

Membership brings rewards

Interim Financial Report
31 December 2007





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Statistical Highlights

IMB's half-yearly net profit of \$9.8 million is up \$0.3 million, or 3.2% over the same period last year.

Loan approvals at \$491 million for the six months to December 2007 were \$62 million, or 14.4% above the previous six months, and \$33 million, or 6.3% below the previous corresponding period.

At 31 December	Consolidated	
	2007	2006
Net assets/total assets	% 4.1	3.8
Risk weighted capital adequacy	% 11.8	11.0
Liquid assets/total liabilities	% 20.5	23.1
Non interest expenses/operating income	% 68.4	68.7
Shares on issue	000 39,912	39,912
For the half-year ended 31 December		
Total loans approved	\$m 491	524
- of which residential	\$m 401	432
Annualised after tax return on		
- average total assets	% 0.4	0.4
- average net assets	% 11.1	11.6
Interim dividend per share*	cents 8.0	8.0
Dividend cover	times 3.1	3.0
Highest share price	\$ 4.20	3.25
Lowest share price	\$ 3.00	2.98
Average share price	\$ 3.51	3.08
Last sale price	\$ 3.70	3.15
Shares traded	000 1,392.5	933.3
Turnover	% 3.5	2.3

* Interim dividend relating to the profit for the period was declared after the end of the reporting period but before the signing of this report.

Chairman's Review

Performance

I am pleased to report to Members on a successful half-year, with the Group's net profit after tax reaching \$9.8 million, representing a 3.2% improvement on the previous corresponding period.

The solid result was achieved in a flat housing market, further exacerbated by increased funding costs as a result of the disruption to the global financial markets over the past six months.

Although IMB has no direct exposure to the US sub-prime crisis, like other financial institutions IMB has experienced an increase in its funding costs. IMB has absorbed some of the funding cost increases, but are unable to continue to absorb the full impact. While IMB waited several months before passing on some of the increased costs to its borrower members, depositor members have been benefiting from increased rates since August last year.

Strategic

The Board has overseen the restructuring of the management team of IMB during the period. Following his appointment as CEO, Robert Ryan has recruited a new general management team. Chris Goodwin has been recruited and appointed CFO, while Craig Rumble and Lauren Wise have been promoted to positions of General Manager Operations and Company Secretary respectively.

The other focus of the Board has been to address the long standing issue of stakeholder interest of permanent shareholders and mutual owners of IMB. Significant progress has been made to better understand the expectations of each group through a series of stakeholder meetings. The Board anticipates this matter will be further progressed in the current half and a Board policy to transparently deal with stakeholder interests will be publicly advised.

Dividend

After taking into consideration the half-year performance, the future capital needs of the Group and the current difficult conditions in the capital markets, the Board has declared a fully franked interim dividend of eight cents per share, in line with last year's interim dividend. This dividend is payable after close of business on 28 February 2008 to shareholders as at that date.

Lending

Loan approvals for the period totalled \$491 million, \$33 million (6.3%) below the previous corresponding period and total loans to members at 31 December 2007 increased by \$58 million (1.6%) to \$3.6 billion compared to 30 June 2007.

This level of lending funded by a growth in deposits, a reduction in the investment portfolio and a reduction in securitisation funding resulted in the Group total assets decreasing by \$162 million (3.5%) compared to 30 June 2007.

Outlook

The Board and management are cautiously optimistic about the period ahead notwithstanding the ongoing impact on financial markets as a result of the fall out from the US sub-prime crisis and the likelihood of further increases in official interest rates in 2008. We expect lending approvals will continue to improve over the next six months, albeit at a reduced rate.

Your Board remains confident that the combination of flexible business channels, an even greater emphasis on personal service and new initiatives, together with the much valued and appreciated energy and commitment of our excellent staff, will enable IMB to grow profits and improve service benefits to the advantage of all Members.

The major focus during the coming period will be on increasing the retail deposit base in a very competitive market. This will be achieved through product diversification, opening new branches and building more relationships with existing members.

We remain confident that the full year budget of a modest lift in annual net profit will be achieved but only with continued focus on improving branch productivity and operating cost containment and assuming relative stability in financial markets.



MJ Cole
Chairman

Directors' Report

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2007 and the review report thereon.

Directors

The directors of the Company at any time during or since the six months ended 31 December 2007 are:

Name	Period of directorship
Michael John Cole, Chairman	Director since 2003, appointed Chairman October 2007
Kieran Robert Biddle	Director since August 2007
George Anthony Edgar	Director since 2000
Lindsay Russell Fredericks	Director since 1990
Lynette Therese Gearing	Director since 2003
Harold Hanson AM	Director since 1990
Lynton Patrick Nicholas	Director since 2004
Vivien Jennifer Twyford	Director – 1990 to August 2007

Review of operations

Members and shareholders are referred to the Chairman's Review.

Interim dividend

Members and shareholders are referred to the Chairman's Review.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 12 and forms part of the directors' report for the six months ended 31 December 2007.

Rounding off

The Group is of a kind referred to in 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 thirtieth day of January 2008.

Signed in accordance with a resolution of the directors:



MJ Cole
Chairman



LP Nicholas
Director

Interim Income Statement

For the six months ended 31 December 2007

	NOTE	Consolidated	
		31 Dec 2007 \$000	31 Dec 2006 \$000
Interest revenue		167,036	150,944
Interest expense		(130,964)	(115,431)
Net interest income		36,072	35,513
Bad and doubtful debts expense		(519)	(496)
Net interest income after bad and doubtful debts		35,553	35,017
Revenue from land development		-	-
Share of profit of equity accounted investee		107	86
Other income		8,494	7,824
Net income		44,154	42,927
Land development expense		-	-
Other expenses		(30,212)	(29,477)
Profit before tax		13,942	13,450
Income tax expense		(4,173)	(3,986)
Profit for the period attributable to members of the Company		9,769	9,464
Earnings per share	5	-	-

The interim income statement is to be read in conjunction with the condensed notes set out on pages 8 to 9.

Interim Balance Sheet

As at 31 December 2007

	Consolidated	
	31 Dec 2007 \$000	30 Jun 2007 \$000
ASSETS		
Cash and cash equivalents	56,722	56,024
Available for sale investments	506,652	665,263
Loans and receivables to other ADI's	314,568	376,538
Loans and receivables to members	3,556,713	3,499,034
Equity accounted investments	1,902	1,795
Other financial assets	505	1,003
Derivative asset	3,491	2,561
Inventories	3,656	3,352
Property, plant and equipment	16,546	17,353
Intangible assets	1,780	2,350
Other assets	3,303	2,525
Total assets	4,465,838	4,627,798
LIABILITIES		
Sundry creditors	44,081	46,296
Deposits	2,783,569	2,744,737
Securitised loans funding	1,438,519	1,639,772
Interest bearing liabilities	10,000	10,000
Current tax liabilities	1,999	2,669
Provisions	6,026	6,133
Net deferred tax liabilities	757	1,003
Total liabilities	4,284,951	4,450,610
Net assets	180,887	177,188
EQUITY		
Issued capital	46,936	46,936
Reserves	27,806	26,969
Retained profits	106,145	103,283
Total equity attributable to members of the Company	180,887	177,188

The interim balance sheet is to be read in conjunction with the condensed notes set out on pages 8 to 9.

Interim Statement of Cash Flows

For the six months ended 31 December 2007

	NOTE	Consolidated 31 Dec 2007 \$'000	31 Dec 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		168,698	150,306
Dividends received		12	60
Other cash receipts in the course of operations		8,248	7,289
Interest paid on deposits		(130,002)	(113,643)
Net increase in deposits		38,118	64,252
Income taxes paid		(5,089)	(3,362)
Net loans funded		(58,198)	(131,360)
Other cash payments in the course of operations		(30,925)	(22,961)
Net cash flows from operating activities		(9,138)	(49,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemptions of/ (Payments for) available for sale investments		217,988	(98,002)
Expenditure on property, plant and equipment, and intangibles		(1,051)	(1,281)
Proceeds from sale of property, plant and equipment		139	242
Net cash flows from investing activities		217,076	(99,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (payments)/proceeds from securitised loans funding	7	(201,253)	156,208
Dividends paid	6	(5,987)	(4,989)
Net cash flows from financing activities		(207,240)	151,219
Net increase in cash held		698	2,759
Cash and cash equivalents at 1 July		56,024	60,743
Cash and cash equivalents at 31 December	8	56,722	63,502

The interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 8 to 9.

Interim Statement of Changes in Equity

For the six months ended 31 December 2007

Attributable to members of the Company

In thousands of AUD	Issued capital	Available for sale revaluation reserve	Cash flow hedging reserve	Equity investments revaluation reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
Balance at 1 July 2006	46,936	(428)	902	317	442	25,255	91,163	164,587
Revaluation movement due to change in fair value	-	674	583	(57)	-	-	-	1,200
Transfer from retained profits	-	-	-	-	152	-	(152)	-
Net change in fair value transferred to profit and loss	-	(473)	-	-	-	-	-	(473)
Net income recognised directly in equity	-	201	583	(57)	152	-	(152)	727
Profit after tax for the six month period	-	-	-	-	-	-	9,464	9,464
Total recognised income and expense for the year	-	201	583	(57)	152	-	9,312	10,191
Dividends to shareholders	-	-	-	-	-	-	(4,989)	(4,989)
Balance at 31 December 2006	46,936	(227)	1,485	260	594	25,255	95,486	169,789
Balance at 1 July 2007	46,936	(526)	1,792	349	99	25,255	103,283	177,188
Revaluation movement due to change in fair value	-	(400)	651	(349)	-	-	-	(98)
Transfer from retained profits	-	-	-	-	920	-	(920)	-
Net change in fair value transferred to profit and loss	-	15	-	-	-	-	-	15
Net income recognised directly in equity	-	(385)	651	(349)	920	-	(920)	(83)
Profit after tax for the six month period	-	-	-	-	-	-	9,769	9,769
Total recognised income and expense for the year	-	(385)	651	(349)	920	-	8,849	9,686
Dividends to shareholders	-	-	-	-	-	-	(5,987)	(5,987)
Balance at 31 December 2007	46,936	(911)	2,443	-	1,019	25,255	106,145	180,887

Amounts are stated net of tax

The interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 8 to 9.

Condensed Notes to the Consolidated Interim Financial Report

For the six months ended 31 December 2007

1 Reporting entity

IMB Ltd (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at 253-259 Crown Street, Wollongong or at www.imb.com.au.

2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2007.

This consolidated interim financial report was approved by the Board of Directors on 30 January 2008.

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

3 Significant accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

4 Estimates

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2007.

5 Earnings per share

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

6 Dividends

	Dec 2007 \$000	Dec 2006 \$000
Fully franked final dividend declared on 1 August 2006 - \$0.12 per share franked to 100% at a tax rate of 30% paid on 30 August 2006 on 39,911,640 shares	-	4,789
Fully franked special dividend declared on 1 August 2006 - \$0.005 per share franked to 100% at a tax rate of 30% paid on 30 August 2006 on 39,911,640 shares	-	200
Fully franked final dividend declared on 14 August 2007 - \$0.15 per share franked to 100% at a tax rate of 30% paid on 30 August 2007 on 39,911,640 shares	5,987	-
	5,987	4,989

SUBSEQUENT EVENTS:

On 30 January 2008, the Board declared an interim dividend of 8 cents per share amounting to \$3,193,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2007. The dividend is payable on 28 February 2008. The financial effect of this interim dividend has not been brought to account in the Group's financial report for the six months ended 31 December 2007 and will be recognised in the subsequent financial report.

7 Notes payable

As part of the Group's securitisation activities, notes are issued in the capital markets by each special purpose entity ("SPE") to fund the purchase of loan assets from the Company. These SPEs form part of the Group.

Net proceeds from the issue of note liabilities	-	368,980
Repayments of note principal	(201,253)	(212,772)
Net proceeds from securitised loans funding	(201,253)	156,208

8 Notes to the statement of cash flows

RECONCILIATION OF CASH

Cash as at the end of the financial period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash assets	56,865	63,502
Secured bank overdraft	(143)	-
	56,722	63,502

9 Segment reporting

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

10 Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

Directors' Declaration

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

1. the financial statements and notes set out on pages 4 to 9, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Group as at 31 December 2007 and of its performance, for the six months ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. 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 thirtieth day of January 2008.

Signed in accordance with a resolution of the directors:



MJ Cole
Chairman



LP Nicholas
Director

Independent Auditor's Review Report to the Members of IMB Ltd

Report on the Financial Report

We have reviewed the accompanying interim financial report of IMB Ltd, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 10 and the directors' declaration set on pages 4 to 10 of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

Auditors' responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of

IMB Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the interim financial report of IMB Ltd is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.



KPMG



Warwick Shanks
Partner

Wollongong, 30 January 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of IMB Ltd.

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2007 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'Warwick Shanks'.

Warwick Shanks
Partner

Wollongong, 30 January 2008

Directors' Particulars

Michael John Cole

BEC (SYD) MEC (SYD) F.FIN

Mr Cole has been a director since 2003, and was elected Chairman in 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. As well as being Chairman of IMB Ltd, Mr Cole is also Chairman of all entities wholly owned by IMB Ltd, except for IMB Land Pty Ltd, of which Mr Cole is a director.

Kieran Robert Biddle

DIP.LAW SAB SPEC – ACC BUS

Mr Biddle has been a director since 2007. He is a member of the Audit and Risk Management Committee and the Remuneration and CEO Evaluation Committee. 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 has been a director since 2000. He is Chairman of the Nominations and Governance Committee, and a member of the Remuneration and CEO Evaluation Committee and the Land Development Committee. As well as being a director of IMB Ltd, Mr Edgar is also a director of all entities wholly owned by IMB Ltd.

Lindsay Russell Fredericks

FPNA FAICD FAIM

Mr Fredericks has been a director since 1990 and was the Chairman from 2004 to 2007. He is a member of the Audit and Risk Management Committee and the IMB Community Foundation Committee. As well as being director of IMB Ltd, Mr Fredericks is also a director of all entities wholly owned by IMB Ltd, except for IMB Land Pty Ltd.

Lynette Therese Gearing

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

Ms Gearing has been a director since 2003. She is Chairperson of the Land Development Committee, and a member of the Nominations and Governance Committee. As well as being a director of IMB Ltd, Ms Gearing is also a director of all entities wholly owned by IMB Ltd, and is Chairperson of IMB Land Pty Ltd.

Harold Hanson AM

DIP.LAW (SYDNEY)

Mr Hanson has been a director since 1990. He is a member of the Land Development Committee, the Nominations and Governance Committee, and the IMB Community Foundation Committee. As well as being a director of IMB Ltd, Mr Hanson is also a director of all entities wholly owned by IMB Ltd.

Lynton Patrick Nicholas

FCPA FCIS

Mr Nicholas has been a director since 2004, and was elected Deputy Chairman in 2007. He is Chairman of the Audit and Risk Management Committee, and the IMB Community Foundation Committee, and a member of the Nominations and Governance Committee. As well as being Deputy Chairman of IMB Ltd, Mr Nicholas is also Deputy Chairman of all entities wholly owned by IMB Ltd.

Vivien Jennifer Twyford

BA GRAD DIP COM (MGMT) FAICD

Ms Twyford who retired from the Board in August 2007 had been a director since 1990. Ms Twyford was Chairperson of the IMB Community Foundation Committee, and a member of the Remuneration and CEO Evaluation Committee. As well as being a director of IMB Ltd, Ms Twyford was also a director of all entities wholly owned by IMB Ltd.



Interim Financial Report
31 December 2007