Annual Report 2008

BANKING & FINANCIAL SERVICES

IMB Ltd 92 087 651 974

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 Thursday 30 October 2008.

About IMB

Who we are

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

With more than $4.5 billion in assets and around 180,000 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 41 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 commercial loans through broker groups across Australia.

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

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

Our Vision

IMB's vision is to be the New South Wales and Australian Capital Territory alternative to the Banks.

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 others 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.

IMB Ltd and its controlled entities

5 Year Summary

As at 30 June 2008

		AIFRS[1]			GAAP[1]
	2008	2007	2006	2005	2004
	$000	$000	$000	$000	$000
Financial performance					
Interest income	344,334	307,500	260,874	237,673	156,371
Interest expense	271,222	235,856	194,101	172,220	101,816
Interest margin	73,112	71,644	66,773	65,453	54,555
Income from equity investments	–	–	–	–	(947)
Non interest income	18,633	15,846	16,262	18,937	28,021
Bad and doubtful debts expense	1,522	1,221	1,075	902	925
Non interest expense	59,314	58,232	56,868	61,592	57,763
Profit before tax	30,908	28,037	25,092	21,896	22,941
Income tax expense	9,329	8,078	7,464	6,909	6,382
Profit after tax	21,579	19,959	17,628	14,987	16,559
Financial position					
Assets					
Loans to members	3,634,913	3,499,034	3,308,138	2,929,149	1,794,810
Liquids	851,243	1,097,825	889,024	684,521	823,824
Other	31,039	30,939	30,579	78,731	37,782
Total assets	4,517,195	4,627,798	4,227,741	3,692,401	2,656,416
Liabilities					
Deposits	2,971,104	2,744,737	2,652,087	2,534,727	2,483,154
Securitised loans funding	1,300,466	1,639,772	1,346,436	948,358	–
Other	54,869	66,101	64,631	54,779	27,875
Total liabilities	4,326,439	4,450,610	4,063,154	3,537,864	2,511,029
Net assets	190,756	177,188	164,587	154,537	145,387

			AIFRS[1]			GAAP[1]
		2008	2007	2006	2005	2004
Performance ratios						
Capital adequacy	%	11.6	12.4	11.0	10.6	11.4
Total asset growth	%	-2.4	9.5	14.5	5.9	7.6
Net asset growth	%	7.7	7.7	6.5	6.5	9.4
After tax return on average net assets	%	11.87	11.76	11.16	10.00	11.90
Net interest income/average total assets	%	1.63	1.61	1.65	1.80	2.09
Non interest income/average total assets	%	0.41	0.36	0.40	0.50	1.08
Non interest expenses/average total assets	%	1.32	1.31	1.41	1.70	2.22
Non interest expenses/operating income	%	65.7	67.5	69.4	73.8	71.6
Bad debts expense/average loans	%	0.04	0.04	0.03	0.03	0.05
Cost of funds	%	6.4	5.6	5.1	4.9	4.2
Interest margin	%	1.65	1.63	1.65	1.78	2.16
Total loans approved	$m	870.7	952.9	1,120.2	991.1	1,036.4
	No	8,961	9,809	11,549	9,480	10,015
Home loans approved	$m	718.0	781.4	883.2	791.3	900.3
	No	4,128	4,776	5,444	5,152	5,799
Average home loan approved	$000	173.9	163.6	162.2	153.6	155.3
Deposit accounts	000	340.0	361.0	332.5	326.6	323.3
Number of sales centres	No	41	38	37	34	33
Staff (full time equivalent)	No	397	406	404	395	415

1 Amounts for 2004 were calculated in accordance with previous Australian GAAP. Amounts for 2005 to 2008 have been calculated in accordance with Australian equivalents to IFRS ("AIFRS").

A great banking alternative

At IMB, we're **big enough** to:

- ✔ challenge the Banks
- ✔ expand our branch network
- ✔ offer secure, low cost banking

… **Small enough** to:

- ✔ reward our members
- ✔ stay local
- ✔ care for our community

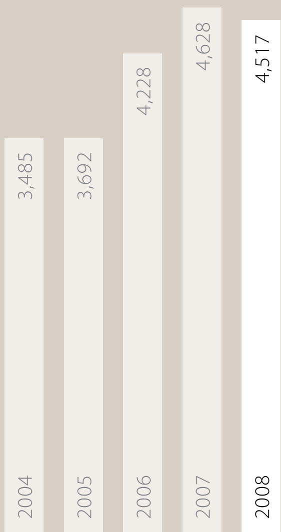
Highlights

- A recent member satisfaction survey showed that IMB members have an overall satisfaction level of 95%*.
- We launched two new deposit accounts, a low fee transaction account and a DIY superannuation transaction account.
- We introduced an account switching facility to make the process of switching your bank arrangements to IMB as easy as possible.
- We opened IMB's newest branches at Cronulla and Sylvania and a loan centre at Narellan.
- We completed refurbishments of our Kiama and Ulladulla branches and relocated our Bowral and Fairy Meadow branches to new premises.
- We relocated our Information Technology disaster recovery facilities to ensure ongoing ability to provide services.
- We continued our successful traineeship program, with the recruitment of 14 new trainees across all areas of the business.
- We allocated a further $450,000 to the IMB Community Foundation, bringing the total amount of funds granted to the community to almost $4.4 million.
- Our credit rating was affirmed by Standard & Poor's as BBB/Stable/A-2.
- Standard & Poor's also raised our residential loan servicer rating from "Above Average" to "Strong".
- We received the Illawarra Business Chamber's award for the best Professional and Commercial Service Business in 2007.

* Source: 2008 Member Satisfaction Survey – Discovery Research

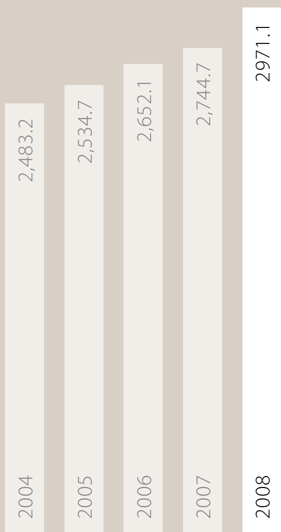
Total assets under management $ million

2.4% decrease



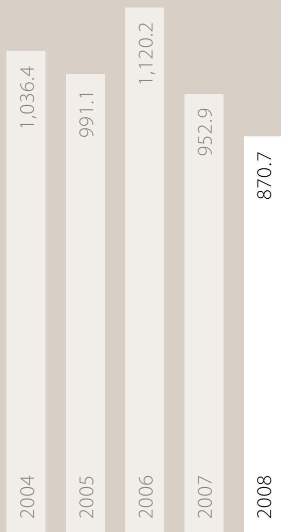
Members' deposits $ million

8.2% increase



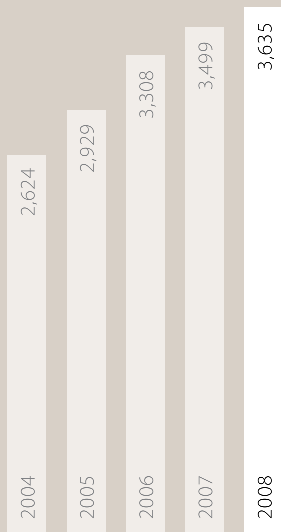
Loans approved $ million

8.6% decrease

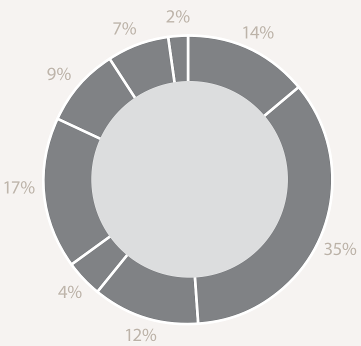


Loans under management $ million

3.9% increase

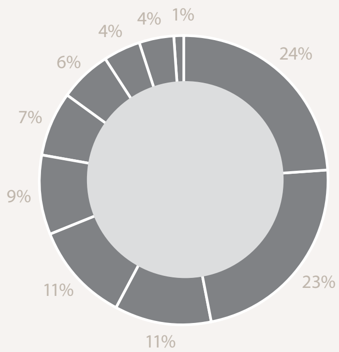


Deposits by location



14%	Sydney
35%	Illawarra
12%	NSW Southern Highlands
4%	Victoria
17%	NSW South Coast
9%	Other NSW
7%	Australian Capital Territory
2%	Other

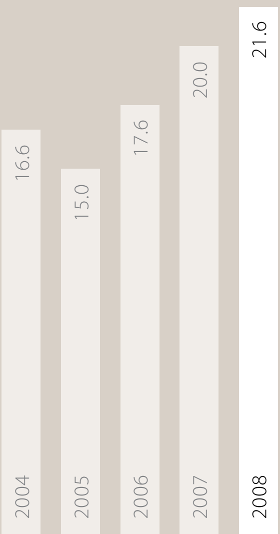
Loans by location



24%	Sydney
23%	Illawarra
11%	NSW Southern Highlands
11%	Victoria
9%	NSW South Coast
7%	Other NSW
6%	Australian Capital Territory
4%	Western Australia
4%	Queensland
1%	Other

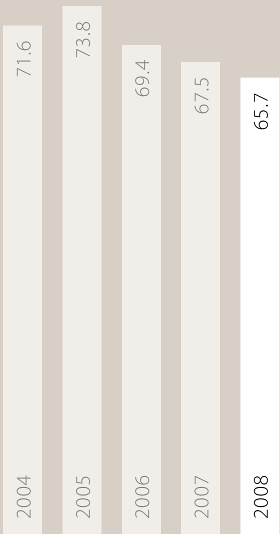
Profit after tax $ million

8.1%
increase



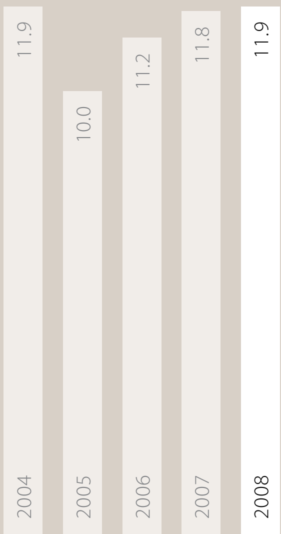
Efficiency ratio %

1.8%
improvement



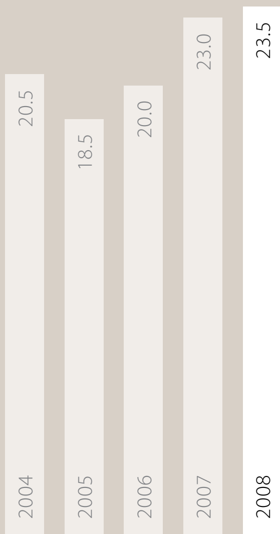
Return on average equity %

0.1%
increase



Dividends cents per share

0.5¢
per share increase



Chairman's Letter

On behalf of the Board I would like to update stakeholders on a year of great change both in relation to IMB's internal operations as well as the external environment. It is pleasing to report the year has ended with strong financial performance but more importantly IMB has a sharper focus to compete more effectively as a financial institution going forward.

Management Changes

During the first half of the year, there was a transition in the position of CEO from Wayne Morris to Robert Ryan, with the Board recognising Wayne's contribution to IMB at the 2007 AGM. IMB was fortunate there was a strong internal successor and the Board had no hesitation in promoting Robert, who was at the time, deputy CEO. In the second half of the financial year Robert has enthusiastically reviewed both the IMB strategy and the membership of his executive team. As highlighted in the CEO's Review, the Board has endorsed a shift in IMB's strategy from being product centric to member centric, focusing on full service relationship banking. The executive team has been strengthened with the appointment of Chris Goodwin as Chief Financial Officer, Craig Rumble as General Manager, Business Systems, and Lauren Wise as Company Secretary. It is pleasing to report the last two appointments were internal promotions.

Board Renewal

Since the start of the financial year two longstanding Directors, Vivien Twyford and Harold Hanson have both retired. Each served with distinction as Board Members with a particular focus on the financial needs of the Illawarra community. The Board thanks them both for their outstanding contributions. I am pleased Bob Elvy, a prominent Wollongong businessman and CEO of Cleary Bros. Group has accepted an invitation and joined the Board. You will be asked to support Bob's appointment by his formal election at this years' AGM.

Later this year my immediate predecessor as Chairman, Russell Fredericks will also retire. In his 3 years as Chairman Russell played a leading role in reinforcing IMB's position as an independent mutual financial services institution. On behalf of the Board I would like to thank him for his leadership and expertise. I am delighted to announce Steve McKerihan, CEO of the Sydney Diocesan Secretariat, Anglican Church has been invited to join the Board upon Russell's retirement. Steve had an outstanding banking career and professional reputation in his former role as Chief Financial Officer of St George Bank.

The Board continues to monitor its Directors' succession plan 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 and Proper Persons prudential standard.

APRA's prudential standards for Authorised Deposit-Taking Institutions (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. Further the Directors must be independent by definition and perception and must represent the interest of all members.

Stakeholder Engagement

It became increasingly clear to Directors that the unique hybrid structure of IMB as a mutual ADI with shareholder members is a potentially divisive corporate issue. It required immediate action if IMB was to refocus its strategy to best serve the interests of all members.

To this end a formal stakeholder engagement programme was undertaken where Board members attended an extensive number of meetings with stakeholders: depositor members, shareholder members and staff. All meetings were chaired by a professional facilitator.

The stakeholder meetings were a rewarding experience for all Directors. It was a unique opportunity for Directors to obtain a 'grassroots' exposure to a broad cross section of members and staff to hear their expectations of IMB's role as a financial services provider. A detailed summary is in the process of being circulated to those members who attended the meetings and will be available to all members on the IMB website.

As a result of these meetings, a number of initiatives are being implemented. These include modifications in the trading of IMB's shares, the development of an extensive Question and Answer document to fully explain IMB's structure and operations, and a Report by PricewaterhouseCoopers Securities Ltd (PwC Securities) on Contributed Funding to assist Directors in policy formulation.

The most important outcome of the stakeholder engagement programme was a message to Directors that there is a clear desire on the part of members for IMB to remain a mutual financial institution. This conclusion, added to the complexities of class voting in the event of a demutualisation of IMB has reaffirmed the Director's commitment to maintain the status quo on IMB's mutual structure.

A minority group of shareholder members who have urged IMB Directors to initiate the demutualisation of IMB may be disappointed by this conclusion. To those members, I can give the reassurance that Directors initiated the report by PwC Securities on Contributed Funding to provide a policy framework to assist in recognising the important role of shareholder members in IMB's capital structure. Further, let me reassure members that if IMB were to receive a takeover offer, the bid would be dealt with by Directors on its merits independent of our current commitment to mutuality.

External Environment

The financial year was notable for the end of a long period of highly liquid monetary conditions and a slackening in credit standards. These conditions began to change in August 2007 with concerns relating to the US sub-prime mortgage market escalating to a wider liquidity crisis. While some institutions have been affected by losses from direct sub-prime exposures, all have found it more difficult and more expensive to obtain funding. Many financial institutions have been forced to seek additional equity raisings notwithstanding their share prices have been significantly marked down.

IMB's business model has functioned effectively through this period of financial market turmoil. Firstly, our strong retail deposit base reduces IMB's reliance on capital market funding. The strength of our balance sheet, our reputation for prudent management of the business and our broad range of products and services all have contributed to a significant increase in our deposits this financial year.

Secondly, IMB has maintained its long standing policy to hold a high level of liquidity invested in the highest quality assets. We have no direct exposure to the US sub-prime mortgage market or Collateralised Debt Obligations (CDO's). Total liquidity held at 30 June 2008 is 28.2%, well in excess of the 9% prudential minimum. More impressively this liquidity position has been implemented without having to resort to uneconomic funding options.

The resilience of IMB's business model is reinforced by the 8.1% lift in group operating after tax profit to $21.6 million notwithstanding the very difficult operating environment.

Dividend

The Board has declared a final dividend on ordinary share capital of 15 cents plus a special dividend of 0.5 cents per share which derives from the profit achieved on the sale of IMB's Visa share entitlement.

The total dividend for the 2008 financial year is 23.5 cents. This is a 2.2% increase over last year's 23.0 cents dividend.

The Board has total discretion in determining dividend payments to member shareholders. In determining the dividend rate, the Board has regard to many factors including IMB's need for capital in the current year and beyond, the net profit result, the inflation rate, the ASIC guidelines for mutuals, and the conclusions of the PwC Securities report on Contributed Funding.

An important implication of the interaction of the above factors for future IMB dividend policy is that dividend payments to shareholder members will be less than 50% of group operating profit after tax. It is anticipated the dividend payout ratio will stabilise around the current 45% level. Accordingly, a continued lift in the level of dividend per ordinary share will be dependent upon continued growth in profits.

Community Responsibility

IMB continues to support the members and the communities in which it operates through an annual grant to the IMB Community Foundation. The ninth year of allocations saw the total funds awarded to over 200 community projects climb to $4.35 million since 2000.

The stakeholder engagement process reaffirmed the importance of this programme in strengthening IMB brand loyalty, but also highlighted that more needs to be done to increase member awareness of IMB's commitment to their local communities.

Chairman's Letter (continued)

Corporate Governance

The IMB 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 continue to view them as a competitive advantage.

Outlook

The events over the past year have served to highlight the uncertainties in global financial markets. The outlook for new lending in the housing sector is very subdued, but we remain positive about the outlook for the household savings sector. As the share market and real estate markets both weakened, customers have embraced retail deposits as a safe haven for their wealth. Until the current market conditions return to normal, we will continue to manage the IMB business with the aim to fund our lending from retail deposit growth.

It remains hard to predict how long the current very difficult market conditions will last. However our robust business model, balance sheet strength, and a diverse range of funding options provide a strong platform to allow us to continue to manage the business for the benefit of all our members.

IMB is committed to profitable growth in our business. This will be organically driven by the expansion of our branch network and the continued focus on improving the efficiency of our existing operations through a further reduction in our non-interest expense to income ratio.

IMB continues to proactively seek opportunities to grow through merging with other mutual institutions where consolidation will create benefits from improved economies of scale. The recent difficult financial market conditions will almost certainly accelerate rationalisation in the mutual ADI sector.

Share Price

Finally, it is widely acknowledged that a company cannot control its share price. The price is determined by market forces of supply and demand. The company's input to the share price equation is to manage its business to consistently deliver profitable growth and to strengthen its business. The fact IMB's share price was constant at $3.15 on both 30/06/2007 and 30/06/2008 can be interpreted as a positive endorsement of its corporate strategy. In contrast, our ASX listed peers on average recorded a 34% reduction in share prices over the financial year, based on the decline in the ASX Financial Services Index. The 2007–2008 IMB 23.5 cents dividend provided shareholder members with a 7.5% fully franked yield based on closing share price at 30/6/02008.

Appreciation

In the 7 months since I was elected by fellow Board members to Chair IMB I have been impressed by the commitment of all Directors to deal decisively with the internal and external changes highlighted above. The Board has been greatly assisted by the strong executive leadership given by Robert Ryan as CEO and the enthusiasm of staff to provide outstanding service to all our members. We all remain committed to that task in the year ahead.

MJ Cole
Chairman

Providing excellent financial services for over 127 years

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 of Operations

Overview

IMB has delivered a strong result for the 2007 – 08 financial year, notwithstanding the very difficult environment. With volatile financial markets, subdued economic conditions in the housing sector, particularly in New South Wales, and several increases in interest rates, 2007 – 08 has been a challenging year for all financial institutions.

Against this background IMB has delivered Group operating profit before tax of $30.9 million, an increase of 10.2 percent compared to the prior year. Excluding one-off individually significant items, Group profit before tax was $29.1 million up 3.6 percent compared to the prior year. This is another record performance on both published and underlying core profit for IMB.

Strategy

During the year IMB invested a significant amount of time in the development of a new member-focused strategy. The development of the strategy involved the broader management team and was communicated to all staff towards the end of the financial year. This strategy will deliver a shift from being product centric to member centric focusing on full service relationship banking.

A key area of attention during the year was the diversification of IMB's funding base. Retail deposits are an important source of funding and are core to IMB's business, particularly as access to capital markets funding has become more expensive as a result of the credit crisis. IMB's strong retail base has seen a significant increase in deposit funding and has reduced reliance on capital markets funding. Since the end of the financial year IMB has introduced an account switching facility to make the process of switching banking arrangements to IMB as easy as possible and launched two new deposit accounts, a low fee transaction account and a DIY superannuation transaction account which complements the suite of products IMB offers self managed super funds.

IMB continues to expand its distribution network and during the year, opened a loan centre at Narellan and also recently opened branches at Cronulla and Sylvania. IMB has completed refurbishments of the Kiama and Ulladulla branches and relocated the Bowral and Fairy Meadow branches to new premises. IMB also relocated the Information Technology disaster recovery facilities to ensure IMB's ongoing ability to provide services.

During the year Standard & Poor's undertook a review of all rated financial institutions and it was pleasing that in a turbulent market which resulted in a number of rating downgrades, IMB's rating of BBB A-2 was reaffirmed. Standard & Poor's also raised IMB's residential loan servicer rating from "Above Average" to "Strong".

Profit

Group operating profit after tax at $21.6 million increased by $1.6 million or 8.1 percent over the previous year. Excluding one-off individually significant items, Group profit after tax was $20.3 million, up 1.6 percent.

Net interest income

Net interest income for the year was $73.1 million, up $1.5 million on the previous year. Interest margin improved from 1.63 percent to 1.65 percent during the year. Given the increase in funding costs, this is a strong result in a highly competitive environment.

Non interest income

Non interest income increased by $2.8 million compared to the previous year. This included $2.5 million in one-off individual significant items including a $2.0 million gain from the listing of Visa and a $0.5 million gain from the sale of Veda Advantage shares. IMB continues to ensure its members enjoy the lowest possible fees compared to its competitors; in fact less than 25 percent of its members pay any fees each month.

Bad and doubtful debts expense

Bad and doubtful debts expense was $1.5 million, an increase of $0.3 million on the previous year. Despite increases in interest rates, credit quality was excellent. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories. The residential loan book is among the best in the Australian banking sector, a view substantiated by the current quarterly review by the mortgage insurance company, PMI Mortgage Insurance Ltd.

Non interest expense

Expenses have been carefully managed during the year. Tighter market conditions have resulted in a focus on cost containment to offset any unfavourable impacts from reduced lending and higher funding costs. Non interest expense increased by $1.1 million or 1.9 percent compared to the prior year, due to one-off individual significant items of $0.7 million.

The ratio of non interest expense to operating income for the Group decreased from 67.5 percent in 2006–07 to 65.7 percent in 2007–08. Non interest expense, as a proportion of average total assets for the Group remained the same as the previous year at 1.3 percent.

Balance Sheet

Deposit funding grew by $226 million or 8.2 percent to close at $2.97 billion. This compares favourably against last year's growth of $93 million or 3.5 percent.

Loan approval levels for the year were $870.7 million, 8.6 percent lower than the previous year. This reflects the soft New South Wales housing market and strong competition amongst lenders. Lending remains predominantly concentrated on high quality secured products.

Outstanding loans to members increased by $24.7 million (or 0.6 percent) to $3.9 billion. Assets decreased by $110.6 million (or 2.4 percent) to be slightly over $4.5 billion at the end of the financial year.

The Group's capital position remains strong. The capital adequacy ratio of 11.6 percent at balance date is well above the statutory level of 8.0 percent. The Group does not have a need for further capital in the immediate future.

Management and Staff

Throughout the year under review, there has been ongoing strengthening of the senior management ranks, with high quality staff filling key roles. The skilled and experienced senior staff joining IMB has and will continue to complement existing IMB staff to ensure the strategic initiatives continue to be successfully implemented.

As the newly appointed Chief Executive Officer, I would like to personally acknowledge the important contribution made by IMB's staff. In a year full of challenges, they have shown tremendous dedication and commitment to ensure IMB has met, and, in many cases, exceeded its goals. I would like to thank and congratulate them all.

Outlook

Against the back drop of a difficult operating environment, the financial position of IMB has remained strong while delivering record profits. IMB's renewed strategic focus, high levels of liquidity, solid capital position and sound asset quality provide confidence that it will meet projected growth targets despite the challenging market place.

Finally, I would like to note how pleased I have been to take on the opportunity to lead IMB as Chief Executive, provided to me by the board. I am proud of the results IMB has achieved in what has been a challenging year and am eager to build on IMB's existing strengths and successes going forward.

RJ Ryan
Chief Executive

Directors' Particulars

Michael John Cole

BEC (SYD) MEC (SYD) F.FIN

Mr Cole, whose expertise is funds management, has been a non executive director since 2003 and was elected Chairman on 30 October 2007. He is Chairman of the Remuneration and CEO Evaluation Committee, and an ex-officio member of the Audit and Risk Management Committee and the IMB Community Foundation Committee. Mr Cole 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 State Super Financial Services Australia Ltd (SSFSAL). He is Chairman of Ironbark Capital Limited, SSFSAL Investment Committee and Platinum Asset Management Limited. As well as being Chairman of IMB Ltd, Mr Cole is also Chairman of all entities wholly owned by IMB Ltd, except for IMB Land Pty Ltd, of which Mr Cole is a director.

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 is a member of the Audit and Risk Management Committee, the Remuneration and CEO Evaluation Committee, and the Land Development Committee. 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.

George Anthony Edgar

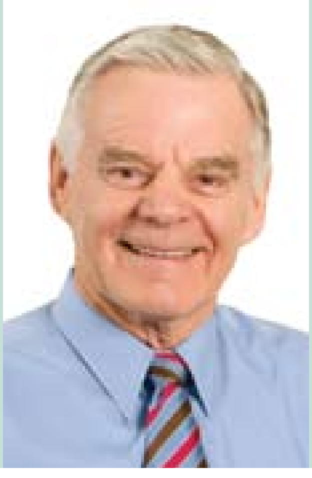
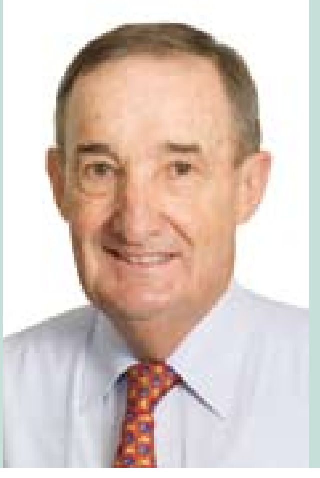
BSC (TECH MET)

Mr Edgar, whose expertise is business management, has been a non executive director since 2000. He is Chairman of the Nominations and Governance Committee, and a member of the Remuneration and CEO Evaluation Committee and the Land Development Committee. Mr Edgar is the former President of BHP Flat Products and former Chief Executive Officer of BHP Integrated Steel. He is a former 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.

Robert Hillis Page Elvy

B SC(ENG) B COM(ACCY) FIEAUST FCPA FCIS FAICD

Mr Elvy, whose expertise is business management particularly in the Building and Construction Industry, was appointed to fill a casual vacancy as a non executive director on 1 March 2008 and from May 2008 has been a member of the Audit and Risk Management Committee. Mr Elvy is CEO and a director of the Cleary Bros Group, Chairman of Illawarra Sports Stadium Ltd, a director of Wollongong Hawks Basketball Pty Ltd, former Chairman of the Port Kembla Port Corporation and has also served on the boards of other sporting and charitable organisations. As well as being a director of IMB Ltd, Mr Elvy is also a director of all entities wholly owned by IMB Ltd.

Pictured from left to right:

Michael John Cole
Kieran Robert Biddle
George Anthony Edgar
Robert Hillis Page Elvy
Lindsay Russell Fredericks
Lynette Therese Gearing
Lynton Patrick Nicholas

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 the Chairman from 2004 to 2007. He is a member of the Audit and Risk Management Committee and 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 32 year member of the Lions Service Clubs Organisation. As well as being a director of IMB Ltd, Mr Fredericks is also a director of all entities wholly owned by IMB Ltd, except for IMB Land Pty Ltd.

Lynette Therese Gearing

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

Ms Gearing has been a non executive director since 2003. Ms Gearing has business experience in superannuation, funds management, corporate finance and management consulting. She is currently a director of Stockland Corporation Limited, QIC, and Hancock National Resource Group Australasia Pty Limited. As well as being a director of IMB Ltd, Ms Gearing is a director of all entities wholly owned by IMB Ltd, is Chairperson of IMB Land Pty Ltd, a director of IMB Financial Planning Pty Ltd and alternate director of King Financial Services Pty Ltd. She is also Chairperson of the Centenary/One Tree Bay Joint Venture Committee and Land Development Committee and a member of the Nominations and Governance Committee.

Lynton Patrick Nicholas

FCPA FCIS

Mr Nicholas, whose expertise is business management, has been a non executive director since 2004 and was elected Deputy Chairman in November 2007. He is Chairman of the IMB Community Foundation Committee and the Audit and Risk Management Committee, and a member of the Nominations and Governance 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 Member of the Catholic Diocese of Wollongong Finance Council. As well as being Deputy Chairman of IMB Ltd, Mr Nicholas is also Deputy Chairman of all entities wholly owned by IMB Ltd.

IMB continues to provide significant support to the local community through the IMB Community Foundation

Tourism

Environment

Arts & Entertainment

Sporting

Education & Training

Indigenous

Community & Welfare

$4,400

,000

Description		Committed to provide
Group	ANGLICARE Diocese of Sydney	
Project	Broadening Communication across the Generation Gap	$27,360
Group	Batemans Bay Men's Shed	
Project	Batemans Bay Men's Shed Extension	$20,000
Group	Bay & Basin Community Resources Inc.	
Project	Bay & Basin Men's Shed & Great Mates Program	$20,000
Group	Berry Men's Shed	
Project	Gateway Garden Water Conservation and Management System	$3,150
Group	Canberra Blind Society Inc.	
Project	Sense-able Finances	$7,500
Group	Communities @ Work Ltd.	
Project	Healthy Attitudes 8 to Teens	$25,000
Group	Corrimal Uniting Church	
Project	Corrimal Community Men's Shed	$6,000
Group	Cringila Community Co-operative	
Project	Supported Home Work Project	$12,000
Group	Essential Personnel Association Inc.	
Project	Refresh Community Café	$29,400
Group	Greenacres Disability Services	
Project	Disability Employment Capacity Building and Training Facility	$30,000
Group	House of Hope Recovery Centre	
Project	House of Hope Food Barn	$10,000
Group	Illawarra Division of General Practice Ltd.	
Project	Building Bridges	$20,300
Group	Lighthouse Community Care Ltd.	
Project	Computerbank Truck	$30,000
Group	Lions Club of Strzelecki	
Project	Cows Create Careers	$4,000
Group	Macarthur Community Forum	
Project	IT Training Workshops	$30,000
Group	Southern Region Community College Incorporated	
Project	Goulburn Men's Shed Equipment	$15,000
Group	Strategic Community Assistance to Refugee Families (SCARF) Inc.	
Project	Connect Enterprise Initiatives	$31,990
Group	Sutherland BEN Inc.	
Project	Establish the REA F1 Schools Challenge	$25,000
Group	Wollongong Uni Centre Ltd.	
Project	UOW Black Opal Leadership Program	$25,000
Group	South Coast Women's Health and Welfare Corp.	
Project	Aboriginal Women's Artists Co-operative	$27,360
Group	Wingecarribee Family Support Service	
Project	Community Walks	$7,380
Group	Wollongong City Council	
Project	Art in Port	$10,000
Group	YWCA NSW	
Project	ICT Training Services	$15,600
Total	**2007/08 Sponsorships**	**$432,040**
Total	**Community Foundation Sponsorships**	**$4,400,000**

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 the 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 over 200 projects.

This year the IMB Community Foundation granted another $450,000 for community projects bringing the total amount of funds granted through the foundation to nearly $4.4 million.

Ultimately, while each project selected for funding is unique, together they fall into some categories that have been supported by the foundation for some time. With a clear need in the community for support in the area of information technology, this year the foundation will be supporting projects including IT training in the Macarthur and Shoalhaven areas, a mentoring project where students will help the elderly "to get connected" and a growing computer recycling business. A number of projects are working with the young to build their capacity and employability, and to support their continuing education. The foundation is also supporting a range of projects that together are about community building. These projects are creating new enterprises, building social capital, improving health, and growing self-sufficiency through self help and mutual support.

Other community support

IMB also supports a variety of charity, community and sporting organisations including the Salvation Army Red Shield Appeal, the Wollongong Hawks Basketball team, the Wollongong AFL team, and IMB is a silver 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:

- Australia's Biggest Golf Day
- Batemans Bay Lions Club Charity Golf Day
- Berrima District View Club
- Buccaneer Rugby Club
- Calwell Public School
- Camden Community Connections
- Corrimal East Primary School
- Dapto High School
- Eden Ladies Golf
- Eden Tourist Information Centre
- Eden Whale Watching Festival
- EJ-EH Holden Owners of Southern NSW
- Fairy Meadow Demonstration School
- Farmborough Heights Craft Competition
- Figtree Primary School
- Fresh Future Children's Hospital Appeal
- Glen Waverley AFL Hawks
- Gold Creek Golf Club
- Illawarra Business Chamber
- International Women's Day
- Lake South Public School
- Longbottom Fundraiser
- Lake Heights Primary School
- Lifeline Macarthur Book Fair
- Liverpool Disability Expo
- Macarthur Soft Ball Club
- Merimbula Fairway Golf Tournament
- Merimbula Public School
- Mogo Zoo
- Moruya Chamber of Commerce
- Queanbeyan Little Athletics
- Queanbeyan South Public School
- Rotary Club of Canberra
- Rotary Club of Canberra's Circus Quirkus
- St Pius Catholic School
- Thirroul RSL Bowling Club
- Tuggeranong Community Festival
- Twofold Bay Yacht Club
- Ulladulla Blessing of the Fleet
- Wave FM Rock School Breakfast
- Wollongong Weetbix TRY-athlon

Our Staff

IMB believes the quality and satisfaction of our staff translates directly to the quality of service provided to our members. Accordingly we remain committed to recruiting and retaining the best available staff and providing an environment which promotes employee satisfaction and recognition.

The IMB 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 weaknesses within the organisation with the aim of improving current workplace practices, policies and culture. The 2007 staff survey found that 75% of employees are committed to the success of the organisation and feel they are valued by management and 74% of respondents are satisfied with their job. In terms of organisational culture, 82% of staff believe our workplace fosters team work, shows integrity and respects individuals.

IMB is an equal opportunity employer, and does not discriminate on any basis, with 82% of staff agreeing that IMB is discrimination free.

Learning and Development

At IMB, we have a strong focus on providing our staff with the skills and knowledge to meet immediate and longer term needs. Our Learning and Development focus in the last 12 months has continued to be in the areas of customer service, sales skills, deposits, personal and home loan lending, alliance products, induction and necessary compliance training. We have also continued to invest 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.

Our Traineeship and Cadetship programs continue to be important areas of focus for us as we grow and develop the next generation of IMB leaders. Once again our trainees and cadets have performed well both on the job and in their studies, and have contributed strongly to IMB's success.

Joanne McLennan and Justine Parkinson – Illawarra Trainees of the Year

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 winner, Lauren Wise, received the monthly CEO's Award on 2 occasions during the year. Lauren was recognised as a staff member whose commitment to service, ability to deliver and warm and positive approach never faltered, even under the intense pressure of major projects, conflicting priorities and tight deadlines. We congratulate Lauren on her continuing high standards of service and leadership.

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, service orientation, 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 2007 winner of this award was Justine Parkinson from our IT Department. Justine and Joanne McLennan from IMB Direct went on to represent IMB at the Illawarra Regional Training Awards, where both were successful in being named Illawarra Trainee of the Year in their respective categories. We congratulate Justine and Joanne on their outstanding effort and look forward to them enjoying long and successful careers with IMB.

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, family barbeques and the annual social club dinner.

Community Involvement

IMB is committed to building positive relationships with the community. Community involvement has included participation in activities such as The World's Greatest Shave and Breakfast on the Beach 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 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. These measures ensure that OH&S policies, procedures and practice remain relevant and effective.

IMB's commitment to its staff and their families can also be seen through the provision of an independent and confidential counselling service to assist staff and family members deal with a range of work or non work related issues.

Corporate Governance

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2008.

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, governance and compliance. Submissions are circulated in advance to directors. 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 Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group 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 Group'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 28 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 three 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 14 and 15 of this financial report.

Nominations and Governance Committee

The Nominations and Governance Committee oversees the appointment and induction process for directors and committee members. 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. Finally the Committee is responsible for facilitating the annual performance assessment of the board and individual directors.

The members of the Nominations and Governance Committee during the year were:

Mr GA Edgar (appointed committee Chairman 27 November 2007)
Mr LR Fredericks (ceased as committee member and Chairman 27 November 2007)
Ms LT Gearing
Mr H Hanson AM (retired as director 31 January 2008)
Mr LP Nicholas (appointed as committee member 27 November 2007)

The Nominations and Governance Committee meets a minimum of two times annually and more frequently as required. The committee met five times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 34.

Remuneration and CEO Evaluation Committee

The Remuneration and CEO Evaluation Committee reviews and makes 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 MJ Cole (appointed committee Chairman 27 November 2007)
Mr KR Biddle (appointed committee member 27 November 2007)
Mr GA Edgar
Mr LR Fredericks (ceased as committee member and Chairman 27 November 2007)
Ms VJ Twyford (retired as director 1 August 2007)

The Chief Executive, Mr RJ Ryan, 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 is responsible for the selection, appointment and succession planning process of the Company's Chief Executive.

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.

The Remuneration and CEO Evaluation Committee meets a minimum of three times annually and more frequently as required. The committee met seven times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 34.

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 Audit and Risk Management Committee has a documented charter, approved by the board. At least 3 members must be independent non executive directors. The Chairman must not be the Chairman of the Board.

The members of the Audit and Risk Management Committee during the year were:

Mr LP Nicholas (appointed committee Chairman 27 November 2007)
Mr KR Biddle (appointed committee member 27 November 2007)
Mr MJ Cole (currently ex-officio, ceased as committee Chairman 27 November 2007)
Mr RHP Elvy (appointed as committee member 27 May 2008)
Mr LR Fredericks (ex-officio up until 27 November 2007, appointed as committee member 27 November 2007)
Ms LT Gearing (ceased as committee member 27 November 2007)
Mr H Hanson AM (ceased as committee member 27 November 2007)

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 committee met four times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 34.

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 2008 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 responsibilities of the Audit and Risk Management Committee include:

- reviewing the annual and half year reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards (AASBs), and assessing whether financial information is adequate for member needs;
- assessing the corporate risk assessment processes;
- assessing the performance and objectivity of the risk and audit function;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review;
- providing advice to the board in respect of whether the provision of non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001;
- assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the board;
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and all other regulatory requirements; and
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Prudential Regulation Authority and the Australian Securities and Investment Commission.

The Audit and Risk Management Committee reviews performance of the external auditors on an annual basis and normally meets with them four times a year to:

- discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review fees proposed for audit work to be performed;
- review the draft annual and half-year financial report, and recommend board approval of the financial report; and
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made.

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.

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 Profile

The Audit and Risk Management Committee reports to the board quarterly on the status of risks through risk management programs aimed at ensuring that risks are identified, assessed and appropriately managed.

Each business unit is responsible and accountable for implementing and managing the standards required by the program.

Major risks arise from such matters as actions by competitors, government policy changes, the impact of interest rate movements, occupational health and safety, property, financial reporting and the purchase, development and use of information systems.

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.

Corporate Governance (Continued)

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.

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.
- These guidelines also apply to Selected Officers. "Selected 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, in relation to listed debt securities, 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, in relation to listed debt securities, 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 annual report is distributed to all members who have elected to receive this document. This document is also available to any other member upon request. The board ensures that the annual 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 members who have 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 2008 and the auditor's report thereon.

Directors

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

Michael John Cole, Chairman
Kieran Robert Biddle (appointed 1 August 2007)
George Anthony Edgar
Robert Hillis Page Elvy (appointed 1 March 2008)
Lindsay Russell Fredericks
Lynette Therese Gearing
Harold Hanson AM (retired 31 January 2008)
Lynton Patrick Nicholas
Vivien Jennifer Twyford (retired 1 August 2007)

All of the directors are independent directors.

The particulars of the qualifications, experience and special responsibilities of each director holding office at the date of this report are set out on pages 14 to 15 of this report.

At the annual general meeting of the Company on 30 October 2008, two directors, Messrs LP Nicholas and RHP Elvy, will retire in accordance with the constitution of the Company and, being eligible, offer themselves for re-election.

Company Secretary

Ms Lauren Wise (BA LLB Grad Dip. Legal Practice) was appointed to the position of company secretary in November 2007 and also continues as IMB's Manager Legal Services, a position which she has held with IMB since 2004. Prior to joining IMB, Ms Wise worked for 5 years in private legal practice with a focus on commercial law.

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 2008.

Operating and Financial Review

Consolidated profit for the year attributable to members was $21.6 million (2007: $20.0 million), an increase of $1.6 million or 8.1% over 2007.

Member deposits grew to $2,971 million up by $226 million or 8.2% on the previous year. Securitised loan funding decreased by $339 million or 20.7% to $1,300 million.

Loan approvals were down $82 million to $871 million (2007: $953 million). This was due to a lower level of residential lending approvals which were down $63 million from 2007 levels, and a net decrease in other lending of $19 million.

Net interest income for the year was $73.1 million, up $1.5 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 0.7% or $32 million to $4,426 million, offset by an increase in average interest bearing liabilities of 0.8% or $35 million to $4,263 million and a 2 basis points increase in interest margin to 1.65%.

Bad and doubtful debts expense increased by $301,000 to $1,522,000 (2007: $1,221,000) primarily due to an increase in the provision for individually impaired commercial loans.

Non interest income increased by $2.8 million or 17.6% to $18.6 million as a result of gains from the sale of Veda Advantage and Visa Inc. shares.

Non interest expense increased by $1.1 million or 1.9% to $59.3 million due to increases in personnel and occupancy expenses.

The non interest expense to operating income ratio decreased from 67.5% in 2007 to 65.7% in 2008.

Dividends

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

- a final ordinary dividend of $0.15 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;
- 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 2008, paid on 28 February 2008;
- a final ordinary dividend of $0.15 per share amounting to $5,987,000 franked to 100% at a tax rate of 30%, declared on 12 August 2008, in respect of the year ended 30 June 2008, payable on 30 August 2008; and
- a special dividend of $0.005 per share amounting to $200,000 franked to 100% at a tax rate of 30%, declared on 12 August 2008, in respect of the year ended 30 June 2008, payable on 30 August 2008.

Total dividends paid or declared in respect of the year ended 30 June 2008 were $0.235 per share (2007: dividend of $0.23) amounting to $9,380,000 (2007: $9,180,000).

Events Subsequent to Reporting Date

On 10 July 2008 a wholly owned subsidiary, IMB Land No 2 Pty Ltd, was incorporated for the purposes of a future land development project.

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

Details of 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 8 to 13 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 8 to 13 of the annual report.

Directors' Interests

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

Director	Holding at 12 August 2008
Mr MJ Cole	7,131
Mr KR Biddle	5,000
– related party	13,203
Mr GA Edgar	3,000
– related party	38,976
Mr RHP Elvy	–
Mr LR Fredericks	4,693
– related parties	8,354
Ms LT Gearing	2,000
Mr LP Nicholas	2,000
– related party	38,890

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.

Directors' Report

Remuneration Report – audited

Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group. Key management personnel comprise the directors of the Company and the Group and executives for the Company and the Group.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Remuneration and CEO Evaluation Committee obtains independent advice on the appropriateness of compensation packages given trends in comparative Australian companies.

The compensation structures explained below are designed to attract suitably qualified candidates and reward the achievement of strategic objectives. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant Group's performance; and
- the Group's performance.

Compensation packages include a mix of fixed and variable compensation.

In addition to their salaries, the Group also provides non-cash benefits to its key management personnel, and contributes to a post-employment superannuation plan on their behalf.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration and CEO Evaluation Committee. External consultants provide analysis and advice to ensure the directors' and executives' compensation is competitive in the market place.

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 Remuneration and CEO Evaluation Committee sets the performance indicators for the key management personnel. For the executives, this review is based on the recommendation of the Chief Executive.

The financial and non financial performance objectives vary with position and responsibility and include measures such as "net profit after tax", "efficiency" and "total assets" for the Group compared to the approved budget for the financial year, and achieving strategic objectives, regulatory ratios and organisation health and safety standards.

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 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.

For the executives the short term incentive payment is based on the financial performance objectives of the Group compared to the approved budget for the financial year as well as 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.

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 (which is payable on achieving 130 percent of the key performance indicators).

Directors

Base remuneration and superannuation contributions for all directors, last voted upon by members at the 2007 Annual General Meeting, is not to exceed $555,000. Each director receives superannuation contributions at the prescribed rate of the Superannuation Guarantee Act.

Short-term incentive structure

The Remuneration and CEO Evaluation Committee considers that the above performance-linked compensation structure is generating the desired outcome. This is evidenced by the growth in profits in recent years. In the current year the Group achieved its budget results in most areas. Deposit budget targets were exceeded whilst the cost of funding, asset growth and lending volumes were all impacted by the instability and uncertainty in financial markets that ensued following the US sub prime crisis.

Consequences on performance of non-shareholder wealth and shareholder wealth

Due to the structure of IMB, in particular the existence of non-shareholder members and shareholder members, net profit after tax earnings is considered the most appropriate measure to enable the assessment of the performance of the Group. The following table shows the net profit after tax earnings for the last 5 years.

Group performance	**2008 $000**	2007 $000	2006 $000	2005 $000	2004 $000
Net profit	21,579	19,959	17,628	14,987	16,559

Net profit for 2004 was calculated in accordance with previous Australian GAAP. Net profit amounts for 2005 to 2008 have been calculated in accordance with Australian Accounting Standards.

Other benefits

Key management personnel can receive non cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically included motor vehicles and reimbursement of business related internet expenses, and the Company pays fringe benefits tax on these benefits.

Service contracts

The Group has entered into service contracts with each key management person, excluding the chief executive officer, that are capable of termination on 1 month's notice. The Group retains the right to terminate a contract immediately by making payment equal to 1 month's pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave, together with any superannuation benefits.

Mr Robert J Ryan, Chief Executive, has a contract of employment commencing 1 November 2007 with the Company. The contract is for a term of 5 years. The Group retains the right to terminate the contract immediately, by making a payment equal to any unpaid remuneration for the period from the date of termination to 31 October 2012.

Mr Malcolm R Harley, General Manager Sales and Marketing, has a contract of appointment with the Company. This contract is not for a fixed term and is capable of termination on one month's notice. The Group retains the right to terminate the contract immediately, by making one month's pay in lieu of notice. If the contract is terminated as a result of a merger, acquisition or other corporate event not related to performance, conduct or suitability for the position the Company may terminate the contract by making payment equal to 12 months pay.

Directors' Report

Remuneration Report – audited (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 executives are:

		Short Term				Post employment	Other			
		Salary and fees[1]	STI cash bonus[2]	Non-monetary benefits	Total	Super-annuation benefits	Termination benefits	Other long term benefits[9]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Non-Executive Directors										
Mr MJ Cole Chairman	2008	103,962	–	–	103,962	9,310	–	–	113,272	–
	2007	69,949	–	–	69,949	6,295	–	–	76,244	–
Mr KR Biddle	2008	57,264	–	–	57,264	5,154	–	–	62,418	–
Mr GA Edgar	2008	62,470	–	–	62,470	5,559	–	–	68,029	–
	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
Mr RHP Elvy	2008	20,823	–	–	20,823	1,874	–	–	22,697	–
Mr LR Fredericks	2008	83,293	–	–	83,293	7,851	–	–	91,144	–
	2007	121,548	–	–	121,548	10,939	–	–	132,487	–
Ms LT Gearing	2008	62,470	–	–	62,470	5,559	–	–	68,029	–
	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
Mr LP Nicholas	2008	72,040	–	–	72,040	6,313	–	–	78,353	–
	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
Mr H Hanson AM	2008	36,441	–	–	36,441	4,153	–	–	40,594	–
	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
Ms VJ Twyford	2008	5,065	–	–	5,065	456	–	–	5,521	–
	2007	60,780	–	–	60,780	5,470	–	–	66,250	–
Total non-executive directors	2008	503,828	–	–	503,828	46,229	–	–	550,057	–
	2007	495,397	–	–	495,397	44,584	–	–	539,981	–

		Short Term				Post employment	Other			
		Salary and fees[1]	STI cash bonus[2]	Non-monetary benefits	Total	Super-annuation benefits	Termination benefits	Other long term benefits[9]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Executives										
Mr RJ Ryan	2008	323,583	98,120	38,165	459,868	59,214[8]	–	16,030	535,112	21.3
	2007	260,746	72,974	34,637	368,357	48,141[8]	–	8,502	425,000	19.8
Mr MR Harley	2008	238,700	42,625	34,659	315,984	19,220	–	4,818	340,022	13.5
	2007	236,168	54,945	38,528	329,641	13,741	–	4,689	348,071	16.7
Mr CA Rumble[6]	2008	191,465	46,200	–	237,665	13,287	–	6,169	257,121	19.4
Mr CJ Goodwin[5]	2008	108,878	20,000	–	128,878	7,603	–	1,774	138,255	15.5
Mr M Workman[7]	2008	136,071	57,667	29,199	222,937	25,636[8]	–	3,777	252,350	25.9
Mr PW Morris[4]	2008	133,733	–	39,092	172,825	10,910	225,999	80,100	489,834	–
	2007	366,859	109,134	38,799	514,792	50,604[8]	–	172,098	737,494	21.2
Mr ML Anderson[3]	2007	121,820	–	19,163	140,983	34,343[8]	199,911	–	375,237	–
Total executives	2008	1,132,430	264,612	141,115	1,538,157	135,870	225,999	112,668	2,012,694	17.2
	2007	985,593	237,053	131,127	1,353,773	146,829	199,911	185,289	1,885,802	17.5
Total remuneration	2008	1,636,258	264,612	141,115	2,041,985	182,099	225,999	112,668	2,562,751	13.0
	2007	1,480,990	237,053	131,127	1,849,170	191,413	199,911	185,289	2,425,783	12.8

1 Includes movements in accrued annual leave entitlements and pre tax superannuation contribution payments.
2 The short term incentive bonus is for performance during the respective financial year using the criteria set out on page 30. The amount was finally determined on 29 July 2008 (24 July 2007) after performance reviews were completed and approved by the Remuneration Committee.
3 Ceased employment 1 February 2007.
4 Ceased employment 31 October 2007.
5 Commenced employment 21 January 2008.
6 Appointed to a key management personnel position in November 2007.
7 Disclosure of remuneration is required by S300A(1)(c) of the Corporations Act 2001 which requires details of remuneration in relation to each of the five most highly paid company executives.
8 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.
9 Includes movements in accrued long service leave entitlements.

Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each of the five named executives and other key management personnel are detailed below.

Executives	Included in remuneration(A) $	% vested in year	% forfeited in year (B)
Mr RJ Ryan	98,120	45	55
Mr CJ Goodwin	20,000	32	68
Mr MJ Harley	42,625	31	69
Mr CA Rumble	46,200	44	56
Mr M Workman	57,667	100	–

(A) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2008 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year. With the exception of Mr Workman, the short-term incentive cash bonus becomes fully vested only on achievement of 130 percent of each of the key performance indicators.

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 2008 and the number of meetings attended by each director.

	Directors' Meetings		Audit & Risk Management		Land Development	
	Attended	Eligible to attend#	Attended	Eligible to attend#	Attended	Eligible to attend#
Mr MJ Cole (a)	14	14	4	4	1*	–
Mr KR Biddle	12	13	4*	2	1	1
Mr GA Edgar	14	14	4*	–	1	1
Mr RHP Elvy	4	5	–	–	1*	–
Mr LR Fredericks	14	14	4	4	1*	–
Ms LT Gearing	14	14	3*	2	1	1
Mr H Hanson AM	6	8	3*	2	–	–
Mr LP Nicholas	13	14	3	4	1*	–
Ms VJ Twyford	1	1	–	–	–	–

	Remuneration & CEO Evaluation		Nominations & Governance		IMB Community Foundation	
	Attended	Eligible to attend#	Attended	Eligible to attend#	Attended	Eligible to attend#
Mr MJ Cole (a)	7	7	3*	–	1	3
Mr KR Biddle	4*	3	3*	–	–	–
Mr GA Edgar	7	7	5	5	–	–
Mr RHP Elvy	–	–	–	–	–	–
Mr LR Fredericks	4	4	3*	2	2	3
Ms LT Gearing	1*	–	5	5	–	–
Mr H Hanson AM	1*	–	2	3	2	2
Mr LP Nicholas	1*	–	5*	3	3	3
Ms VJ Twyford	2*	1	1*	–	–	–

Number of meetings eligible to attend in a formal capacity as a committee member.
* Includes meetings attended as an observer, not in the capacity as a committee member.
(a) Mr Cole is an ex-officio member of the Audit and Risk Management Committee and IMB Community Foundation Committee.

The following table sets out the number of meetings of the Company's wholly owned subsidiaries' directors held during the year ended 30 June 2008 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	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Mr MJ Cole	11	13	3	4	3	4	3	4
Mr KR Biddle	11	12	3	4	3	4	3	4
Mr GA Edgar	13	13	4	4	4	4	4	4
Mr RHP Elvy	3	4	–	–	–	–	–	–
Mr LR Fredericks (a)	–	–	4	4	4	4	4	4
Ms LT Gearing	13	13	4	4	4	4	4	4
Mr H Hanson AM	6	8	2	3	2	3	2	3
Mr LP Nicholas	12	13	3	4	3	4	3	4
Ms VJ Twyford	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 2008.

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 12th day of August 2008

Signed in accordance with a resolution of the directors:

MJ Cole
Chairman

LP Nicholas
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 2008 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 12th day of August 2008

Financial Statements

Income Statements

For the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Interest revenue	2	344,334	307,500	346,459	310,431
Interest expense	2	(271,222)	(235,856)	(273,317)	(238,845)
Net interest income		73,112	71,644	73,142	71,586
Bad and doubtful debts expense	2	(1,522)	(1,221)	(1,522)	(1,221)
Net interest income after bad and doubtful debts		71,590	70,423	71,620	70,365
Revenue from land development	2	248	–	–	–
Share of profits of joint venture entity	28	31	309	–	–
Other income	2	18,354	15,537	18,944	15,101
Net income		90,223	86,269	90,564	85,466
Land development expense	2	(86)	–	–	–
Other expenses	2	(59,229)	(58,232)	(59,152)	(58,160)
Profit before tax	2	30,908	28,037	31,412	27,306
Income tax expense	3	(9,329)	(8,078)	(9,189)	(7,951)
Profit for the year attributable to members of the Company		21,579	19,959	22,223	19,355

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 42 to 84.

Balance Sheets

As at 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
ASSETS					
Cash and cash equivalents	29	47,605	56,024	14,299	11,774
Available for sale investments	6	538,306	665,263	560,572	687,518
Loans and receivables to ADI's	7	265,332	376,538	265,332	376,538
Loans and receivables to members	8	3,634,913	3,499,034	3,638,482	3,502,193
Equity accounted investments	28	1,826	1,795	–	–
Other financial assets	9	1,915	1,003	4,506	3,656
Derivative assets	11	3,947	2,561	3,947	2,561
Inventories	12	3,838	3,352	–	–
Property, plant and equipment	13	16,365	17,353	16,365	17,353
Intangible assets	14	1,331	2,350	1,331	2,350
Other assets	15	1,817	2,525	10,521	12,440
Total assets		4,517,195	4,627,798	4,515,355	4,616,383
LIABILITIES					
Sundry creditors	16	35,483	46,296	10,814	11,957
Deposits	17	2,971,104	2,744,737	2,973,780	2,748,085
Securitised loans funding	18	1,300,466	1,639,772	1,322,732	1,662,027
Interest bearing liabilities	19	10,000	10,000	10,000	10,000
Current tax liabilities	3	2,898	2,669	2,898	2,669
Provisions	20	5,819	6,133	5,819	6,133
Net deferred tax liabilities	3	669	1,003	508	920
Total liabilities		4,326,439	4,450,610	4,326,551	4,441,791
Net assets		190,756	177,188	188,804	174,592
EQUITY					
Issued capital	21	46,936	46,936	46,936	46,936
Reserves	22	29,426	26,969	29,426	26,969
Retained profits	4	114,394	103,283	112,442	100,687
Total equity attributable to members of the Company		190,756	177,188	188,804	174,592

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 42 to 84.

Statements of Cash Flows

For the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		346,827	306,566	354,678	315,189
Dividends received		12	83	1,012	83
Other cash receipts in the course of operations		18,588	15,307	19,111	12,575
Interest paid on deposits		(262,829)	(232,079)	(264,923)	(235,067)
Income taxes paid		(9,201)	(7,134)	(9,140)	(7,064)
Net loans funded		(137,400)	(192,118)	(137,810)	(192,465)
Net increase in deposits		217,972	88,866	217,300	89,316
Other cash payments in the course of operations		(66,642)	(53,876)	(62,050)	(55,540)
Net cash flows from operating activities	29	107,327	(74,385)	118,178	(72,973)
CASH FLOWS FROM INVESTING ACTIVITIES					
Redemption of/(payments for) available for sale investments		235,049	(199,312)	235,131	(199,334)
Expenditure on property, plant and equipment, and intangibles	13,14	(2,729)	(3,174)	(2,729)	(3,174)
Proceeds from sale of property, plant and equipment		420	367	420	367
Net cash flows from investing activities		232,740	(202,119)	232,822	(202,141)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net (repayments)/proceeds from securitised loans funding		(339,306)	279,967	(339,295)	279,967
Dividends paid	5	(9,180)	(8,182)	(9,180)	(8,182)
Net cash flows from financing activities		(348,486)	271,785	(348,475)	271,785
Net (decrease)/increase in cash and cash equivalents held		(8,419)	(4,719)	2,525	(3,329)
Cash and cash equivalents at the beginning of the year		56,024	60,743	11,774	15,103
Cash and cash equivalents at the end of the year	29	47,605	56,024	14,299	11,774

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 42 to 84.

Statements of Changes in Equity

For the year ended 30 June 2008

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Total equity at the beginning of the year		177,188	164,587	174,592	162,595
Change in available for sale investments transferred to profit and loss	22	(6)	513	(6)	513
Change in equity investments transferred through profit and loss	22	(349)	–	(349)	–
Change in fair value of available for sale investments	22	107	(611)	107	(611)
Change in fair value of cash flow hedges	22	972	890	972	890
Change in fair value of equity investments	22	445	32	445	32
Net income recognised directly in equity		1,169	824	1,169	824
Profit after tax for the year		21,579	19,959	22,223	19,355
Total recognised income and expense for the year		22,748	20,783	23,392	20,179
Dividends paid	5	(9,180)	(8,182)	(9,180)	(8,182)
Total equity at the end of the year		190,756	177,188	188,804	174,592

Amounts are stated net of tax.
There has been no ineffectiveness on cashflow hedges recognised for the year.

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 84.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

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 2008 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 12 August 2008.

(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).
- 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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then the hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

(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

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

1 Significant Accounting Policies (continued)

(i) Impairment (continued)

All impairment losses are recognised in profit or loss. Any cumulative impairment loss in respect of an available-for-sale financial asset impairment recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) 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, which 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.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets (see note 1l), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

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.

Impairment losses are recognised in the profit and loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(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 initially recorded at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method. 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 liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(i) Tax consolidation

The Company is the head entity in a tax consolidated group comprising the Company and all its wholly-owned subsidiaries. As a consequence, all members of the tax consolidated group are taxed as a single entity from that date. 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).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

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.

1 Significant Accounting Policies (continued)

(n) Intangibles (continued)

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 and are initially recognised at cost. 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 percent 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) Short-term benefits

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.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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.

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.

(v) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

(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 liabilities are initially recorded at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method. 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 170 basis points (2007: 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"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the balance sheet.

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

(y) Earnings per share

Australian Accounting Standards requires earnings per share to be calculated with reference to the profit or loss attributable to ordinary equity holders of the parent entity. Due to the structure of IMB, in particular the existence of non-shareholder members and shareholder members the amount of profit or loss attributable to ordinary equity holders is not able to be reliably measured. As a result earnings per share has not been calculated.

(z) 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 2008, but have not been applied in preparing this financial report:

Revised AASB 3 *Business Combinations* changes the acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on such issues as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

1 Significant Accounting Policies (continued)

(z) New standards and interpretations not yet adopted (continued)

AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Group's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Executive in order to assess each segment's performance and to allocate resources to them. Currently the Group does not present segment information. AASB 8 *Operating Segments* 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.

Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures.

Revised AASB 123 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 30 June 2010 financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group has not yet determined the potential effect of the revised standard on the Group's future earnings.

Revised AASB 127 *Consolidated and Separate Financial Statements* changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit and loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard becomes mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's financial report.

AI 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when an MFR might give rise to a liability. AI 14 will become mandatory for the Group's 30 June 2009 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

2 Profit before Tax

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Interest revenue					
Loans					
– to members		281,234	248,658	281,005	248,432
– consolidated entities, key management personnel, and related entities	30, 31	144	155	490	432
– ADI's		22,610	16,494	22,610	16,494
Available for sale investments		40,346	42,184	42,354	45,064
Other interest revenue		–	9	–	9
		344,334	307,500	346,459	310,431
Interest expense					
Deposits					
– from members		162,197	137,036	162,197	137,036
– controlled entities		–	–	88	107
– subordinated debt		871	750	871	750
Securitised loans funding		108,152	98,064	110,159	100,946
Other interest expense		2	6	2	6
		271,222	235,856	273,317	238,845
Net interest income		73,112	71,644	73,142	71,586
Bad and doubtful debts expense					
– bad debts written off		836	725	836	725
– increase in provision		686	496	686	496
	10	1,522	1,221	1,522	1,221
Net interest income after bad and doubtful debts		71,590	70,423	71,620	70,365
Revenue from land development		248	–	–	–
Share of profits of joint venture entity	28	31	309	–	–

2 Profit before Tax (continued)

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Other income				
Dividends	12	83	1,012	83
Profit from sale of property, plant and equipment	41	6	41	6
Fees	11,882	11,432	11,882	11,432
Payment system fees	1,499	1,727	1,499	1,727
Property income	136	118	136	118
Bad debts recovered	153	145	153	145
Commissions	1,507	1,421	1,507	1,421
Other	3,124	605	2,714	169
	18,354	15,537	18,944	15,101
Net income	90,223	86,269	90,564	85,466
Personnel expense				
Salaries	25,649	24,428	25,649	24,428
Payroll tax	1,573	1,456	1,573	1,456
Fringe benefits tax	396	336	396	336
Superannuation	2,312	2,276	2,312	2,276
	29,930	28,496	29,930	28,496
Occupancy expense				
Depreciation and amortisation				
- buildings	148	147	148	147
- leasehold improvements	796	759	796	759
Repairs and maintenance	394	372	394	372
Rental on operating leases	4,279	4,054	4,279	4,054
Other	1,577	1,548	1,577	1,548
	7,194	6,880	7,194	6,880
Payment system expense	4,409	4,458	4,409	4,458
Marketing expense	4,457	3,900	4,457	3,900
Data processing expense	1,693	1,707	1,693	1,707
Postages and printing expense	1,478	1,749	1,478	1,749
Contributions to IMB Community Foundation	450	350	450	350
Goods and services tax not recovered	1,821	2,042	1,821	2,042

2 Profit before Tax (continued)

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Sundry expenses				
Depreciation and amortisation				
– furniture, fixtures, fittings and other equipment	1,090	1,337	1,090	1,337
– computer equipment	1,023	1,043	1,023	1,043
– intangibles	1,186	1,152	1,186	1,152
Loss from sale of property, plant and equipment	114	111	114	111
Auditors' remuneration (KPMG)				
– audit and review of financial reports	283	280	238	244
– other services				
– other assurance services	40	45	18	10
– taxation services	21	33	21	33
– advisory services	83	137	83	137
Other	3,957	4,512	3,947	4,511
	7,797	8,650	7,720	8,578
Total other expenses	59,229	58,232	59,152	58,160
Land development expense	86	–	–	–
Total non interest expense	59,315	58,232	59,152	58,160
Profit before tax	30,908	28,037	31,412	27,306
Individually significant revenues and expenses included in profit before tax				
Gain on VISA Inc. shares in other income*	2,050	–	2,050	–
Gain on Veda Advantage shares in other income	486	–	486	–
Redundancy and termination payments in salaries	(680)	–	(680)	–
Profit before tax from individually significant items	1,856	–	1,856	–

* In March 2008, the Company recognised a gain of $2,050,000 ($1,435,000 after tax) following receipt of 50,434 shares in Visa Inc. as part of Visa's initial public offering (IPO). The gain represents sale of 56.19% or 28,337 shares into the IPO and the fair value of 22,097 shares that continue to be held as Available for Sale Investments in the balance sheet. The fair value reflects the applicable restrictions on the remaining shares held. The after tax cash proceeds from the sale of shares into the IPO are $589,000.

3 Taxation

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
a) Income tax expense				
Recognised in the income statement				
Current tax expense				
– current year	10,166	8,958	10,105	8,888
– adjustment for prior years	(3)	(233)	(3)	(233)
	10,163	8,725	10,102	8,655
Deferred tax expense				
– origination and reversal of temporary differences	(834)	(647)	(913)	(704)
Total income tax expense	9,329	8,078	9,189	7,951

3 Taxation (continued)

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Reconciliation between income tax expense and profit before tax				
Profit before tax	30,908	28,037	31,412	27,306
Prima facie income tax expense at 30% on operating profit	9,272	8,411	9,423	8,192
Increase in income tax expense due to:				
– depreciation of buildings	44	44	44	44
– non deductible entertainment	41	36	41	36
– imputation gross-up on dividends received	2	2	2	2
Decrease in income tax expense due to:				
– dividend from wholly owned subsidiary in tax consolidated group	–	–	(300)	–
– income tax over provided for in prior year	(15)	(315)	(15)	(315)
– franking credits on dividends received	(6)	(8)	(6)	(8)
– other	(9)	(92)	–	–
Income tax expense	9,329	8,078	9,189	7,951
Income tax recognised directly in equity				
Relating to equity investments	41	14	41	14
Relating to available for sale investments	44	(42)	44	(42)
Relating to cash flow hedges	416	381	416	381
	501	353	501	353

b) Current tax liabilities

The current tax liability for the Group of $2,898,000 (2007: $2,669,000) and for the Company of $2,898,000 (2007: $2,669,000) 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 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Deferred tax (liabilities)/assets				
Deferred tax liabilities and assets are attributable to the following:				
Deferred expenditure	(715)	(1,172)	(715)	(1,172)
Deferred lending fees	(1,709)	(1,807)	(1,709)	(1,807)
Property, plant and equipment	(446)	(697)	(446)	(697)
Derivative assets	(1,184)	(768)	(1,184)	(768)
Other equity investments	(119)	(150)	(119)	(150)
Freehold land held for development	(173)	(98)	–	–
Other	(11)	(32)	(11)	(32)
Total deferred tax liabilities	(4,357)	(4,724)	(4,184)	(4,626)

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000

3 Taxation (continued)

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Provisions		1,373	1,246	1,373	1,246
Employee benefits		1,583	1,673	1,583	1,673
Unearned income		361	367	361	367
Available for sale investments		182	225	182	225
Consulting and legal fees		173	173	161	158
Other		16	37	16	37
Total deferred tax assets		3,688	3,721	3,676	3,706
Net deferred tax liabilities		(669)	(1,003)	(508)	(920)

4 Retained Profits

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Retained profits at the beginning of the year		103,283	91,163	100,687	89,171
Profit for the year attributable to members of the Company		21,579	19,959	22,223	19,355
Dividends recognised during the year	5	(9,180)	(8,182)	(9,180)	(8,182)
Transfers (to)/from general reserve for credit losses	22	(1,288)	343	(1,288)	343
Retained profits at the end of the year		114,394	103,283	112,442	100,687

5 Dividends

Dividends recognised in current year by the Company are:

	Consolidated Cents Per Share	Consolidated Total Amount $'000	Company % Franked	Company Date of payment
2008				
2008 interim dividend	8.0	3,193	100%	28-Feb-08
2007 final dividend	15.0	5,987	100%	30-Aug-07
		9,180		
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		

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

Subsequent events

On 12 August 2008 the Board declared a final ordinary dividend of 15.0 cents per share amounting to $5,987,000 and a special dividend of 0.5 cents amounting to $200,000, both franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2008. The dividends are payable on 30 August 2008. The financial effect of these dividends has not been brought to account in the financial statements for the year ended 30 June 2008 and will be recognised in subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences.

5 Dividends (continued)

	Company 2008 $000	Company 2007 $000
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	46,242	39,998

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 $2,652,000 (2007: $2,566,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of $128,000 (2007: $92,000) of franking credits.

6 Investments

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Available for sale investments*				
– government and semi-government securities	49,470	57,861	49,470	57,861
– bills of exchange accepted or endorsed by a bank	–	28,533	–	28,533
– certificates of deposit issued by banks	116,240	184,988	116,240	184,988
– deposits with banks	60,538	58,405	60,538	58,405
– floating rate notes	193,933	321,915	216,199	344,170
– commercial paper	92,565	–	92,565	–
– other bonds**	25,560	13,561	25,560	13,561
Total investments	538,306	665,263	560,572	687,518
MATURITY SCHEDULE OF INVESTMENTS				
Securities maturing				
– up to three months	212,863	227,437	212,863	227,437
– from three to twelve months	235,495	180,520	235,495	180,520
– from one to five years	89,948	253,848	89,948	253,848
– greater than five years	–	3,458	22,266	25,713
Total investments	538,306	665,263	560,572	687,518

* 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 either a 0% or 20% risk weighting for capital adequacy purposes.

The Group's exposure to credit risk and interest rate risk is disclosed in note 34.

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000

7 Loans and Receivables to ADI's

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Loans to Authorised Deposit-taking Institutions ("ADI's")		265,332	376,538	265,332	376,538
Total loans and receivables to ADI's		265,332	376,538	265,332	376,538
LOANS BY MATURITY					
– up to three months		245,646	279,994	245,646	279,994
– from three to six months		19,686	92,530	19,686	92,530
– from six to nine months		–	–	–	–
– from nine to twelve months		–	4,014	–	4,014
– from one to five years		–	–	–	–
Total loans and receivables to ADI's		265,332	376,538	265,332	376,538

8 Loans and Receivables to Members

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Loans to					
– members*		3,635,964	3,498,158	3,635,964	3,498,158
– consolidated entities, key management personnel and related entities		1,401	2,692	4,970	5,851
Provision for impairment	10	(2,452)	(1,816)	(2,452)	(1,816)
Total loans net of provision for impairment		3,634,913	3,499,034	3,638,482	3,502,193
LOANS BY MATURITY					
Loans to members maturing					
– revolving credit		13,553	12,896	17,122	16,055
– up to three months		12,683	14,115	12,683	14,115
– from three to six months		12,947	14,411	12,947	14,411
– from six to nine months		14,006	15,250	14,006	15,250
– from nine to twelve months		14,301	15,367	14,301	15,367
– from one to five years		212,894	241,637	212,894	241,637
– over five years		3,356,981	3,187,174	3,356,981	3,187,174
Provision for impairment	10	(2,452)	(1,816)	(2,452)	(1,816)
Total loans net of provision for impairment		3,634,913	3,499,034	3,638,482	3,502,193

* Includes $1,040,147,000 of securitised residential loans and $284,968,000 of securitised commercial loans (2007: $1,322,350,000 of securitised residential loans and $343,583,000 of securitised commercial loans).

9 Other Financial Assets

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Equity investments – at fair value*	1,410	498	1,410	498
Other equity investments – at cost**	505	505	2,333	2,333
Investments in controlled entities - at cost	–	–	754	754
Receivables from subsidiaries	–	–	9	71
Total other financial assets	1,915	1,003	4,506	3,656

* The Group's investment in Visa Inc is listed on the New York stock exchange. A 25% increase in the share price at reporting date would have increased equity by $246,700 after tax (2007: n/a); an equal change in the opposite direction would have decreased equity by $246,700 after tax (2007: n/a).

** Other equity investments are measured at cost as there is no quoted market price in an active market and the fair value can not be easily measured.

10 Provision for Impairment

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Specific provision				
Opening balance	328	–	328	–
Additions to specific provision	506	428	506	428
Loans written off, previously provided for	(50)	(61)	(50)	(61)
Reversal of provision	(48)	(39)	(48)	(39)
Closing balance	736	328	736	328
Collective provision for credit losses				
Opening balance	1,488	1,381	1,488	1,381
Additions to collective provision	228	107	228	107
Closing balance*	1,716	1,488	1,716	1,488
Total provision for impairment	2,452	1,816	2,452	1,816
Bad debt expense				
Additions to collective provision	228	107	228	107
Additions to specific provision	458	389	458	389
Bad debts written off directly	836	725	836	725
	1,522	1,221	1,522	1,221

* 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.

The Group's exposure to credit risk and impairment losses related to loans and receivables is disclosed in note 34.

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000

11 Derivative Assets

Interest rate swaps at fair value	3,947	2,561	3,947	2,561

12 Inventories

Freehold land held for development and sale				
– acquisition costs	2,746	2,746	–	–
– development costs capitalised	516	280	–	–
– rates, taxes and interest capitalised	576	326	–	–
Total inventories	3,838	3,352	–	–

Independent market valuations were carried out as at 30 June 2008 by Mr K Jackson, JP, Dip Bus (Val) FAPI Registered No. 2240 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 $3,838,000 (2007: $3,352,000), was valued at $5,323,000 (2007: $4,600,000).

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000

13 Property, Plant and Equipment

Freehold land				
– at cost	3,165	3,165	3,165	3,165
Freehold buildings				
– at cost	5,892	5,892	5,892	5,892
– accumulated depreciation	(1,326)	(1,178)	(1,326)	(1,178)
	4,566	4,714	4,566	4,714
Total land and buildings	7,731	7,879	7,731	7,879
Plant and equipment				
– at cost	29,745	32,320	29,745	32,320
– accumulated depreciation	(21,918)	(23,766)	(21,918)	(23,766)
Total plant and equipment	7,827	8,554	7,827	8,554
Work in progress – at cost	807	920	807	920
Total property, plant and equipment	16,365	17,353	16,365	17,353

Valuations of land and buildings

Independent valuations were carried out as at 30 June 2008 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 $15,210,000. The Company's policy is to obtain an independent valuation of freehold land and buildings every three years. As freehold land and buildings are carried at cost, the valuation has not been brought to account.

13 Property, Plant and Equipment (continued)

Reconciliations

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
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	4,714	4,861	4,714	4,861
Depreciation	(148)	(147)	(148)	(147)
Carrying amount at the end of the year	4,566	4,714	4,566	4,714
Plant and equipment				
Carrying amount at the beginning of the year	8,554	9,145	8,554	9,145
Additions	1,343	1,273	1,343	1,273
Transfers from work in progress	1,332	1,747	1,332	1,747
Disposals	(493)	(472)	(493)	(472)
Depreciation	(2,909)	(3,139)	(2,909)	(3,139)
Carrying amount at the end of the year	7,827	8,554	7,827	8,554
Work in progress				
Carrying amount at the beginning of the year	920	1,224	920	1,224
Additions	1,219	1,443	1,219	1,443
Transfers to plant and equipment	(1,332)	(1,747)	(1,332)	(1,747)
Carrying amount at the end of the year	807	920	807	920

14 Intangible Assets

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Intangible computer software				
Carrying amount at the beginning of the year	2,350	3,044	2,350	3,044
Additions	167	458	167	458
Amortisation	(1,186)	(1,152)	(1,186)	(1,152)
Carrying amount at the end of the year	1,331	2,350	1,331	2,350

15 Other Assets

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Sundry debtors	1,715	2,496	10,419	12,411
Other deferred costs	102	29	102	29
Total other assets	1,817	2,525	10,521	12,440

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000

16 Sundry Creditors

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Sundry creditors	10,933	12,027	10,814	11,957
Distributions payable by SPEs	24,205	33,854	–	–
Fees payable by SPEs	345	415	–	–
Total sundry creditors	35,483	46,296	10,814	11,957

The Group's exposure to liquidity risk related to sundry creditors is disclosed in note 34.

17 Deposits

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Retail deposits	2,124,115	1,992,813	2,126,791	1,996,161
Wholesale deposits	812,727	726,057	812,727	726,057
Accrued interest	34,262	25,867	34,262	25,867
Total deposits	2,971,104	2,744,737	2,973,780	2,748,085
CONCENTRATION OF DEPOSITS				
New South Wales	2,561,627	2,361,507	2,564,303	2,364,855
Australian Capital Territory	189,977	153,873	189,977	153,873
Queensland	53,304	18,809	53,304	18,809
South Australia	20,877	20,427	20,877	20,427
Victoria	109,973	152,539	109,973	152,539
Western Australia	3,938	12,330	3,938	12,330
Tasmania	21,013	11,270	21,013	11,270
Other	10,395	13,982	10,395	13,982
Total deposits	2,971,104	2,744,737	2,973,780	2,748,085

The Group's exposure to liquidity risk related to deposits is disclosed in note 34.

18 Securitised Loans Funding

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Notes payable	1,300,466	1,639,772	–	–
Loans from securitisation trusts	–	–	1,322,732	1,662,027
Total securitised loans funding	1,300,466	1,639,772	1,322,732	1,662,027

The Group's exposure to liquidity risk related to securitised loans funding is disclosed in note 34.

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000

19 Interest Bearing Liabilities

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Subordinated floating rate notes	1u	10,000	10,000	10,000	10,000

The Group's exposure to interest rate risk is disclosed in note 34.

20 Provisions

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Make good provision					
Balance at the beginning of the year		555	417	555	417
Provisions made during the year		–	138	–	138
Provisions used during the year		(14)	–	(14)	–
Balance at the end of the year		541	555	541	555
Employee benefits					
Balance at the beginning of the year		5,578	5,089	5,578	5,089
Provisions made during the year		2,269	2,292	2,269	2,292
Provisions used during the year		(2,569)	(1,803)	(2,569)	(1,803)
Balance at the end of the year	23	5,278	5,578	5,278	5,578
Total provisions		5,819	6,133	5,819	6,133

21 Issued Capital

	Note	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Issued capital					
39,911,640 (2007: 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. The Company has Members by way of guarantee and shares. Subject to basic voting qualifications, 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		Company	
	2008 $000	2007 $000	2008 $000	2007 $000

22 Reserves

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Available for sale revaluation reserve				
Balance at the beginning of the year	(526)	(428)	(526)	(428)
Revaluation movement for the year net of tax	107	(611)	107	(611)
Change in available for sale investments transferred to profit and loss	(6)	513	(6)	513
Balance at the end of the year	(425)	(526)	(425)	(526)
Cashflow hedging reserve				
Balance at the beginning of the year	1,792	902	1,792	902
Revaluation movement for the year net of tax	972	890	972	890
Balance at the end of the year	2,764	1,792	2,764	1,792
Equity investments revaluation reserve				
Balance at the beginning of the year	349	317	349	317
Change in equity investments transferred to profit and loss	(349)	–	(349)	–
Revaluation movement for the year net of tax	445	32	445	32
Balance at the end of the year	445	349	445	349
General reserve for credit losses				
Balance at the beginning of the year	99	442	99	442
Transfer from/(to) retained profits	1,288	(343)	1,288	(343)
Balance at the end of the year	1,387	99	1,387	99
General reserve				
Balance at the beginning and end of the year	25,255	25,255	25,255	25,255
Total reserves	29,426	26,969	29,426	26,969

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 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Current				
Liability for annual leave	2,154	2,005	2,154	2,005
Liability for banked time	1	4	1	4
Liability for directors' retirement benefits	141	142	141	142
	2,296	2,151	2,296	2,151
Non Current				
Present value of obligations – defined benefit fund	4,635	6,454	4,635	6,454
Fair value of defined benefit fund assets	(4,743)	(7,238)	(4,743)	(7,238)
Present value of net obligations	(108)	(784)	(108)	(784)
Unrecognised actuarial gains	583	1,256	583	1,256
Recognised liability for defined benefit obligations	475	472	475	472
Liability for long-service leave	2,263	2,429	2,263	2,429
Liability for directors' retirement benefits	244	526	244	526
Total employee benefits	5,278	5,578	5,278	5,578

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; and

– 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. Each member is also required to contribute 5 percent of their salary during each financial year. 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 2008 was carried out by Ms SA Sweeney FIAA on 16 July 2008.

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

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Net liability for defined benefit obligations at the beginning of the year	472	379	472	379
Contributions received from employer	(209)	(251)	(209)	(251)
Expenses recognised in the income statement	212	344	212	344
Net liability for defined benefit obligations at the end of the year	475	472	475	472

Changes in the present value of the defined benefit obligations are as follows:

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Defined benefit obligation at the beginning of the year	6,454	6,982	6,454	6,982
Service cost	444	516	444	516
Interest cost	360	324	360	324
Actuarial gains	(178)	(293)	(178)	(293)
Contributions by employees	324	229	324	229
Benefits paid	(2,661)	(1,173)	(2,661)	(1,173)
Other	(108)	(131)	(108)	(131)
Defined benefit obligation at the end of the year	4,635	6,454	4,635	6,454

23 Employee Benefits (continued)

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Changes in the fair value of fund assets are as follows:				
Fair value of fund assets at the beginning of the year	7,238	6,905	7,238	6,905
Actual return	(259)	1,157	(259)	1,157
Contributions by employer	209	251	209	251
Contributions by employees	324	229	324	229
Benefits paid	(2,661)	(1,173)	(2,661)	(1,173)
Other	(108)	(131)	(108)	(131)
Fund assets at the end of the year	4,743	7,238	4,743	7,238

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

	%	%	%	%
Australian shares	31	30	31	30
International shares	26	30	26	30
Property/alternate investments	15	15	15	15
Fixed interest	24	20	24	20
Cash	4	5	4	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	444	516	444	516
Interest on obligation	360	325	360	325
Expected return on fund assets	(551)	(497)	(551)	(497)
Actuarial gains	(41)	–	(41)	–
	212	344	212	344

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

The actual return on fund assets was a $259,000 loss (2007: $1,157,000 gain), and the Company expects to contribute $202,000 to its defined benefit superannuation fund in the 2009 financial year.

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

	%	%	%	%
Discount rate at 30 June	6.3	5.6	6.3	5.6
Expected return on fund assets at 30 June	7.3	7.4	7.3	7.4
Future salary increases	5.0	5.0	5.0	5.0

23 Employee Benefits (continued)

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

	2008 $000	2007 $000	2006 $000
Amounts for the current and previous annual periods relating to both the Company and Group are as follows:			
Defined benefit obligation	4,635	6,454	6,982
Fund assets	(4,743)	(7,238)	(6,905)
(Surplus)/Deficit	(108)	(784)	77

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.

The principal economic assumptions used in making these recommendations include:

	Consolidated		Company	
	2008 %	2007 %	2008 %	2007 %
Expected return on fund assets	7.3	7.4	7.3	7.4
Future salary increases	5.0	5.0	5.0	5.0

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $1,871,000 for the financial year (2007: $1,908,000).

24 Capital and Other Commitments

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Loan commitments approved but not advanced				
- not later than one year	277,613	316,728	277,613	316,728
- later than one year	8,046	14,594	8,046	14,594
	285,659	331,322	285,659	331,322
Capital expenditure commitments not taken up in the financial statements				
- not later than one year	1,031	190	1,031	190
Non cancellable operating rentals payable				
- not later than one year	4,134	3,475	4,134	3,475
- later than one year but not later than five years	7,839	7,466	7,839	7,466
- later than five years	161	37	161	37
	12,134	10,978	12,134	10,978

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.

25 Financing Arrangements

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $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 11.9% (2007: 10.0%).

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

Business Banking clients

Contingent liabilities also include guarantees of $2,200,000 (2007: $2,278,000) 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.

These facilities are established on the basis that the beneficiary of the Guarantee can call up the guarantee at any time and IMB is obliged to make good the value within the guarantee. In such circumstances the value of the payment under the guarantee is recovered from the security or a loan supported by the security.

Considering the contingent liability imposed upon IMB, fees are charged for the establishment and ongoing management of such facilities.

27 Consolidated Entities

Parent entity

IMB Ltd

	Principal Activity	Ownership interest 2008 %	Ownership interest 2007 %
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 2008	Joint venture reporting date 2007	Percentage interest 2008 %	Percentage interest 2007 %
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 2008 $000	Consolidated 2007 $000
Revenues	1,662	1,281
Expenses*	(1,518)	(901)
Profit before income tax expense	144	380
Income tax expense*	(113)	(71)
Net profit accounted for using the equity method	31	309
Balance sheet		
The Group's share of the joint venture entity's assets and liabilities consists of:		
Current assets	1,356	1,234
Non-current assets	2,256	1,521
Total assets	3,612	2,755
Current liabilities	1,562	435
Non-current liabilities	56	315
Total liabilities	1,618	750
Net assets accounted for using the equity method	1,994	2,005
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	14	(295)
Share of joint venture entity's net profit	31	309
Share of joint venture entity's retained profits at the end of the year	45	14
Movement in carrying amount of investment in incorporated joint venture		
Carrying amount at the beginning of the year	1,795	1,486
Share of joint venture entity's net profit	31	309
Carrying amount at the end of the year	1,826	1,795
Share of non-capital commitments attributable to joint venture entity		
Non-cancellable operating leases		
Payable not later than 1 year	28	48
Payable later than 1 year but not later than 5 years	–	28
Share of joint venture entity's non-capital operating leases	28	76

* Includes amortisation of intangible assets recognised on a diminishing value basis over fifteen years in relation to the purchase of two client books during the year. This expense is not deductible for tax purposes.

29 Notes to the Statements of Cash Flows

	Consolidated 2008 $000	Consolidated 2007 $000	Company 2008 $000	Company 2007 $000
Reconciliation of cash				
Cash and cash equivalents at the end of the year as shown in the statements of cash flows is reconciled to the related item in the balance sheets:				
Cash controlled by the Group	14,308	11,789	14,299	11,774
Cash controlled by SPEs	33,297	44,235	–	–
Total	47,605	56,024	14,299	11,774
The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in note 34.				
Reconciliation of cash flows from operating activities				
Profit for the year attributable to members of the Company	21,579	19,959	22,223	19,355
Net loss on sale of property, plant and equipment	73	105	73	105
Gain on Visa Inc. shareholding	(542)	–	(542)	–
Bad debts expense	1,522	1,221	1,522	1,221
Depreciation of property, plant and equipment, and amortisation of intangibles	4,243	4,438	4,243	4,438
Operating profit before changes in assets and liabilities	26,875	25,723	27,519	25,119
Changes in assets and liabilities:				
Decrease/(Increase) in accrued interest on investments	2,494	(934)	2,494	(934)
(Increase) in loans and receivables	(137,400)	(192,118)	(137,810)	(192,464)
(Increase) in inventories	(486)	(343)	–	–
(Increase)/Decrease in deferred expenditure	(73)	324	(73)	324
Decrease/(Increase) in sundry debtors	781	(452)	1,992	(2,437)
Decrease/(Increase) in deferred tax asset	33	(263)	30	(233)
Increase in accrued interest on members' deposits	8,395	3,784	8,395	3,784
(Decrease)/Increase in sundry creditors	(10,813)	(451)	(1,143)	2,805
Increase in deposits	217,973	88,866	217,301	89,316
(Decrease)/Increase in provision for employee benefits	(300)	489	(300)	489
(Increase) in equity investments	–	(355)	–	–
Increase in provision for income tax	229	1,536	229	1,590
(Decrease)/Increase in other provisions	(14)	138	(14)	138
(Decrease) in deferred tax liability	(367)	(329)	(442)	(470)
Net cash flows from operating activities	107,327	(74,385)	118,178	(72,973)

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 MJ Cole (Chairman)
Mr KR Biddle (Appointed 1 August 2007)
Mr GA Edgar
Mr RHP Elvy (Appointed 1 March 2008)
Mr LR Fredericks
Ms LT Gearing
Mr H Hanson AM (Retired 31 January 2008)
Mr LP Nicholas
Ms VJ Twyford (Retired 1 August 2007)

Executives

Mr RJ Ryan (Chief Executive from 1 November 2007 and Chief Financial Officer up to 31 October 2007)
Mr MR Harley (General Manager, Sales and Marketing)
Mr CA Rumble (General Manager, Business Systems from November 2007)
Mr CJ Goodwin (Chief Financial Officer, commenced employment 21 January 2008)
Mr PW Morris (Chief Executive, ceased employment 31 October 2007)

	Consolidated		Company	
	2008 $	2007 $	2008 $	2007 $
The key management personnel compensation included in "personnel expense" (see note 2) is as follows:				
Short-term employee benefits	1,753,940	1,849,170	1,753,940	1,849,170
Post employment benefits	151,917	191,413	151,917	191,413
Termination benefits	225,999	199,911	225,999	199,911
Other long-term benefits	107,382	185,289	107,382	185,289
Total	2,329,238	2,425,783	2,329,238	2,425,783

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Company in relation to their services rendered to the Group.

This summary table differs from the remuneration disclosures in the Director's Report on pages 32 to 33 for the following reasons:

- The amounts in this table for Mr CA Rumble only include amounts from the date of his appointment to a key management personnel position.
- The amounts in this table exclude Mr M Workman as he is not classified as key management personnel and is only included in the remuneration report as one of the top 5 highest paid Executives.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the directors' report. Apart from the details disclosed in this note, no director has entered into a material contract with the Group or the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

30 Related Party Disclosures (continued)

Loans to key management personnel and their related parties

		Opening balance $	Closing balance $	Write downs $	Interest and fees paid in the reporting period $	Highest balance in period $
Mr MJ Cole – related party	2008	–	981,471	–	77,571	981,594
	2007	–	–	–	–	–
Mr LR Fredericks	2008	74,560	32,519	–	4,759	134,582
	2007	–	74,560	–	11,762	276,707
Mr LR Fredericks – related parties	2008	384,095	382,963	–	31,039	384,459
	2007	290,829	384,095	–	21,266	390,543
Mr ML Anderson*	2008	–	–	–	–	–
	2007	1,002,893	1,002,359	–	39,439	1,003,871
Mr PW Morris**	2008	1,067,216	411,410	–	26,331	1,090,480
	2007	881,997	1,067,216	–	71,143	1,072,008
Mr PW Morris** – related party	2008	163,389	167,806	–	4,052	172,478
	2007	175,443	163,389	–	11,828	174,961

* Mr ML Anderson ceased employment on 1 February 2007. The disclosure made relates to the period from 1 July 2006 to 1 February 2007.
** Mr PW Morris ceased employment on 31 October 2007. The disclosure made relates to the period from 1 July 2007 to 31 October 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 2008	1,141,776	443,929	31,090	2
Total for key management personnel 2007	1,884,890	2,144,135	122,344	3
Total for other related parties 2008	547,484	1,532,240	112,662	3
Total for other related parties 2007	466,272	547,484	33,094	2
Total for key management personnel and their related parties 2008	1,689,260	1,976,169	143,752	5
Total for key management personnel and their related parties 2007	2,351,162	2,691,619	155,438	5

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 2007	Purchases	Sales	Held at 30 June 2008
Directors				
Mr MJ Cole	7,131	–	–	7,131
Mr KR Biddle	–	5,000	–	5,000
– related party	18,381	5,000	–	23,381
Mr GA Edgar	–	3,000	–	3,000
– related party	38,976	–	–	38,976
Mr LR Fredericks	4,693	–	–	4,693
– related parties	8,354	–	–	8,354
Ms LT Gearing	2,000	–	–	2,000
Mr H Hanson AM	16,273	–	–	16,273*
Mr LP Nicholas	2,000	–	–	2,000
– related party	38,890	–	–	38,890
Ms VJ Twyford	5,704	–	–	5,704*
Executives				
Mr PW Morris	8,400	–	–	8,400*
Mr RJ Ryan	4,000	–	–	4,000

* represents share holdings at time of ceasing to hold a key management personnel position.

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. Four 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:

Mr KR Biddle is a principal solicitor at Hansons Lawyers, which has provided legal services to IMB Land Pty Ltd, a controlled entity. Fees paid during the year were $3,056 (2007: Nil).

Ms VJ Twyford is a director and shareholder in Twyford Communications Pty Limited, which has provided consultancy services to the Company throughout the year primarily in relation to the IMB Community Foundation. Consultancy services in relation to the IMB Community Foundation were provided under the terms of a contract that was awarded after a competitive tender process and during the time Ms Twyford was a director. Fees paid during the year under this contract were $20,350 (2007: $58,023).

Mr LP Nicholas is the chairman of The Flagstaff Group Limited (a not for profit organisation providing employment for people with disabilities), which has provided services to the Company throughout the year under normal commercial terms. Fees paid during the year under this arrangement were $95,418 (2007: $73,645).

Mr RHP Elvy is a shareholder and director of the Wollongong Hawks Basketball Pty Ltd, with which the Company has a sponsorship agreement with. This contract was entered into prior to Mr Elvy being appointed as a director of the Company. Amounts paid during the year in relation to this sponsorship arrangement from the time when Mr Elvy was appointed a director of the Company were $2,200 (2007: nil).

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 are 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:

	2008 $000	2007 $000
IMB Land Pty Ltd	(88)	(52)
IMB Securitisation Services Pty Ltd	97	122
	9	70

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to $1,547,000 (2007: $2,371,000). These amounts are received on normal commercial terms and conditions. IMB Land Pty Ltd and its joint venture partner also have 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 $7,138,000 at 30 June 2008 (2007: $6,318,000). During the year there were repayments of $257,000 (2007: $nil) and advances of $384,000 (2007: $141,000). Aggregate interest of $693,000 (2007: $554,000) 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 $1,898,000 (2007: $1,655,000). 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 (2007: $14,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received $30,000 (2007: $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 (2007: $15,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of $72,000 (2007: $103,000) 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 one of the Trusts as part of its normal investment activities. At 30 June 2008, the Company held $22,200,000 (2007: $22,200,000) in the Illawarra Series 2004-1 CMBS Trust.

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

	2008 $000	2007 $000
Proceeds from securitisation of loans	Nil	691,792
Servicing fees received	3,738	3,913
Management fees received	449	470
Excess income received	10,849	12,990
Other	340	354

32 Segment Reporting

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

33 Average Balance Sheet and Related Interest

	Consolidated					
	2008			2007		
	Average Balance $000	Interest $000	Average Rate %	Average Balance $000	Interest $000	Average Rate %
INTEREST BEARING ASSETS						
Loans and receivables to members	3,553,279	281,378	7.92	3,422,372	248,813	7.27
Loans and receivables to ADI's	262,130	22,610	8.63	273,337	16,494	6.03
Available for sale investments	610,696	40,346	6.61	698,833	42,184	6.04
Total interest bearing assets	4,426,105	344,334		4,394,542	307,491	
Bad and doubtful debts expense	–	(1,522)	–	–	(1,221)	–
NON INTEREST BEARING ASSETS						
Inventories	3,747	–	–	3,270	–	–
Property, plant and equipment	18,380	–	–	20,502	–	–
Other assets	43,536	–	–	42,420	–	–
Total non interest bearing assets	65,663	–	–	66,192	–	–
Total assets	4,491,768	342,812	–	4,460,734	306,270	–
INTEREST BEARING LIABILITIES						
Deposits	2,812,928	162,197	5.77	2,728,564	137,036	5.02
Notes payable	1,440,277	108,152	7.51	1,490,151	98,064	6.58
Subordinated floating rate notes	10,000	871	8.71	10,000	750	7.50
Total interest bearing liabilities	4,263,205	271,220		4,228,715	235,850	
NON INTEREST BEARING LIABILITIES						
Other liabilities	46,765	–	–	62,299	–	–
Total liabilities	4,309,970	271,220	–	4,291,014	235,850	–
Net assets	181,798	–	–	169,720	–	–
Net interest income	–	71,592	–	–	70,420	–

34 Risk Management and Financial Instruments

The Group has exposure to the following risks from its use of financial instruments.

Credit Risk
Market Risk
Liquidity Risk
Operational Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

34 Risk Management and Financial Instruments (continued)

Risk management framework

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Audit and Risk Management Committee which is responsible for developing and monitoring Group risk management policies. The Audit and Risk Management Committee has all non-executive members and reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Risk Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in these functions by the Risk and Audit Department. Risk and Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

In addition to the Audit and Risk Management Committee, the Group has a number of senior management committees where specific risk management information is overseen. These include the Risk Management Committee which is responsible for managing liquidity and market risk, and the Credit Committee which is responsible for credit approvals which fall outside individual delegated authorities.

Credit Risk

Credit risk is the risk of financial loss to the Group if a member or counterparty to the financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to members, other authorised deposit-taking institutions and available for sale investments. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the IMB Executive. A separate Origination Services Department and Lending Services Department reporting to the IMB Executive, are responsible for oversight of the Group's credit risk, including:

- Drafting credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Formal approval of Credit Policy is retained by the Board.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Delegated Lending Authority limits are allocated to Credit Officers. Larger facilities require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Origination Services assesses all credit exposures prior to facilities being committed to members. Any facilities in excess of designated limits are escalated through to the appropriate approval level. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposures to certain board approved asset classes.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Treasury is responsible for managing IMB's liquidity investments including making investments, ensuring investment policies are adhered to and ensuring compliance with investment guidelines. These include limiting concentrations of exposures to duration, asset class and counterparties. IMB's Accounting Department is responsible for reviewing compliance with these limits.

Regular audits of business units and credit processes are undertaken by the Risk and Audit Department.

34 Risk Management and Financial Instruments (continued)

Exposure to credit risk		Loans & receivables to Members		Loans & receivables to ADI's		Available for sale investments	
	Note	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
CONSOLIDATED							
Carrying Amount	6,7,8	3,634,913	3,499,034	265,332	376,538	538,306	665,263
Individually impaired							
Gross amount		2,888	2,174	–	–	–	–
Provision for impairment		(736)	(328)	–	–	–	–
Carrying amount		2,152	1,846	–	–	–	–
Past due but not impaired							
Days in arrears:							
Less than one month		96,968	79,780	–	–	–	–
Greater than one month and less than two months		11,438	9,319	–	–	–	–
Greater than two months and less than three months		4,319	4,318	–	–	–	–
Greater than three months		7,448	1,208	–	–	–	–
Carrying amount		120,173	94,625	–	–	–	–
Neither past due nor impaired							
Secured by mortgage		3,436,323	3,328,694	–	–	–	–
Government securities		–	–	–	–	49,470	57,861
Investment grade		–	–	82,540	145,780	477,302	593,841
Unrated		–	–	181,850	225,570	–	–
Other		73,488	70,556	942	5,188	11,534	13,561
Net deferred income & expense		4,493	4,801	–	–	–	–
Carrying amount		3,514,304	3,404,051	265,332	376,538	538,306	665,263
Collective impairment provision	10	(1,716)	(1,488)	–	–	–	–
Total carrying amount	6,7,8	3,634,913	3,499,034	265,332	376,538	538,306	665,263
Includes restructured loans		1,235	249	–	–	–	–

34 Risk Management and Financial Instruments (continued)

Exposure to credit risk	Note	Loans & receivables to Members 2008 $000	Loans & receivables to Members 2007 $000	Loans & receivables to ADI's 2008 $000	Loans & receivables to ADI's 2007 $000	Available for sale investments 2008 $000	Available for sale investments 2007 $000
COMPANY							
Carrying Amount	6,7,8	3,638,482	3,502,193	265,332	376,538	560,572	687,518
Individually impaired							
Gross amount		2,888	2,174	–	–	–	–
Provision for impairment		(736)	(328)	–	–	–	–
Carrying amount		2,152	1,846	–	–	–	–
Past due but not impaired							
Days in arrears:							
Less than one month		96,968	79,780	–	–	–	–
Greater than one month and less than two months		11,438	9,319	–	–	–	–
Greater than two months and less than three months		4,319	4,318	–	–	–	–
Greater than three months		7,448	1,208	–	–	–	–
Carrying amount		120,173	94,625	–	–	–	–
Neither past due nor impaired							
Secured by mortgage		3,436,323	3,328,694	–	–	–	–
Government securities		–	–	–	–	49,470	57,861
Investment grade		–	–	82,540	145,780	499,568	616,096
Unrated		–	–	181,850	225,570	–	–
Other		77,057	73,715	942	5,188	11,534	13,561
Net deferred income & expense		4,493	4,801	–	–	–	–
Carrying amount		3,517,873	3,407,210	265,332	376,538	560,572	687,518
Collective impairment provision	10	(1,716)	(1,488)	–	–	–	–
Total carrying amount	6,7,8	3,638,482	3,502,193	265,332	376,538	560,572	687,518
Includes restructured loans		1,235	249	–	–	–	–

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 $4,292,000 (2007: $2,745,000).

IMB issues guarantees to business banking clients with a maximum credit exposure of $2,200,000 (2007: $2,278,000). Refer Note 26 for more details.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due loans but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

34 Risk Management and Financial Instruments (continued)

Restructured Loans

Restructured loans have renegotiated terms due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures subject to individual assessment for impairment, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans that are not subject to individual assessment for impairment.

Write off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when the loans/securities are determined to be uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Mortgage insurance contracts are entered into in order to manage the credit risk around the residential loan mortgage portfolio. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to other ADI's and available for sale investments.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	Loans and receivables to Members			
	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Against Individually impaired				
Property value	2,300	2,050	2,300	2,050
Against past due but not impaired				
Property value	153,784	131,211	153,784	131,211
Other	2,062	2,103	2,062	2,103
Total	158,146	135,364	158,146	135,364

Repossessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in possession and therefore the Company does not usually hold any real estate or other assets acquired through the enforcement of security.

During the year the Company took possession of property assets with a carrying value of $4,880,000 (2007: $1,923,000).

34 Risk Management and Financial Instruments (continued)

The Group monitors concentrations of credit risk by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans & receivables to Members		Loans & receivables to ADI's		Available for sale investments	
	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
CONSOLIDATED						
Carrying amount	3,634,913	3,499,034	265,332	376,538	538,306	665,263
Concentration by location						
New South Wales	2,671,956	2,617,196	130,369	158,557	252,586	265,009
Australian Capital Territory	219,178	209,243	942	5,188	17,450	–
Queensland	151,891	128,210	26,216	39,920	107,509	143,515
Victoria	403,433	374,160	8,049	12,205	24,241	70,493
Western Australia	150,509	134,198	8,054	30,600	2,033	2,065
South Australia	17,252	16,718	65,962	97,459	122,952	170,619
Other Australia	23,146	21,125	25,740	32,609	–	–
Overseas	–	–	–	–	11,535	13,562
Provision for impairment	(2,452)	(1,816)	–	–	–	–
Total loans net of provision for impairment and deferred income and expenses	3,634,913	3,499,034	265,332	376,538	538,306	665,263
COMPANY						
Carrying amount	3,638,482	3,502,193	265,332	376,538	560,572	687,518
Concentration by location						
New South Wales	2,675,525	2,620,356	130,369	158,557	274,852	287,264
Australian Capital Territory	219,178	209,243	942	5,188	17,450	–
Queensland	151,891	128,210	26,216	39,920	107,509	143,515
Victoria	403,433	374,160	8,049	12,205	24,241	70,493
Western Australia	150,509	134,198	8,054	30,600	2,033	2,065
South Australia	17,252	16,718	65,962	97,459	122,952	170,619
Other Australia	23,146	21,124	25,740	32,609	–	–
Overseas	–	–	–	–	11,535	13,562
Provision for impairment	(2,452)	(1,816)	–	–	–	–
Total loans net of provision for impairment and deferred income and expenses	3,638,482	3,502,193	265,332	376,538	560,572	687,518

Concentration by location for loans and receivables to members is measured based on the location of the borrower. Concentration by location for loans and receivables to other ADI's and for investment securities is measured based on the location of the counterparty.

34 Risk Management and Financial Instruments (continued)

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Group has exposure to non traded interest rate risk generated by banking products such as loans and deposits. The Group does not operate a trading book.

Overall authority for market risk is vested in the Risk Management Committee. The Risk Management Committee is responsible for the development of detailed risk management policies (subject to review and approval by the Audit and Risk Management Committee) and for the day to day review of their implementation.

Exposure to market risk

The principal tool used to measure and control market risk exposure within the Group's banking book is Value at Risk (VaR). The VaR of a banking book is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level), expressed as a percentage of regulatory capital. The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 20 day holding period. The VaR model used is based on variance/co variance. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 20 day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Group uses VaR limits for total market risk. The overall structure of VaR limits is subjected to review and approval by the Audit and Risk Management Committee. Weekly reports of utilisation of VaR limits are submitted to the Risk Management Committee.

A summary of the VaR position of the Group's banking book, expressed as a percentage of regulatory capital, as at 30 June 2008 and during the period is as follows:

Interest rate risk	2008 %	2007 %
At June 30	2.03	1.53
Average VaR for the period	1.83	1.66
Minimum VaR for the period	1.53	1.52
Maximum VaR for the period	2.05	1.79

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on the banking book.

34 Risk Management and Financial Instruments (continued)

Exposure to other market risks

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury is subject to regular monitoring by the Risk Management Committee, but is not currently significant in relation to the overall results and financial position of the Group.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial liabilities.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

IMB's Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of liquid investments, largely made up of high quality liquid assets, liquid investment securities, and loans and advances to other ADI's, to ensure that sufficient liquidity is maintained.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Risk Management Committee. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Risk Management Committee.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of liquid assets to total adjusted liabilities, excluding any liability elements that qualify as Tier 1 or Tier 2 capital. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's regulator (APRA). Details of the reported Group ratio of liquid assets to total adjusted liabilities at the reporting date and during the reporting period were as follows:

Total liquidity ratios	2008 %	2007 %
At 30 June	28.18	37.28
Average liquidity for the period	30.84	33.82
Minimum liquidity for the period	25.70	28.84
Maximum liquidity for the period	37.77	39.79

The Group has a minimum internal liquidity ratio of 10.5%.

34 Risk Management and Financial Instruments (continued)

Residual contractual maturities of financial liabilities

	At call		Excluding call less than 3 months maturity		Greater than 3 months less than 12 months maturity	
	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
CONSOLIDATED						
Financial Liabilities						
Deposits	899,900	928,297	1,359,961	1,235,397	767,398	612,787
Sundry creditors	–	–	35,483	46,296	–	–
Securitised loans funding*	–	–	99,545	125,480	261,942	291,842
Subordinated debt	–	–	245	192	712	676
Employee benefits	–	–	5,278	5,578	–	–
Total financial liabilities	899,900	928,297	1,500,512	1,412,943	1,030,052	905,305
COMPANY						
Financial Liabilities						
Deposits	902,575	931,645	1,359,961	1,235,397	767,398	612,787
Sundry creditors	–	–	10,814	11,957	–	–
Securitised loans funding*	–	–	100,073	125,944	263,544	293,234
Subordinated debt	–	–	245	192	712	676
Employee benefits	–	–	5,278	5,578	–	–
Total financial liabilities	902,575	931,645	1,476,371	1,379,068	1,031,654	906,697
Derivative financial instruments						
Interest rate swaps (hedging relationship) net**	–	–	–	–	–	–
Unrecognised loan commitments	–	–	102,471	130,836	–	–

* Included in this balance are amounts payable to mortgage SPE noteholders. The contractual maturity of the notes is dependant on the repayment of the underlying mortgages.
** Represents contractual cashflows to maturity on interest rate swaps in a pay position. Based on current market rates.

34 Risk Management and Financial Instruments (continued)

Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Total		Total carrying amount as per the balance sheet	
2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000	2008 $000	2007 $000
19,097	24,176	7	–	3,046,363	2,800,657	2,971,104	2,744,737
–	–	–	–	35,483	46,296	35,483	46,296
832,378	886,475	416,592	644,743	1,610,457	1,948,540	1,300,466	1,639,772
12,852	13,787	–	–	13,809	14,655	10,000	10,000
–	–	–	–	5,278	5,578	5,278	5,578
864,327	924,438	416,599	644,743	4,711,390	4,815,726	4,322,331	4,446,383
19,097	24,176	7	–	3,049,038	2,804,005	2,973,780	2,748,085
–	–	–	–	10,814	11,957	10,814	11,957
840,018	893,703	438,858	666,998	1,642,493	1,979,879	1,322,732	1,662,027
12,852	13,787	–	–	13,809	14,655	10,000	10,000
–	–	–	–	5,278	5,578	5,278	5,578
871,967	931,666	438,865	666,998	4,721,432	4,816,074	4,322,604	4,437,647
–	–	–	–	–	–	–	–
–	–	–	–	102,471	130,836	–	–

The previous table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, at call deposits from members are expected to maintain a stable or increasing balance and unrecognised loan commitments are not expected to be drawn down immediately.

The gross nominal inflow/(outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled.

34 Risk Management and Financial Instruments (continued)

Operational Risk

Operational risk is the risk of the direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business entities. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a program of periodic reviews undertaken by Risk and Audit. The results of these Risk and Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit and Risk Management Committee and senior management of the Group.

Capital Management - regulatory capital

The Group's regulator (APRA) sets and monitors capital requirements for the Group as a whole. The Group reports to APRA under Basel II capital requirements effective from 1 January 2008. The Group has adopted the standardised approach for credit risk and operational risk. Prior to 1 January 2008, the Group reported to APRA under the prudential requirements referred to as Basel I.

In implementing current capital requirements APRA requires the Group to maintain a prescribed ratio of total capital to total risk weighted assets.

The Group's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes ordinary share capital, general reserves and retained earnings, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on readily marketable securities classified as available for sale.

Various limits are applied to elements of the capital base. The amount of fundamental tier 1 capital must constitute at least 75 percent of net tier 1 capital. Residual tier 1 capital is limited to 25 percent of net tier 1 capital and innovative tier 1 securities cannot exceed 15 percent of net tier 1 capital. Net tier 1 capital must constitute at least 50 percent of capital. Total tier 2 capital is limited to 100 percent of net tier 1 capital and total tier 2 capital net of deductions and amortisation is limited to 50 percent of tier 1 capital.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised as the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group and Company have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Group's management of capital during the period.

34 Risk Management and Financial Instruments (continued)

The Group's and Company's regulatory capital position at 30 June was as follows:

	Consolidated		Company	
	2008 $000	2007 $000	2008 $000	2007 $000
Tier 1 capital				
Ordinary share capital	46,936	46,936	46,936	46,936
General reserves	25,255	25,255	25,255	25,255
Retained earnings	97,657	85,537	95,062	83,545
Current year earnings	11,692	12,166	12,336	11,563
(less) Capitalised expenses	(9,513)	(12,309)	(9,513)	(12,309)
(less) Other	(1,368)	(1,182)	(1,370)	(1,189)
Total	170,659	156,403	168,706	153,801
Tier 2 capital				
Asset revaluation reserves	5,626	5,738	5,626	5,738
General reserve for credit loss	2,408	993	2,408	993
Subordinated debt*	8,000	10,000	8,000	10,000
(less) Other	(804)	–	(806)	–
Total	15,230	16,731	15,228	16,731
(less) Equity and other capital investments in other ADI's and equivalent overseas deposit taking institutions (and subsidiaries)	–	(235)	–	(235)
Total regulatory capital	185,889	172,899	183,934	170,297
Capital requirements (in terms of risk weighted assets) for:				
Credit risk**	1,406,796	1,379,785	1,407,252	1,380,401
Operational risk**	195,448	–	193,980	–
Market risk**	2,440	–	2,440	–
Total risk weighted assets	1,604,684	1,379,785	1,603,672	1,380,401
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	11.58%	12.53%	11.47%	12.34%
Total Tier 1 capital expressed as a percentage of risk weighted assets	10.64%	11.34%	10.52%	11.14%

* The subordinated debt matures June 2012. The amount eligible for inclusion in Tier 2 capital is amortised on a straight line basis of 20 percent per annum over the last four years to maturity.

** Effective 1 January 2008 capital requirements for the Group and Company have been determined in accordance with the Basel II standardised approach.

34 Risk Management and Financial Instruments (continued)

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect a differing risk profile, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

Fair Value

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Financial instruments carried at fair value

- Financial instruments classified as available for sale are measured at fair value by reference to quoted market price when available. If quoted market prices are not available, then fair values are estimated based on pricing models or other recognised valuation techniques.

Financial instruments carried at amortised cost

- The fair values of liquid assets and other assets maturing within 12 months approximate their carrying amounts. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities.
- The fair value of at call deposits with no specific maturity is approximately their carrying amount as they are short term in nature or are payable on demand.
- The fair value of variable rate financial instruments, including loan assets and liabilities carried at amortised cost are approximated by their carrying value. In the case of loan assets held at amortised cost, changes in the fair value do not reflect changes in credit quality, as the impact of credit risk is largely recognised separately by deducting the amount of an allowance for credit losses.
- The fair value of fixed rate loans at amortised cost is estimated by reference to current market rates offered on similar loans. The fair value of these instruments is not materially different to their carrying amounts.

35 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 30 June 2008 refer to note 5.

Other

On 10 July 2008 a wholly owned subsidiary, IMB Land No 2 Pty Ltd, was incorporated for the purposes of a future land development project.

There were no other events subsequent to balance date.

Directors' Declaration

For the year ended 30 June 2008

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

(a) the financial statements and notes, set out on pages 38 to 84 and the Remuneration Report in the Directors' Report, set out on pages 30 to 34, 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 2008 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 2008.

Dated at Wollongong this 12th day of August 2008.

Signed in accordance with a resolution of the directors:

MJ Cole
Chairman

LP Nicholas
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 Limited (the Company), which comprises the balance sheets as at 30 June 2008, 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 85 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 audit 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 and 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 2008 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 30 to 34 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of IMB Limited for the year ended 30 June 2008, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Warwick Shanks
Partner

Dated at Wollongong this 12th day of August 2008

Shareholders' Information

As at 12 August 2008

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	382,000	0.96
Reibel Investments Pty Ltd	350,000	0.88
MF Hands	334,885	0.84
J Xanthoudakis	313,647	0.79
RJ Davis	305,000	0.76
Austock Nominees Pty Ltd	295,720	0.74
UBS Wealth Management Aust Nominees Pty Ltd	288,673	0.72
BB Nominees Pty Ltd	228,792	0.57
G & H Custodians Pty Ltd	226,858	0.57
DL Craker	214,830	0.52
WC Bradley	205,551	0.52
Acres Holdings Pty Ltd	203,397	0.51
BA Rogerson	195,645	0.49
SL Dzida	178,626	0.45
WL Hughes	176,728	0.44
RM Hanbury	175,073	0.44
K O'Connor	174,096	0.44
AM DiPietro	169,419	0.43
Total	6,819,077	17.08

Employee Shareholdings	Shareholders	Number of Shares	% of Total
	69	267,147	0.67

Distribution of Shareholdings

			Shareholders	Number of Shares	% of Total
1	–	100	116	6,308	0.02
101	–	1,000	1,245	627,944	1.57
1,001	–	5,000	1,709	4,192,401	10.50
5,001	–	10,000	615	4,318,320	10.82
10,001	–	20,000	420	5,923,775	14.84
20,001	–	50,000	290	8,775,652	21.99
50,001	–	100,000	69	4,749,212	11.90
100,001 and over			56	11,318,028	28.36
Total			4,520	39,911,640	100.00

Share Information

		2008	2007	2006	2005	2004
Shares on issue	000's	39,912	39,912	39,912	39,912	39,130
Dividend per share:						
Interim	cents	8.0	8.0	7.5	7.0	7.0
Final	cents	15.0	15.0	12.0	11.5	11.5
Special	cents	0.5	–	0.5	–	2.0
Closing share price	$	3.15	3.15	3.00	3.10	3.16
Highest share price	$	4.20	3.35	3.35	3.60	3.33
Lowest share price	$	3.00	2.98	3.00	2.95	2.85
Average share price	$	3.42	3.14	3.10	3.16	3.12
Shares traded	000's	2,142	2,408	2,113	1,979	1,995
Turnover	%	5.4	6.0	5.3	5.0	5.1

* Australian Accounting Standards requires earnings per share to be calculated with reference to the profit or loss attributable to ordinary equity holders of the parent entity. Due to the structure of IMB, in particular the existence of shareholder members and non-shareholder members, the amount of profit or loss attributable to ordinary equity holders is not able to be reliably measured. As a result earnings per share has not been calculated.

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
Cronulla	80 Cronulla Street Cronulla NSW 2230
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
Narellan	Shop 10, 320 Camden Valley Way Road Narellan NSW 2567
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
Sylvania	Southgate Shopping Centre, Cnr Princes Highway and Port Hacking Road, Sylvania NSW 2224
Thirroul	Shop 6, Anita Theatre King Street Thirroul NSW 2515
Ulladulla	89 Princes Highway Ulladulla NSW 2539
Unanderra	102 Princes Highway Unanderra NSW 2526
Vincentia	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 Waverley	55 Railway Parade North Glen Waverley 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 2008

Annual general meeting 30 October 2008 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 2008 at 10:00am

Company Secretary

Lauren Wise (BA LLB Grad Dip. Legal Practice)

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

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www.imb.com.au

Annual Report 2008

BANKING & FINANCIAL SERVICES

IMB Ltd 92 087 651 974