct exposure to the US sub-prime debt issues, though indirect flow-on effects throughout financial markets can impinge on funding costs.

Notwithstanding those challenges, directors are optimistic about the year ahead, and expect IMB to grow, to achieve its targets and to maintain a strong and high quality balance sheet.

Appreciation

I express my appreciation to my fellow directors for their considerable time, energy and valued input into IMB's affairs throughout the year. In particular I acknowledge the excellent contribution to IMB of Vivien Twyford, who retired from the board on 1 August, 2007.

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.

My fellow directors and I believe IMB is well-positioned to pursue its strategic objectives and vision, for the benefit of all members and its broader stakeholders.

LR Fredericks
Chairman

“Membership brings rewards”

As a building society our aim is to provide value to all our members. The value we generate is distributed to depositor and loan members through offering better interest rates and fees than our competitors, and to shareholder members through increased dividends.

Chief Executive's Review

Overview

The 2006-07 profit result was again a record for IMB. This is despite tough economic conditions in the housing sector, particularly in New South Wales, further adversely impacted by two rises in official interest rates implemented throughout the year.

The total loan approvals figure of $952.9 million is a significant reduction on the prior year's record approval level. Although a 15.0 percent reduction in approval levels, this level helped total assets increase by $400.0 million or 9.5 percent, the second 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 $20.0 million, an increase of 13.2 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 and Poors. In 2005-06 Standard and Poors, 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 2006-07 Standard and Poors announced that this rating is under positive outlook. Furthermore, in the same release, Standard and Poors 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.

Four years ago IMB launched its own residential mortgage backed securitisation trust and a number of new trusts were launched in subsequent years. 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 2006-07 IMB successfully launched the fourth $500 million residential trust 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 mortgage backed securitisation trust, again a very innovative transaction in the Australian financial marketplace. A second commercial trust of $250 million was successfully launched in 2006-07 to both domestic and international markets.

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 12.4 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.

This was also reflected by the fact that in 2006-07 IMB received the Best Building Society Award 2007 by Australian Banking and Finance Magazine. This is the third year in a row that IMB has received national and independent recognition.

Other recognition included the fact that four IMB products were awarded the maximum five star rating from a leading independent reviewer.

During the year IMB also successfully launched a Reverse Mortgage product, changed insurance providers for our members' Home and Contents Insurance and opened another interstate branch in Glen Waverley, Victoria.

# of Operations

Profit

Group operating profit after tax at $20.0 million was an increase of $2.4 million or 13.2 percent over the previous year. This is also a record performance for any year on both published and underlying core profit for IMB.

Net interest income

Net interest income for the year was $71.6 million, up $4.9 million on the previous year. 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 $0.4 million compared to the previous year. IMB continues to ensure its members enjoy the lowest possible fees compared to its competitors, in fact less than 24 percent of its members pay any fees each month.

Bad and doubtful debts expense

Bad and doubtful debts expense was $1.2 million, an increase of $0.1 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.

Non interest expense

Non interest expense increased by $1.4 million or 2.4 percent compared to the prior year. 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 69.4 percent in 2005-06 to 67.5 percent in 2006-07. Non interest expense, as a proportion of average total assets for the Group, also improved from 1.4 percent last year to 1.3 percent.

Balance Sheet

IMB has achieved solid loan approval levels for the year in a flatter housing market, being 15 percent lower than the previous year. 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.

Loans to members outstanding increased by $0.2 billion (or 5.8 percent) to $3.5 billion. This contributed to assets increasing $0.4 billion (or 9.5 percent) to over $4.6 billion at the end of the financial year.

Management and Staff

During the year under review, there has been ongoing strengthening of the senior management ranks. The skilled and experienced senior staff joining IMB, especially in the area of sales, has 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

Directors' and Executives'

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 Remuneration and CEO Evaluation Committee, a member of the Audit and Risk Management Committee and ex-officio member of the IMB Community Foundation Committee. 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 31 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, except for IMB Land Pty Ltd, of which Mr Fredericks is not a director.

Michael John Cole

BEC (SYD) MEC (SYD) F.FIN

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, Ironbark Capital Limited and Platinum Asset Management Limited. As well as being a director of IMB Ltd, Mr Cole is also a director of all entities wholly owned by IMB Ltd.

From left to right – Harold Hanson, Michael John Cole, Lindsay Russell Fredericks, Lynette Therese Gearing, George Anthony Edgar, Vivien Jennifer Twyford and Lynton Patrick Nicholas.

Particulars

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 a Councillor of the, University of Wollongong, director of Shin Investments Pty Ltd and former 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 Gearing

B.COMM DIP VALUATIONS CERT BUS.STUDIES (REAL ESTATE) FAICD

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 and Stockland Corporation Limited. 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.

Directors' and Executives' Particulars (continued)

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 Chairman of the IMB Community Foundation Committee and a member of the Audit and Risk Management 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 Finance Council. 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 retired from the board on 1 August 2007. Ms Twyford, whose area of expertise is business consulting, had been a non executive director since 1990. She was a member of the Remuneration and CEO Evaluation Committee and a former Chairperson of IMB Community Foundation Pty Ltd. Ms Twyford is Managing Director of Twyford Consulting and has been a consultant in the area of business improvement, people and strategy for 25 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 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 was also a director of all entities wholly owned by IMB Ltd.

Kieran Robert Biddle

DIP.LAW SAB SPEC – ACC BUS

Mr Biddle, who is a lawyer, was appointed as a non executive director on 1 August 2007. He has been a principal solicitor in private practice in Wollongong since 1978, is a solicitor of the High Court of Australia and the Supreme Court of New South Wales, an Accredited Specialist in Business Law and a Public Notary. Mr Biddle is a director and Chair of the Finance Committee of Centacare, Wollongong. He is also a director of Australian Industry World Limited, a local not-for-profit company and acts as an honorary solicitor for a number of charities. As well as being a director of IMB Ltd, Mr Biddle is also a director of all entities wholly owned by IMB Ltd.

Robert James Ryan

BEC MCOMMLAW FCIS FCIM ACA FTIA

Mr Ryan is the Deputy Chief Executive, Chief Financial Officer and Company Secretary and joined the Company in 1999. He is responsible for the overall management of the Company's finance, treasury, compliance, strategic projects, corporate services, lending and loans administration and property and support services. Mr Ryan is a director of IMB Financial Planning Limited, Australian Settlements Limited and an alternate director of 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.

Malcolm Raymond Harley

Mr Harley is General Manager Sales and Marketing and joined the Company in 2005. He is responsible for all sales channels nationally, 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 twenty six years and has held senior management roles with both St George Bank Ltd and RAMS Home Loans Ltd.

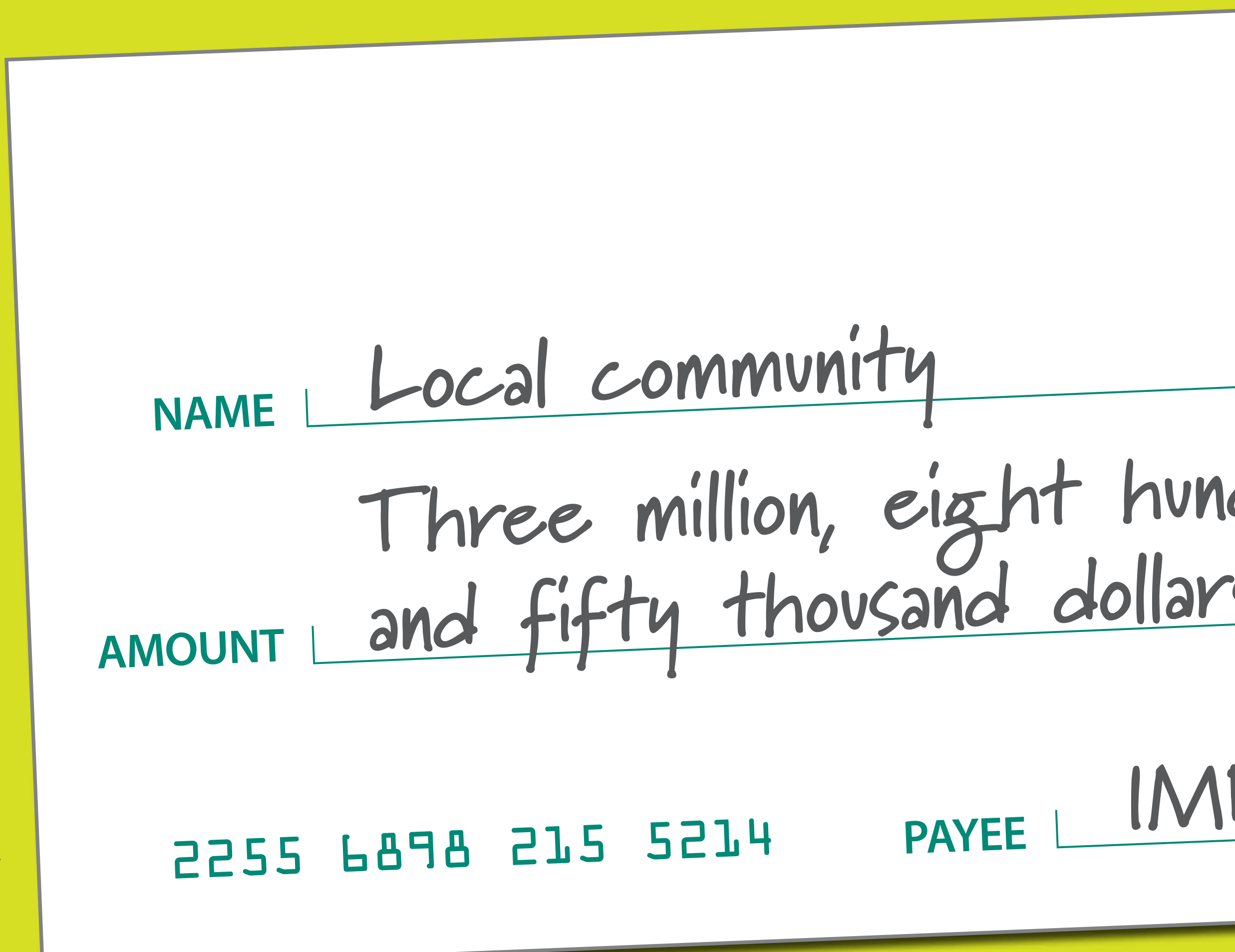
Peter Wayne Morris

ACIS ACIM MNIA AIMM AIFS AMP (HARV)

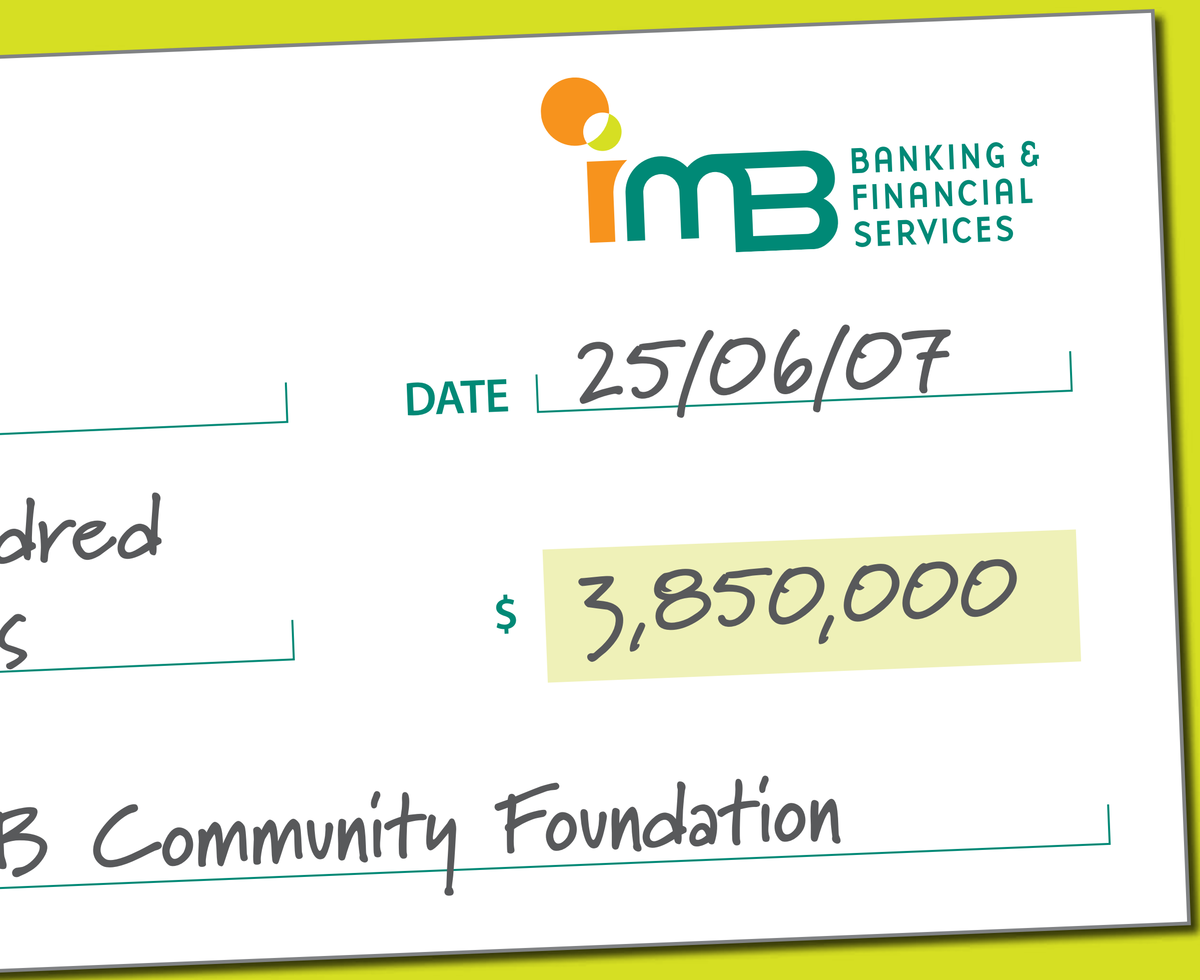
Mr Morris is the Chief Executive. Since joining the Company in 1977, he has held a number of positions in both the branch network and administration, as well as a range of management positions. Mr Morris is responsible for Human Resources, IMB share trading, cards, e-business, insurances and transaction processing; and information systems and technology. 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, Abacus Australian Mutuals Pty Ltd and an alternate director of Australian Settlements Limited. He is also Chairman of IMB Financial Planning Limited and Chairman of the Australian Association of Permanent Building Societies Inc.

From left to right –
Robert James Ryan,
Peter Wayne Morris and
Malcolm Raymond Harley.

“Making a difference to the community”



We allocated a further $350,000 to the IMB Community Foundation, bringing the total amount of **funds granted to the community to almost $4 million.**



Our community

IMB has a long history of supporting the communities it serves.

Our commitment today remains as strong as ever and we continue to play an active role in the communities in which we operate.

We recognise that our responsibilities extend to our impact on the environment and on the communities in which we serve.

IMB Community Foundation

In 1999 the IMB Community Foundation was established as a way for IMB to offer funding support back to the community.

The foundation aims to provide the economic opportunities for social, cultural, environmental, tourism, and educational organisations within communities in Wollongong, the Shoalhaven, the far south coast, inland to Canberra, Goulburn and north to Macarthur.

The IMB Community Foundation focuses on projects which are of lasting benefit, involving a wide range of issues to a broad cross section of our community. Since its creation the Foundation has supported almost 150 projects.

This year the IMB Community Foundation granted another $350,000 for community projects bringing the total amount of funds granted through the Foundation to nearly $4 million.

The projects funded this year are aimed at both younger and older members of our communities. They support the environment, business development, migrant communities and overseas students, those with disabilities, those who ride bikes and enjoy walking. The projects support education, mentoring, the performing arts, the museum sector and community capacity building. No two projects are alike but each in its own way supports the communities in which IMB's members live and work.

Projects supported by the Community Foundation in 2007 include:

- Administration Assistance
  – Clean Energy for Eternity
- Broadcasting the Future
  – 92.5 FM Youth Community Radio
- Cobargo Historic Walk
  – Cobargo Tourist and Business Association Inc
- Community-Based Cycling Training Scheme, Partner Consultations
  – Bicycle Federation of Australia Inc
- Cows Create Careers
  – Strzelecki Lions Club
- Environment Upgrade of Riverside Nursery
  – Stage I Tulgeen Group
- Howell Faulks Park Path
  – Cambewarra Residents & Ratepayers Association
- Inspiring Mental Health
  – Youth Solutions
- Local Scripts – Local Films
  – Film Illawarra
- Nowra Adult Day Care Centre Garden
  – Australian Plants Society (APS), Nowra
- MENTOR – Men Together Our Responsibility
  – Port Kembla Community Project Inc.
- Mentoring Towards Manhood
  – Wingecarribee Health Association for Men Inc
- Museum Development Program
  – Wollongong City Council
- Performance Marquee
  – Shellharbour City Council, Youth Services Team
- Resources to support Homework Help
  – SCARF
- Rock and Water Program
  – Picton High School
- The Dunn & Lewis Memorial Youth Entertainment Complex
  – The Dunn & Lewis Youth Development Foundation Ltd.
- Towards a Sustainable Albion Park
  – Futureworld Eco-Technology Centre
- Spearing Reserve Bushcare
  – Edmund Rice College
- Wallaga Lake Management Skills
  – Little Yuin Aboriginal Preschool
- Welcome to Wollongong
  – Welcome to Wollongong Community Working Group

Other community support

IMB also supports a variety of charity, community and sporting organisations including the Salvation Army Red Shield Appeal, Mission Australia, the Wollongong IMB Hawks Basketball team, the Wollongong IMB Lions AFL team, Wollongong based motor racer Damien White and IMB is a major sponsor of the Wollongong Symphony Orchestra. In addition we support numerous other community grass roots projects and events including the provision of marquees for the use by the region's sporting clubs, schools, charities and other community groups.

Other community sponsorships during the year included:

- Bega Sports Awards
- Bellambi Public School
- Bowral Golf Club Ladies Day
- Bulli Markets
- Corrimal Chamber of Commerce
- Cronulla South Public School
- Dapto Community Carols
- Dapto Junior Soccer Club Trivia Night
- Eden High School
- Eden Ladies Golf
- Enough Is Enough Youth Programme – Sutherland Shire
- Fairy Meadow Demonstration School Trivia Night
- Glen Waverley AFL Hawks
- Holden Owners of Southern NSW
- Illawarra Children's Services
- Illawarra Women and Leadership Forum
- IMB School Citizen of the Year – Albion Park Public School
- Kidz Wish
- KyStars – Kiama Lions Young Talent Quest
- Lake South Public Speaking
- Merimbula Public School Book prize
- Mogo Zoo
- Pambula Show
- Picton Public School – local community award
- Primbee Public School fortnightly awards
- Queanbeyan Gift Race
- Rock School Breakfast
- Sapphire Coast Band
- Southern Districts Rugby Union
- Southern Highland Hockey Association
- Team IMB – Damien White V8 Utes
- Warilla Public School – Book sponsorship
- Wollondilly Christmas Lights Sponsorship
- Wollongong IMB Hawks
- Wollongong IMB Lions Football Club
- Wollongong Symphony Orchestra
- Woonona East Primary School Trivia

Our people

IMB is committed to attracting and retaining high quality staff and ensuring employee satisfaction and recognition.

The five IMB core values of integrity, community, co-operation, excellence and respect define our culture and guide the way in which our staff interact with colleagues, members and other IMB stakeholders.

As an organisation, it is our goal to provide a workplace that maximises staff satisfaction, rewards staff for their success and effort, offers career development opportunities and ensures the health and safety of employees.

Staff Survey

Each year IMB conducts a staff survey to identify strengths and areas for improvement within the organisation with the aim of improving current workplace practices, policies and culture. Each year a Staff Satisfaction Index is calculated based on survey responses. 2006 saw a 9% improvement in the overall Staff Satisfaction Index to 64%, a very pleasing result. The survey also rated IMB's workplace culture and values at worlds best practice levels (satisfaction rating of 80% or greater) in 7 out of 11 categories, with the remaining 4 categories rated in the mid to high 70's by staff. This is an outstanding result and reflects our commitment to make IMB a great place to work.

A reflection of IMB's positive workplace culture is found in our large number of long serving employees. The following staff members have worked with IMB for 20 years or longer and we thank and congratulate them for their contribution during their time with us.

30 + Years	Merrilyn Lane	Dianne Mountford	Patricia Rowan
	Barry Bush	Lea Stokoe	Janet Cowan
25 – 30 Years	Lloyd Price	Julie Hurry	Doug Skeates
	Wayne Morris	Max Pavy	Darren Edwards
	Wendy Fellowes	Leanne Louttit	Rhonda Barton
	Kathie Boschiero	Neville Elliott	
	Joy Walker	Michelle Gray	
20 – 25 Years	Cathy Benzie	Kim Martyn	Linda Vugrek
	Rhonda Breeze	Pam Fail	Kerry Young
	Sandra Kenning	Mavis Smith	Corinne Harris
	Cindy Nutt	Allison Evans	Bill Faulkner
	Deborah Barnard	Colleen Franklin	Janine Hammersley
	Cathy Richardson	Richard Kosarew	Jenny Donnelly
	Jenny Cadona	Gordon Anderson	

Learning and Development

At IMB, we have a strong focus on providing our staff with the skills and knowledge they need to meet immediate and longer term needs. Our learning and development focus in the last 12 months has been in the areas of customer service, sales skills, personal and home loan lending, alliance products, induction and necessary compliance training. We have also invested in management and leadership training for our key frontline managers to ensure we have the skills and knowledge to manage our business effectively into the future.

In addition to IMB's extensive internal learning program, staff undertook a range of external training courses during the year, primarily to develop specialist technical or industry skills. External training was provided in areas such as IT, Treasury, Accounting, Law and specialist Lending skills, ensuring that IMB staff remain equipped to deal with the increasingly complex demands of their respective workplaces, customers and the finance industry.

Our cadetship and traineeship programs continue to provide us with a pipeline of talented recruits as we "grow our own" staff to meet current and future demands. Of the 28 trainees recruited over the last 2 years, 24 are employed in permanent positions with IMB, with several already occupying management and supervisory roles.

Employee Recognition

We recognise the achievements of our staff through formal Awards such as the annual Chief Executives Award, Sales Awards and Trainee of the Year Award. The IMB Night of Excellence provides an opportunity to celebrate the success of our high achievers and recognise their contribution to IMB.

The Chief Executives Award recognises staff members who "go the extra mile", that is, perform their job above and beyond normal expectations and requirements, and are exemplars of the IMB Values. The 2007 Chief Executives Award winner is Lauren Wise.

The IMB Trainee of the Year Award recognises one of the IMB trainees who excels in all aspects of their role. This may include customer relationships, sales and referrals, or other work based achievements, as well as their off job studies. The winner must demonstrate motivation, commitment, initiative, the ability to work well in a team and community involvement. The 2006 – 2007 winner of this award was Laura Jones.

All IMB trainees are eligible to nominate for the Illawarra Regional Trainee of the Year Award, where they compete for recognition with trainees from companies throughout the Illawarra, South Coast, Cooma and Monaro areas. Laura Jones and Renee Taylor from IMB were both successful in being named Regional Trainee of the Year in their respective categories (Business Studies and Marketing), with Renee Taylor named as overall Regional Trainee of the Year. Renee will represent the region at the NSW state finals to be held in September.

This is the second consecutive year in which an IMB Trainee has received this honour, with Ashlee O'Kane named Illawarra Regional Trainee of the Year last year. These awards are a recognition of the quality of IMB's traineeship program and the calibre of IMB's trainees.

Staff Social Events

IMB recognises that there is an important social aspect in work, and during the year staff members attended and participated in events such as the family picnic and staff Christmas party. IMB also has a social club, fully funded by the staff. This year, members participated in activities such as sports days, winery tours, trivia nights, the annual golf day, family barbeques and an annual gala dinner.

Community Involvement

IMB is committed to building positive relationships with the community. Community involvement has included participation in activities such at The World's Greatest Shave and Breakfast on the Beach and Tubs in the Basin events, and staff involvement in many of the IMB Community Foundation sponsored projects. Individual branches also play a large role in local communities, supporting fundraisers and local events, attending school information sessions and being active participants in the business community.

Occupational Health and Safety

IMB is committed to providing the highest possible level of workplace health and safety for our staff and customers. Staff are trained in areas such as robbery safety and fire procedure and office and branch premises are inspected regularly to ensure that our workplaces are safe for our staff and the public. We have an active OH&S Committee responsible for regularly reviewing OH&S policies and practice, raising awareness of OH&S issues, and recommending OH&S training of employees. IMB has a comprehensively documented OH&S Management System which is reviewed, updated and audited regularly to ensure that our OH&S policies, procedures and practice remain relevant and effective.

IMB's commitment to its staff and their families extends well beyond the workplace, including through the provision of an independent and confidential counselling service to assist staff and their families in dealing with the range of challenges often thrown up by everyday life.

IMB Trainee of the Year – Laura Jones and Regional Trainee of the Year – Renee Taylor.

Corporate Governance

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2007.

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 Group") 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

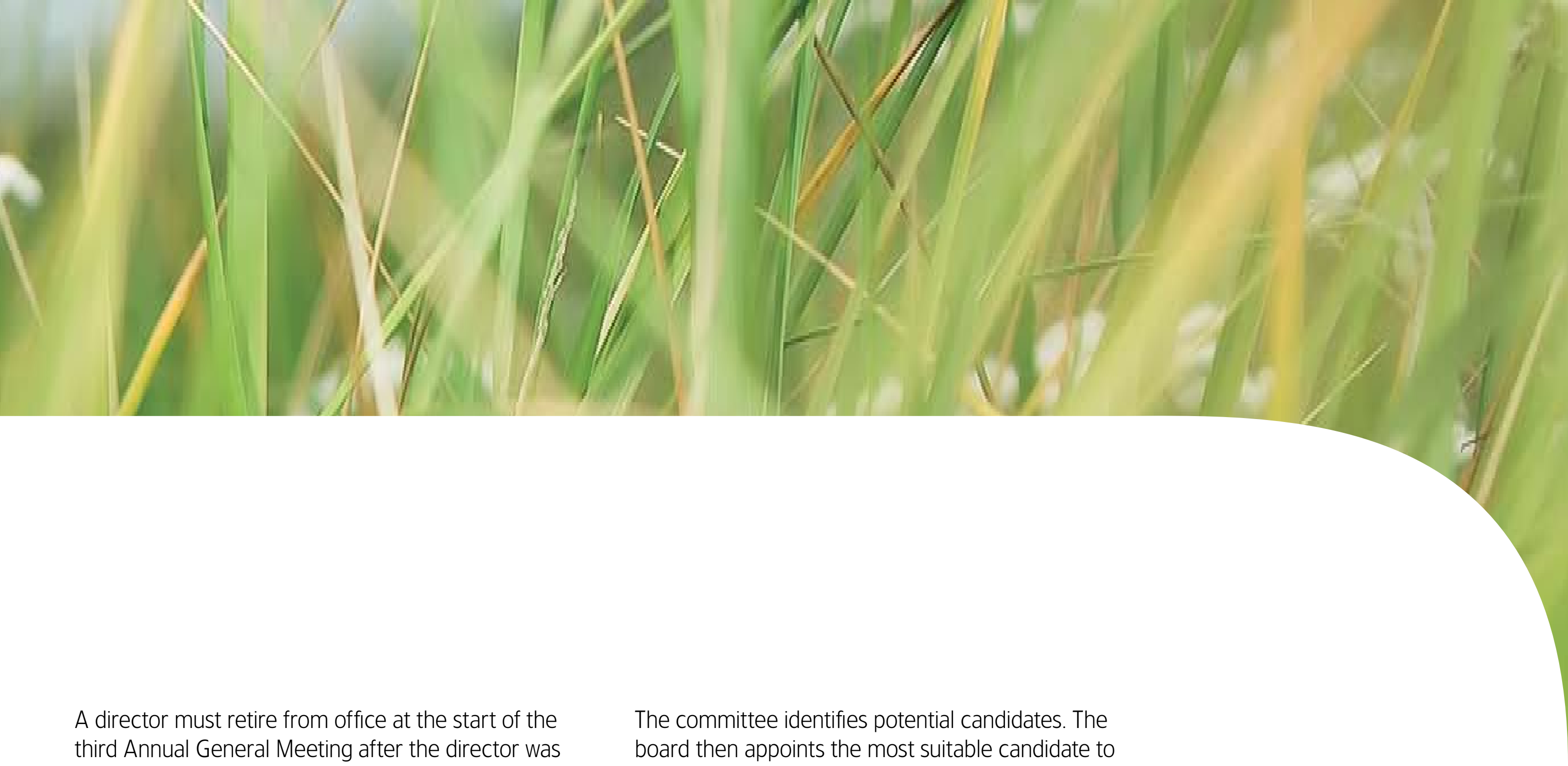
Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. A copy of the advice received 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 32 of this 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.

In the normal course of events up to four full terms are considered to be the maximum period of time to serve on the board. For those directors in office at 22 June 2004 exceeding four full terms, a transitional period applies.

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 not been a director after ceasing to hold any such employment;
- within the last three years has not 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 is not 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 any group member other than as a director of the Company.

Details of the directors of the Company in office at the date of this statement appear on pages 16 to 18 of this financial report.

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 on the Company's Fit and Proper Policy.

The committee identifies potential candidates. The board then appoints the most suitable candidate to fill the casual vacancy. Board appointed 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:

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

The Nominations and Governance Committee meets a minimum of two times annually and more frequently as required.

Remuneration and CEO Evaluation Committee

The Remuneration and CEO Evaluation Committee reviews and make recommendations to the board on remuneration packages 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 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 and CEO Evaluation Committee meetings as required to discuss management performance and remuneration packages but does not attend meetings involving matters pertaining to himself.

The committee also conducts an annual review of the performance of the Chief Executive and makes appropriate recommendations to the board in respect of such performance evaluations.

Corporate Governance (continued)

The Remuneration and CEO Evaluation Committee meets a minimum of two times annually and more frequently as required.

The aggregate base emoluments for all directors are approved by members at the Annual General Meeting and include 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 30 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 Company's financial reporting process, risk management and internal control systems;
- reviewing and appraising the audit efforts of the Company's external auditors and the Risk and Audit Department;
- providing an open avenue of communication among the external auditor, financial and senior management, the Risk and Audit Department, and the board of the Company; 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 Company'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

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 2007 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.

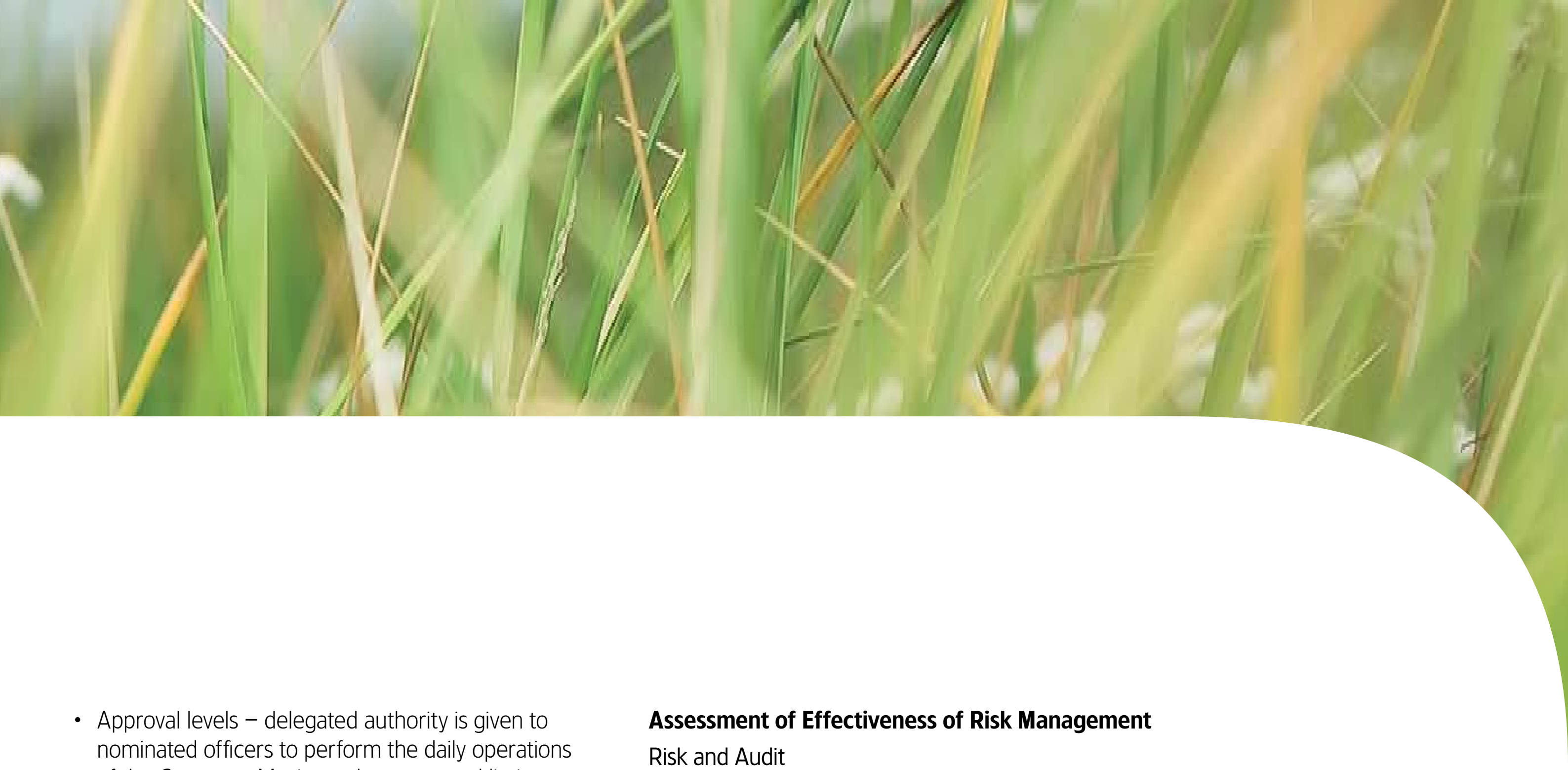
Oversight of Risk Management System

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 Group.

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 Group reports to members half-yearly.



- Approval levels – delegated authority is given to nominated officers to perform the daily operations of the Company. Maximum loan approval limits are delegated subject to the qualifications and experience of the nominated officer. Cheque signatory authority for the various Company bank accounts are also delegated to nominated officers subject to experience and task related need. The delegated authority for each of these is reviewed on a quarterly basis. Authority to incur expenditure and also capital commitments is delegated to nominated senior officers. The board reviews these levels on a regular basis and changes are only made following a recommendation from the Chief Executive.
- Operating unit controls – financial controls and procedures including information systems controls are detailed in procedures manuals.
- Functional speciality reporting – the Group 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 Group 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

Risk and Audit

The Risk and Audit Department assists the board in ensuring compliance with internal controls and risk management programs by regularly reviewing the effectiveness of the above mentioned compliance and control systems. The Audit and Risk Management Committee is responsible for approving the Risk and Audit Department's plan for 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 Group. 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 Group. 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 Group are set out in note 30 to the financial accounts.

Code of Conduct

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

Corporate Governance (continued)

Dealings in Company securities by directors and employees and their associates

The board applies 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.

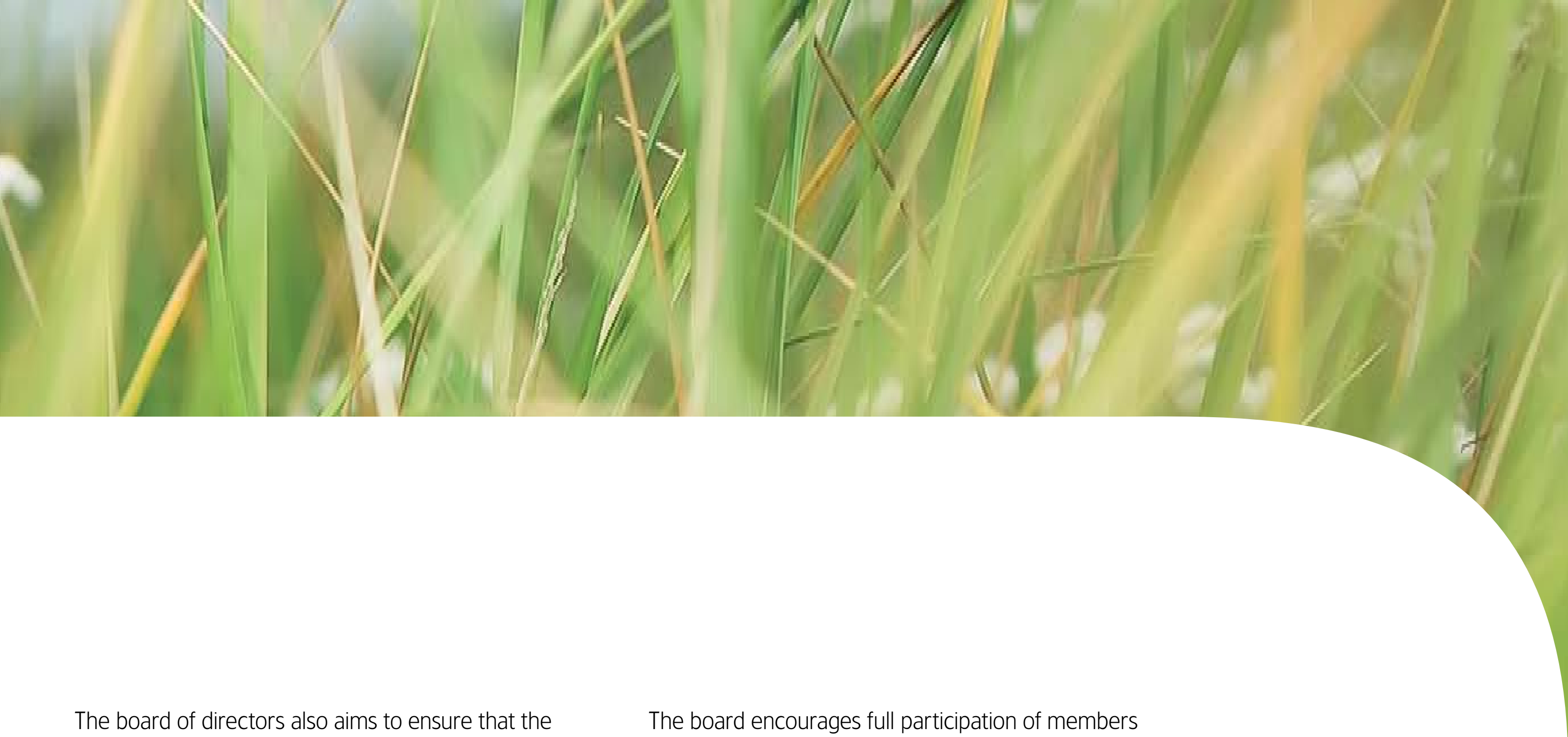
Communication with Members

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; and
- ensure disclosure of such matters to ASIC or the ASX as the case may be, with subsequent disclosure to IMB members.

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

- On a weekly basis the Company's Executive Group examines all areas of the Group'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 Group'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 the Group'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 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 Group during the year, changes in the state of affairs of the Group 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 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 Group during the period. Half-year financial statements are prepared in accordance with Australian Accounting Standards 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 Company 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 Group'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 Group, being the Company and its controlled entities, for the financial year ended 30 June 2007 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 (resigned 1 August 2007)
Kieran Robert Biddle (appointed 1 August 2007)

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director are set out on pages 16 to 18 of this report.

At the annual general meeting of the Company on 30 October 2007, three directors, Messrs MJ Cole, GA Edgar, and KR Biddle, 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 19 of this report.

Principal Activities

The principal activities of the group 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 2007.

Operating and Financial Review

Consolidated profit for the year attributable to members was $20.0 million (2006: $17.6 million), an increase of $2.4 million or 13.2% over 2006.

Loan approvals were down $167 million to $953 million (2006: $1,120 million). This was due to a lower level of residential lending approvals which were down $101 million from 2006 levels, and a net decrease in other lending of $66 million.

Net interest income for the year was $71.6 million, up $4.9 million on the previous year. This improvement resulted from the growth in average interest earning assets which was achieved mainly through average loans and investments increasing by 10.5% or $417 million to $4,395 million, offset by an increase in average interest bearing liabilities of 10.4% or $400 million to $4,229 million and a 5 basis points decrease in interest margin to 1.6%.

Bad and doubtful debts expense increased by $146,000 to $1,221,000 (2006: $1,075,000).

Non interest income decreased by $0.4 million or 2.6% to $15.8 million.

Non interest expense increased by $1.4 million or 2.4% to $58.2 million.

The expense to income ratio decreased from 69.4% in 2006 to 67.5% in 2007.

Dividends

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

- 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.
- 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.
- an interim dividend of $0.08 per share amounting to $3,193,000 franked to 100% at a tax rate of 30%, in respect of the year ended 30 June 2007, paid on 27 February 2007.

- a final ordinary dividend of $0.150 per share amounting to $5,987,000 franked to 100% at a tax rate of 30%, declared on 14 August 2007, in respect of the year ended 30 June 2007, payable on 30 August 2007.

Total dividends paid or declared in respect of the year ended 30 June 2007 were $0.23 per share (2006: dividend of $0.20) amounting to $9,180,000 (2006: $7,982,000).

Events Subsequent to Reporting Date

On 24 July 2007, the Directors of IMB Land Pty Ltd resolved that IMB Land Pty Ltd pay a $1,000,000 fully franked dividend from retained earnings taxed at 30% payable to its parent IMB Ltd.

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 Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

In June 2002 the Company issued $10,000,000 of Subordinated Floating Rate Notes for a ten year period maturing 2012. The floating rate note is set at the 90 day bank bill rate plus 120 basis points. After the 5th anniversary, the Company, with the consent of APRA, may redeem the notes. The Company intends to redeem the notes and replace them with a $20,000,000 issue in September 2007.

Details of other likely developments in the operations of the Group in subsequent financial years are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 10 to 15 of the annual report.

State of Affairs

Details of any significant changes in the state of affairs of the Group are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 10 to 15 of the annual report.

Directors' Interests

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

Director	Holding at 14 August 2007
Mr LR Fredericks	4,693
– related parties	8,354
Mr MJ Cole	7,131
Mr GA Edgar	3,000
– related party	38,976
Ms LT Gearing	2,000
Mr H Hanson AM	16,273
Mr LP Nicholas	2,000
– related party	38,890
Mr KR Biddle	5,000
– related party	13,203

Key Management Personnel Remuneration

Key management personnel remuneration is set out in note 30 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 Group's interest in a controlled entity involved in land development is subject to environmental regulations. The board believes that the controlled entity has adequate systems in place for the management of its environmental requirements. The remainder of the Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The board is not aware of any breach of environmental requirements as they apply to the Group.

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 2007 and the number of meetings attended by each director.

	Directors' Meetings	Audit & Risk Management	Land Development	Remuneration & CEO Evaluation	Nominations & Governance	IMB Community Foundation
Number of meetings held	14	4	4	5	5	3
Number of meetings attended						
Mr LR Fredericks [(a)]	14	4	–	5	5	3
Mr MJ Cole	14	4	–	5	–	–
Mr GA Edgar [(b)]	14	–	–	5	5	–
Ms LT Gearing	14	4	4	–	5	–
Mr H Hanson AM	14	4	4	–	5	3
Mr LP Nicholas	14	4	–	–	–	3
Ms VJ Twyford [(c)]	13	–	–	5	–	2

(a) Mr Fredericks is an ex-officio member of the IMB Community Foundation Committee.
(b) Mr Edgar attended 3 Audit and Risk Management Committee meetings as an observer.
(c) Ms Twyford attended 3 Audit and Risk Management Committee meetings as an observer.

The following table sets out the number of meetings of the Company's wholly owned subsidiaries' directors held during the year ended 30 June 2007 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	1	1	1
Number of meetings attended				
Mr LR Fredericks [(a)]	–	1	1	1
Mr MJ Cole	11	1	1	1
Mr GA Edgar	12	1	1	1
Ms LT Gearing	12	1	1	1
Mr H Hanson AM	12	1	1	1
Mr LP Nicholas	12	1	1	1
Ms VJ Twyford	11	1	1	1

(a) Mr Fredericks is not a director 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 36 and forms part of the directors' report for the financial year ended 30 June 2007.

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 14th day of August 2007

Signed in accordance with a resolution of the directors:

LR Fredericks
Chairman

MJ Cole
Director

KPMG

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 2007 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.

KPMG

KPMG

Warwick Shanks
Partner

Dated at Wollongong this 14th day of August 2007

Financial Statements

Income Statements

For the year ended 30 June 2007

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Interest revenue	2	307,500	260,874	310,431	263,019
Interest expense	2	(235,856)	(194,101)	(238,845)	(196,317)
Net interest income		71,644	66,773	71,586	66,702
Bad and doubtful debts expense	2	(1,221)	(1,075)	(1,221)	(1,075)
Net interest income after bad and doubtful debts		70,423	65,698	70,365	65,627
Revenue from land development	2	–	130	–	–
Share of profits of joint venture entity	28	309	247	–	–
Other income	2	15,537	15,885	15,101	15,510
Net income		86,269	81,960	85,466	81,137
Land development expense	2	–	(113)	–	–
Other expenses	2	(58,232)	(56,755)	(58,160)	(56,699)
Profit before tax	2	28,037	25,092	27,306	24,438
Income tax expense	3	(8,078)	(7,464)	(7,951)	(7,342)
Profit for the year attributable to members of the Company		19,959	17,628	19,355	17,096

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 42 to 75.

Balance Sheets

As at 30 June 2007

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
ASSETS					
Cash and cash equivalents	29	56,024	60,743	11,774	15,103
Available for sale investments	6	665,263	575,336	687,518	610,961
Loans and receivables to other ADI's	7	376,538	252,945	376,538	252,945
Loans and receivables to members	8	3,499,034	3,308,138	3,502,193	3,310,949
Equity accounted investments	28	1,795	1,486	–	–
Other financial assets	9	1,003	957	3,656	3,635
Derivative assets	11	2,561	1,291	2,561	1,291
Inventories	12	3,352	3,009	–	–
Property, plant and equipment	13	17,353	18,395	17,353	18,395
Intangible assets	14	2,350	3,044	2,350	3,044
Other assets	15	2,525	2,397	12,440	10,327
Total Assets		4,627,798	4,227,741	4,616,383	4,226,650
LIABILITIES					
Sundry creditors	16	46,296	46,749	11,957	9,153
Deposits	17	2,744,737	2,652,087	2,748,085	2,654,986
Securitised loans funding	18	1,639,772	1,346,436	1,662,027	1,382,060
Interest bearing liabilities	19	10,000	10,000	10,000	10,000
Current tax liabilities	3	2,669	1,079	2,669	1,079
Provisions	20	6,133	5,506	6,133	5,506
Net deferred tax liabilities	3	1,003	1,297	920	1,271
Total Liabilities		4,450,610	4,063,154	4,441,791	4,064,055
Net Assets		177,188	164,587	174,592	162,595
EQUITY					
Issued capital	21	46,936	46,936	46,936	46,936
Reserves	22	26,969	26,488	26,969	26,488
Retained profits	4	103,283	91,163	100,687	89,171
Total equity attributable to members of the Company		177,188	164,587	174,592	162,595

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 42 to 75.

Statements of Cash Flows

For the year ended 30 June 2007

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		306,566	259,486	315,189	259,519
Dividends received		83	21	83	21
Other cash receipts in the course of operations		15,307	15,806	12,575	13,710
Interest paid on deposits		(232,079)	(192,833)	(235,067)	(192,938)
Income taxes paid		(7,134)	(8,488)	(7,064)	(8,410)
Net loans funded		(192,118)	(383,269)	(192,465)	(377,169)
Net increase in deposits		88,866	113,986	89,316	110,663
Other cash payments in the course of operations		(53,876)	(35,496)	(55,540)	(58,965)
Net cash flows from operating activities	29	(74,385)	(230,787)	(72,973)	(253,569)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for available for sale investments		(199,312)	(141,554)	(199,334)	(141,055)
Expenditure on property, plant and equipment, and intangibles		(3,174)	(4,417)	(3,174)	(4,417)
Proceeds from sale of property, plant and equipment		367	385	367	385
Net cash flows from investing activities		(202,119)	(145,586)	(202,141)	(145,087)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from securitised loans funding		279,967	410,473	279,967	410,473
Dividends paid		(8,182)	(7,583)	(8,182)	(7,583)
Net cash flows from financing activities		271,785	402,890	271,785	402,890
Net (decrease)/increase in cash and cash equivalents held		(4,719)	26,517	(3,329)	4,234
Cash and cash equivalents at the beginning of the year		60,743	34,226	15,103	10,869
Cash and cash equivalents at the end of the year	29	56,024	60,743	11,774	15,103

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 42 to 75.

Statements of Changes in Equity

For the year ended 30 June 2007

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Total equity at the beginning of the year		164,587	154,537	162,595	153,077
Adjustments on adoption of AASB 132 and AASB 139:					
– Retained profits	4	–	(1,218)	–	(1,218)
– Available for sale revaluation reserve	22	–	59	–	59
– Hedging reserve	22	–	(365)	–	(365)
– Equity investments revaluation reserve	22	–	418	–	418
– General reserve for credit losses	22	–	432	–	432
Change in available for sale investments recognised through profit and loss	22	513	(110)	513	(110)
Change in fair value of available for sale investments	22	(611)	(377)	(611)	(377)
Change in fair value of cash flow hedges	22	890	1,267	890	1,267
Change in fair value of equity investments	22	32	(101)	32	(101)
Net income recognised directly in equity		824	5	824	5
Profit after tax for the year		19,959	17,628	19,355	17,096
Total recognised income and expense for the year		20,783	17,633	20,179	17,101
Dividends paid	5	(8,182)	(7,583)	(8,182)	(7,583)
Total equity at the end of the year		177,188	164,587	174,592	162,595

Amounts are stated net of tax.

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out in pages 42 to 75.

1. Significant Accounting Policies

(a) Reporting entity

IMB Ltd (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 253-259 Crown Street, Wollongong NSW. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its controlled entities (together referred to as the "Group") and the Group's interest in jointly controlled entities.

(b) Basis of preparation

(i) Statement of compliance

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

The consolidated financial report was authorised for issue by the directors on 14 August 2007.

(ii) Basis of measurement

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 (note 1f), available for sale investments (note 1j) and listed equity investments (note 9).

(iii) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group. 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, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

(iv) Use of estimates and judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Loan impairment (notes 1i and 10); and
- Consolidation of special purpose entities (notes 1c and 8).

The accounting policies set out below have been applied consistently to all periods presented in this consolidated financial report and have been applied consistently by Group entities.

(c) Basis of consolidation

(i) Transactions eliminated on 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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

In the Company's financial statements, investments in subsidiaries are carried at cost.

(iii) Special Purpose Entities (SPEs)

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.

When assessing whether the Group controls (and therefore consolidates) an SPE, judgement is required about risks and rewards as well as the Group's ability to make operational decisions for the SPE. The range of factors that are considered in assessing control are whether:

a) a majority of the benefits of an SPE's activities are obtained;

b) a majority of the residual ownership risks related to the SPE's assets are obtained;

c) the decision making powers of the SPE vest with the Group; and

d) the SPE's activities are being conducted on behalf of the Group and according to its specific business needs.

As the Company has the right to obtain a majority of the residual benefits of the SPE's and is exposed to the majority of the residual risk associated with these SPE's, their underlying assets, liabilities, revenues and expenses are reported in the Group's consolidated balance sheet and income statement.

(d) Cash and cash equivalents

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

(e) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

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.

(f) Cash flow hedges

The Group 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 Group does not hold or issue derivative financial instruments for trading purposes. The fair value of derivative financial instruments is determined by reference to market values for similar instruments.

On entering into a hedging relationship, the Group 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 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.

(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

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.

(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

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.

(ii) Securitisation set-up expenses

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.

(i) Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets (see note 1l), 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.

(i) 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.

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 Group 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.

(ii) 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.

1. Significant Accounting Policies (continued)

(j) Available for sale investments

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. Available for sale investments are accounted for on the date of settlement.

(k) Deposits and interest expense

Deposits are recorded at the principal amount as they are either payable at call, or reprice 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.

(i) 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 receivables (payables) 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.

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

(i) 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.

(ii) Computer software

Where computer software costs are not integrally related to associated hardware, the Group 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 Group controls.

The Group 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 Group's interest in an incorporated joint venture is brought to account using equity accounting principles. The investment in the incorporated joint venture entity is carried at the lower of the equity accounted amount and recoverable amount. The Group'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 projects

(i) 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.

(ii) 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 Group'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 Group'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.

In respect of actuarial gains and losses that arise in calculating the Group'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 Group, 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 Group 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 Group resulting from employees' services provided up to reporting date.

1. Significant Accounting Policies (continued)

(s) Employee benefits (continued)

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 Group 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 (2006: 120 basis points).

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

(v) 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 Group. Payables are stated at cost and are normally settled within 30 days.

(w) Provision for make good costs

The liability for make good costs represents the present value of the estimated future cash outflows to be made by the Company arising from its obligations as a lessee should the relevant lease not be renewed.

The provision is calculated using estimated costs required to return leased premises to the condition in which they were initially provided, by using the Company's cost of capital as at reporting date.

The expected timing of the outflows is dependent upon whether the relevant lease is renewed.

(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) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 6 *Exploration for and Evaluation of Mineral Resources*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 134 *Interim Financial Reporting*, AASB 136 *Impairment Assets*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.

Interpretation 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005, respectively). The potential impact of the interpretation on the Company's financial report has not yet been determined.

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosures of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.

AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other amendments (effective from 1 April 2007) was made recently to introduce accounting policy choices allowed under IFRS that were not previously incorporated by the AASB, and to remove many Australian specific disclosures.

The primary impacts expected for the Group are to reduce the disclosures relating to investments in associates and joint ventures.

Accounting choices that will now be allowed include using the indirect method to prepare the statement of cash flows, and using the proportionate consolidation method for accounting for joint venture interests. Australian specific disclosures that will no longer be required include the share of profits before tax, share of tax expense, and impairment losses from investments in associates and joint ventures.

2. Profit before Tax

		Consolidated		Company	
	Note	2007 $000	2006 $000	2007 $000	2006 $000
Interest revenue					
Loans					
– to members		248,658	211,390	248,432	211,324
– consolidated entities, key management personnel, and related entities	30, 31	155	158	432	258
– other ADI's		16,494	12,092	16,494	12,092
Available for sale investments		42,184	37,069	45,064	39,180
Other interest revenue		9	165	9	165
		307,500	260,874	310,431	263,019
Interest expense					
Deposits					
– from members		137,036	120,805	137,036	120,805
– controlled entities		–	–	107	105
– subordinated debt		750	683	750	683
Securitised loans funding		98,064	72,609	100,946	74,720
Other interest expense		6	4	6	4
		235,856	194,101	238,845	196,317
Net interest income		71,644	66,773	71,586	66,702
Bad and doubtful debts expense					
– bad debts written off		786	900	786	900
– increase in provision		435	175	435	175
		1,221	1,075	1,221	1,075
Net interest income after bad and doubtful debts	10	70,423	65,698	70,365	65,627
Revenue from land development		–	130	–	–
Share of profits of joint venture entity	28	309	247	–	–

2. Profit before Tax (continued)

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Other income				
Dividends	83	21	83	21
Profit from sale of property, plant and equipment	6	95	6	95
Fees	11,432	11,084	11,432	11,084
Payment system fees	1,727	2,118	1,727	2,118
Property income	118	115	118	115
Bad debts recovered	145	157	145	157
Commissions	1,421	1,226	1,421	1,226
Refund of interest paid to Australian Taxation Office	–	538	–	538
Other	605	531	169	156
	15,537	15,885	15,101	15,510
Net income	86,269	81,960	85,466	81,137
Personnel expense				
Salaries	24,428	23,786	24,428	23,786
Payroll tax	1,456	1,472	1,456	1,472
Fringe benefits tax	336	460	336	460
Superannuation	2,276	2,197	2,276	2,197
	28,496	27,915	28,496	27,915
Occupancy expense				
Depreciation and amortisation				
– buildings	147	147	147	147
– leasehold improvements	759	515	759	515
Repairs and maintenance	372	265	372	265
Rental on operating leases	4,054	3,680	4,054	3,680
Other	1,548	1,591	1,548	1,591
	6,880	6,198	6,880	6,198
Payment system expense	4,458	4,944	4,458	4,944
Marketing expense	3,900	4,160	3,900	4,160
Data processing expense	1,707	1,854	1,707	1,854
Postages and printing expense	1,749	1,629	1,749	1,629
Contributions to IMB Community Foundation	350	500	350	500
Goods and services tax not recovered	2,042	1,972	2,042	1,972

2. Profit before Tax (continued)

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
Sundry expenses				
Depreciation and amortisation				
– furniture, fixtures, fittings and other equipment	1,337	1,345	1,337	1,345
– computer equipment	1,043	1,050	1,043	1,050
– intangibles	1,152	1,078	1,152	1,078
Loss from sale of property, plant and equipment	111	28	111	28
Auditors' remuneration (KPMG)				
– audit and review of financial reports	280	224	244	231
– other services				
– other assurance services	45	75	10	56
– taxation services	33	16	33	16
– advisory services	137	131	137	131
Other	4,512	3,636	4,511	3,592
	8,650	7,583	8,578	7,527
Land development expense	–	113	–	–
Total non interest expense	58,232	56,868	58,160	56,699
Profit before tax	28,037	25,092	27,306	24,438

3. Taxation

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
a) Income tax expense				
Recognised in the income statement				
Current tax expense				
– current year	8,958	6,954	8,888	6,868
– adjustment for prior years	(233)	30	(233)	30
	8,725	6,984	8,655	6,898
Deferred tax expense				
– origination and reversal of temporary differences	(647)	480	(704)	444
Total income tax expense	8,078	7,464	7,951	7,342
Reconciliation between income tax expense and profit before tax				
Profit before tax	28,037	25,092	27,306	24,438
Prima facie income tax expense at 30% on operating profit	8,411	7,527	8,192	7,331
Increase in income tax expense due to:				
– income tax under provided for in prior year	–	30	–	30
– depreciation of buildings	44	44	44	44
– non deductible entertainment	36	35	36	35
– imputation gross-up on dividends received	2	2	2	2
– other	–	26	–	100
Decrease in income tax expense due to:				
– income tax over provided for in prior year	(315)	–	(315)	–
– franking credits on dividends received	(8)	(8)	(8)	(8)
– other	(92)	(192)	–	(192)
Income tax expense	8,078	7,464	7,951	7,342

3. Taxation (continued)

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
Deferred tax recognised directly in equity				
Relating to equity investments	14	10	14	10
Relating to available for sale investments	(42)	(202)	(42)	(202)
Relating to cash flow hedges	381	497	381	497
	353	305	353	305

b) Current tax liabilities

The current tax liability for the Group of $2,669,000 (2006: $1,079,000) and for the Company of $2,669,000 (2006: $1,079,000) represents 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.

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
Deferred tax (liabilities)/assets				
Deferred tax liabilities and assets are attributable to the following:				
Deferred expenditure	(1,172)	(1,063)	(1,172)	(1,063)
Deferred lending fees	(1,807)	(1,873)	(1,807)	(1,873)
Property, plant and equipment	(697)	(828)	(697)	(828)
Derivative assets	(768)	(387)	(768)	(387)
Other equity investments	(150)	(136)	(150)	(136)
Freehold land held for development	(98)	(26)	–	–
Other	(32)	–	(32)	–
Total deferred tax liabilities	(4,724)	(4,313)	(4,626)	(4,287)
Provisions	1,246	858	1,246	858
Employee benefits	1,673	1,527	1,673	1,527
Unearned income	367	426	367	426
Available for sale investments	225	183	225	183
Consulting and legal fees	173	–	158	–
Other	37	22	37	22
Total deferred tax assets	3,721	3,016	3,706	3,016
Net deferred tax liabilities	(1,003)	(1,297)	(920)	(1,271)

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000

4. Retained Profits

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Retained profits at the beginning of the year		91,163	82,346	89,171	80,886
Profit for the year attributable to members of the Company		19,959	17,628	19,355	17,096
Adjustments on adoption of AASB 132 and AASB 139		–	(1,218)	–	(1,218)
Dividends recognised during the year	5	(8,182)	(7,583)	(8,182)	(7,583)
Transfers from/(to) general reserve for credit losses	22	343	(10)	343	(10)
Retained profits at the end of the year		103,283	91,163	100,687	89,171

5. Dividends

Dividends recognised in current year by the Company are:

	Cents per share	Total amount $000	% Franked	Date of payment
2007				
2007 interim dividend	8.0	3,193	100%	27-Feb-07
2006 final dividend	12.0	4,789	100%	30-Aug-06
2006 special dividend	0.5	200	100%	30-Aug-06
		8,182		
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		

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

Subsequent Events

On 14 August 2007 the Board declared a final ordinary dividend of 15.0 cents per share amounting to $5,987,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2007. The dividend is payable on 30 August 2007. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2007 and will be recognised in subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences.

	Company 2007 $000	Company 2006 $000
Dividend Franking Account		
30% franking credits available to members of the Company for dividends in subsequent financial years	39,998	34,772

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 $2,566,000 (2006: $2,138,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of $92,000 (2006: $383,000) of franking credits.

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000

6. Investments

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Available for sale investments*				
– government and semi-government securities	57,861	73,684	57,861	73,684
– bills of exchange accepted or endorsed by a bank	28,533	4,985	28,533	4,985
– certificates of deposit issued by banks	184,988	187,053	184,988	187,053
– deposits with banks	58,405	32,889	58,405	32,889
– floating rate notes	321,915	261,453	344,170	297,078
– other bonds**	13,561	15,272	13,561	15,272
Total investments	665,263	575,336	687,518	610,961
MATURITY SCHEDULE OF INVESTMENTS				
Securities maturing				
– up to three months	227,437	184,996	227,437	184,996
– from three to twelve months	180,520	142,502	180,520	142,502
– from one to five years	253,848	247,838	253,848	247,839
– greater than five years	3,458	–	25,713	35,624
Total investments	665,263	575,336	687,518	610,961

* All available for sale investments are revalued to fair 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.

7. Loans and Receivables to other ADI's

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Loans to other Authorised Deposit-taking Institutions ("ADI's")	376,538	252,945	376,538	252,945
Total loans and receivables to other ADI's	376,538	252,945	376,538	252,945
LOANS BY MATURITY				
– up to three months	279,994	127,802	279,994	127,802
– from three to six months	92,530	74,718	92,530	74,718
– from six to nine months	–	15,153	–	15,153
– from nine to twelve months	4,014	17,223	4,014	17,223
– from one to five years	–	18,049	–	18,049
Total loans and receivables to other ADI's	376,538	252,945	376,538	252,945
CONCENTRATION OF LOANS				
Australian Capital Territory	5,188	7,595	5,188	7,595
New South Wales	158,557	67,488	158,557	67,488
Queensland	39,920	30,013	39,920	30,013
South Australia	97,459	90,243	97,459	90,243
Tasmania	32,609	17,169	32,609	17,169
Victoria	12,205	10,154	12,205	10,154
Western Australia	30,600	30,283	30,600	30,283
Total loans and receivables to other ADI's	376,538	252,945	376,538	252,945

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000

8. Loans and Receivables to Members

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Loans to					
– members*		3,498,158	3,307,168	3,498,158	3,307,168
– consolidated entities, key management personnel and related entities	30, 31	2,692	2,351	5,851	5,162
Provision for impairment	10	(1,816)	(1,381)	(1,816)	(1,381)
Total loans net of provision for impairment		3,499,034	3,308,138	3,502,193	3,310,949
LOANS BY MATURITY					
Loans to members maturing					
– revolving credit		12,896	12,033	16,055	14,844
– up to three months		14,115	13,591	14,115	13,591
– from three to six months		14,411	13,841	14,411	13,841
– from six to nine months		15,250	14,691	15,250	14,691
– from nine to twelve months		15,367	14,970	15,367	14,970
– from one to five years		241,637	231,080	241,637	231,080
– over five years		3,187,174	3,009,313	3,187,174	3,009,313
Provision for impairment	10	(1,816)	(1,381)	(1,816)	(1,381)
Total loans net of provision for impairment		3,499,034	3,308,138	3,502,193	3,310,949
CONCENTRATION OF LOANS					
Loans to members					
New South Wales					
– Illawarra		785,352	708,965	788,511	711,776
– South Coast		310,627	276,702	310,627	276,702
– Southern Highlands		395,357	383,009	395,357	383,009
– Sydney		915,675	934,883	915,675	934,883
– Other		210,186	193,438	210,186	193,438
Total New South Wales		2,617,197	2,496,997	2,620,356	2,499,808
Australian Capital Territory		209,243	187,762	209,243	187,762
Queensland		128,210	108,186	128,210	108,186
South Australia		16,718	17,077	16,718	17,077
Victoria		374,160	355,350	374,160	355,350
Western Australia		134,198	123,720	134,198	123,720
Other Australia		21,124	20,427	21,124	20,427
Provision for impairment	10	(1,816)	(1,381)	(1,816)	(1,381)
Total loans net of provision for impairment		3,499,034	3,308,138	3,502,193	3,310,949

* Includes $1,322,350,000 of securitised residential loans and $343,583,000 of securitised commercial loans (2006: $1,102,702,000 of residential loans and $282,843,000 of commercial loans).

9. Other Financial Assets

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Equity investments – at fair value		498	452	498	452
Other equity investments – at cost		505	505	2,333	2,333
Investments in controlled entities – at cost		–	–	754	754
Receivables from subsidiaries		–	–	71	96
Total other financial assets		1,003	957	3,656	3,635

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
10. Provision for Impairment				
Specific provision				
Opening balance	–	463	–	463
Adjustment on adoption of AASB 132 and AASB 139	–	(463)	–	(463)
Additions to specific provision	428	–	428	–
Loans written off, previously provided for	(61)	–	(61)	–
Reversal of provision	(39)	–	(39)	–
Closing balance	328	–	328	–
Collective provision for credit losses				
Opening balance	1,381	–	1,381	–
Adjustment on adoption of AASB 132 and AASB 139	–	1,206	–	1,206
Additions to collective provision	107	175	107	175
Closing balance[1]	1,488	1,381	1,488	1,381
General provision				
Opening balance	–	1,175	–	1,175
Adjustment on adoption of AASB 132 and AASB 139	–	(1,175)	–	(1,175)
Additions to general provision	–	–	–	–
Closing balance	–	–	–	–
Total provision for impairment	1,816	1,381	1,816	1,381
Bad debt expense				
Additions to collective provision	107	175	107	175
Additions to specific provision	389	–	389	–
Bad debts written off directly	725	900	725	900
	1,221	1,075	1,221	1,075
Non accrual loans[2]				
With provision	221	324	221	324
Interest revenue on non accrual loans	31	42	31	42
Interest foregone on non accrual loans	–	–	–	–
Restructured loans[3]	249	–	249	–
Real estate acquired via security[4]	1,923	1,345	1,923	1,345
Revenue recognised on real estate acquired	115	80	115	80
Past due loans[5]	540	545	540	545

1 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 22 for details of this reserve.
2 Non accrual loans are where the recovery of all interest and principal is considered to be reasonably doubtful.
3 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.
4 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.
5 Past due loans are loans where payment of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision is required, the loan is included in non accrual loans.

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000

11. Derivative Assets

	2007 $000	2006 $000	2007 $000	2006 $000
Interest rate swaps at fair value	2,561	1,291	2,561	1,291

12. Inventories

	2007 $000	2006 $000	2007 $000	2006 $000
Freehold land held for development and sale				
– acquisition costs	2,746	2,746	–	–
– development costs capitalised	280	176	–	–
– rates, taxes and interest capitalised	326	87	–	–
Total inventories	3,352	3,009	–	–

On 25 June 2007, Mr K Jackson, JP, Dip Bus (Val) FAPI Registered No. 2240, provided an independent market valuation as at 30 June 2007 on an englobo basis of the undeveloped land component of the above inventories. The Group's interest in this land, which is carried at a cost of $3,352,000 (2006: $3,009,000), was valued at $4,600,000 (2006: $4,600,000).

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000

13. Property, Plant and Equipment

	2007 $000	2006 $000	2007 $000	2006 $000
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	(1,178)	(1,031)	(1,178)	(1,031)
	4,714	4,861	4,714	4,861
Total land and buildings	7,879	8,026	7,879	8,026
Plant and equipment				
– at cost	32,320	30,685	32,320	30,685
– accumulated depreciation	(23,766)	(21,540)	(23,766)	(21,540)
Total plant and equipment	8,554	9,145	8,554	9,145
Work in progress – at cost	920	1,224	920	1,224
Total property, plant and equipment	17,353	18,395	17,353	18,395

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.

13. Property, Plant and Equipment (continued)

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Reconciliations				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning and end of the year	3,165	3,165	3,165	3,165
Buildings				
Carrying amount at the beginning of the year	4,861	5,008	4,861	5,008
Depreciation	(147)	(147)	(147)	(147)
Carrying amount at the end of the year	4,714	4,861	4,714	4,861
Plant and Equipment				
Carrying amount at the beginning of the year	9,145	9,390	9,145	9,390
Additions	1,273	1,308	1,273	1,308
Transfers from work in progress	1,747	1,745	1,747	1,745
Disposals	(472)	(378)	(472)	(378)
Depreciation	(3,139)	(2,920)	(3,139)	(2,920)
Carrying amount at the end of the year	8,554	9,145	8,554	9,145
Work in progress				
Carrying amount at the beginning of the year	1,224	964	1,224	964
Additions	1,443	2,005	1,443	2,005
Transfers to plant and equipment	(1,747)	(1,745)	(1,747)	(1,745)
Carrying amount at the end of the year	920	1,224	920	1,224

14. Intangible Assets

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Intangible computer software				
Carrying amount at the beginning of the year	3,044	3,512	3,044	3,512
Additions	458	610	458	610
Amortisation	(1,152)	(1,078)	(1,152)	(1,078)
Carrying amount at the end of the year	2,350	3,044	2,350	3,044

15. Other Assets

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Sundry debtors	2,496	2,044	12,411	9,974
Other deferred costs	29	353	29	353
Total other assets	2,525	2,397	12,440	10,327

16. Sundry Creditors

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Sundry creditors	12,027	9,209	11,957	9,153
Distributions payable by SPEs	33,854	37,173	–	–
Fees payable by SPEs	415	367	–	–
Total sundry creditors	46,296	46,749	11,957	9,153

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000

17. Deposits

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Retail deposits		1,992,813	1,971,210	1,996,161	1,974,109
Wholesale deposits		726,057	658,794	726,057	658,794
Accrued interest		25,867	22,083	25,867	22,083
Total deposits		2,744,737	2,652,087	2,748,085	2,654,986
DEPOSITS BY MATURITY					
Deposits maturing					
– on call		928,297	867,712	931,645	870,611
– up to three months, excluding those on call		1,210,354	1,170,187	1,210,354	1,170,187
– from three to six months		381,648	386,702	381,648	386,702
– from six to twelve months		204,117	210,805	204,117	210,805
– from one to five years		20,321	16,681	20,321	16,681
Total deposits		2,744,737	2,652,087	2,748,085	2,654,986
CONCENTRATION OF DEPOSITS					
New South Wales					
– Illawarra		968,720	940,906	972,068	943,805
– South Coast		500,043	485,973	500,043	485,973
– Southern Highlands		322,596	337,930	322,596	337,930
– Sydney		340,213	312,564	340,213	312,564
– Other		229,935	218,240	229,935	218,240
Total New South Wales		2,361,507	2,295,613	2,364,855	2,298,512
Australian Capital Territory		153,873	124,469	153,873	124,469
Queensland		18,809	28,126	18,809	28,126
South Australia		20,427	10,868	20,427	10,868
Victoria		152,539	170,619	152,539	170,619
Western Australia		12,330	8,403	12,330	8,403
Other Australia		25,252	13,989	25,252	13,989
Total deposits		2,744,737	2,652,087	2,748,085	2,654,986

18. Securitised Loans Funding

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Notes payable		1,639,772	1,346,436	–	–
Loans from securitisation trusts		–	–	1,662,027	1,382,060
Total securitised loans funding		1,639,772	1,346,436	1,662,027	1,382,060

19. Interest Bearing Liabilities

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Subordinated floating rate notes	1u	10,000	10,000	10,000	10,000

	Note	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
20. Provisions					
Make good provision					
Balance at the beginning of the year		417	354	417	354
Provisions made during the year		138	77	138	77
Provisions used during the year		–	(14)	–	(14)
Balance at the end of the year		555	417	555	417
Employee benefits					
Balance at the beginning of the year		5,089	4,838	5,089	4,838
Provisions made during the year		2,292	1,979	2,292	1,979
Provisions used during the year		(1,803)	(1,728)	(1,803)	(1,728)
Balance at the end of the year	23	5,578	5,089	5,578	5,089
Total provisions		6,133	5,506	6,133	5,506
21. Issued Capital					
Issued capital					
39,911,640 (2006: 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 interest in the assets and earnings of the Company.

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
22. Reserves				
Available for sale revaluation reserve				
Balance at the beginning of the year	(428)	–	(428)	–
Adjustment on adoption of AASB 132 and AASB 139	–	59	–	59
Revaluation movement for the year net of tax	(611)	(377)	(611)	(377)
Change in available for sale investments recognised through profit and loss	513	(110)	513	(110)
Balance at the end of the year	(526)	(428)	(526)	(428)
Cashflow hedging reserve				
Balance at the beginning of the year	902	–	902	–
Adjustment on adoption of AASB 132 and AASB 139	–	(365)	–	(365)
Revaluation movement for the year net of tax	890	1,267	890	1,267
Balance at the end of the year	1,792	902	1,792	902
Equity investments revaluation reserve				
Balance at the beginning of the year	317	–	317	–
Adjustment on adoption of AASB 132 and AASB 139	–	418	–	418
Revaluation movement for the year net of tax	32	(101)	32	(101)
Balance at the end of the year	349	317	349	317

22. Reserves (continued)

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
General reserve for credit losses				
Balance at the beginning of the year	442	–	442	–
Adjustment on adoption of AASB 132 and AASB 139	–	432	–	432
Transfer (to)/from retained profits	(343)	10	(343)	10
Balance at the end of the year	99	442	99	442
General reserve				
Balance at the beginning and end of the year	25,255	25,255	25,255	25,255
Total reserves	26,969	26,488	26,969	26,488

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 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.

23. Employee Benefits

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Current				
Liability for annual leave	2,005	1,863	2,005	1,863
Liability for banked time	4	4	4	4
Liability for directors' retirement benefits	142	–	142	–
	2,151	1,867	2,151	1,867
Non Current				
Present value of obligations – defined benefit fund	6,454	6,982	6,454	6,982
Fair value of defined benefit fund assets	(7,238)	(6,905)	(7,238)	(6,905)
Present value of net obligations	(784)	77	(784)	77
Unrecognised actuarial losses	1,256	302	1,256	302
Recognised liability for defined benefit obligations	472	379	472	379
Liability for long-service leave	2,429	2,175	2,429	2,175
Liability for directors' retirement benefits	526	668	526	668
Total employee benefits	5,578	5,089	5,578	5,089

23. Employee Benefits (continued)

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 2007 was carried out by Ms SA Sweeney FIAA on 19 July 2007.

Movements in the net liability for defined benefit obligations recognised in the balance sheet.

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
Net liability for defined benefit obligations at the beginning of the year	379	306	379	306
Contributions received	(251)	(261)	(251)	(261)
Expenses recognised in the income statement	344	334	344	334
Net liability for defined benefit obligations at the end of the year	472	379	472	379
Changes in the present value of the defined benefit obligations are as follows:				
Defined benefit obligation at the beginning of the year	6,982	7,893	6,982	7,893
Service cost	516	483	516	483
Interest cost	324	334	324	334
Actuarial (gains)/losses	(293)	(841)	(293)	(841)
Contributions by employees	229	174	229	174
Benefits paid	(1,173)	(926)	(1,173)	(926)
Other	(131)	(135)	(131)	(135)
Defined benefit obligation at the end of the year	6,454	6,982	6,454	6,982
Changes in the fair value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	6,905	6,728	6,905	6,728
Expected return	1,157	803	1,157	803
Contributions by employer	251	261	251	261
Contributions by employees	229	174	229	174
Benefits paid	(1,173)	(926)	(1,173)	(926)
Other	(131)	(135)	(131)	(135)
Fund assets at the end of the year	7,238	6,905	7,238	6,905

23. Employee Benefits (continued)

The major categories of fund assets as a percentage of total fund assets are as follows:

	Consolidated		Company	
	2007 %	**2006 %**	**2007 %**	**2006 %**
Australian shares	30	28	30	28
International shares	30	27	30	27
Property/alternate investments	15	15	15	15
Fixed interest	20	25	20	25
Cash	5	5	5	5
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	516	483	516	483
Interest on obligation	325	334	325	334
Expected return on fund assets	(497)	(488)	(497)	(488)
Actuarial losses	–	5	–	5
	344	334	344	334

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

The actual return on fund assets was $1,157,000 (2006: $803,000), and the Company expects to contribute $224,000 to its defined benefit superannuation fund in the 2008 financial year.

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

	%	**%**	**%**	**%**
Discount rate at 30 June	5.6	4.9	5.6	4.9
Expected return on fund assets at 30 June	7.4	7.3	7.4	7.3
Future salary increases	5.0	5.0	5.0	5.0

The overall expected long-term rate of return on assets is 7.4%. 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.

Amounts for the current and previous annual periods relating to both the Company and Group are as follows:

	2007 $000	**2006 $000**	**2005 $000**
Defined benefit obligation	6,454	6,982	7,893
Fund assets	(7,238)	(6,905)	(6,728)
(Surplus)/Deficit	(784)	77	1,165

The Group 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.

23. Employee Benefits (continued)

Surplus for defined benefit fund on a funding basis:

	Fund Plan assets at net market value $000	Accrued benefits $000	Excess $000
The Aon Master Trust – IMB Defined Benefit Superannuation Plan at 30 June 2007	7,238	5,745	1,493
The Aon Master Trust – IMB Defined Benefit Superannuation Plan at 30 June 2006	6,905	5,063	1,842

i) Fund assets at net market value and accrued benefits have been calculated at 30 June 2007, 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.

The principal economic assumptions used in making these recommendations include:

	Consolidated		Company	
	2007 %	2006 %	2007 %	2006 %
Expected return on fund assets	7.0	6.0	7.0	6.0
Future salary increases	5.0	4.5	5.0	4.5

Defined contribution superannuation funds

The Company makes contributions to a defined contribution superannuation fund. The amount recognised as expense was $1,908,000 for the financial year (2006: $1,889,000).

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000
24. Capital and Other Commitments				
Loan commitments approved but not advanced				
– not later than one year	316,728	346,646	316,728	346,646
– later than one year	14,594	8,613	14,594	8,613
	331,322	355,259	331,322	355,259
Capital expenditure commitments not taken up in the financial statements				
– not later than one year	190	600	190	600
Non cancellable operating rentals payable				
– not later than one year	3,475	3,206	3,475	3,206
– later than one year but not later than five years	7,466	6,132	7,466	6,132
– later than five years	37	128	37	128
	10,978	9,466	10,978	9,466

The Company leases property under operating leases for terms 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.

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000

25. Financing Arrangements

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Bank overdraft available	2,500	2,500	2,500	2,500
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 10.0% (2006: 9.5%).

26. 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 (2006: $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 $2,278,000 (2006: $1,492,000) issued on behalf of clients supporting performance, rental and other commercial obligations. The Company holds either term deposits or real estate as security against these performance guarantees.

27. Consolidated Entities

Parent entity

IMB Ltd

	Principal Activity	Ownership interest 2007 %	Ownership interest 2006 %
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 Series 2006-1 RMBS Trust	Securitisation trust		
Illawarra CMBS Warehouse Trust No. 1	Securitisation trust		
Illawarra Series 2004-1 CMBS Trust	Securitisation trust		
Illawarra Series 2007-1 CMBS Trust	Securitisation trust		

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

All entities are incorporated in Australia.

28. Equity Accounted Investments

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

Name	Nature of activities	Joint venture reporting date 2007	Joint venture reporting date 2006	Percentage interest 2007 %	Percentage interest 2006 %
IMB Financial Planning Limited	Financial planning	30 June	30 June	50.0	50.0

Country of incorporation

Australia

Results of incorporated joint venture

The Group's share of the joint venture entity's result consists of:

	Consolidated 2007 $000	Consolidated 2006 $000
Revenues	1,281	1,195
Expenses	(901)	(889)
Profit before income tax expense	380	306
Income tax expense	(71)	(59)
Net profit accounted for using the equity method	309	247
Balance sheet		
The Group's share of the joint venture entity's assets and liabilities consists of:		
Current assets	1,234	832
Non-current assets	1,521	974
Total assets	2,755	1,806
Current liabilities	435	173
Non-current liabilities	315	16
Total liabilities	750	189
Net assets accounted for using the equity method	2,005	1,617
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	(295)	(542)
Share of joint venture entity's net profit	309	247
Share of joint venture entity's retained profits at the end of the year	14	(295)
Movement in carrying amount of investment in incorporated joint venture		
Carrying amount at the beginning of the year	1,486	1,239
Share of joint venture entity's net profit	309	247
Carrying amount at the end of the year	1,795	1,486
Share of non-capital commitments attributable to joint venture entity		
Non-cancellable operating leases		
Payable not later than 1 year	48	48
Payable later than 1 year but not later than 5 years	28	76
Share of joint venture entity's non-capital operating leases	76	124

	Consolidated		Company	
	2007 $000	2006 $000	2007 $000	2006 $000

29. 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:

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Cash controlled by the group	11,789	15,108	11,774	15,103
Cash controlled by SPEs	44,235	45,635	–	–
Total	56,024	60,743	11,774	15,103

Reconciliation of cash flows from operating activities

	Consolidated 2007 $000	Consolidated 2006 $000	Company 2007 $000	Company 2006 $000
Profit for the year attributable to members of the Company	19,959	17,628	19,355	17,096
Loss/(Profit) on sale of property, plant and equipment	105	(67)	105	(67)
Bad debts expense	1,221	1,075	1,221	1,075
Depreciation of property, plant and equipment, and amortisation of intangibles	4,438	4,134	4,438	4,134
General reserve for credit losses movement net of tax	–	312	–	312
Tax effect of AASB 139 changes	–	(305)	–	(305)
Operating profit before changes in assets and liabilities	25,723	22,777	25,119	22,245
Changes in assets and liabilities:				
(Increase) in accrued interest on investments	(934)	(3,499)	(934)	(3,499)
(Increase) in loans and receivables	(192,118)	(383,272)	(192,464)	(377,166)
(Increase) in inventories	(343)	(2,751)	–	–
Decrease in deferred expenditure	324	214	324	214
(Increase) in sundry debtors	(452)	(343)	(2,437)	(1,687)
(Increase) in deferred tax asset	(263)	(527)	(233)	(517)
Increase in accrued interest on members' deposits	3,784	3,375	3,784	3,375
(Decrease)/Increase in sundry creditors	(451)	10,257	2,805	(7,265)
Increase in deposits	88,866	113,985	89,316	110,663
Increase in provision for employee benefits	489	251	489	251
(Increase)/Decrease in equity investments	(355)	8,875	–	–
Increase/(Decrease) in provision for income tax	1,536	(1,138)	1,590	(1,192)
Increase in other provisions	138	63	138	63
Increase/(Decrease) in deferred tax liability	(329)	946	(470)	946
Net cash flows from operating activities	(74,385)	(230,787)	(72,973)	(253,569)

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.

30. Related Party Disclosures

The following were key management personnel of the Group 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
Mr LP Nicholas
Ms VJ Twyford

Executives

Mr PW Morris (Chief Executive)
Mr RJ Ryan (Deputy Chief Executive/Chief Financial Officer and Company Secretary)
Mr ML Anderson (General Manager, Operations), ceased employment 1 February 2007.
Mr MR Harley (General Manager, Sales and Marketing)

Basis of remuneration

Remuneration levels of directors and executives of the Group 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 2006 Annual General Meeting, is not to exceed $540,000. 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 Group 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 Group compared to the approved budget for the Group.

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

Other Long Term Benefits
The Chief Executive's current employment contract expires on 31 December 2007. Under the contract the Chief Executive is entitled to a payment of one year's salary at the end of the contract. A pro-rata of this payment is included in other long-term benefits in each year of the contract. Further, movements in accrued long service leave entitlements are also included in other long-term benefits.

30. Related Party Disclosures (continued)

Details of the nature and amount of each major element of remuneration for each director of the Group and Company and each of the aforenamed executives are:

		Short Term				Post employment	Other			
		Salary and fees $	STI cash bonus $	Non-monetary benefits $	Total $	Super-annuation benefits $	Termination benefits $	Other long term benefits $	Total $	Proportion of remuneration performance related %
Non-Executive Directors										
Mr LR Fredericks, Chairman	2007	121,548	–	–	121,548	10,939	–	–	132,487	–
	2006	103,200	–	–	103,200	9,288	–	–	112,488	–
Mr MJ Cole	2007	69,949	–	–	69,949	6,295	–	–	76,244	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Mr GA Edgar	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Ms LT Gearing	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Mr H Hanson	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Mr LP Nicholas	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Ms VJ Twyford	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
	2006	51,600	–	–	51,600	4,644	–	–	56,244	–
Total non-executive directors	2007	495,397	–	–	495,397	44,584	–	–	539,981	–
	2006	412,800	–	–	412,800	37,152	–	–	449,952	–
Executives										
Mr PW Morris	2007	366,859	109,134	38,799	514,792	50,604[1]	–	172,098	737,494	21.2
	2006	303,175	85,917	22,569	411,661	112,128[1]	–	124,890	648,679	20.9
Mr RJ Ryan	2007	260,746	72,974	34,637	368,357	48,141[1]	–	8,502	425,000	19.8
	2006	226,695	59,556	32,029	318,280	57,235[1]	–	4,665	380,180	18.7
Mr ML Anderson[2]	2007	121,820	–	19,163	140,983	34,343[1]	199,911	–	375,237	–
	2006	154,207	44,656	34,092	232,955	42,960[1]	–	3,582	279,497	19.2
Mr MR Harley	2007	236,168	54,945	38,528	329,641	13,741	–	4,689	348,071	16.7
	2006	168,511	44,925	19,385	232,821	9,809	–	3,331	245,961	19.3
Total executives	2007	985,593	237,053	131,127	1,353,773	146,829	199,911	185,289	1,885,802	17.5
	2006	852,588	235,054	108,075	1,195,717	222,132	–	136,468	1,554,317	19.7
Total remuneration	2007	1,480,990	237,053	131,127	1,849,170	191,413	199,911	185,289	2,425,783	12.8
	2006	1,265,388	235,054	108,075	1,608,517	259,284	–	136,468	2,004,269	14.6

1 Represents an allocation of the amount expensed for the year in relation to the IMB Defined Benefit plan as determined by the plan's Actuary. The executives are only entitled to this amount if a retirement benefit is payable in accordance with the provisions of the plan design. This amount is not fully vested as part of their withdrawal benefits on resignation.

2 Ceased employment 1 February 2007.

30. Related Party Disclosures (continued)

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
The key management personnel compensation included in "personnel expense" (see note 2) is as follows:				
Short-term employee benefits	1,849,170	1,608,517	1,849,170	1,608,517
Post employment benefits	191,413	259,284	191,413	259,284
Termination benefits	199,911	–	199,911	–
Other long-term benefits	185,289	136,468	185,289	136,468
Total	2,425,783	2,004,269	2,425,783	2,004,269

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	2007	–	74,560	275,000	212,202	11,762	276,707
	2006	–	–	–	–	–	–
Mr LR Fredericks – related parties	2007	290,829	384,095	100,000	28,000	21,266	390,543
	2006	295,600	290,829	–	24,672	19,901	295,330
Mr PW Morris	2007	881,997	1,067,216	245,064	130,988	71,143	1,072,008
	2006	928,194	881,997	10,000	117,456	61,259	930,373
Mr PW Morris – related party	2007	175,443	163,389	6,500	30,382	11,828	174,961
	2006	177,535	175,443	1,000	15,078	11,986	179,130
Mr ML Anderson*	2007	1,002,893	1,002,359	1,000	40,973	39,439	1,003,871
	2006	1,014,130	1,002,893	50	76,062	64,775	1,014,183

* Mr ML Anderson ceased employment on 1 February 2007. The disclosure made relates to the period from 1 July 2006 to 1 February 2007.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group 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 2007	1,884,890	2,144,135	122,344	2
Total for key management personnel 2006	1,942,324	1,884,890	126,034	2
Total for other related parties 2007	466,272	547,484	33,094	2
Total for other related parties 2006	473,135	466,272	31,887	2
Total for key management personnel and their related parties 2007	2,351,162	2,691,619	155,438	4
Total for key management personnel and their related parties 2006	2,415,459	2,351,162	157,921	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. 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.

30. Related Party Disclosures (continued)

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 2006	Purchases	Sales	Held at 30 June 2007
Directors				
Mr LR Fredericks	4,693	–	–	4,693
– related parties	4,554	4,000	200	8,354
Mr MJ Cole	2,131	5,000	–	7,131
Mr GA Edgar	38,976	–	38,976	–
– related party	–	38,976	–	38,976
Ms LT Gearing	2,000	–	–	2,000
Mr H Hanson	16,273	–	–	16,273
Mr LP Nicholas	2,000	–	–	2,000
– related party	43,890	–	5,000	38,890
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.

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. One of these entities transacted with the Company or its controlled entities 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 $58,023 (2006: $62,700).

Mr LP Nicholas is the Chairman of The Flagstaff Group Ltd (a not for profit organisation providing employment for 200 people with disabilities). During the 2006 year the Flagstaff Group Ltd received a pledge for a grant of $40,000 from the IMB Community Foundation for the development of a CD and DVD recycling unit in the Shoalhaven. No amounts were pledged during the current year.

31. Other Related Party Disclosures

Subsidiaries

Due to the Company and its wholly owned subsidiaries forming a tax consolidated group, the liability for payments of income tax for all members of the tax consolidated group became the liability of the Company. However, the tax consolidated group has entered into a tax funding agreement as described in note 1l. The aggregate amount provided by the Company to subsidiaries under the agreement is:

	2007 $000	2006 $000
IMB Land Pty Ltd	(52)	7
IMB Securitisation Services Pty Ltd	122	89
	70	96

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to $2,371,000 (2006: $2,157,000). These amounts are received on normal commercial terms and conditions. IMB Land Pty Ltd and its joint venture partner 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 $6,318,000 at 30 June 2007 (2006: $5,623,000). During the year there were repayments of $Nil (2006: $Nil) and advances of $141,000 (2006: $5,423,000). Aggregate interest of $554,000 (2006: $200,000) 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 $1,655,000 (2006: $749,000). 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 (2006: $14,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received $30,000 (2006: $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 (2006: $15,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of $103,000 (2006: $28,000) was due from IMB Financial Planning Limited.

Securitisation

The Company through its loan securitisation program, securitises residential and commercial mortgage loans to the Illawarra Trusts ("the Trusts") which in turn issue rated securities to investors. The Company holds income and capital units in the Trusts. These income and capital units are held at nominal values. The income units entitle the Company to receive excess income, if any, generated by the securitised assets, whilst the capital unitholder receives upon termination of the Trust, the capital remaining after all other outgoings have been paid. Investors in the Trusts have no recourse against the Company if cash flows from the securitised loans are inadequate to service the obligations of the Trusts.

The securities issued by the Trusts do not represent liabilities of the Company. Neither the Company nor any of its subsidiaries stand behind the capital value and/or performance of the securities or assets of the Trusts.

The Company however does receive payment for services provided to the Trusts, including servicing of the loans, interest rate swaps, loan redraw and liquidity facilities. IMB Securitisation Services Pty Limited, a controlled entity, receives payment for managing the Trusts. All these transactions are entered into on an arm's length basis between the Company, Trust Manager and the Trusts.

The Company holds rated securities in some of the Trusts as part of its normal investment activities. At 30 June 2007, the Company held $22,200,000 (2006: $22,200,000) in the Illawarra Series 2004-1 CMBS Trust and $Nil (2006: $13,341,000) in the Illawarra CMBS Warehouse No.1 Trust.

A summary of the transactions between the Group and the Trusts during the year is as follows:

	2007 $000	2006 $000
Proceeds from securitisation of loans	691,792	743,665
Servicing fees received	3,913	3,117
Management fees received	470	374
Excess income received	12,990	9,910
Other	354	282

32. Segment Reporting

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

33. Average Balance Sheet and Related Interest

	Consolidated					
	2007			2006		
	Average Balance $000	Interest $000	Average Rate %	Average Balance $000	Interest $000	Average Rate %
INTEREST BEARING ASSETS						
Loans and receivables to members	3,422,372	248,813	7.27	3,109,823	211,548	6.80
Loans and receivables to other ADI's	273,337	16,494	6.03	203,252	12,092	5.95
Available for sale investments	698,833	42,183	6.04	664,187	37,069	5.58
Total interest bearing assets	4,394,542	307,490	7.00	3,977,262	260,709	6.55
Bad and doubtful debts expense	–	(1,221)	–	–	(1,075)	–
NON INTEREST BEARING ASSETS						
Inventories	3,270	–	–	2,938	–	–
Property, plant and equipment	20,502	–	–	21,772	–	–
Other assets	42,420	–	–	41,686	–	–
Total non interest bearing assets	66,192	–	–	66,396	–	–
Total assets	4,460,734	306,269	–	4,043,658	259,634	–
INTEREST BEARING LIABILITIES						
Deposits	2,728,564	137,036	5.02	2,612,513	120,805	4.62
Notes payable	1,490,151	98,064	6.58	1,206,418	72,609	6.02
Subordinated floating rate notes	10,000	750	7.50	10,000	683	6.83
Total interest bearing liabilities	4,228,715	235,850	5.58	3,828,931	194,097	5.07
NON INTEREST BEARING LIABILITIES						
Other liabilities	62,299	–	–	56,725	–	–
Total liabilities	4,291,014	235,850	–	3,885,656	194,097	–
Net assets	169,720			158,002		
Net earning asset income		70,419			65,537	
Interest spread			1.42			1.48
Interest margin			1.60			1.65

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.

34. Risk Management and Financial Instruments

Financial institutions face an array of risks, the most important being credit risk, market risk and liquidity risk. The Company's directors recognise that the success or otherwise of the Company depends on its management of these risks. The directors have established a framework of risk management policies and controls, which are implemented and monitored by senior management and specialist committees. The Company's Risk and Audit Department 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.

34. Risk Management and Financial Instruments (continued)

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 Group'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 $2,745,000 (2006: $1,124,000).

Counterparty risk for investments in financial instruments and derivatives is limited to Australian licensed banks which have a Standard and Poors short term credit rating of A2 or above. The Company also invests 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.

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

	2007 $000	2006 $000
Pay-fixed swaps		
Notional amount ($000)	205,000	220,000
Average pay rate (%)	5.93	5.75
Average receive rate (%)	6.42	5.80

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

	Net assets/(liabilities) pre hedges		Swaps		Net assets/(liabilities) post hedges	
	2007 $000	2006 $000	2007 $000	2006 $000	2007 $000	2006 $000
At call	369,413	530,390	–	–	369,413	530,390
Maturing zero to two years	(554,101)	(843,701)	115,000	60,000	(439,101)	(783,701)
Maturing two to three years	232,779	330,338	(115,000)	(45,000)	117,779	285,338
Maturing three to five years	129,343	131,724	–	(15,000)	129,343	116,724
Total	177,434	148,751	–	–	177,434	148,751
Interest spread	1.37%	1.48%	0.02%	–	1.39%	1.48%

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

34. Risk Management and Financial Instruments (continued)

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

	Consolidated			
	Carrying amount		Fair value	
	2007 $000	2006 $000	2007 $000	2006 $000
FINANCIAL ASSETS				
Cash and cash equivalents	56,024	60,743	56,024	60,743
Sundry debtors	2,496	2,044	2,496	2,044
Investments accounted for using the equity method	1,795	1,486	1,795	1,486
Other financial assets	1,003	957	1,004	957
Government and semi-government securities	57,861	73,684	57,861	73,684
Bills of exchange	28,533	4,985	28,533	4,985
Certificates of deposit	184,988	187,053	184,988	187,053
Deposits with banks	58,405	32,889	58,405	32,889
Loans to other financial institutions	376,538	252,945	376,538	252,945
Floating rate notes	321,915	261,453	321,915	261,453
Other bonds	13,561	15,272	13,561	15,272
Loans to other persons	3,499,034	3,308,138	3,512,166	3,327,278
Total financial assets	4,602,153	4,201,649	4,615,286	4,220,789
FINANCIAL LIABILITIES				
Deposits	2,744,737	2,652,087	2,743,469	2,650,684
Sundry creditors	46,296	46,749	46,296	46,749
Securitised loans funding	1,639,772	1,346,436	1,639,772	1,346,436
Subordinated floating rate notes	10,000	10,000	10,008	10,008
Employee entitlements	5,578	5,089	5,578	5,089
Total financial liabilities	4,446,383	4,060,361	4,445,123	4,058,966
Net financial assets	155,770	141,288	170,163	161,823
Interest rate swaps	2,561	1,291	2,561	1,291
Net financial assets net of swaps	158,331	142,579	172,724	163,114

All financial instruments are carried at fair value.

34. Risk Management and Financial Instruments (continued)

The Group'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					
				1 year or less		Over 1 to 5 years		5 years or more	
Financial instruments	**Note**	**2007 $000**	**2006 $000**	**2007 $000**	**2006 $000**	**2007 $000**	**2006 $000**	**2007 $000**	**2006 $000**
FINANCIAL ASSETS									
Cash and cash equivalents	29	43,873	45,635	–	–	–	–	–	–
Sundry debtors	15	–	–	–	–	–	–	–	–
Investments accounted for using the equity method	28	–	–	–	–	–	–	–	–
Other financial assets	9	–	–	–	–	–	–	–	–
Derivative asset	11	–	–	2,561	1,291	–	–	–	–
Government and semi-government securities	6	–	–	518	8,577	53,885	49,848	3,458	15,259
Bills of exchange	6	–	–	28,533	4,985	–	–	–	–
Certificates of deposit	6	–	–	184,988	187,053	–	–	–	–
Deposits with banks	6	–	–	58,405	32,889	–	–	–	–
Deposits with other financial institutions	7	–	–	376,538	234,896	–	18,049	–	–
Other bonds	6	–	–	2,017	7,222	11,544	8,050	–	–
Floating rate notes	6	–	–	321,915	261,453	–	–	–	–
Loans and receivables	8	2,399,720	2,348,084	293,754	231,841	805,560	727,917	–	296
Total financial assets		2,443,593	2,393,719	1,269,229	970,207	870,989	803,864	3,458	15,555
FINANCIAL LIABILITIES									
Deposits	17	928,297	867,712	1,796,119	1,767,694	20,321	16,681	–	–
Sundry creditors	16	–	–	–	–	–	–	–	–
Securitised loans funding	18	–	–	1,639,772	1,346,436	–	–	–	–
Subordinated floating rate notes	19	–	–	10,000	10,000	–	–	–	–
Employee benefits	23	–	–	–	–	–	–	–	–
Total financial liabilities		928,297	867,712	3,445,891	3,124,130	20,321	16,681	–	–
Derivative financial instruments									
Interest rate swaps (notional value)		205,000	220,000	(45,000)	(115,000)	(160,000)	(105,000)	–	–
Loans approved not advanced		285,714	298,468	4,500	2,767	30,994	45,008	9,786	9,006

34. Risk Management and Financial Instruments (continued)

Financial instruments	Note	Non-interest bearing 2007 $000	Non-interest bearing 2006 $000	Total carrying amount as per balance sheet 2007 $000	Total carrying amount as per balance sheet 2006 $000	Weighted average effective interest rate 2007 %	Weighted average effective interest rate 2006 %
FINANCIAL ASSETS							
Cash and cash equivalents	29	12,151	15,108	56,024	60,743		
Sundry debtors	15	2,496	2,044	2,496	2,044		
Investments accounted for using the equity method	28	1,795	1,486	1,795	1,486		
Other financial assets	9	1,003	957	1,003	957		
Derivative asset	11	–	–	2,561	1,291		
Government and semi-government securities	6	–	–	57,861	73,684	6.08	5.61
Bills of exchange	6	–	–	28,533	4,985	6.51	5.84
Certificates of deposit	6	–	–	184,988	187,053	6.55	6.01
Deposits with banks	6	–	–	58,405	32,889	6.74	6.12
Deposits with other financial institutions	7	–	–	376,538	252,945	6.72	6.12
Other bonds	6	–	–	13,561	15,272	6.05	5.64
Floating rate notes	6	–	–	321,915	261,453	6.85	6.36
Loans and receivables	8	–	–	3,499,034	3,308,138	7.45	7.13
Total financial assets		17,445	19,595	4,604,714	4,202,940		
FINANCIAL LIABILITIES							
Deposits	17	–	–	2,744,737	2,652,087	5.18	4.74
Sundry creditors	16	46,296	46,749	46,296	46,749		
Securitised loans funding	18	–	–	1,639,772	1,346,436	6.68	6.24
Subordinated floating rate notes	19	–	–	10,000	10,000	7.52	7.23
Employee benefits	23	5,578	5,089	5,578	5,089		
Total financial liabilities		51,874	51,838	4,446,383	4,060,361		
Derivative financial instruments							
Interest rate swaps (notional value)		–	–	–	–		
Loans approved not advanced		–	–	330,994	355,249	8.23	7.80

35. Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 30 June 2007 refer to note 5.

On 24 July 2007, the directors of IMB Land Pty Ltd resolved that IMB Land Pty Ltd pay a $1,000,000 fully franked dividend from retained earnings taxed at 30% payable to its parent IMB Ltd.

There were no other events subsequent to balance date.

Directors' Declaration

For the year ended 30 June 2007

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

(a) the financial statements and notes, set out on pages 38 to 75 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 Group as at 30 June 2007 and of their performance for the financial year ended on that date;

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(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; and

(c) the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive and Chief Financial Officer for the year ended 30 June 2007.

Dated at Wollongong this 14th day of August 2007.

Signed in accordance with a resolution of the directors:

LR Fredericks
Chairman

MJ Cole
Director

Independent Auditor's Report

To the Members of IMB Ltd

KPMG

Report on the financial report

We have audited the accompanying financial report of IMB Ltd ("the Company"), which comprises the balance sheet as at 30 June 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 35 and the directors' declaration set out on pages 38 to 75 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Audit responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position, and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit opinion

In our opinion:

(a) the financial report of IMB Ltd is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

KPMG

KPMG

Warwick Shanks
Partner
Dated at Wollongong, this 14th day of August 2007.

Shareholders' Information

As at 14 August 2007

Top Twenty Shareholders

Name of Shareholder	Number of Shares	% of Total
RBC Dexia Investment Services Australia Nominees Pty Ltd	1,900,137	4.76
Dean Whitestone Pty Ltd	500,000	1.25
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
Michael Korber ITF Mercinvest Trust	299,379	0.75
J Xanthoudakis	289,283	0.72
UBS Wealth Management Aust Nominees Pty Ltd	273,538	0.69
Reibel Investments Pty Ltd	250,000	0.63
BB Nominees Pty Ltd	228,792	0.57
G & H Custodians Pty Ltd	226,858	0.57
WC Bradley	205,551	0.52
Acres Holdings Pty Ltd	203,397	0.51
BA Rogerson	200,645	0.50
DL Craker	195,830	0.49
K O'Connor	193,878	0.49
SL Dzida	178,626	0.45
WL Hughes	176,728	0.44
RM Hanbury	175,073	0.44
Total	6,819,315	17.09

Employee Shareholdings	Shareholders	Number of Shares	% of Total
	78	303,581	0.76

Distribution of Shareholdings

	Shareholders	Number of Shares	% of Total
1 – 100	109	5,679	0.01
101 – 1,000	1,248	625,086	1.57
1,001 – 5,000	1,720	4,210,796	10.55
5,001 – 10,000	627	4,401,745	11.03
10,001 – 20,000	423	5,946,257	14.90
20,001 – 50,000	287	8,693,614	21.78
50,001 – 100,000	71	4,892,816	12.26
100,001 and over	54	11,135,647	27.91
Total	4,539	39,911,640	100.00

Share information**

		2007*	2006*	2005*	2004	2003
Shares on issue	000's	39,912	39,912	39,912	39,130	38,110
Dividend per share:						
Interim	cents	8.0	7.5	7.0	7.0	7.0
Final	cents	15.0	12.0	11.5	11.5	11.5
Special	cents	–	0.5	–	2.0	–
Dividend cover	times	2.17	2.21	2.03	2.10	1.78
Closing share price	$	3.15	3.00	3.10	3.16	2.85
Highest share price	$	3.35	3.35	3.60	3.33	3.20
Lowest share price	$	2.98	3.00	2.95	2.85	2.75
Average share price	$	3.14	3.10	3.16	3.12	3.03
Shares traded	000's	2,408	2,113	1,979	1,995	1,901
Turnover	%	6.0	5.3	5.0	5.1	5.0

* 2005, 2006 and 2007 figures are reported in terms of AIFRS standards in force at that time. Earlier years figures have not been amended.

** Earnings per Share and Net Tangible Assets are not disclosed as all Members have an interest in the assets and earnings of the Company. IMB does not have listed ordinary shares therefore disclosure is not required by accounting standards or other financial reporting requirements.

Locations

IMB Branches

New South Wales

Albion Park	147 Tongarra Road Albion Park NSW 2527
Batemans Bay	21 Orient Street Batemans Bay NSW 2536
Bega	193-195 Carp Street Bega NSW 2550
Bowral	Shops 9 & 10 Oxley Mall Wingecarribee Street Bowral NSW 2576
Camden	Shop 26, 180-186 Argyle Street Camden NSW 2570
Corrimal	Shops 2-4, Stocklands Corrimal Shopping Centre Princes Highway, Corrimal NSW 2518
Dapto	2-4 Bong Bong Road Dapto NSW 2530
Eden	199 Imlay Street Eden NSW 2551
Fairy Meadow	84B Princes Highway Fairy Meadow NSW 2519
Figtree	Shop 32 & 33 Westfield Shopping Town Princes Highway, Figtree NSW 2525
Goulburn	Shop 27, Argyle Mall Goulburn NSW 2580
Kiama	86 Terralong Street Kiama NSW 2533
Liverpool	Shop 19, Liverpool Plaza Macquarie Street Liverpool NSW 2170
Macarthur Square	Shop L10, L11 Level 2 Macarthur Square Shopping Centre Ambarvale NSW 2560
Merimbula	Cnr Merimbula Drive & Market Street Merimbula NSW 2548
Miranda	Shop G, 105 Westfield's Shoppingtown Miranda NSW 2228
Moruya	55 Vulcan Street Moruya NSW 2537
Narooma	127 Wagonga Street Narooma NSW 2546
Nowra	86 Kinghorn Street Nowra NSW 2541
Parramatta	207 Church Street Parramatta NSW 2150
Penrith	25 Riley Street Penrith NSW 2750
Picton	Shop 1A, 148 Argyle Street Picton NSW 2571
Queanbeyan	Shop 7, Riverside Plaza Queanbeyan NSW 2620
Shellharbour	Shop 46, Shellharbour Stockland Shopping Centre Shellharbour NSW 2529
Thirroul	Shop 6, Anita Theatre King Street Thirroul NSW 2515
Ulladulla	89 Princes Highway Ulladulla NSW 2539
Unanderra	102 Princes Highway Unanderra NSW 2526
Vinentia	Shop 17, Burton Mall Vincentia NSW 2540
Warilla	6 George Street Warilla NSW 2528
Warrawong	Shop 114, Westfield Shopping Centre Warrawong NSW 2502
Wollongong	205 Crown Street Wollongong NSW 2500
Woonona	367-369 Princes Highway Woonona NSW 2517
Wynyard	312 George Street Sydney NSW 2000

ACT

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

Victoria

Glen Waverly	55 Railway Parade North Glen Waverly VIC 3150

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 2007

Annual general meeting 30 October 2007 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 Road, Wollongong on 30 October 2007 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

IMB Banking & Financial Services

Annual Report 2007

www.imb.com.au