



Interim Financial Report  
31 December 2010





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# Chairman's Review

## Performance

The IMB Group recorded a 12% increase in net profit after tax to \$15.06 million for the half year to 31 December.

This solid profit performance has been achieved through our ability to maintain the net interest margin despite rising cost of funds pressures, diligent management of the asset and liability books, and continued attention on costs.

IMB's highly competitive loan product pricing and a favourable lending environment has enabled it to achieve loan approvals of \$419.1 million, an increase of 9% above the previous corresponding period.

IMB commenced the period with a very high level of liquidity of over 31% and was well placed to fund loan growth largely from existing levels. However, due to strong deposit growth of \$126.2 million lifting total deposits to \$3.5 billion, an increase of 3.8%, IMB's liquidity levels still remain strong at 30%.

The effective management of IMB's funding base was a significant component in maintaining the average interest margin at 2.02%, broadly in line with the average margin of last financial year. The stabilisation of the margin has been an important contributor to solid profit performance.

Operating expenses were maintained at similar levels to the prior period at \$31.9 million. The expense containment together with the stabilisation of net interest income and low bad debts combined to deliver a significant reduction in the expense to income ratio to 59.9% from 63.8% in the previous corresponding period.

IMB's credit experience in the residential loan portfolio continues to be excellent and in anticipation that the Regulators require a larger buffer for future loan default contingencies we continue to take a conservative approach in relation to loan provisioning and valuing land development assets.

IMB's current total capital adequacy is 11.4%. For IMB, capital remains a limited resource at a time when post Basel III announcements both international and domestic regulators are focussing on lifting capital requirements. As a result the future strength of IMB will require further focus on the preservation of existing capital levels and the generation of new capital.

## Dividend

The Directors have considered a broad range of factors previously detailed before determining the level of the interim dividend. Particularly in light of the changing capital landscape, we believe a cautious approach to dividend policy is warranted. The Board have declared an interim dividend of 10.0 cents per share fully franked which is in line with the interim dividend of the previous corresponding period. The dividend will be paid on 27 February, 2011.

## Outlook

We are positive but cautious on the outlook for the results for the remainder of the financial year. Housing lending growth continues to be sound but tempered by consumer caution associated with the recent increases in interest rates and broader economic conditions. It is expected that interest margins will continue to be stable over the next half year but will require constant focus as the competition for retail deposits keeps the cost of funds under pressure. Expense growth will continue to be well contained. Accordingly IMB anticipates a lift in the final result for the financial year ending 30 June 2011 compared to the prior year.



**MJ Cole,**  
Chairman

# Directors' Report

As at 31 December 2010

The directors have pleasure in presenting their report together with the consolidated interim financial report for the six months ended 31 December 2010 and the auditor's review report thereon.

## Directors

The directors of the Company at any time during or since the six months ended 31 December 2010 are:

<b>Name</b>	<b>Period of directorship</b>
Michael John Cole, Chairman	Director since 2003, appointed Chairman October 2007
Kieran Robert Biddle	Director since 2007
George Anthony Edgar	Director since 2000, resigned 28 September 2010
Robert Hillis Page Elvy	Director since 2008
Lynette Therese Gearing	Director since 2003
Steven George McKerihan	Director since 2009
Lynton Patrick Nicholas	Director since 2004
Noel Harold Cornish	Appointed 28 September 2010

## Review of operations

Members are referred to the Chairman's Review.

## Interim dividend

Members are referred to the Chairman's Review.

## Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 11 and forms part of the directors' report for the six months ended 31 December 2010.

## 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 28th day of January 2011.

Signed in accordance with a resolution of the directors:



**MJ Cole,**  
Chairman



**LP Nicholas,**  
Director

# Condensed Interim Income Statement

For the six months ended 31 December 2010

	Consolidated	
	31 Dec 2010 \$000	31 Dec 2009 \$000
Interest revenue	159,604	123,452
Interest expense	(112,391)	(76,042)
Net interest income	47,213	47,410
Bad and doubtful debts expense	(128)	(1,729)
Net interest income after bad and doubtful debts	47,085	45,681
Share of profits of joint venture entity	147	95
Fee and commission income	6,091	6,755
Other income	255	373
Net operating income	53,578	52,904
Land development expense	(161)	(1,709)
Other operating expenses	(31,914)	(32,021)
<b>Profit before tax</b>	<b>21,503</b>	<b>19,174</b>
Income tax expense	(6,447)	(5,764)
<b>Profit for the period attributable to members of the Company</b>	<b>15,056</b>	<b>13,410</b>

The condensed interim income statement is to be read in conjunction with the condensed notes set out on pages 7 to 8.

# Condensed Interim Statement of Comprehensive Income

For the six months ended 31 December 2010

	Consolidated	
	31 Dec 2010 \$000	31 Dec 2009 \$000
<b>Profit for the period</b>	<b>15,056</b>	<b>13,410</b>
Other comprehensive income/(expense):		
Net change in fair value of available-for-sale debt securities	286	(461)
Net change in fair value of cash flow hedges	620	1,917
Net change in fair value of available-for-sale equity securities	(157)	333
Net change in fair value of available-for-sale debt securities transferred to profit and loss	(1)	(24)
Total other comprehensive income/(expense) for the period, net of income tax	748	1,765
<b>Total comprehensive income for the period</b>	<b>15,804</b>	<b>15,175</b>
<b>Amounts are stated net of tax</b>		

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes set out on pages 7 to 8.

# Condensed Interim Statement of Financial Position

As at 31 December 2010

	Consolidated	
	31 Dec 2010 \$000	30 June 2010 \$000
<b>ASSETS</b>		
Cash and cash equivalents	42,929	40,685
Available for sale investments	575,609	476,472
Loans and receivables to ADI's	478,282	569,890
Loans and receivables to members	3,638,522	3,576,564
Equity accounted investments	2,216	2,070
Other financial assets	505	505
Non-current assets held for sale	2,000	2,500
Inventories	5,738	5,508
Property, plant and equipment	13,521	13,765
Intangible assets	304	372
Net deferred tax assets	3,635	3,880
Other assets	3,712	3,604
<b>Total Assets</b>	<b>4,766,973</b>	<b>4,695,815</b>
<b>LIABILITIES</b>		
Trade and other payables	25,388	26,073
Deposits	3,489,147	3,362,526
Securitised loans funding	1,003,627	1,064,650
Interest bearing liabilities	10,000	10,000
Derivative liabilities	636	1,522
Current tax liabilities	2,435	3,764
Provisions	7,062	6,823
<b>Total Liabilities</b>	<b>4,538,295</b>	<b>4,475,358</b>
<b>Net Assets</b>	<b>228,678</b>	<b>220,457</b>
<b>EQUITY</b>		
Share capital	46,936	46,936
Reserves	27,951	27,203
Retained earnings	153,791	146,318
<b>Total equity attributable to members of the Company</b>	<b>228,678</b>	<b>220,457</b>

The condensed interim statement of financial position is to be read in conjunction with the condensed notes set out on pages 7 to 8.

# Condensed Interim Statement of Cash Flows

For the six months ended 31 December 2010

	Consolidated	
	31 Dec 2010	31 Dec 2009
Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	160,806	131,366
Dividends received	5	5
Other cash receipts in the course of operations	6,352	5,480
Interest paid on deposits	(112,220)	(83,200)
Net increase in deposits	126,450	11,418
Income taxes paid	(7,531)	(7,194)
Net loans funded	(62,085)	(21,234)
Other cash payments in the course of operations	(33,023)	(43,935)
<b>Net cash flows from operating activities</b>	<b>78,754</b>	<b>(7,294)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Payments for)/redemption of treasury investments	(6,838)	93,080
Expenditure on property, plant and equipment, and intangibles	(1,313)	(245)
Proceeds from sale of property, plant and equipment	247	88
<b>Net cash flows from investing activities</b>	<b>(7,904)</b>	<b>92,923</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net payments from securitised loans funding	(61,023)	(87,780)
Dividends paid	5	(7,583)
<b>Net cash flows from financing activities</b>	<b>(68,606)</b>	<b>(93,967)</b>
<b>Net increase /(decrease) in cash and cash equivalents held</b>	<b>2,244</b>	<b>(8,338)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>40,685</b>	<b>48,753</b>
<b>Cash and cash equivalents at 31 December</b>	<b>6</b>	<b>42,929</b>

The condensed interim statement of cash flows is to be read in conjunction with the condensed notes set out on pages 7 to 8.

# Condensed Interim Statement of Changes in Equity

For the six months ended 31 December 2010

In thousands of AUD	Consolidated							
	Share capital	Available for sale debt securities revaluation reserve	Cash flow hedge reserve	Available for sale equity securities revaluation reserve	General reserve for credit losses	General reserve	Retained earnings	Total equity
Balance at 1 July 2009	46,936	792	(3,522)	449	1,827	25,255	127,424	199,161
<b>Total comprehensive income for the period</b>								
Profit after tax	-	-	-	-	-	-	13,410	13,410
<b>Other comprehensive income</b>								
Net revaluation movement due to change in fair value	-	(461)	1,917	333	-	-	-	1,789
Net change in fair value transferred to profit and loss	-	(24)	-	-	-	-	-	(24)
Total other comprehensive income	-	(485)	1,917	333	-	-	-	1,765
Total comprehensive income for the period	-	(485)	1,917	333	-	-	13,410	15,175
Dividends to shareholder members	-	-	-	-	-	-	(6,187)	(6,187)
Transfer from retained profits	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2009</b>	<b>46,936</b>	<b>307</b>	<b>(1,605)</b>	<b>782</b>	<b>1,827</b>	<b>25,255</b>	<b>134,647</b>	<b>208,149</b>
Balance at 1 July 2010	46,936	532	(1,065)	654	1,827	25,255	146,318	220,457
<b>Total comprehensive income for the period</b>								
Profit after tax	-	-	-	-	-	-	15,056	15,056
<b>Other comprehensive income</b>								
Net revaluation movement due to change in fair value	-	286	620	(157)	-	-	-	749
Net change in fair value transferred to profit and loss	-	(1)	-	-	-	-	-	(1)
Total other comprehensive income	-	285	620	(157)	-	-	-	748
Total comprehensive income for the period	-	285	620	(157)	-	-	15,056	15,804
Dividends to shareholder members	-	-	-	-	-	-	(7,583)	(7,583)
Transfer from retained profits	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2010</b>	<b>46,936</b>	<b>817</b>	<b>(445)</b>	<b>497</b>	<b>1,827</b>	<b>25,255</b>	<b>153,791</b>	<b>228,678</b>
<b>Amounts are stated net of tax</b>								

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes set out on pages 7 to 8.



# Condensed Notes to the Consolidated Interim Financial Report

For the six months ended 31 December 2010

## 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 2010 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 2010 is available upon request from the Company's registered office at 253-259 Crown Street, Wollongong or at [www.imb.com.au](http://www.imb.com.au).

## 2 Statement of compliance

The consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*. The consolidated interim financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

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 2010.

This consolidated interim financial report was approved by the Board of Directors on 28 January 2011.

## 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 2010.

## 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 2010.

## 5 Dividends

	Dec 2010 \$000	Dec 2009 \$000
Fully franked final dividend declared on 12 August 2009 – \$0.155 per share franked to 100% at a tax rate of 30% paid on 30 August 2009 on 39,911,640 shares	–	6,187
Fully franked final dividend declared on 24 August 2010 – \$0.19 per share franked to 100% at a tax rate of 30% paid on 3 September 2010 on 39,911,640 shares	7,583	–
	7,583	6,187

### Subsequent events:

On 28 January 2011, the Board declared an interim dividend of 10.0 cents per share amounting to \$3,991,000 franked to 100% at a tax rate of 30%, in respect to the six months ended 31 December 2010. The dividend is payable on 27 February 2011. 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 2010 and will be recognised in the subsequent financial report.

# Condensed Notes to the Consolidated Interim Financial Report (continued)

For the six months ended 31 December 2010

## 6 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:

	31 Dec 2010 \$000	31 Dec 2009 \$000
Cash controlled by the Group	17,562	17,498
Cash controlled by SPEs	25,367	22,917
<b>Total</b>	<b>42,929</b>	40,415

## 7 Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2010 annual financial report.

## 8 Events subsequent to reporting date

### Dividends

For dividends declared by IMB Ltd after 31 December 2010 refer to note 5.

### Other

There were no other events subsequent to balance date.

# Directors' Declaration

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

1. the financial statements and notes set out on pages 3 to 8, 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 2010 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 28th day of January 2011.

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



We have reviewed the accompanying interim financial report of IMB Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2010, condensed consolidated statement of comprehensive income, condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

## Directors' responsibility for the half-yearly financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## 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 a 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 2010 and its performance for the half-year 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.

## Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year 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 2010 and of its performance for the half-year period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



**Richard Drinnan,**  
Partner

Dated at Wollongong this 28th day of January 2011.

# 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 2010 there have been:

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

A handwritten signature in black ink, appearing to read 'KPMG', with a horizontal line underneath.

**KPMG**

A handwritten signature in black ink, appearing to read 'Richard Drinnan', written in a cursive style.

**Richard Drinnan,  
Partner**

Dated at Wollongong this 28th day of January 2011.

# 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 the Nominations and Governance Committee, a member of the IMB Community Foundation Committee and an ex-officio member of the Audit and Risk Management 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 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 has been a director since 2007. He is a member of the Audit and Risk Management Committee, the Remuneration and CEO Evaluation Committee, the Land Development Committee and the Securitisation Committee. As well as being a director of IMB Ltd, Mr Biddle is also a director of all entities wholly owned by IMB Ltd.

## Noel Harold Cornish

**BSC (MET) M ENGSC**

Mr Cornish was appointed as a director on 28 September 2010. He is a member of the Remuneration and CEO Evaluation Committee and the Land Development Committee. As well as being a director of IMB Ltd, Mr Cornish 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 has been a director since 2008. He is a member of the Audit and Risk Management Committee, the Land Development Committee and the Nominations and Governance Committee. As well as being a director of IMB Ltd, Mr Elvy is also a director of all entities wholly owned by IMB Ltd.

## Lynette Therese Gearing

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

Ms Gearing has been a director since 2003. She is Chairperson of the Centenary/One Tree Bay Joint Venture Committee and 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, an alternate director of King Financial Services Limited and is Chairperson of IMB Land Pty Ltd, IMB Land No 2 Pty Ltd and IMB Financial Planning Ltd.

## Steven George McKerihan

**B.COMM (HONS) MBA CPA**

Mr McKerihan has been a director since January 2009. He is a member of the Audit and Risk Management Committee, the IMB Community Foundation Committee and the Securitisation Committee. 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 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.

# Statistical Highlights

		Consolidated	
<b>At 31 December</b>		<b>2010</b>	<b>2009</b>
Net assets/total assets	%	<b>4.8</b>	4.8
Risk weighted capital adequacy	%	<b>11.4</b>	12.0
Liquid assets/total adjusted liabilities	%	<b>24.2</b>	25.1
Non interest expenses/operating income	%	<b>59.9</b>	63.8
<b>For the half year ended 31 December</b>			
Total loans approved	\$m	<b>419</b>	383
– of which residential	\$m	<b>345</b>	306
Annualised after tax return on			
– average total assets	%	<b>0.6</b>	0.6
– average net assets	%	<b>13.4</b>	13.2
Interim dividend per share*	cents	<b>10.0</b>	10.0

\* 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.

Interim Financial Report  
31 December 2010

