IMB

Better Value Banking

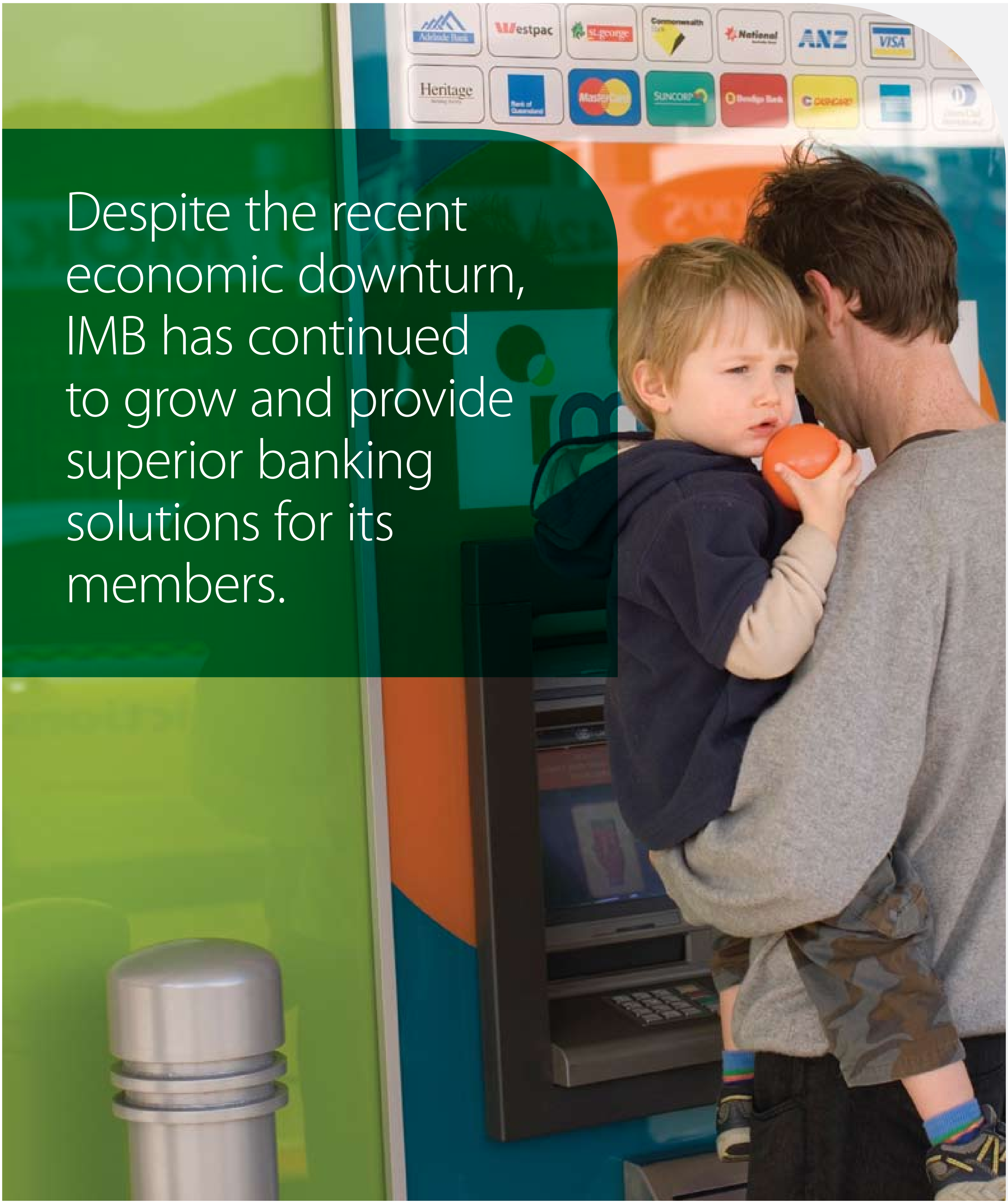
IMB Ltd ABN 92 087 651 974

Annual Report 2009

IMB strives to provide the best banking solutions for its members – which is why we were proud to be named *Money* magazine's Building Society of the Year 2009.

Notice of Annual General Meeting

The annual general meeting of IMB Ltd will be held at the Hoskins Room, Novotel Northbeach, 2–14 Cliff Road, Wollongong on Tuesday 27 October 2009.



Despite the recent economic downturn, IMB has continued to grow and provide superior banking solutions for its members.

01 About IMB

Who we are

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

With more than $4.4 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 is 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 alternative to the Banks in regions within which it operates.

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.

02 Five Year Summary

IMB Ltd and its controlled entities (As at 30 June 2009)

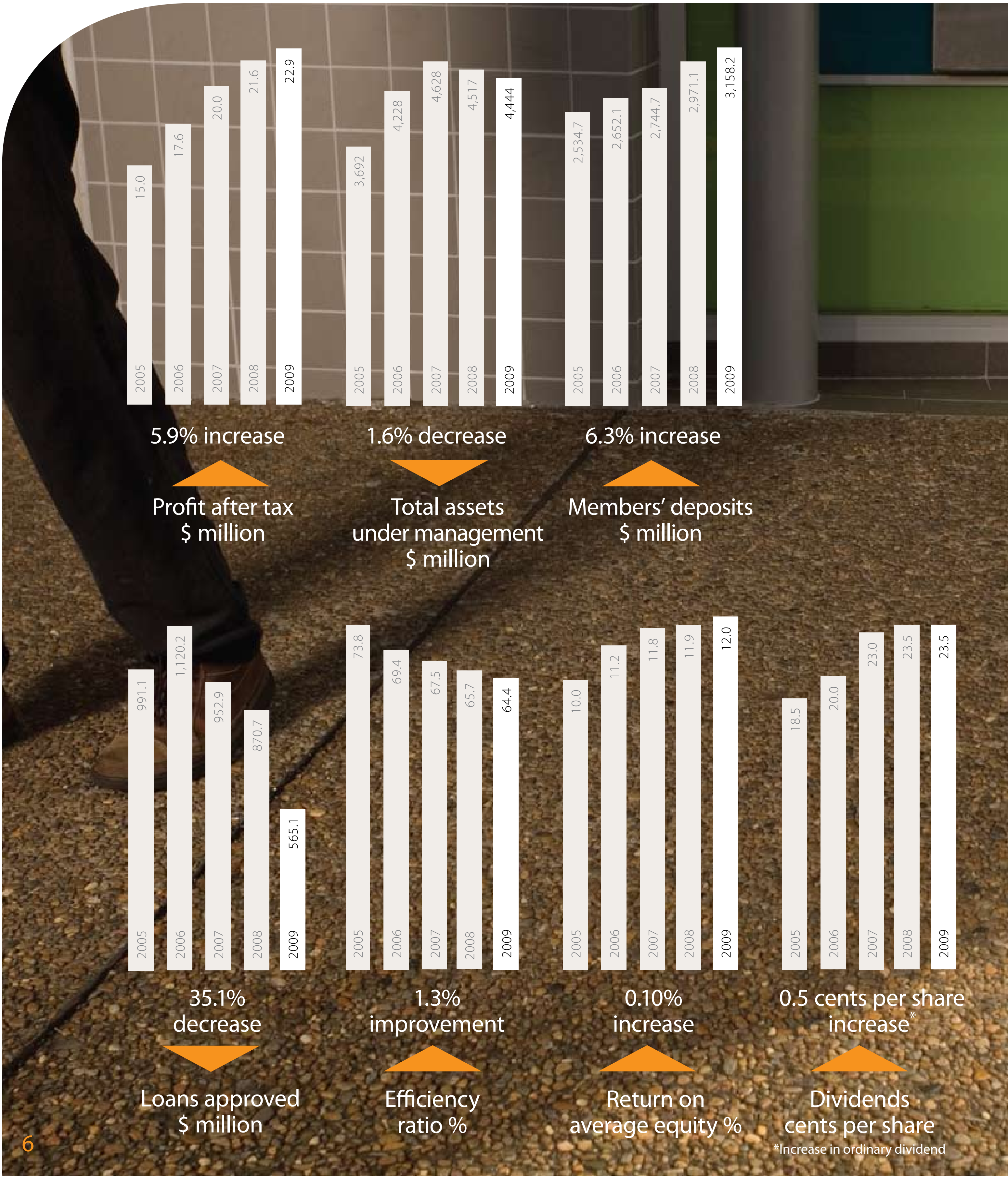
	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Financial performance					
Interest income	**304,007**	344,334	307,500	260,874	237,673
Interest expense	**227,397**	271,222	235,856	194,101	172,220
Interest margin	**76,610**	73,112	71,644	66,773	65,453
Non interest income	**17,141**	18,633	15,846	16,262	18,937
Bad and doubtful debts expense	**1,790**	1,522	1,221	1,075	902
Non interest expense	**59,264**	59,314	58,232	56,868	61,592
Profit before tax	**32,698**	30,908	28,037	25,092	21,896
Income tax expense	**9,848**	9,329	8,078	7,464	6,909
Profit after tax	**22,850**	21,579	19,959	17,628	14,987
Financial position					
Assets					
Loans to members	**3,476,040**	3,634,913	3,499,034	3,308,138	2,929,149
Liquids	**937,532**	851,243	1,097,825	889,024	684,521
Other	**30,611**	31,039	30,939	30,579	78,731
	4,444,183	4,517,195	4,627,798	4,227,741	3,692,401
Liabilities					
Deposits	**3,158,283**	2,971,104	2,744,737	2,652,087	2,534,727
Securitised loans funding	**1,025,682**	1,300,466	1,639,772	1,346,436	948,358
Other	**61,057**	54,869	66,101	64,631	54,779
	4,245,022	4,326,439	4,450,610	4,063,154	3,537,864
Net assets	199,161	**190,756**	**177,188**	**164,587**	**154,537**
Total assets	**4,444,183**	**4,517,195**	**4,627,798**	**4,227,741**	**3,692,401**

		2009	2008	2007	2006	2005
Performance ratios						
Capital adequacy	%	**11.6**	11.6	12.4	11.0	10.6
Total asset growth	%	**–1.6**	–2.4	9.5	14.5	5.9
Net asset growth	%	**4.4**	7.7	7.7	6.5	6.5
After tax return on average net assets	%	**12.02**	11.87	11.76	11.16	10.00
Non interest income/average total assets	%	**0.39**	0.41	0.36	0.40	0.50
Non interest expenses/average total assets	%	**1.33**	1.32	1.31	1.41	1.70
Non interest expenses/operating income	%	**64.4**	65.7	67.5	69.4	73.8
Bad debts expense/average loans	%	**0.05**	0.04	0.04	0.03	0.03
Cost of funds	%	**5.4**	6.4	5.6	5.1	4.9
Interest margin	%	**1.75**	1.65	1.63	1.65	1.78
Total loans approved	$m	**565.1**	870.7	952.9	1,120.2	991.1
	No.	**6,258**	8,961	9,809	11,549	9,480
Home loans approved	$m	**456.2**	718.0	781.4	883.2	791.3
	No.	**2,499**	4,128	4,776	5,444	5,152
Average home loan approved	$000	**182.6**	173.9	163.6	162.2	153.6
Deposit accounts	000	**350.4**	340.0	361.0	332.5	326.6
Number of branches	No.	**41**	39	38	37	34
Staff (full time equivalent)	No.	**381**	397	406	404	395


Narelle Coops

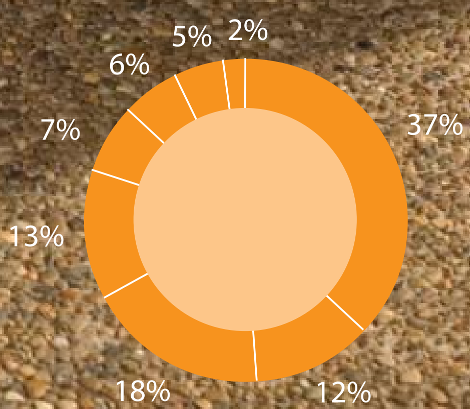
IMB remains dedicated to recruiting and training the best staff so we can deliver better service to our members.

06 Highlights



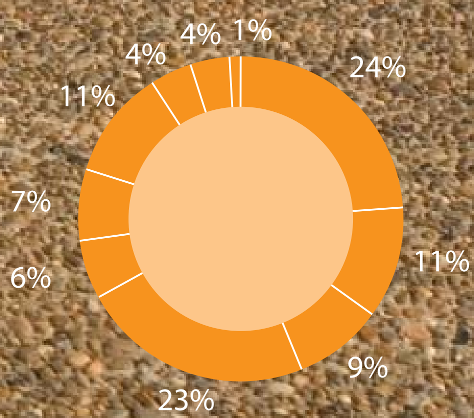
- We launched a new First Home Saver Account to enable our Members to take full advantage of the Government's First Home Savers scheme.
- We opened IMB's newest branches at Cronulla and Sylvania.
- We entered into a strategic partnership with rediATM to provide Members with access to almost 1,400 ATM's nationally free of ATM direct charges.
- We expanded our Nowra branch to include Business Banking and establish IMB's first fully integrated branch incorporating retail sales and service, mobile lending, business banking and financial planning.
- We continued our successful traineeship program, with the recruitment of five new trainees in addition to the 55 that have already been trained since its introduction in 2005.
- We allocated a further $450,000 to the IMB Community Foundation, bringing the total amount of funds granted to the community to $4.75 million since 2000.
- IMB's Victorian Bushfire appeal raised over $154,000 for victims and we introduced a special assistance package for Members directly affected by the fires.
- Our credit rating was affirmed by Standard & Poor's as BBB/Stable/A-2 and our residential loan servicer rating was also affirmed as Strong.
- We were judged *Money* magazine's Building Society of the Year for 2009. The third such time IMB has won the award since 2005.
- We again received the Illawarra Business Chamber's award for the best Professional and Commercial Service Business – the second year in succession.

Deposits by location



37% Illawarra
12% NSW Southern Highlands
18% NSW South Coast
13% Sydney
7% Other NSW
6% Australian Capital Territory
5% Victoria
2% Other

Loans by location



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

08 Chairman's Letter

"In its 129 years of operation the IMB has survived the Major Bank Crisis of 1893, the Great Depression of 1930, the post war WW II credit squeezes of 1961, 1974, 1979, and the severe equity market correction of 1987, as well as the Tech Wreck of 2000. The GFC of 2008 was just the latest occurrence of a volatile financial event in our history."

MJ Cole, Chairman

IMB Chairman's Report FY 2009

As the Global Financial Crisis (GFC) begins to diminish in many Australian minds it seems timely to review the lessons learned from this period. It is a time when the global financial services sector has delivered losses of over $1 trillion to their shareholders. To put the size of these losses in a domestic perspective the total assets of the Australian superannuation sector are currently just over $1 trillion.

It is also important to understand why the IMB fared relatively well during this unprecedented event. In its 129 years of operation the IMB has survived the Major Bank Crisis of 1893, the Great Depression of 1930, the post war WW II credit squeezes of 1961, 1974, 1979, and the severe equity market correction of 1987, as well as the Tech Wreck of 2000. The GFC of 2008 was just the latest occurrence of a volatile financial event in our history.

In the wake of all these events the IMB witnessed the demise of a number of major financial institutions. Our long history has created an acute awareness of risk/return which is deeply engrained in our culture and how we manage the business.

The first lesson we learned is to keep it simple. The IMB has therefore distilled banking to its essence. To the IMB banking is no more than borrowing from a diversified depositor base with an appropriate maturity profile and lending to clients capable of servicing their interest and loan principal repayment obligations at a satisfactory margin.

The challenge is always the successful execution of a principle. Management however is very focused on consistently executing against this framework.

Despite this turbulent environment IMB posted a 5.9% increase in net profit to a record $22.85 million. The milestone was achieved because IMB management executed operationally at the highest level of effectiveness consistent with our ethos to keep "banking a simple business".

The banking business also has a number of financial characteristics which mean that the margin for error at the operating level from poor execution is very small.

Firstly, mortgage lending in a deregulated monetary system is a commoditised business that attracts very competitive margins. The gross spread on assets between average lending rates and borrowing costs is typically less than 2 % per annum. Thus a sharp deterioration in the number of loans defaulting will quickly erode any profit margin.

For example, if 5% of the loan portfolio was to default accompanied by a 40% deterioration in the realised asset value (say the value of your house) below the loan amount, the entire loan book profit margin spread would be wiped out for that entire year.

Secondly, because the net profit spread after operating expenses and taxes is very fine, (0.51% for IMB in FY 2009), banks and deposit taking institutions require a relatively high level of balance sheet leverage to generate an acceptable return on equity funds.

Typically banks are geared up to 20 times total borrowings to equity funds. In IMB's case we were able to convert the 0.51% net return on average total assets into a very acceptable 12.02% per annum return on member's equity.

It is the high level of gearing of banks that leaves them vulnerable to an erosion of their equity base in the event of substantial losses. These losses are most often caused by a rapid increase in credit defaults and bad debts which impacted many financial service organisations over the last twelve to eighteen months. The banks loan credit issues were worsened by mark to market valuation downgrades of their collateralised debt obligations (CDO's) holdings.

On a global basis large scale equity raisings were required by banks to restore their gearing ratios to prudential levels. These losses were of such magnitude that to avert a liquidity meltdown of the global finance system a coordinated massive re-capitalisation of the global banking sector by National Governments was required. This was supplemented by a contribution from existing shareholders and investors. The global financial sector has been effectively recapitalised through massive increases in public borrowings. Thus in some cases poor quality bank assets have been effectively nationalised.

Again IMB stuck to its ethos and delivered. At the IMB there was no discernable deterioration in credit quality over the financial year not withstanding the widespread credit excesses of the domestic finance sector generally over the previous decade of economic expansion. IMB's net bad debt expense to average loans moved indiscernibly from 0.04% in FY 2008 to 0.05% in FY 2009. Further, our most recent experience is that IMB's credit quality has stabilised at a very satisfactory level. This is supported by a recent assessment of credit quality by a major mortgage insurer that confirms IMB's loan book default experience is far superior to its peers. Credit risk was also avoided as IMB never invested in CDO's.

In addition to achieving credit quality, IMB management was able to meet the challenge of improving the FY 2009 interest margin by 0.10% to 1.75% in an environment of sharp reductions in official domestic interest rates. These decreases caused lending rates to decline in advance of the borrowing rate adjustment. Through judicious management of the loan book and liquidity portfolio, a 0.50% improvement in the interest margin to 2.00% per annum was achieved in the second half.

In response to the need to explore all options to facilitate achievement of the budgeted profit level, all non interest expenses were rigorously reviewed and IMB management were able to hold expenditure at the previous financial year's level.

This outcome helped lower the non interest expense ratio to operating income by 1.3% to 64.4%. The Directors are comfortable that IMB management achieved the correct balance between operating efficiency and member service levels for the period.

As a result of the 5.9% lift in net profit, Directors considered all the factors previously highlighted in last years Chairman's Address before determining that despite the challenging economic climate, the dividend to be paid to shareholders should be maintained at the previous years level of 23.5 cents after converting last years 0.5 cents special dividend from the Visa Share sale to an ordinary dividend.

Over the past year the IMB share price demonstrated significantly lower volatility than the ASX 300 and confirms IMB's share's particular investment features. It is a high yielding stock with modest dividend growth prospects and low volatility.

Despite the continuing challenges posed by the GFC, IMB remains well positioned to respond positively to members' needs and to continue to grow. IMB's balance sheet is well capitalised with a high level of liquidity and an even further enhanced retail funding base. The proposed CACU merger highlights there are opportunities to supplement IMB's organic growth through further merger activity in the mutual financial services sector for the benefit of all members. IMB remains committed to being the competitive alternative to the banks.

Reflecting our strong financial performance IMB was able to maintain its level of support for the local communities in which we operate, providing funds totalling $400,000 for 27 projects in Sydney, the ACT, the Illawarra and the South Coast through the IMB Community Foundation.

On behalf of Directors and all IMB Members I would like to thank all staff for their outstanding contribution to the achievements highlighted. Rob Ryan and his management team have worked tirelessly and I offer congratulations on the above results.

Finally the Board and Management would like to thank you, our members and shareholders for continuing to support the IMB.

MJ Cole
Chairman

10 Chief Executive's Review of Operations

"Although it has been a turbulent time in Australia's economy, IMB members have continued to enjoy high service levels, competitive banking products and financial security."

RJ Ryan, Chief Executive

Overview

IMB has delivered another strong result for the 2008-09 financial year, notwithstanding the unprecedented and exceptional market conditions due to the global financial crisis.

Group operating profit before tax was $32.7 million, an increase of 5.8 percent compared to the prior year. Excluding one-off individually significant items in the prior year result, Group profit before tax was up 12.6 percent compared to the previous year. This is another record performance on both published and underlying core profit for IMB.

Strategy

During the year IMB made good progress in implementing its member centric strategy. Our renewed focus on the growth of retail deposits over the last 18 months has been an important source of funding in difficult times, characterised by historically low official interest rates, recessionary pressures and low levels of consumer confidence. The strong growth in retail deposits, assisted by the Government Stimulus Package, demonstrates the resilience of the mutual business model in the face of the current market challenges.

A key aspect of IMB's member-focused strategy is to always put members' needs at the forefront of the decision making process. During the year IMB implemented a number of initiatives to deliver its promise of 'Better Value Banking'. This included the introduction of a low fee deposit account, amending the retail network delivery model, implementation of a Member Service measure and reward system, sales and service training, wider staff discretions on interest rates and fees, and improvements to service delivery processes.

In March, the Reserve Bank introduced ATM Direct charging. In response to this IMB partnered with rediATM to give Members access to an additional 1,400 ATMs nationally free of direct charge.

During the year IMB was again recognised for its leading position within the mutual banking sector when it was awarded the Money Magazine Building Society of the Year for 2009. This is the third year IMB has won the award since 2005. The award is affirmation that IMB represents a strong credible alternative to the major banks.

Merger with Community Alliance Credit Union

In June IMB announced the proposed merger with Community Alliance Credit Union. The merger is subject to regulatory approval and a vote of members of the credit union. The complementary nature of the merger ensures that the combined organisation is well positioned to realise benefits for all members whilst providing a sound platform for future growth. Planning for the integration with Community Alliance Credit Union is progressing well.

Profit

Group operating profit after tax at $22.9 million increased by $1.3 million or 5.9 percent over the previous year. Excluding one-off individually significant items in the prior year result, Group profit after tax increased by $3.6 million, up 12.6 percent.

Net interest income

Net interest income for the year was $76.6 million, up $3.5 million on the previous year. Interest margin improved from 1.65 percent to 1.75 percent during the year. Given the low base rate environment and intense competition for high quality mortgages and retail deposits, this is an outstanding result, particularly as throughout most of the year, IMB maintained its standard variable home loan interest rate lower than all of the major banks and passed on more of the RBA rate cuts than any of the major banks.

Non interest income

Non interest income decreased by $1.5 million compared to the previous year. The prior year 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 IMB's members pay any fees each month.

Bad and doubtful debts expense

Bad and doubtful debts expense was $1.8 million, an increase of $0.3 million on the previous year. The underlying quality of both secured and unsecured lending remains strong. The increase in bad debt expense during the year has been largely contained around a very small number of loans. Overall, IMB's level of mortgage arrears continues to be well below the national averages in all categories. The residential loan book continues to perform among the best in the Australian banking sector, a view substantiated by the current quarterly review by the mortgage insurance company, QBE Mortgage Insurance Ltd.

Non interest expense

Expenses have again been carefully managed during the year. With the ongoing tight market conditions IMB has continued with a disciplined approach to cost containment. Non interest expense remained flat during the year compared to the prior year. Excluding one-off individual significant items of $0.7 million in the prior year, non interest expense increased by $0.6 million or 1.1 percent compared to the previous year.

The ratio of non interest expense to operating income for the Group decreased from 65.7 percent in 2007-08 to 64.4 percent in 2008-09. 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

IMB has a strong and diversified funding base. Deposit funding grew by $187 million or 6.3 percent to close at $3.2 billion. Retail deposits grew by $242 million or 11.4 percent. This compares favourably against last year's growth of $226 million or 8.2 percent and reflects IMB's renewed focus on retail deposit funding. With almost 60 percent of funding provided by retail deposits, IMB is less reliant on the wholesale markets than some of its competitors.

Loan approval levels for the year were $565.1 million, 35.1 percent lower than the previous year. This is a reflection of the stressed housing market, the decreased activity in the SME sector and the winding back of the distribution of residential loans through mortgage brokers. IMB experienced an increase in lending approvals in the second half of the financial year, driven by historically low lending rates and assisted by the Government's First Home Buyer scheme.

Despite the overall lower loan volumes, loan approvals in IMB's branch network were more than 20 percent higher than last year's levels.

Loans outstanding, including loans to ADIs, increased by $16.0 million (or 0.4 percent) to $3.9 billion. Assets decreased by $73.0 million (or 1.6 percent) to be slightly under $4.5 billion at the end of the financial year.

The Group's capital position remains strong and robust. The capital adequacy ratio of 11.6 percent at balance date is well above the statutory level of 8.0 percent.

Management and Staff

Finally I would like to thank all IMB's management and staff for the tremendous efforts they have made in a time of unprecedented change. Their contributions have ensured that IMB has retained a trusted position in the financial market place, while laying the foundations for future growth in light of the tough conditions.

Outlook

Current economic, market and interest rate conditions will continue to present a very difficult trading environment in 2009-10. IMB remains committed to mutuality and I am confident that the mutual financial institutions will continue to excel in providing both security and value to members.

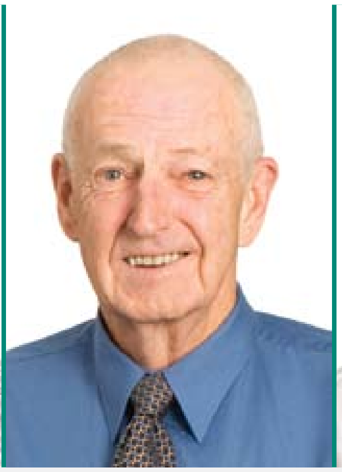
IMB supports the continuation of the deposit guarantee for deposits of up to $1 million and welcomes the engagement from Government on the transitional arrangements that are to apply after the initial three-year operation of the guarantee in the current Financial Claims Scheme structure. The Guarantee Scheme has played an important stabilising role across the finance industry during uncertain economic times.

IMB's balance sheet is well capitalised, with a high level of liquidity and a strong retail funding base. Although the outlook is challenging, IMB remains well positioned to respond positively to these difficult conditions and remain a real alternative to the banks.

RJ Ryan
Chief Executive

12 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 Chairman since 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, Challenger Listed Investments Ltd 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 and IMB Land No. 2 Pty Ltd, of which Mr Cole is a director.

Kieran Robert Biddle

DIP.LAW SAB SPEC – ACC BUS GAICD

Mr Biddle, who is a lawyer, has been a non executive director since 2007. He is a member of the Audit and Risk Management Committee, Remuneration and CEO Evaluation Committee, and the Land Development Committee. Mr Biddle 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. He is a director and Chair of the Finance Committee of Catholic Care, Wollongong and 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, IMB Community Foundation Committee, Centenary/One Tree Bay Joint Venture Committee and the Land Development Committee. Mr Edgar is the Chairman of the Illawarra Health and Medical Research Institute, 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, a 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, has been a non executive director since 2008 and is 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, 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, Lynette Therese Gearing, Steven George McKerihan, Lynton Patrick Nicholas

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 QIC, and Hancock Natural 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 and IMB Land No. 2 Pty Ltd, Chairperson 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.

Steven George McKerihan

B.COMM (HONS) MBA CPA

Mr McKerihan, a Certified Practicing Accountant, is the CEO of the Sydney Diocesan Secretariat of the Anglican Church, and Glebe Administration Board and is a director of several companies associated with these entities. He was appointed by the Board as a non executive director to fill a casual vacancy on 1 January 2009 and is a member of the Audit and Risk Management Committee. Mr McKerihan has worked as an executive professional in the finance industry for more than 25 years, his former role being Chief Financial Officer and Group Executive of St George Bank responsible for Finance and Risk Management. As well as being a director of IMB Ltd, Mr McKerihan is also a director of all entities wholly owned by IMB Ltd.

Lynton Patrick Nicholas

FCPA FCIS

Mr Nicholas, whose expertise is business management, has been a non executive director since 2004 and was elected Deputy Chairman in 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 a director of IMB Ltd, Mr Nicholas is also a director of all entities wholly owned by IMB Ltd.

14 IMB Community Foundation

10 years, 215 projects, $4.75m in sponsorships

Description		Committed to provide
Group:	Access Community Group	
Project:	Access Community Mentoring	$29,992
Group:	Batemans Bay Men's Shed Inc	
Project:	Community Garden	$10,000
Group:	Berrima District Volunteer Rescue Organisation Incorporated	
Project:	Rescue Equipment Project – Purchase of a Holmatro Combitool	$9,000
Group:	Berry Men's Shed	
Project:	Experiential Mentoring For Adolescents	$3,780
Group:	Camden Country Quilters Guild Inc	
Project:	Caring Hands	$9,000
Group:	Cancer Patients Assistance Society of NSW	
Project:	Branching Out	$27,600
Group:	Chamber of Women in Business	
Project:	Purple Tick Program	$11,710
Group:	Chesalon Nursing Home, Woonona	
Project:	Tapestry of Life	$10,000
Group:	Communities @ Work	
Project:	Tuggeranong Men's Shed	$20,000
Group:	Community Workshed Inc	
Project:	Community Workshed – Building a Brighter Future	$25,000
Group:	Eurobodalla Meals on Wheels Cooperative Limited	
Project:	Meals on Wheels Narooma	$30,000
Group:	Eurobodalla Senior Computer Users Group Inc (EuroSCUG)	
Project:	Training The Trainer To Train The Trainer	$5,000
Group:	Goulburn Regional Art Gallery	
Project:	Art Workshops for People with Disabilities	$5,280
Group:	Jannali Nursing Home	
Project:	Tapestry of Life	$10,000

Description		Committed to provide
Group:	Macarthur Mental Health Promotion Network	
Project:	Campbelltown Men's Shed	$5,000
Group:	Marymead Child & Family Centre	
Project:	Kids' Companions Program	$5,000
Group:	Marymead Child & Family Centre	
Project:	At Home with Books	$10,000
Group:	Merimbula & District Arts Group Inc	
Project:	Installation of Gallery Hanging System	$2,000
Group:	Nordoff-Robbins Music Therapy Australia	
Project:	Music Therapy for Disabilities	$5,400
Group:	Queanbeyan Multilingual Centre	
Project:	Volunteer Career Mentor Support for Refugees	$14,310
Group:	Southern Highlands Youth Arts Council Inc	
Project:	The Southern Highlands Youth Arts POD Project	$25,000
Group:	Southern Shoalhaven Youth Services Inc	
Project:	Unlocking my Potential	$42,000
Group:	Strzelecki Lions Club	
Project:	Cows Create Careers	$4,000
Group:	Sussex Inlet Men's Shed Incorporated	
Project:	IMB Training & Education Facility	$24,874
Group:	The Rotary Club of Illawarra Sunrise Inc	
Project:	Smiths Hill Battery & Fort	$15,000
Group:	Unanderra Figtree Area Residents Association	
Project:	Unanderra Youth Project Homework Centre	$6,523
Group:	Wollondilly Shire Council	
Project:	Wollondilly Men's Sheds Start Up	$22,250
Total	**2008/09 Sponsorships**	**$387,719**
Total	**Community Foundation Sponsorships**	**$4,750,000**


Tourism
Environment
Sporting
= $4,750,000
Arts & Entertainment
Community & Welfare
Education & Training
Indigenous

16 Our Community

IMB has a long history of supporting the communities in which its Members live and work. Our commitment today remains as strong as ever and we continue to play an active role in the localities in which we operate.

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

IMB Community Foundation

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

Now in its 10th year, the Foundation has supported more than 215 projects to the tune of $4.75m. This year is no exception with 27 projects in Sydney, the Illawarra, the ACT, Southern Highlands and the South Coast receiving a total of $400,000.

The IMB Community Foundation focuses on projects which are of lasting benefit, involving a wide range of issues to a broad cross section of local communities.

Ultimately, while each project selected for funding is unique, together they fall into various categories that have been supported by the Foundation for some time.

Examples of projects which were successful in this year's funding included several Men's Sheds initiatives, state-of-the-art rescue equipment, art workshops for the disabled, volunteer mentors for refugee youth and a youth homework support program.

Each year, more and more community projects apply for funding, and there were more than 200 applications for the 2009 grants.

The IMB Community Foundation also made a special donation of $25,000 to the Red Cross Victorian Bushfire Appeal. This donation kicked off an IMB appeal which raised over $150,000 for the victims of the bushfires.

Other community support

IMB also supports a variety of charity, community and sporting organisations and numerous other community grass roots projects and events, including the provision of marquees for use by the region's sporting clubs, schools, charities and other community groups.

Community and other sponsorships during the year included:

- Albion Park Spring Festival
- Bega Fire Brigade
- Bega High Sports Awards
- Canberra Business Council
- COOK Community Classic
- Dapto Community Carols
- Eden Ladies Golf Club
- Eden Marine High School
- Eden Swimming Club
- Fairy Meadow Demonstration School
- Figtree School Fete
- Glen Waverley Hawks AFL Football Club
- Glen Waverley Hawks Netball Club
- Illawarra Bandaged Bear Night
- Illawarra Best Catch Program
- Illawarra Business Chamber
- International Women's Day
- Jerrabomberra Public School Fete
- Kiama Lions Club
- Lions Club of Pambula & Merimbula
- Liverpool Disability Expo
- Merimbula Public School
- Murrumbidgee Country Club
- Port Kembla Lady Golfers
- Queanbeyan Arts Society
- Queanbeyan Women's Bowling Club
- Sapphire Rock Concert
- Sutton Primary School
- Sydney Indonesian Festival
- Thirroul Festival of Flights
- Thirroul RSL Bowling Club
- Tuggeranong Community Festival
- Tuggeranong Lions Club
- Ulladulla High School
- Vietnam Veterans Charity Golf Day
- Warilla Primary School Public Speaking Competition
- WAVE FM Letters to Santa
- WAVE FM Rock School Breakfast
- Woonona Public School
- Wollongong Hawks
- Wollongong AFL
- Wollongong Symphony Orchestra


Easy
Banking
Everyday
Low Fees
Competitive Rates
imB
ZOO
ASK HERE!
WIN
$200

18 Our Staff

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.

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 engagement and recognition. As an organisation, it is our goal to provide a workplace that offers meaningful and satisfying work, rewards staff for their success and effort, provides career development opportunities and ensures the health and safety of employees through a 'zero harm' approach.

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 2008 staff survey found that 94% of employees surveyed are committed to the success of the organisation. In terms of organisational culture, 83% or more of staff believe our workplace fosters team work, shows integrity, respects individuals and demonstrates excellence.

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.

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. IMB's commitment to our entry level employment and training programs has been recognised, with IMB receiving the 2009 Ministers Award for Excellence for Employers of Australian Apprentices for the Illawarra and South East NSW region.

Employee Recognition

We recognise the achievements of our staff through formal awards such as the annual Chief Executives Award, Sales Awards, Outstanding Service 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 2008 winner, Joanne Seddon, was recognised as a staff member whose commitment to service to IMB's members and staff was unfaltering. Joanne personally took responsibility for a number of member related issues and saw them through to full resolution, whilst also managing a busy work area. Joanne is regularly called on by staff across the organisation to share her knowledge and expertise, and as well as being a source of reference is also regarded as a pleasure to work with. We congratulate Joanne on her continuing high standards of performance and service.

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 2008 winner of this award was Michelle Riganti from our Risk and Audit Department. IMB was also represented at the Illawarra Regional Training Awards by Michael Bernardi from Human Resources and Cassie Reid from Financial Planning, where both were successful in being named Illawarra Trainee of the Year in their respective categories. We congratulate Michelle, Michael and Cassie on their outstanding efforts 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 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.

OH&S

IMB is committed to providing the highest possible level of workplace health and safety for our staff and customers – IMB is building a culture of Zero Harm, where safety underpins all that we do, and the health and safety of others is the responsibility of all staff. 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.

20 Corporate Governance

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2009.

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 of the Chief Executive, 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. Following the announcement of the proposed merger with Community Alliance Credit Union Limited the board formed a committee to oversee the integration project of the merged entity.

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 26 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. 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 12 and 13 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 (Chairman)
Ms LT Gearing
Mr LP Nicholas

The Nominations and Governance Committee meets a minimum of two times annually and more frequently as required. The committee met three times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 32.

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 (Chairman)
Mr KR Biddle
Mr GA Edgar

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 four times during the year and committee member attendance is disclosed in the table of Directors' meetings on page 32.

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 three 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 (Chairman)
Mr KR Biddle
Mr RHP Elvy
Mr LR Fredericks (Retired 31 December 2008)
Mr SG McKerihan (Appointed 1 January 2009)

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 32.

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 2009 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 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.

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.

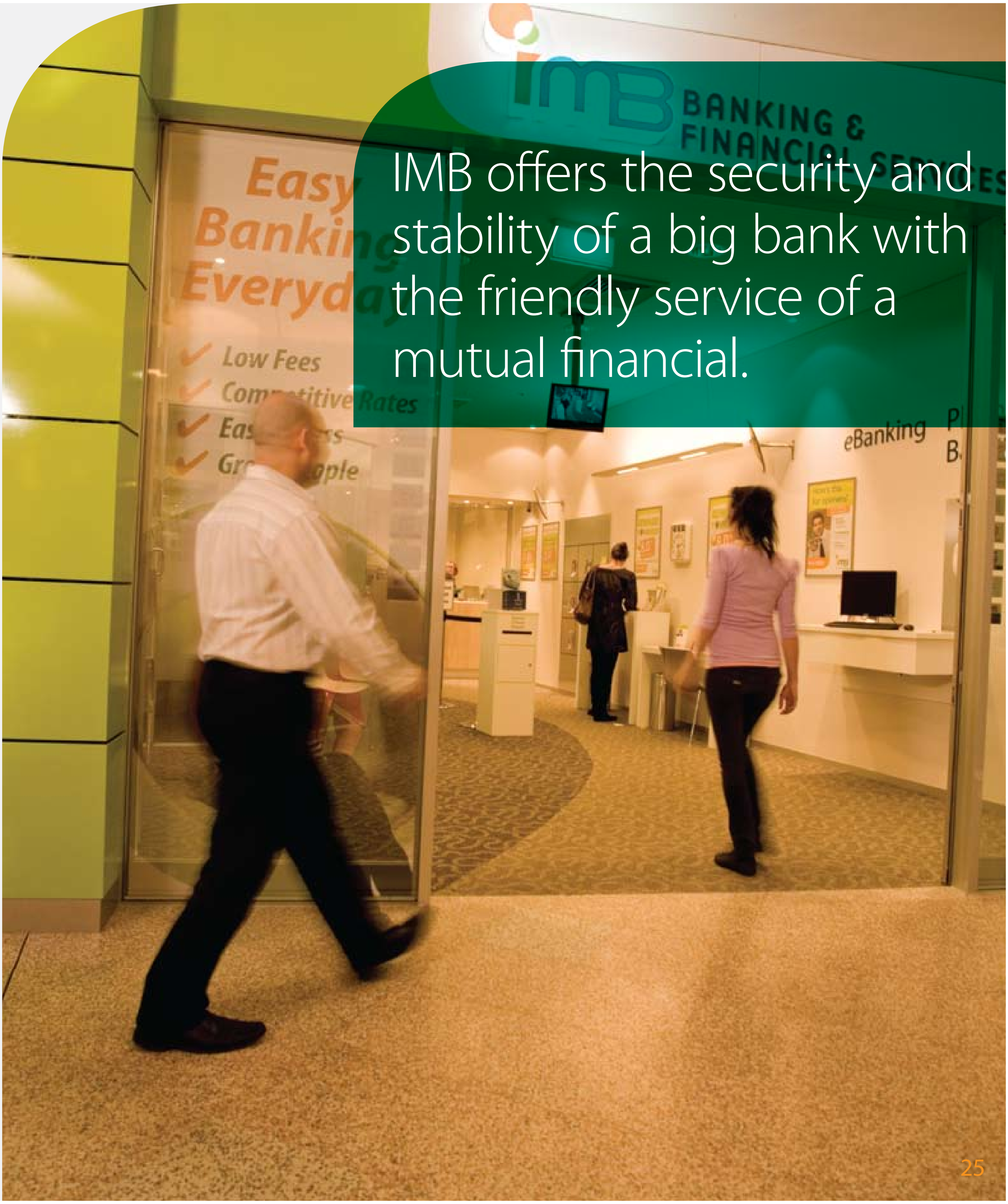
The board of directors also aims to ensure that the members are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders and members as follows:

- 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.

IMB offers the security and stability of a big bank with the friendly service of a mutual financial.



26 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 2009 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
George Anthony Edgar
Robert Hillis Page Elvy
Lindsay Russell Fredericks (retired 31 December 2008)
Lynette Therese Gearing
Steven George McKerihan (appointed 1 January 2009)
Lynton Patrick Nicholas

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 12 to 13 of this report.

At the annual general meeting of the Company on 27 October 2009, two directors, Ms LT Gearing and Mr SG McKerihan, 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 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 2009.

Operating and Financial Review

Consolidated profit for the year attributable to members was $22.9 million (2008: $21.6 million), an increase of $1.3 million or 5.9% over 2008.

Member deposits grew to $3,158 million up by $187 million or 6.3% on the previous year. Securitised loan funding decreased by $275 million or 21.1% to $1,026 million.

Loan approvals were down $306 million to $565 million (2008: $871 million). This was due to a lower level of residential lending approvals which were down $262 million from 2008 levels, and a net decrease in other lending of $44 million.

Net interest income for the year was $76.6 million, up $3.5 million on the previous year. This improvement was due to a 10 basis points increase in interest margin to 1.75% and an increase in average net interest bearing assets of 8.1% or $13.2 million to $176 million.

Bad and doubtful debts expense increased by $0.3 million to $1.8 million (2008: $1.5 million) primarily due to an increase in the provision for individually impaired loans and a general increase in bad debts written off due to the current economic climate.

Non interest income decreased by $1.5 million or 8% to $17.1 million as a result of one off gains from the sale of Veda Advantage and Visa Inc. shares that were included in the prior year comparative, offset by an increase in loan fee income in the current year.

Non interest expense was maintained at $59.3 million (2008: $59.3 million) reflecting an ongoing focus on cost control and operating efficiencies.

The non interest expense to operating income ratio decreased from 65.7% in 2008 to 64.4% in 2009.

Dividends

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

- 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, paid 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, paid on 30 August 2008.
- an interim dividend of $0.08 per share amounting to $3,193,000 franked to 100% at a tax rate of 30%, declared on 27 January 2009, in respect of the year ended 30 June 2009, paid on 27 February 2009; and
- a final ordinary dividend of $0.155 per share amounting to $6,187,000 franked to 100% at a tax rate of 30%, declared on 12 August 2009, in respect of the year ended 30 June 2009, payable on 30 August 2009.

Total dividends paid or declared in respect of the year ended 30 June 2009 were $0.235 per share (2008: dividend of $0.235) amounting to $9,380,000 (2008: $9,380,000).

Events Subsequent to Reporting Date

On 3 July 2009 a subsidiary Company, IMB Securitisation Services Pty Ltd, established the Illawarra Warehouse Trust No. 2 and paid an amount of $200 to constitute the trust. The purpose of establishing this entity was to allow the securitisation of residential mortgage loans. In July 2009 the entity issued $105,300,000 in notes under its Warehouse Subscription Agreement.

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

On 30 June 2009 IMB announced a proposed merger with Community Alliance Credit Union Limited. The merger is subject to approval by members of the credit union and the Australian Prudential Regulation Authority. Further details of the merger are disclosed in the Chairman's Letter.

Details of other likely developments in the operations of the Group in subsequent financial years are disclosed in the Chairman's Letter and Chief Executive's Review of Operations on pages 8 to 11 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 11 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 2009
Mr MJ Cole	7,131
Mr KR Biddle	5,000
– related party	23,381
Mr GA Edgar	3,000
– related party	38,976
Mr RHP Elvy	5,454
Ms LT Gearing	4,000
Mr SG McKerihan	5,000
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 premium

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.

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 of 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 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 post-employment superannuation plans 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 on both financial and non-financial performance objectives of the Group. 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 each executive's Total Employment Cost (TEC) 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 of TEC is payable. When these targets are exceeded the maximum short term incentive bonus payable is 50 percent of TEC (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 2008 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 asset growth and lending volumes were impacted by the downturn in economic conditions and intense competition for deposits and loans.

Consequences of performance on 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 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 for the last 5 years.

	2009 $000	2008 $000	2007 $000	2006 $000	2005 $000
Net profit after tax	**22,850**	21,579	19,959	17,628	14,987

Other benefits

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

Service contracts

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 the remuneration that would have been payable under the contract for the period from the date of termination to 31 October 2012, accrued leave entitlements and a pro-rata calculation of any short term bonus.

In the event that the Chief Executive's service is terminated as a result of misconduct, his contract provides that he is paid his remuneration up until the date of termination, accrued leave entitlements and any pro-rata entitlement to a short term incentive bonus.

The Group has entered into service contracts with each key management person, excluding the Chief Executive, 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.

The service contracts for Mr Chris Goodwin, Chief Financial Officer and Mr Craig Rumble, General Manager Business Systems, provide for the following separation payments:

- 3 weeks pay for each year of service (to a maximum of 52 weeks) should their services be terminated on the grounds of redundancy arising from structural, economic or technological changes with IMB's business; and
- 6 months pay should their services be terminated on the grounds of redundancy arising from a merger between IMB and another entity, a takeover of IMB by another entity, or IMB's acquisition of another entity.

Mr Malcolm R Harley, General Manager Sales and Marketing, had a contract of appointment with the Company. This contract was not for a fixed term and was capable of termination on one month's notice. The Group retained the right to terminate the contract immediately, by making one month's pay in lieu of notice. If the contract was terminated as a result of a merger, acquisition or other corporate event not related to performance, conduct or suitability for the position the Company was able to terminate the contract by making payment equal to 12 months pay. Following the announcement of the proposed merger of IMB and Community Alliance Credit Union Limited on 30 June 2009, Mr Harley's contract was terminated with effect from 1 July 2009.

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[6]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Non executive Directors										
Mr MJ Cole *Chairman*	2009	120,000	–	–	120,000	10,800	–	–	130,800	–
	2008	103,962	–	–	103,962	9,310	–	–	113,272	–
Mr KR Biddle	2009	62,470	–	–	62,470	5,622	–	–	68,092	–
	2008	57,264	–	–	57,264	5,154	–	–	62,418	–
Mr GA Edgar	2009	62,470	–	–	62,470	5,622	–	–	68,092	–
	2008	62,470	–	–	62,470	5,559	–	–	68,029	–
Mr RHP Elvy	2009	62,470	–	–	62,470	5,622	–	–	68,092	–
	2008	20,823	–	–	20,823	1,874	–	–	22,697	–
Mr LR Fredericks	2009	31,235	–	–	31,235	2,811	–	–	34,046	–
	2008	83,293	–	–	83,293	7,851	–	–	91,144	–
Ms LT Gearing	2009	62,470	–	–	62,470	5,622	–	–	68,092	–
	2008	62,470	–	–	62,470	5,559	–	–	68,029	–
Mr H Hanson AM	2009	–	–	–	–	–	–	–	–	–
	2008	36,441	–	–	36,441	4,153	–	–	40,594	–
Mr SG McKerihan	2009	31,235	–	–	31,235	2,811	–	–	34,046	–
	2008	–	–	–	–	–	–	–	–	–
Mr LP Nicholas	2009	76,825	–	–	76,825	6,914	–	–	83,739	–
	2008	72,040	–	–	72,040	6,313	–	–	78,353	–
Ms VJ Twyford	2009	–	–	–	–	–	–	–	–	–
	2008	5,065	–	–	5,065	456	–	–	5,521	–
Total non executive directors	2009	509,175	–	–	509,175	45,824	–	–	554,999	–
	2008	503,828	–	–	503,828	46,229	–	–	550,057	–

		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[6]	Total	Proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
Executives										
Mr RJ Ryan	2009	408,825	100,000	38,160	546,985	85,084[5]	–	20,934	653,003	18.3
	2008	323,583	98,120	38,165	459,868	59,214[5]	–	16,030	535,112	21.3
Mr MJ Harley[8]	2009	264,778	46,415	35,374	346,567	23,076	278,767	4,820	653,230	13.4
	2008	238,700	42,625	34,659	315,984	19,220	–	4,818	340,022	13.5
Mr CA Rumble	2009	214,255	50,000	40,152	304,407	22,173	–	4,549	331,129	16.4
	2008	191,465	46,200	–	237,665	13,287	–	6,169	257,121	19.4
Mr CJ Goodwin[7]	2009	240,809	60,000	–	300,809	22,639	–	4,369	327,817	19.9
	2008	108,878	20,000	–	128,878	7,603	–	1,774	138,255	15.5
Mr M Workman[4]	2009	131,556	60,450	27,943	219,949	30,062[5]	–	4,113	254,124	27.5
	2008	136,071	57,667	29,199	222,937	25,636[5]	–	3,777	252,350	25.9
Mr PW Morris[3]	2009	–	–	–	–	–	–	–	–	–
	2008	133,733	–	39,092	172,825	10,910	225,999	80,100	489,834	–
Total executives	2009	1,260,223	316,865	141,629	1,718,717	183,034	278,767	38,785	2,219,303	18.4
	2008	1,132,430	264,612	141,115	1,538,157	135,870	225,999	112,668	2,012,694	17.2
Total remuneration	2009	1,769,398	316,865	141,629	2,227,892	228,858	278,767	38,785	2,774,302	14.2
	2008	1,636,258	264,612	141,115	2,041,985	182,099	225,999	112,668	2,562,751	13.0

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 28. The amount was finally determined on 28 July 2009 (29 July 2008) after performance reviews were completed and approved by the Remuneration and CEO Evaluation Committee.
3 Ceased employment 31 October 2007.
4 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.
5 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.
6 Includes movements in accrued long service leave entitlements.
7 Commenced employment 21 January 2008.
8 Ceased employment 1 July 2009.

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	100,000	42	58
Mr CJ Goodwin	60,000	47	53
Mr MJ Harley	46,415	34	66
Mr CA Rumble	50,000	45	55
Mr M Workman	60,450	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 2009 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 2009 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	9*	–
Mr KR Biddle	14	14	4	4	8*	1
Mr GA Edgar	13	14	1*	–	8	9
Mr RHP Elvy	14	14	4	4	1*	–
Mr LR Fredericks	7	7	1	2	–	–
Ms LT Gearing	13	14	1*	–	9	9
Mr SG McKerihan	7	7	2	2	1*	–
Mr LP Nicholas	14	14	4	4	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)	4	4	3*	–	2	3
Mr KR Biddle	4	4	1*	–	–	–
Mr GA Edgar	4	4	3	3	2	2
Mr RHP Elvy	–	–	1*	–	–	–
Mr LR Fredericks	–	–	1*	–	–	–
Ms LT Gearing	–	–	3	3	–	–
Mr SG McKerihan	–	–	–	–	–	–
Mr LP Nicholas	–	–	3	3	3	3

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, Nominations and Governance 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 2009 and the number of meetings attended by each director.

	IMB Land Pty Ltd		IMB Land No. 2 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	Attended	Eligible to attend
Mr MJ Cole	13	13	1	1	2	2	2	2	2	2
Mr KR Biddle	12	13	1	1	2	2	2	2	2	2
Mr GA Edgar	12	13	1	1	2	2	2	2	2	2
Mr RHP Elvy	11	13	1	1	2	2	2	2	2	2
Mr LR Fredericks (a)	–	–	1	1	1	1	1	1	1	1
Ms LT Gearing	13	13	1	1	2	2	2	2	2	2
Mr SG McKerihan	6	6	–	–	1	1	1	1	1	1
Mr LP Nicholas	13	13	1	1	2	2	2	2	2	2

(a) Mr Fredericks was 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 34 and forms part of the directors' report for the financial year ended 30 June 2009.

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 2009

Signed in accordance with a resolution of the directors:

MJ Cole
Chairman

LP Nicholas
Director

34 Lead auditor's independence declaration

under Section 307C of the Corporations Act 2001

KPMG

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 2009 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

Richard Drinnan
Partner

Dated at Wollongong this 12th day of August 2009

35 Financial Statements

36 Income Statements

For the year ended 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Interest revenue	2	**304,007**	344,334	**305,813**	346,459
Interest expense	2	**(227,397)**	(271,222)	**(229,095)**	(273,317)
Net interest income		**76,610**	73,112	**76,718**	73,142
Bad and doubtful debts expense	2	**(1,790)**	(1,522)	**(1,790)**	(1,522)
Net interest income after bad and doubtful debts		**74,820**	71,590	**74,928**	71,620
Shares of profits of joint venture entity	28	**27**	31	**–**	–
Other income	2	**17,114**	18,602	**16,685**	18,944
Net operating income		**91,961**	90,223	**91,613**	90,564
Operating expenses	2	**(59,263)**	(59,315)	**(59,121)**	(59,152)
Profit before tax	2	**32,698**	30,908	**32,492**	31,412
Income tax expense	3	**(9,848)**	(9,329)	**(9,795)**	(9,189)
Profit for the year attributable to members of the Company		**22,850**	21,579	**22,697**	22,223

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 40 to 85.

37 Balance Sheets

As at 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
ASSETS					
Cash and cash equivalents	29	**48,753**	47,605	**16,005**	14,299
Available for sale investments	6	**448,506**	539,716	**470,749**	561,982
Loans and receivables to ADI's	7	**440,273**	265,332	**440,273**	265,332
Loans and receivables to members	8	**3,476,040**	3,634,913	**3,483,352**	3,638,482
Equity accounted investments	28	**1,853**	1,826	**–**	–
Other financial assets	9	**505**	505	**3,087**	3,087
Derivative assets	11	**–**	3,947	**–**	3,947
Inventories	12	**7,418**	3,838	**–**	–
Property, plant and equipment	13	**14,769**	16,365	**14,769**	16,365
Intangible assets	14	**629**	1,331	**629**	1,331
Net deferred tax assets	3	**2,994**	–	**3,189**	–
Other assets	15	**2,443**	1,817	**7,646**	10,530
Total assets		**4,444,183**	4,517,195	**4,439,699**	4,515,355
LIABILITIES					
Trade and other payables	16	**35,272**	35,483	**7,644**	10,814
Deposits	17	**3,158,283**	2,971,104	**3,161,289**	2,973,780
Securitised loans funding	18	**1,025,682**	1,300,466	**1,047,925**	1,322,732
Interest bearing liabilities	19	**10,000**	10,000	**10,000**	10,000
Derivative liabilities	11	**5,033**	–	**5,033**	–
Current tax liabilities	3	**4,525**	2,898	**4,525**	2,898
Provisions	20	**6,227**	5,819	**6,227**	5,819
Net deferred tax liabilities	3	**–**	669	**–**	508
Total liabilities		**4,245,022**	4,326,439	**4,242,643**	4,326,551
Net assets		**199,161**	190,756	**197,056**	188,804
EQUITY					
Share capital	21	**46,936**	46,936	**46,936**	46,936
Reserves	22	**24,801**	29,426	**24,801**	29,426
Retained earnings	4	**127,424**	114,394	**125,319**	112,442
Total equity attributable to members of the Company		**199,161**	190,756	**197,056**	188,804

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 40 to 85.

38 Statements of Cash Flows

For the year ended 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		**308,826**	346,827	**310,632**	354,678
Dividends received		**8**	12	**8**	1,012
Other cash receipts in the course of operations		**16,767**	18,588	**19,811**	19,111
Interest paid on deposits		**(233,827)**	(262,829)	**(235,514)**	(264,923)
Income taxes paid		**(11,885)**	(9,201)	**(11,866)**	(9,140)
Net loans repaid/(funded)		**157,082**	(137,400)	**153,340**	(137,810)
Net increase in deposits		**193,600**	217,972	**193,929**	217,300
Other cash payments in the course of operations		**(64,436)**	(66,642)	**(63,683)**	(62,050)
Net cash flows from operating activities	29	**366,135**	107,327	**366,657**	118,178
CASH FLOWS FROM INVESTING ACTIVITIES					
(Payments for)/redemption of available for sale investments		**(79,269)**	235,049	**(79,210)**	235,131
Expenditure on property, plant and equipment, and intangibles	13,14	**(1,853)**	(2,729)	**(1,853)**	(2,729)
Proceeds from sale of property, plant and equipment		**299**	420	**299**	420
Net cash flows from investing activities		**(80,823)**	232,740	**(80,764)**	232,822
CASH FLOWS FROM FINANCING ACTIVITIES					
Net repayments from securitised loans funding		**(274,784)**	(339,306)	**(274,807)**	(339,295)
Dividends paid	5	**(9,380)**	(9,180)	**(9,380)**	(9,180)
Net cash flows from financing activities		**(284,164)**	(348,486)	**(284,187)**	(348,475)
Net increase/(decrease) in cash and cash equivalents held		**1,148**	(8,419)	**1,706**	2,525
Cash and cash equivalents at the beginning of the year		**47,605**	56,024	**14,299**	11,774
Cash and cash equivalents at the end of the year	29	**48,753**	47,605	**16,005**	14,299

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out in pages 40 to 85.

39 Statements of Changes in Equity

For the year ended 30 June 2009

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Total equity at the beginning of the year		**190,756**	177,188	**188,804**	174,592
Change in available for sale debt securities transferred to profit and loss	22	**(678)**	(6)	**(678)**	(6)
Change in available for sale equity securities transferred to profit and loss	22	**–**	(349)	**–**	(349)
Change in fair value of available for sale debt securities	22	**1,895**	107	**1,895**	107
Change in fair value of cash flow hedges	22	**(6,286)**	972	**(6,286)**	972
Change in fair value of available for sale equity securities	22	**4**	445	**4**	445
Net income recognised directly in equity		**(5,065)**	1,169	**(5,065)**	1,169
Profit after tax for the year		**22,850**	21,579	**22,697**	22,223
Total recognised income and expense for the year		**17,785**	22,748	**17,632**	23,392
Dividends paid	5	**(9,380)**	(9,180)	**(9,380)**	(9,180)
Total equity at the end of the year		**199,161**	190,756	**197,056**	188,804

Amounts are stated net of tax.

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out in pages 40 to 85.

40 Notes to the Consolidated Financial Statements

For the year ended 30 June 2009

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 as at and for the year ended 30 June 2009 comprise 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 (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial report was approved by the directors on 12 August 2009.

(ii) Basis of measurement

The consolidated financial report is prepared on the historical cost basis except for the following assets and liabilities that 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

This consolidated financial report is 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 consolidated 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); and
- valuation of financial instruments (notes 1i, 1j, 6, 9 and 11).

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) a 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 the 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.

(iv) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(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) Derivatives

(i) Cash flow hedges

The Group uses interest rate swaps 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. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below. The fair value of derivative financial instruments is determined by reference to market rates 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 cash flows 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 profit or loss when the hedged cash flow occurs. The gain or loss relating to any ineffective portion of the hedge is recognised immediately in profit or loss.

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 profit or loss 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 profit or loss when they are declared. Dividends and distributions from other parties are brought to account in profit or loss when they are received.

(h) Expenses

(i) Loan origination expenses

Expenses incurred directly in the origination of loans are deferred and recognised in profit or loss, 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 profit or loss 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 securitised loans funding.

(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.

All impairment losses are recognised in profit or loss. Any cumulative impairment loss in respect of an available for sale financial asset 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, and an assessment of the impact of current economic conditions.

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.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

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 recognised at fair value plus any directly attributable 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 profit or loss. 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 any directly attributable 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 expense for the year comprises current and deferred tax. Income tax expense is recognised in the profit or loss 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 recognised using the balance sheet 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 recognised: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

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

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and any accumulated 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.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

(ii) Computer software

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

The Group carries capitalised computer software assets at cost less accumulated amortisation and any accumulated 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 profit or loss when incurred.

(o) Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, 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 profit or loss from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

(q) Inventories

(i) Valuation

Inventories, consisting of freehold land held for development are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes expenses directly attributable to the cost of acquisition, development and holding costs including borrowing costs, rates and taxes. Capitalisation of borrowing costs is ceased during extended periods in which active development is interrupted. When a development is completed and ceases to be a qualifying asset, borrowing costs and other costs are expensed. 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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution 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. Any unrecognised past service costs and the fair value of any plan assets are 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 and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by a qualified actuary using the projected unit credit method. When 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.

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 profit or loss 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 profit or loss.

In respect of actuarial gains and losses that arise in calculating the Group's obligation in respect of the 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 profit or loss over the expected average remaining working lives of the active employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

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 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 recognised 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 directly attributable 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 240 basis points (2008: 170 basis points). In line with APRA's capital adequacy measurement rules the Floating Rate Notes are included in lower tier 2 capital.

(v) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Group. Payables are stated at cost and are normally settled within 30 days.

(w) Provision for make good costs

The provision 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) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(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 2009, but have not been applied in preparing this financial report.

Revised AASB 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:

- The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
- Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
- Transaction costs, other than share and debt issue costs, will be expensed as incurred.
- Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
- Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- Inclusion in scope of business combinations by contract alone and mutual entities.

Revised AASB 3, which becomes mandatory for the Group's 30 June 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statement.

Amended AASB 127 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to AASB 127, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have a significant impact on the consolidated financial statements.

Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Group's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the consolidated financial statements. The Group plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 consolidated financial statements.

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. As the Group currently capitalises borrowing costs in relation to freehold land held for development (inventories), the application of revised AASB 123 is not expected to have a significant impact on the Group's 30 June 2010 financial statements.

AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

AASB 2008-7 *Amendments to Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* changes the recognition and measurement of dividend receipts as income and addresses the accounting of a newly formed parent entity in the separate financial statements. The amendments become mandatory for the Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amendments.

AASB 2008-8 *Amendments to Australian Accounting Standard – Eligible Hedged Items* clarifies the effect of using options as hedging instruments and the circumstances in which inflation risk can be hedged. The amendments become mandatory for the Group's 30 June 2010 financial statements, with retrospective application. The Group has not yet determined the potential effect of the amendment.

AI 15 *Agreements for the Construction of Real Estate* provides guidance on the accounting for agreements for the construction of real estate by the seller under AASB 111 Construction Contracts or AASB 118 Revenue and the timing of revenue recognition. AI 15 will become mandatory for the Group's 30 June 2010 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

2 Profit before tax

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Interest revenue					
Loans					
– to members		**251,486**	281,234	**251,374**	281,005
– consolidated entities, key management personnel, and related entities	30, 31	**99**	144	**395**	490
– ADI's		**18,375**	22,610	**18,375**	22,610
Available for sale investments		**34,047**	40,346	**35,669**	42,354
		304,007	344,334	**305,813**	346,459
Interest expense					
Deposits					
– from members		**160,740**	162,197	**160,740**	162,197
– controlled entities		**–**	–	**75**	88
– subordinated debt		**779**	871	**779**	871
Securitised loans funding		**65,868**	108,152	**67,491**	110,159
Other interest expense		**10**	2	**10**	2
		227,397	271,222	**229,095**	273,317
Net interest income		**76,610**	73,112	**76,718**	73,142
Bad and doubtful debts expense					
– bad debts written off		**1,892**	836	**1,892**	836
– (decrease)/increase in provision for impairment		**(102)**	686	**(102)**	686
	10	**1,790**	1,522	**1,790**	1,522
Net interest income after bad and doubtful debts		**74,820**	71,590	**74,928**	71,620
Share of profits of joint venture entity	28	**27**	31	**–**	–

2 Profit before tax (continued)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Other income				
Dividends	**8**	12	**8**	1,012
Profit from sale of property, plant and equipment	**32**	41	**32**	41
Loan switch and breakout fees	**2,702**	347	**2,702**	347
Transaction fees	**10,386**	11,535	**10,386**	11,535
Payment system fees	**1,586**	1,499	**1,586**	1,499
Property income	**143**	136	**143**	136
Bad debts recovered	**127**	153	**127**	153
Commissions	**1,504**	1,507	**1,504**	1,507
Other	**526**	3,124	**197**	2,714
	17,014	18,354	**16,685**	18,944
Revenue from land development	**100**	248	**–**	–
Other income	**17,114**	18,602	**16,685**	18,944
Net income	**91,961**	90,223	**91,613**	90,564
Personnel expense				
Salaries	**25,912**	25,649	**25,912**	25,649
Payroll tax	**1,605**	1,573	**1,605**	1,573
Fringe benefits tax	**370**	396	**370**	396
Superannuation	**2,498**	2,312	**2,498**	2,312
	30,385	29,930	**30,385**	29,930
Occupancy expense				
Repairs and maintenance	**410**	394	**410**	394
Rental on operating leases	**4,696**	4,279	**4,696**	4,279
Other	**1,587**	1,577	**1,587**	1,577
	6,693	6,250	**6,693**	6,250
Payment system expense	**3,881**	4,409	**3,881**	4,409
Marketing expense	**4,404**	4,457	**4,404**	4,457
Data processing expense	**1,897**	1,693	**1,897**	1,693
Postages and printing expense	**1,507**	1,478	**1,507**	1,478
Contributions to IMB Community Foundation	**450**	450	**450**	450
Goods and services tax not recovered	**1,867**	1,821	**1,867**	1,821

For the year ended 30 June 2009

2 Profit before tax (continued)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Sundry expenses				
Depreciation and amortisation				
– furniture, fixtures, fittings and other equipment	**1,141**	1,090	**1,141**	1,090
– leasehold improvements	**1,008**	796	**1,008**	796
– computer equipment	**680**	1,023	**680**	1,023
– buildings	**147**	148	**147**	148
– intangibles	**869**	1,186	**869**	1,186
Loss from sale of property, plant and equipment	**40**	114	**40**	114
Auditors' remuneration (KPMG)				
– audit and review of financial reports	**286**	283	**250**	238
– other services				
– other assurance services	**30**	40	**25**	18
– taxation services	**47**	21	**47**	21
– advisory services*	**51**	83	**51**	83
Other	**3,807**	3,957	**3,779**	3,947
	8,106	8,741	**8,037**	8,664
Total other expenses	**59,190**	59,229	**59,121**	59,152
Land development expense	**73**	86	**–**	–
Total non interest expense	**59,263**	59,315	**59,121**	59,152
Profit before tax	**32,698**	30,908	**32,492**	31,412
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

* KPMG has provided additional services to the value of $100,082 during 2009 that are not reflected in the Income Statement. These additional costs have been deferred as part of the proposed merger with Community Alliance Credit Union Limited.

3 Taxation

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
(a) Income tax expense				
Recognised in the income statement				
Current tax expense				
– current year	**11,295**	10,166	**11,275**	10,105
– adjustment for prior years	**47**	(3)	**47**	(3)
	11,342	10,163	**11,322**	10,102
Deferred tax expense – origination and reversal of temporary differences	**(1,494)**	(834)	**(1,527)**	(913)
Total income tax expense	**9,848**	9,329	**9,795**	9,189

3 Taxation (continued)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Reconciliation between income tax expense and profit before tax				
Profit before tax	**32,698**	30,908	**32,492**	31,412
Prima facie income tax expense at 30% on operating profit	**9,809**	9,272	**9,747**	9,423
Increase in income tax expense due to:				
– income tax under provided for in prior year	**1**	–	**1**	–
– depreciation of buildings	**44**	44	**44**	44
– non deductible entertainment	**31**	41	**31**	41
– imputation gross–up on dividends received	**–**	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)	**–**	(15)
– other deductible expenses	**(28)**	–	**(28)**	–
– franking credits on dividends received	**–**	(6)	**–**	(6)
– other	**(9)**	(9)	**–**	–
Income tax expense	**9,848**	9,329	**9,795**	9,189
Income tax recognised directly in equity				
Relating to equity investments	**2**	41	**2**	41
Relating to available for sale investments	**521**	44	**521**	44
Relating to cash flow hedges	**(2,694)**	416	**(2,694)**	416
	(2,171)	501	**(2,171)**	501

(b) Current tax liabilities

The current tax liability for the Group of $4,525,000 (2008: $2,898,000) and for the Company of $4,525,000 (2008: $2,898,000) 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 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Deferred tax (liabilities)/assets				
Deferred tax liabilities and assets are attributable to the following:				
Deferred expenditure	**(382)**	(715)	**(382)**	(715)
Deferred lending fees	**(1,166)**	(1,709)	**(1,166)**	(1,709)
Property, plant and equipment	**(216)**	(446)	**(216)**	(446)
Derivative assets	**–**	(1,184)	**–**	(1,184)
Available for sale investments	**(340)**	–	**(340)**	–
Other equity investments	**(107)**	(119)	**(107)**	(119)
Freehold land held for development	**(207)**	(173)	**–**	–
Other	**(16)**	(11)	**(16)**	(11)
Total deferred tax liabilities	**(2,434)**	(4,357)	**(2,227)**	(4,184)

3 Taxation (continued)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Provisions	**1,635**	1,373	**1,635**	1,373
Employee benefits	**1,710**	1,583	**1,710**	1,583
Unearned income	**413**	361	**413**	361
Derivative liabilities	**1,510**	–	**1,510**	–
Available for sale investments	**–**	182	**–**	182
Consulting and legal fees	**160**	173	**148**	161
Other	**–**	16	**–**	16
Total deferred tax assets	**5,428**	3,688	**5,416**	3,676
Net deferred tax assets/(liabilities)	**2,994**	(669)	**3,189**	(508)

4 Retained earnings

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Retained earnings at the beginning of the year		**114,394**	103,283	**112,442**	100,687
Profit for the year attributable to members of the Company		**22,850**	21,579	**22,697**	22,223
Dividends recognised during the year	5	**(9,380)**	(9,180)	**(9,380)**	(9,180)
Transfers (to) general reserve for credit losses	22	**(440)**	(1,288)	**(440)**	(1,288)
Retained earnings at the end of the year		**127,424**	114,394	**125,319**	112,442

5 Dividends

	Cents per Share	Total amount $'000	% Franked	Date of payment
Dividends recognised in current year by the Company are:				
2009				
2009 interim dividend	8.0	3,193	100%	27–Feb–09
2008 special dividend	0.5	200	100%	30–Aug–08
2008 final dividend	15.0	5,987	100%	30–Aug–08
		9,380		
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		

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

Subsequent events

On 12 August 2009 the Board declared a final ordinary dividend of 15.5 cents per share amounting to $6,187,000 franked at 100% at a tax rate of 30%, in respect of the year ended 30 June 2009. The dividend is payable on 30 August 2009. The financial effect of the dividend has not been brought to account in the financial statements for the year ended 30 June 2009 and will be recognised in subsequent financial reports. The declaration and subsequent payment of dividends has no income tax consequences.

5 Dividends (continued)

	Company 2009 $000	Company 2008 $000
Dividend franking account		
30% franking credits available to members of the Company for dividends in subsequent financial years	**53,554**	46,242

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 (2008: $2,652,000). In accordance with the tax consolidation legislation, the Company as the head entity in the tax consolidated group has also assumed the benefit of $56,000 (2008: $128,000) of franking credits.

6 Available for sale investments

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Available for sale investments *				
– government and semi–government securities	**17,593**	49,470	**17,593**	49,470
– certificates of deposit issued by banks	**81,218**	116,240	**81,218**	116,240
– deposits with banks	**15,019**	60,538	**15,019**	60,538
– floating rate notes	**315,334**	193,933	**337,577**	216,199
– commercial paper	**4,997**	92,565	**4,997**	92,565
– equity investments	**1,415**	1,410	**1,415**	1,410
– other bonds **	**12,930**	25,560	**12,930**	25,560
Total investments	**448,506**	539,716	**470,749**	561,982

* All available for sale investments are measured at 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.

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
7 Loans and receivables to ADI's				
Loans to Authorised Deposit-taking Institutions ("ADI's")	**440,273**	265,332	**440,273**	265,332
Total loans and receivables to ADI's	**440,273**	265,332	**440,273**	265,332
LOANS BY MATURITY				
– up to three months	**394,117**	245,646	**394,117**	245,646
– from three to six months	**46,156**	19,686	**46,156**	19,686
Total loans and receivables to ADI's	**440,273**	265,332	**440,273**	265,332

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
8 Loans and receivables to members					
Loans to					
– members *		**3,477,414**	3,635,964	**3,477,414**	3,635,964
– consolidated entities, key management personnel and related entities		**976**	1,401	**8,288**	4,970
Provision for impairment	10	**(2,350)**	(2,452)	**(2,350)**	(2,452)
Total loans net of provision for impairment		**3,476,040**	3,634,913	**3,483,352**	3,638,482
LOANS BY MATURITY					
Loans to members maturing					
– revolving credit		**9,828**	13,553	**17,140**	17,122
– up to three months		**17,014**	12,683	**17,014**	12,683
– from three to six months		**17,310**	12,947	**17,310**	12,947
– from six to nine months		**18,145**	14,006	**18,145**	14,006
– from nine to twelve months		**18,448**	14,301	**18,448**	14,301
– from one to five years		**275,821**	212,894	**275,821**	212,894
– over five years		**3,121,824**	3,356,981	**3,121,824**	3,356,981
Provision for impairment	10	**(2,350)**	(2,452)	**(2,350)**	(2,452)
Total loans net of provision for impairment		**3,476,040**	3,634,913	**3,483,352**	3,638,482

* Includes $823,306,000 of securitised residential loans and $225,853,000 of securitised commercial loans (2008: $1,040,147,000 of securitised residential loans and $284,968,000 of securitised commercial loans).

9 Other financial assets

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Other equity investments – at cost*	**505**	505	**2,333**	2,333
Investments in controlled entities – at cost	**–**	–	**754**	754
Total other financial assets	**505**	505	**3,087**	3,087

* 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 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Specific provision				
Opening balance	**736**	328	**736**	328
Additions to specific provision	**931**	506	**931**	506
Loans written off, previously provided for	**(888)**	(50)	**(888)**	(50)
Reversal of provision	**(139)**	(48)	**(139)**	(48)
Closing balance	**640**	736	**640**	736
Collective provision for credit losses				
Opening balance	**1,716**	1,488	**1,716**	1,488
Additions to collective provision	**386**	228	**386**	228
Reversal of provision	**(392)**	–	**(392)**	–
Closing balance *	**1,710**	1,716	**1,710**	1,716
Total provision for impairment	**2,350**	2,452	**2,350**	2,452
Bad debt expense				
Additions to collective provision	**(6)**	228	**(6)**	228
Additions to specific provision	**(96)**	458	**(96)**	458
Bad debts written off directly	**1,892**	836	**1,892**	836
	1,790	1,522	**1,790**	1,522

* 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.

For the year ended 30 June 2009

11 Derivative liabilities

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Interest rate swaps at fair value	**5,033**	(3,947)	**5,033**	(3,947)

12 Inventories

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Freehold land held for development and sale				
– acquisition costs	**5,779**	2,746	**–**	–
– development costs capitalised	**753**	516	**–**	–
– rates, taxes and interest capitalised	**886**	576	**–**	–
Total inventories	**7,418**	3,838	**–**	–

The above inventory amount includes two developed properties which are currently for sale with an inventory value of $178,000 (2008: $163,000). The remaining freehold land held for sale is not expected to be realised within the next twelve months.

13 Property, plant and equipment

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Freehold land				
– at cost	**3,165**	3,165	**3,165**	3,165
Freehold buildings				
– at cost	**5,892**	5,892	**5,892**	5,892
– accumulated depreciation	**(1,473)**	(1,326)	**(1,473)**	(1,326)
	4,419	4,566	**4,419**	4,566
Total land and buildings	**7,584**	7,731	**7,584**	7,731
Plant and equipment				
– at cost	**30,820**	29,745	**30,820**	29,745
– accumulated depreciation	**(23,739)**	(21,918)	**(23,739)**	(21,918)
Total plant and equipment	**7,081**	7,827	**7,081**	7,827
Work in progress – at cost	**104**	807	**104**	807
Total property, plant and equipment	**14,769**	16,365	**14,769**	16,365

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)

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Reconciliation				
Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at the beginning and end of the year	**3,165**	3,165	**3,165**	3,165
Buildings				
Carrying amount at the beginning of the year	**4,566**	4,714	**4,566**	4,714
Depreciation	**(147)**	(148)	**(147)**	(148)
Carrying amount at the end of the year	**4,419**	4,566	**4,419**	4,566
Plant and equipment				
Carrying amount at the beginning of the year	**7,827**	8,554	**7,827**	8,554
Additions	**847**	1,343	**847**	1,343
Transfers from work in progress	**1,542**	1,332	**1,542**	1,332
Disposals	**(306)**	(493)	**(306)**	(493)
Depreciation	**(2,829)**	(2,909)	**(2,829)**	(2,909)
Carrying amount at the end of the year	**7,081**	7,827	**7,081**	7,827
Work in progress				
Carrying amount at the beginning of the year	**807**	920	**807**	920
Additions	**839**	1,219	**839**	1,219
Transfers to plant and equipment	**(1,542)**	(1,332)	**(1,542)**	(1,332)
Carrying amount at the end of the year	**104**	807	**104**	807

14 Intangible assets

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Intangible computer software				
– at cost	**7,219**	7,052	**7,219**	7,052
– accumulated amortisation	**(6,590)**	(5,721)	**(6,590)**	(5,721)
Total Intangible computer software	**629**	1,331	**629**	1,331
Reconciliation				
Intangible computer software				
Carrying amount at the beginning of the year	**1,331**	2,350	**1,331**	2,350
Additions	**167**	167	**167**	167
Amortisation	**(869)**	(1,186)	**(869)**	(1,186)
Carrying amount at the end of the year	**629**	1,331	**629**	1,331

15 Other assets

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Sundry debtors	**2,048**	1,715	**7,251**	10,428
Other deferred costs	**395**	102	**395**	102
Total other assets	**2,443**	1,817	**7,646**	10,530

16 Trade and other payables

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Trade creditors	**7,760**	10,933	**7,644**	10,814
Distributions payable by SPEs	**27,224**	24,205	**–**	–
Fees payable by SPEs	**288**	345	**–**	–
Total trade and other payables	**35,272**	35,483	**7,644**	10,814

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 34.

17 Deposits

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Retail deposits	**2,365,962**	2,124,115	**2,368,968**	2,126,791
Wholesale deposits	**764,479**	812,727	**764,479**	812,727
Accrued interest	**27,842**	34,262	**27,842**	34,262
Total deposits	**3,158,283**	2,971,104	**3,161,289**	2,973,780
CONCENTRATION OF DEPOSITS				
New South Wales	**2,722,225**	2,561,627	**2,725,231**	2,564,303
Australian Capital Territory	**177,621**	189,977	**177,621**	189,977
Queensland	**33,760**	53,304	**33,760**	53,304
South Australia	**16,151**	20,877	**16,151**	20,877
Victoria	**165,691**	109,973	**165,691**	109,973
Western Australia	**5,071**	3,938	**5,071**	3,938
Tasmania	**26,170**	21,013	**26,170**	21,013
Other	**11,594**	10,395	**11,594**	10,395
Total deposits	**3,158,283**	2,971,104	**3,161,289**	2,973,780

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

18 Securitised loans funding

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Notes payable	**1,025,682**	1,300,466	**–**	–
Loans from securitisation trusts		–	**1,047,925**	1,322,732
Total securitised loans funding	**1,025,682**	1,300,466	**1,047,925**	1,322,732

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

19 Interest bearing liabilities

	Note	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $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 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Make good provision					
Balance at the beginning of the year		**541**	555	**541**	555
Provisions made during the year		**–**	–	**–**	–
Provisions used during the year		**(15)**	(14)	**(15)**	(14)
Balance at the end of the year		**526**	541	**526**	541
Employee benefits					
Balance at the beginning of the year		**5,278**	5,578	**5,278**	5,578
Provisions made during the year		**2,366**	2,269	**2,366**	2,269
Provisions used during the year		**(1,943)**	(2,569)	**(1,943)**	(2,569)
Balance at the end of the year	23	**5,701**	5,278	**5,701**	5,278
Total provisions		**6,227**	5,819	**6,227**	5,819

21 Share capital

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Share capital				
39,911,640 (2008: 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, further, members who hold a minimal level of deposits are able to purchase shares by lodging a share application with the Company. 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. The holders of ordinary shares are entitled to receive dividends as declared from time to time. In assessing the dividend to be paid, the Board has regard to the Company's status as a mutual entity. 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.

22 Reserves

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Available for sale debt securities revaluation reserve				
Balance at the beginning of the year	**(425)**	(526)	**(425)**	(526)
Revaluation movement for the year net of tax	**1,895**	107	**1,895**	107
Change in available for sale debt securities investments transferred to profit and loss	**(678)**	(6)	**(678)**	(6)
Balance at the end of the year	**792**	(425)	**792**	(425)
Cashflow hedging reserve				
Balance at the beginning of the year	**2,764**	1,792	**2,764**	1,792
Revaluation movement for the year net of tax	**(6,286)**	972	**(6,286)**	972
Balance at the end of the year	**(3,522)**	2,764	**(3,522)**	2,764
Available for sale equity securities revaluation reserve				
Balance at the beginning of the year	**445**	349	**445**	349
Change in available for sale equity securities transferred to profit and loss	**–**	(349)	**–**	(349)
Revaluation movement for the year net of tax	**4**	445	**4**	445
Balance at the end of the year	**449**	445	**449**	445
General reserve for credit losses				
Balance at the beginning of the year	**1,387**	99	**1,387**	99
Transfer from retained profits	**440**	1,288	**440**	1,288
Balance at the end of the year	**1,827**	1,387	**1,827**	1,387
General reserve				
Balance at the beginning and end of the year	**25,255**	25,255	**25,255**	25,255
Total reserves	**24,801**	29,426	**24,801**	29,426

Available for sale debt securities revaluation reserve

The available for sale debt securities revaluation 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.

Available for sale equity securities revaluation reserve

The available for sale equity securities 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 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Current				
Liability for annual leave	**2,338**	2,154	**2,338**	2,154
Liability for banked time	**2**	1	**2**	1
Liability for directors' retirement benefits	**–**	141	**–**	141
Liability for long service leave	**1,096**	1,001	**1,096**	1,001
	3,436	3,297	**3,436**	3,297
Non current				
Present value of defined benefit fund obligations	**5,107**	4,635	**5,107**	4,635
Fair value of defined benefit fund assets	**(4,012)**	(4,743)	**(4,012)**	(4,743)
Present value of net obligations	**1,095**	(108)	**1,095**	(108)
Unrecognised actuarial (losses)/gains	**(583)**	583	**(583)**	583
Recognised liability for defined benefit obligations	**512**	475	**512**	475
Liability for long service leave	**1,509**	1,262	**1,509**	1,262
Liability for directors' retirement benefits	**244**	244	**244**	244
Total employee benefits	**5,701**	5,278	**5,701**	5,278

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 five 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. In accordance with Superannuation Industry (Supervision) Regulations – Reg 9.04D, due to the membership of the fund being less than fifty on 12 May 2004, no new members have been accepted to the plan since that date. There are currently 13 members (2008: 15) in the plan. An actuarial assessment of the plan at 1 July 2009 was carried out by Ms SA Sweeney FIAA on 15 July 2009.

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

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Net liability for defined benefit obligations at the beginning of the year	**475**	472	**475**	472
Contributions received from employer	**(250)**	(209)	**(250)**	(209)
Expenses recognised in the income statement	**287**	212	**287**	212
Net liability for defined benefit obligations at the end of the year	**512**	475	**512**	475

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

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Defined benefit obligation at the beginning of the year	**4,635**	6,454	**4,635**	6,454
Service cost	**365**	444	**365**	444
Interest cost	**288**	360	**288**	360
Actuarial gains	**154**	(178)	**154**	(178)
Contributions by employees	**208**	324	**208**	324
Benefits paid	**(434)**	(2,661)	**(434)**	(2,661)
Other	**(109)**	(108)	**(109)**	(108)
Defined benefit obligation at the end of the year	**5,107**	4,635	**5,107**	4,635

Movement in the present value of fund assets are as follows:

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Fair value of fund assets at the beginning of the year	**4,743**	7,238	**4,743**	7,238
Actual return	**(646)**	(259)	**(646)**	(259)
Contributions by employer	**250**	209	**250**	209
Contributions by employees	**208**	324	**208**	324
Benefits paid	**(434)**	(2,661)	**(434)**	(2,661)
Other	**(109)**	(108)	**(109)**	(108)
Fund assets at the end of the year	**4,012**	4,743	4,012	4,743

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

	Consolidated 2009 %	Consolidated 2008 %	Company 2009 %	Company 2008 %
Australian shares	**30**	31	**30**	31
International shares	**30**	26	**30**	26
Property/alternate investments	**15**	15	**15**	15
Fixed interest	**20**	24	**20**	24
Cash	**5**	4	**5**	4
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.

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
Expenses recognised in the profit or loss				
Current service costs	**365**	444	**365**	444
Interest on obligation	**288**	360	**288**	360
Expected return on fund assets	**(357)**	(551)	**(357)**	(551)
Actuarial gains	**(9)**	(41)	**(9)**	(41)
Total	**287**	212	**287**	212

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

The actual return on fund assets was a $646,000 loss (2008: $259,000 loss).

Actuarial assumptions

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

	Consolidated 2009 %	Consolidated 2008 %	Company 2009 %	Company 2008 %
Discount rate at 30 June	**5.5**	6.3	**5.5**	6.3
Expected return on fund assets at 30 June	**7.2**	7.3	**7.2**	7.3
Future salary increases	**5.0**	5.0	**5.0**	5.0

The overall expected long-term rate of return on assets is 7.2%. 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.

Historic information

	2009 $000	2008 $000	2007 $000	2006 $000
Amounts for the current and previous annual periods relating to both the Company and Group are as follows:				
Present value of defined benefit obligation	**5,107**	4,635	6,454	6,982
Fair value of fund assets	**(4,012)**	(4,743)	(7,238)	(6,905)
Deficit/(Surplus) in the plan	**1,095**	(108)	(784)	77
Experience adjustments (gain)/loss arising on plan liabilities	**(235)**	137	192	(310)
Experience adjustments loss/(gain) arising on plan assets	**1,003**	810	(659)	(315)

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 Company expects $191,000 in contributions to be paid to the funded defined benefit plan during the year ended 30 June 2010.

Defined contribution superannuation funds

The Company makes contributions to defined contribution superannuation funds. The amount recognised as expense was $2,026,000 for the financial year (2008: $1,871,000).

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
24 Capital and Other Commitments				
Loan commitments approved but not advanced				
– not later than one year	**294,471**	277,613	**294,471**	277,613
– later than one year	**5,628**	8,046	**5,628**	8,046
Total	**300,099**	285,659	**300,099**	285,659
Capital expenditure commitments not taken up in the financial statements				
– not later than one year	**25**	1,031	**25**	1,031
Non cancellable operating lease rentals payable				
– not later than one year	**4,351**	4,134	**4,351**	4,134
– later than one year but not later than five years	**8,024**	7,839	**8,024**	7,839
– later than five years	**10**	161	**10**	161
Total	**12,385**	12,134	**12,385**	12,134

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

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
25 Financing Arrangements				
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 9.2% (2008: 11.9%).

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 $1,727,000 (2008: $2,200,000) 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.

Purchase of land by IMB Land No. 2 Pty Ltd

During the year IMB Land No. 2 Pty Ltd entered into a joint venture development with Kanahooka Dapto Pty Ltd. IMB Land No. 2 Pty Ltd holds a seventy percent interest in this joint venture. The joint venture acquired an englobo parcel of land with a purchase price of $6,000,000. An amount of $4,000,000 was paid by the joint venture to the Vendor on the date of completion of the contract of sale. The balance of the purchase price, if any, is due and payable to the Vendor, if within eighteen months from the date of completion, satisfactory development approval (SDA) is obtained. In the event that the SDA is not successfully obtained within eighteen months from the date of settlement the purchase price shall be adjusted to $4,000,000 and there is no further sum payable to the Vendor, unless the land is sold for an amount greater than $4,000,000, on which occurrence any surplus monies received on sale up to $2,000,000 is payable to the Vendor.

27 Consolidated Entities

	Principal Activity	Ownership interest 2009 %	Ownership interest 2008 %
Parent entity			
IMB Ltd			
Subsidiaries			
IMB Funeral Fund Management Pty Ltd	Trustee	**100.0**	100.0
IMB Land Pty Ltd	Land development	**100.0**	100.0
IMB Land No. 2 Pty Ltd	Land development	**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 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.

** IMB Land No. 2 Pty Ltd was incorporated on 10 July 2008.

All entities are incorporated in Australia.

28 Equity Accounted Investments

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

		Joint venture reporting date		Percentage interest	
Name	Nature of activities	2009	2008	2009 %	2008 %
IMB Financial Planning Limited	Financial planning	**30 June**	30 June	**50.0**	50.0
Country of incorporation					
Australia					

	Consolidated 2009 $000	Consolidated 2008 $000
Results of incorporated joint venture		
The Group's share of the joint venture entity's result consists of:		
Revenues	**1,447**	1,662
Expenses*	**(1,345)**	(1,518)
Profit before income tax expense	**102**	144
Income tax expense*	**(75)**	(113)
Net profit accounted for using the equity method	**27**	31
Balance sheet		
The Group's share of the joint venture entity's assets and liabilities consists of:		
Current assets	**1,288**	1,356
Non-current assets	**2,144**	2,256
Total assets	**3,432**	3,612
Current liabilities	**450**	1,562
Non-current liabilities	**963**	56
Total liabilities	**1,413**	1,618
Net assets accounted for using the equity method	**2,019**	1,994
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	**45**	14
Share of joint venture entity's net profit	**27**	31
Share of joint venture entity's retained profits at the end of the year	**72**	45
Movement in carrying amount of investment in incorporated joint venture entity		
Carrying amount at the beginning of the year	**1,826**	1,795
Share of joint venture entity's net profit	**27**	31
Carrying amount at the end of the year	**1,853**	1,826
Share of non-capital commitments attributable to joint venture entity		
Non-cancellable operating leases		
Payable not later than 1 year	**49**	28
Share of joint venture entity's non-capital operating leases	**49**	28

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

29 Notes to the Statements of Cash Flows

RECONCILIATION OF CASH

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
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	**16,014**	14,308	**16,005**	14,299
Cash controlled by SPEs	**32,739**	33,297	**–**	–
Total	**48,753**	47,605	**16,005**	14,299

The Group's exposure to interest rate risk for financial assets and liabilities are disclosed in note 34.

	Consolidated 2009 $000	Consolidated 2008 $000	Company 2009 $000	Company 2008 $000
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the year attributable to members of the Company	**22,850**	21,579	**22,697**	22,223
Net loss on sale of property, plant and equipment	**8**	73	**8**	73
Gain on Visa Inc. shareholding	**–**	(542)	**–**	(542)
Bad debts expense	**1,790**	1,522	**1,790**	1,522
Depreciation of property, plant and equipment, and amortisation of intangibles	**3,845**	4,243	**3,845**	4,243
Operating profit before changes in assets and liabilities	**28,493**	26,875	**28,340**	27,519
Changes in assets and liabilities:				
(Increase)/Decrease in accrued interest on investments	**(573)**	2,494	**(573)**	2,494
Decrease/(Increase) in loans and receivables	**157,082**	(137,400)	**153,340**	(137,810)
(Increase) in inventories	**(3,580)**	(486)	**–**	–
(Increase) in deferred expenditure	**(293)**	(73)	**(293)**	(73)
(Increase)/Decrease in sundry debtors	**(334)**	781	**3,167**	1,992
(Increase)/Decrease in deferred tax asset	**(3,166)**	33	**(3,111)**	30
(Decrease)/Increase in accrued interest on members' deposits	**(6,420)**	8,395	**(6,420)**	8,395
(Decrease) in trade and other payables	**(211)**	(10,813)	**(3,170)**	(1,143)
Increase in deposits	**193,599**	217,973	**193,929**	217,301
Increase/(Decrease) in provision for employee benefits	**424**	(300)	**424**	(300)
Increase in provision for income tax	**1,627**	229	**1,627**	229
(Decrease) in other provisions	**(15)**	(14)	**(15)**	(14)
(Decrease) in deferred tax liability	**(498)**	(367)	**(588)**	(442)
Net cash flows from operating activities	**366,135**	107,327	**366,657**	118,178

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
Mr GA Edgar
Mr RHP Elvy
Mr LR Fredericks (Retired 31 December 2008)
Ms LT Gearing
Mr SG McKerihan (Appointed 1 January 2009)
Mr LP Nicholas

Executives

Mr RJ Ryan (Chief Executive Officer)
Mr MR Harley (General Manager, Sales and Marketing) (ceased employment 1 July 2009)
Mr CA Rumble (General Manager, Business Systems)
Mr CJ Goodwin (Chief Financial Officer)

	Consolidated		Company	
	2009 $000	2008 $000	**2009 $000**	2008 $000
The key management personnel compensation included in “personnel expense” (see note 2) is as follows:				
Short term employee benefits	**2,007,943**	1,753,940	**2,007,943**	1,753,940
Post employment benefits	**198,796**	151,917	**198,796**	151,917
Termination benefits	**278,767**	225,999	**278,767**	225,999
Other long-term benefits	**34,672**	107,382	**34,672**	107,382
Total	**2,520,178**	2,239,238	**2,520,178**	2,239,238

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 Directors’ Report on pages 30 and 31 for the following reasons:

- 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 in accordance with Corporations Act requirements.

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.

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	**2009**	**981,471**	**970,294**	**–**	**82,308**	**981,766**
	2008	–	981,471	–	77,571	981,594
Mr LR Fredericks*	**2009**	**32,519**	**30,924**	**–**	**1,131**	**32,263**
	2008	74,560	32,519	–	4,759	134,582
Mr LR Fredericks* – related parties	**2009**	**382,963**	**379,401**	**–**	**15,646**	**382,203**
	2008	384,095	382,963	–	31,039	384,459
Mr KR Biddle – related parties	**2009**	**4,087**	**4,012**	**–**	**296**	**4,084**
	2008	4,112	4,087	–	356	41,123
Mr PW Morris**	**2009**	**–**	**–**	**–**	**–**	**–**
	2008	1,067,216	411,410	–	26,331	1,090,480
Mr PW Morris** – related party	**2009**	**–**	**–**	**–**	**–**	**–**
	2008	163,389	167,806	–	4,052	172,478

* Mr LR Fredericks retired December 2008. The disclosure made relates to the period from 1 July 2007 to December 2008.

** 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 2009	**32,519**	**30,924**	**1,131**	**1**
Total for key management personnel 2008	1,141,776	443,929	31,090	2
Total for other related parties 2009	**1,368,521**	**1,353,707**	**98,250**	**3**
Total for other related parties 2008	551,596	1,536,327	113,018	4
Total for key management personnel and their related parties 2009	**1,401,040**	**1,384,631**	**99,381**	**4**
Total for key management personnel and their related parties 2008	1,693,372	1,980,256	144,108	6

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.

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 2008	Purchases	Sales	Held at 30 June 2009
Directors				
Mr MJ Cole	7,131	–	–	**7,131**
Mr KR Biddle	5,000	–	–	**5,000**
– related party	23,381	–	–	**23,381**
Mr GA Edgar	3,000	–	–	**3,000**
– related party	38,976	–	–	**38,976**
Mr RHP Elvy	–	5,454	–	**5,454**
Mr LR Fredericks*	4,693	–	–	**4,693**
– related parties	8,354	1,000	–	**9,354**
Ms LT Gearing	2,000	2,000	–	**4,000**
Mr SG McKerihan	–	5,000	–	**5,000**
Mr LP Nicholas	2,000	–	–	**2,000**
– related party	38,890	–	–	**38,890**
Executives				
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 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, at times, provided legal services to IMB Land Pty Ltd, a controlled entity. Fees paid during the year were $nil (2008: $3,056).

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 $77,107 (2008: $95,418).

Mr RHP Elvy was a director and is a shareholder of the Wollongong Hawks Basketball Pty Ltd, with which the Company had a sponsorship agreement. This contract was entered into prior to Mr Elvy being appointed as a director of IMB. 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 $110,730 (2008: $2,200).

31 Other Related Party Disclosures

Subsidiaries

Due to the Company and it's 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:

	2009 $000	2008 $000
IMB Land Pty Ltd	**(148)**	(88)
IMB Securitisation Services Pty Ltd	**176**	97
Total	**28**	9

IMB Land Pty Ltd, a controlled entity has deposits with the Company amounting to $1,609,000 (2008: $1,547,000). 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 $7,665,000 at 30 June 2009 (2008: $7,138,000). During the year there were repayments of $186,000 (2008: $257,000) and advances of $123,000 (2008: $384,000). Aggregate interest of $590,000 (2008: $693,000) was charged in the year.

IMB Land No. 2 Pty Ltd, a controlled entity has deposits with the Company amounting to $19,000 (2008: nil). These amounts are received on normal commercial terms and conditions. IMB Land No. 2 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 $4,970,000 at 30 June 2009 (2008: nil). During the year there were repayments of $nil (2008: nil) and advances of $4,689,000 (2008: nil). Aggregate interest of $281,000 (2008: nil) 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 $1,957,000 (2008: $1,898,000). 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 (2008: $14,000). The Company also provides premises for IMB Financial Planning Limited. The Company has received $30,000 (2008: $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 (2008: $15,000) to IMB Financial Planning Limited during the year.

As at the reporting date a net receivable of $62,000 (2008: $72,000) 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 2009, the Company held $22,200,000 (2008: $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:

	2009 $000	2008 $000
Proceeds from securitisation of loans	**Nil**	Nil
Servicing fees received	**2,997**	3,738
Management fees received	**360**	449
Excess income received	**7,808**	10,849
Other	**280**	340

32 Segment Reporting

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

33 Average Balance Sheet and Related Interest

	Consolidated					
	2009			2008		
	Average Balance $000	Interest $000	Average Rate %	Average Balance $000	Interest $000	Average Rate %
INTEREST BEARING ASSETS						
Loans and receivables to members	**3,542,244**	**251,585**	**7.10**	3,553,279	281,378	7.92
Loans and receivables to ADI's	**328,481**	**18,375**	**5.59**	262,130	22,610	8.63
Available for sale investments	**509,701**	**34,047**	**6.68**	610,696	40,346	6.61
Total interest bearing assets	**4,380,426**	**304,007**		4,426,105	344,334	
Bad and doubtful debts expense		**(1,790)**			(1,522)	
NON INTEREST BEARING ASSETS						
Inventories	**7,273**	**–**	**–**	3,747	–	–
Property, plant and equipment	**16,724**	**–**	**–**	18,380	–	–
Other assets	**45,588**	**–**	**–**	43,536	–	–
Total non interest bearing assets	**69,585**	**–**	**–**	65,663	–	–
Total assets	**4,450,011**	**302,217**	**–**	4,491,768	342,812	–
INTEREST BEARING LIABILITIES						
Deposits	**3,041,445**	**160,750**	**5.29**	2,812,928	162,197	5.77
Notes payable	**1,152,866**	**65,868**	**5.71**	1,440,277	108,152	7.51
Subordinated floating rate notes	**10,000**	**779**	**7.79**	10,000	871	8.71
Total interest bearing liabilities	**4,204,311**	**227,397**		4,263,205	271,220	
NON INTEREST BEARING LIABILITIES						
Other liabilities	**55,539**	**–**	**–**	46,765	–	–
Total liabilities	**4,259,850**	**227,397**	**–**	4,309,970	271,220	–
Net assets	**190,161**	**–**	**–**	181,798	–	–
Net interest income after bad and doubtful debts	**–**	**74,820**	**–**	–	71,592	–

34 Risk Management and Financial Instruments

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

Credit Risk
Liquidity Risk
Market 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.

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

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Loans & receivables to Members		Loans & receivables to ADI's		Available for sale investments	
		2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
CONSOLIDATED							
Carrying Amount	6,7,8	**3,476,040**	3,634,913	**440,273**	265,332	**448,506**	539,716
Individually impaired							
Gross amount		**1,778**	2,888	**–**	–	**–**	–
Provision for impairment		**(640)**	(736)	**–**	–	**–**	–
Carrying amount		**1,138**	2,152	**–**	–	**–**	–
Past due but not impaired							
Days in arrears:							
Less than one month		**63,108**	96,968	**–**	–	**–**	–
Greater than one month and less than two months		**6,773**	11,438	**–**	–	**–**	–
Greater than two months and less than three months		**2,748**	4,319	**–**	–	**–**	–
Greater than three months		**5,302**	7,448	**–**	–	**–**	–
Carrying amount		**77,931**	120,173	**–**	–	**–**	–
Neither past due nor impaired							
Secured by mortgage		**3,332,809**	3,436,323	**–**	–	**–**	–
Government securities		**–**	–	**–**	–	**17,593**	49,470
Investment grade		**–**	–	**237,676**	82,540	**415,808**	477,302
Unrated		**–**	–	**200,012**	181,850	**–**	–
Other		**63,360**	73,488	**2,585**	942	**15,105**	12,944
Net deferred income & expense		**2,512**	4,493	**–**	–	**–**	–
Carrying amount		**3,398,681**	3,514,304	**440,273**	265,332	**448,506**	539,716
Collective impairment provision	10	**(1,710)**	(1,716)	**–**	–	**–**	–
Total carrying amount	6,7,8	**3,476,040**	3,634,913	**440,273**	265,332	**448,506**	539,716
Includes restructured loans		**3,591**	1,235	**–**	–	**–**	–

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 $nil (2008: $4,292,000).

IMB issues guarantees to business banking clients with a maximum credit exposure of $1,727,000 (2008: $2,200,000). Refer note 26 for more details.

	Loans & receivables to Members		Loans & receivables to ADI's		Available for sale investments	
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
COMPANY						
Carrying Amount	**3,483,352**	3,638,482	**440,273**	265,332	**470,749**	561,982
Individually impaired						
Gross amount	**1,778**	2,888	**–**	–	**–**	–
Provision for impairment	**(640)**	(736)	**–**	–	**–**	–
Carrying amount	**1,138**	2,152	**–**	–	**–**	–
Past due but not impaired						
Days in arrears:						
Less than one month	**63,108**	96,968	**–**	–	**–**	–
Greater than one month and less than two months	**6,773**	11,438	**–**	–	**–**	–
Greater than two months and less than three months	**2,748**	4,319	**–**	–	**–**	–
Greater than three months	**5,302**	7,448	**–**	–	**–**	–
Carrying amount	**77,931**	120,173	**–**	–	**–**	–
Neither past due nor impaired						
Secured by mortgage	**3,332,809**	3,436,323	**–**	–	**–**	–
Government securities	**–**	–	**–**	–	**17,593**	49,470
Investment grade	**–**	–	**237,676**	82,540	**438,051**	499,568
Unrated	**–**	–	**200,012**	181,850	**–**	–
Other	**70,672**	77,057	**2,585**	942	**15,105**	12,944
Net deferred income & expense	**2,512**	4,493	**–**	–	**–**	–
Carrying amount	**3,405,993**	3,517,873	**440,273**	265,332	**470,749**	561,982
Collective impairment provision	**(1,710)**	(1,716)	**–**	–	**–**	–
Total carrying amount	**3,483,352**	3,638,482	**440,273**	265,332	**470,749**	561,982
Includes restructured loans	**3,591**	1,235	**–**	–	**–**	–

34 Risk Management and Financial Instruments (continued)

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.

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.

Collateral and other credit enhancements

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	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Against Individually impaired				
Property value	**1,400**	2,300	**1,400**	2,300
Against past due but not impaired				
Property value	**100,205**	153,784	**100,205**	153,784
Other	**1,844**	2,062	**1,844**	2,062
Total	**103,449**	158,146	**103,449**	158,146

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 $6,654,000 (2008: $4,880,000).

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	
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
CONSOLIDATED						
Carrying amount	**3,476,040**	3,634,913	**440,273**	265,332	**448,506**	539,716
Concentration by location						
New South Wales	**2,595,180**	2,692,456	**273,470**	130,369	**187,605**	252,586
Australian Capital Territory	**224,242**	219,178	**2,585**	942	**–**	17,450
Queensland	**142,445**	151,891	**58,190**	26,216	**64,776**	107,509
Victoria	**370,694**	403,433	**–**	8,049	**62,311**	24,241
Western Australia	**129,884**	150,509	**4,349**	8,054	**2,056**	2,033
South Australia	**13,411**	17,252	**74,128**	65,962	**96,668**	122,952
Other Australia	**2,534**	2,646	**27,551**	25,740	**4,997**	–
Overseas	**–**	–	**–**	–	**30,093**	12,945
Provision for impairment	**(2,350)**	(2,452)	**–**	–	**–**	–
Total loans net of provision for impairment and deferred income and expenses	**3,476,040**	3,634,913	**440,273**	265,332	**448,506**	539,716
COMPANY						
Carrying amount	**3,483,352**	3,638,482	**440,273**	265,332	**470,749**	561,982
Concentration by location						
New South Wales	**2,602,492**	2,696,025	**273,470**	130,369	**209,848**	274,852
Australian Capital Territory	**224,242**	219,178	**2,585**	942	**–**	17,450
Queensland	**142,445**	151,891	**58,190**	26,216	**64,776**	107,509
Victoria	**370,694**	403,433	**–**	8,049	**62,311**	24,241
Western Australia	**129,884**	150,509	**4,349**	8,054	**2,056**	2,033
South Australia	**13,411**	17,252	**74,128**	65,962	**96,668**	122,952
Other Australia	**2,534**	2,646	**27,551**	25,740	**4,997**	–
Overseas	**–**	–	**–**	–	**30,093**	12,945
Provision for impairment	**(2,350)**	(2,452)	**–**	–	**–**	–
Total loans net of provision for impairment and deferred income and expenses	**3,483,352**	3,638,482	**440,273**	265,332	**470,749**	561,982

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 available for sale investments 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

A number of tools are used to measure and control market risk exposure within the Group's banking book including interest rate gap reporting, interest rate sensitivity analysis and 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 2009 and during the period is as follows:

	2009 %	2008 %
Interest rate risk		
At June 30	**2.02**	2.14
Average VaR for the period	**2.23**	2.02
Minimum VaR for the period	**1.79**	1.83
Maximum VaR for the period	**2.52**	2.16

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.

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.

The Group relies on deposits from Members as its primary source of funding. Deposits from Members generally have maturities less than one year and a large proportion of them are payable on demand. The short term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

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 for prudential regulatory purposes. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity requirements 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:

	2009 %	2008 %
Total liquidity ratios		
At 30 June	**28.35**	28.18
Average liquidity for the period	**27.25**	30.84
Minimum liquidity for the period	**25.50**	25.70
Maximum liquidity for the period	**28.65**	37.77

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

34 Risk Management and Financial Instruments (continued)

	At call		Excluding call less than 3 months maturity		Greater than 3 months less than 12 months maturity	
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Residual contractual maturities of financial liabilities						
CONSOLIDATED						
Financial Liabilities						
Deposits	**1,003,309**	899,900	**1,635,238**	1,359,961	**533,377**	767,398
Trade and other payables	**–**	–	**35,272**	35,483	**–**	–
Securitised loans funding*	**–**	–	**92,661**	99,545	**224,286**	261,942
Subordinated debt	**–**	–	**141**	245	**422**	712
Employee benefits	**–**	–	**5,701**	5,278	**–**	–
Total financial liabilities	**1,003,309**	899,900	**1,769,013**	1,500,512	**758,085**	1,030,052
COMPANY						
Financial Liabilities						
Deposits	**1,006,315**	902,575	**1,635,238**	1,359,961	**533,377**	767,398
Trade and other payables	**–**	–	**7,644**	10,814	**–**	–
Securitised loans funding*	**–**	–	**93,181**	100,073	**225,297**	263,544
Subordinated debt	**–**	–	**141**	245	**422**	712
Employee benefits	**–**	–	**5,701**	5,278	**–**	–
Total financial liabilities	**1,006,315**	902,575	**1,741,905**	1,476,371	**759,096**	1,031,654
Consolidated and Company						
Derivative financial instruments						
Interest rate swaps (hedging relationship) net**	**–**	–	**1,622**	–	**2,672**	–
Unrecognised loan commitments	**–**	–	**98,799**	102,471	**–**	–

* 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.

Greater than 1 year less than 5 years maturity		Greater than 5 years maturity		Gross nominal outflow		Total carrying amount as per the balance sheet	
2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
37,516	19,097	**–**	7	**3,209,440**	3,046,363	**3,158,283**	2,971,104
–	–	**–**	–	**35,272**	35,483	**35,272**	35,483
710,561	832,378	**160,891**	416,592	**1,188,399**	1,610,457	**1,025,682**	1,300,466
11,129	12,852	**–**	–	**11,692**	13,809	**10,000**	10,000
–	–	**–**	–	**5,701**	5,278	**5,701**	5,278
759,206	864,327	**160,891**	416,599	**4,450,504**	4,711,390	**4,234,938**	4,322,331
37,516	19,097	**–**	7	**3,212,446**	3,049,038	**3,161,289**	2,973,780
–	–	**–**	–	**7,644**	10,814	**7,644**	10,814
714,963	840,018	**183,134**	438,858	**1,216,575**	1,642,493	**1,047,925**	1,322,732
11,129	12,852	**–**	–	**11,692**	13,809	**10,000**	10,000
–	–	**–**	–	**5,701**	5,278	**5,701**	5,278
763,608	871,967	**183,134**	438,865	**4,454,058**	4,721,432	**4,232,559**	4,322,604
3,215	–	**–**	–	**7,509**	–	**5,033**	–
–	–	**–**	–	**98,799**	102,471	**–**	–

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 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 behaviour. 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.

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. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If the market for a financial instrument is not active, fair values are estimated using present value cash flows 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 term deposits at amortised cost is estimated by reference to current market rates offered on similar deposits. At 30 June 2009 the term deposit portfolio carrying amount was $2,186,064,000. Using a recognised valuation technique, the impact of interest rate movements on the term loan portfolio would estimate the fair value at $2,191,480,000. The fair value of these term deposits in the year ended 30 June 2008 was deemed to be not materially different to their carrying amounts.
- 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. At 30 June 2009 the fixed rate loan portfolio carrying amount was that of $956,812,000 using a recognised valuation technique, the impact of interest rate movements on the fixed loan portfolio would estimate the fair value at $979,320,000. The fair value of these fixed rate loans in the year ended 30 June 2008 was deemed to be not materially different to their carrying amounts.

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 and has adopted the standardised approach for credit risk and operational risk.

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.

APRA proposes to set a prudential capital requirement (PCR) for each ADI which must be met at all times. Subject to the minimum capital requirement of eight percent, PCRs will be set at a level proportional to each ADI's overall risk profile. A key principle of APRA's capital management framework is that ADI's should have a process for assessing their overall capital adequacy in relation to their risk profile and strategy for maintaining capital levels. This process is referred to as the Internal Capital Adequacy Assessment Process (ICAAP). The Group submitted its ICAAP document to APRA in 2008.

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.

34 Risk Management and Financial Instruments (continued)

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

	Consolidated		Company	
	2009 $000	2008 $000	**2009 $000**	2008 $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	**108,768**	97,657	**106,816**	95,062
Current year earnings	**12,341**	11,692	**12,188**	12,336
(less) Capitalised expenses	**(5,853)**	(9,513)	**(5,853)**	(9,513)
(less) Other	**(4,193)**	(1,368)	**(4,048)**	(1,370)
Total	**183,254**	170,659	**181,294**	168,706
Tier 2 capital				
Asset revaluation reserves	**5,626**	5,626	**5,626**	5,626
General reserve for credit losses	**2,856**	2,408	**2,856**	2,408
Subordinated debt*	**6,000**	8,000	**6,000**	8,000
(less) Other	**(798)**	(804)	**(799)**	(806)
Total	**13,684**	15,230	**13,683**	15,228
Total regulatory capital	**196,938**	185,889	**194,977**	183,934
Capital requirements (in terms of risk weighted assets) for:				
Credit risk	**1,482,910**	1,409,236	**1,483,510**	1,409,692
Operational risk	**210,020**	195,448	**208,901**	193,980
Total risk weighted assets	**1,692,930**	1,604,684	**1,692,411**	1,603,672
Capital ratios				
Total regulatory capital expressed as a percentage of total risk weighted assets	**11.63%**	11.58%	**11.52%**	11.47%
Total Tier 1 capital expressed as a percentage of risk weighted assets	**10.82%**	10.64%	**10.71%**	10.52%

* 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.

35 Events Subsequent to Reporting Date

Dividends

For dividends declared by IMB Ltd after 30 June 2009 refer to note 5.

Other

On 3 July 2009 a subsidiary Company, IMB Securitisation Services Pty Ltd, established the Illawarra Warehouse Trust No. 2 and paid an amount of $200 to constitute the trust. The purpose of establishing this entity was to allow the securitisation of residential mortgage loans. In July 2009 the entity issued $105,300,000 in notes under its Warehouse Subscription Agreement.

36 Merger with Community Alliance Credit Union Limited

On 30 June 2009 IMB Ltd announced it proposes to merge with Community Alliance Credit Union Limited (CACU) through a voluntary transfer of business from CACU to IMB. The transfer of business of CACU to IMB is regulated by and must be undertaken in accordance with the Transfer Rules under the *Financial Sector (Business Transfer and Group Restructure) Act 1999 (CTH*), and is subject to APRA approval and adoption of the Merger proposal by a special resolution of CACU members. If approved by APRA and members of CACU, it is anticipated that the merger will be effected within the first half of the 2009-10 financial year.

86 Directors’ Declaration

For the year ended 30 June 2009

In the opinion of the directors of IMB Ltd (“the Company”):

(a) the financial statements and notes, set out on pages 36 to 85 and the Remuneration Report in the Directors’ Report, set out on pages 28 to 32, 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 2009 and of their performance for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b); and

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

Dated at Wollongong this 12th day of August 2009.

Signed in accordance with a resolution of the directors:

MJ Cole
Chairman

LP Nicholas
Director

87 Independent Auditor's Report

To the members of IMB Ltd

Report on the financial report

We have audited the accompanying financial report of IMB Ltd (the Company), which comprises the balance sheets as at 30 June 2009, 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 36 and the directors' declaration 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. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report comprising the financial statements and notes complies with International Financial Reporting Standards.

Auditor's 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's 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 2009 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.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 32 of the directors' report for the year ended 30 June 2009. 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 Ltd for the year ended 30 June 2009, complies with Section 300A of the Corporations Act 2001.

KPMG

Richard Drinnan
Partner

Dated at Wollongong, this 12th day of August 2009.

88 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	Shop 1, 320 Bong Bong 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 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	Shop 47, 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

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Shareholders' Diary and other information

Payment of final dividend 30 August 2009
Annual general meeting 27 October 2009 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 27 October 2009 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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Better Value Banking

IMB Ltd ABN 92 087 651 974

Annual Report 2009

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