

**RELEASE TO AUSTRALIAN STOCK EXCHANGE LIMITED
25 August 2008**

Wide Bay Australia Ltd (WBB) announces record profit

In line with earlier forecasts for 2007/2008, Wide Bay Australia Ltd (Wide Bay) has announced a strong result by posting a record after tax profit of \$18.16 million, an increase of 13.11% over \$16.05 million for 2006/2007.

Mr Ron Hancock, Managing Director, said "Wide Bay's Board and Management are very pleased with the result, especially given the tighter economic conditions and particularly in the final five months of the financial year."

Confirming that there have been significant cost pressures due to increased 'BBSW' spreads and wholesale funding margins, Mr Hancock said "We addressed this issue in part by taking similar actions to other financial institutions by increasing our lending rates over and above the market cash rate increases. We will monitor the market over coming months for the opportunity to further recoup these additional costs on wholesale funding."

Earlier in the year, Wide Bay was successful in its takeover of the Mackay Permanent Building Society (MPBS) after receiving the required acceptances, assuming control on 10 January 2008. Wide Bay was able to fully integrate MPBS with the merging of the two computer systems on 31 May 2008. "While there were some synergies achieved during the takeover period there was also a significant cost, with Wide Bay handling the total merger process internally using our own personnel and existing structures, in particular the IT integration. Training and procedures were also a significant priority during the integration period and also handled internally" Mr Hancock said.

The Company advised that loan approvals for the year were \$518 million compared to \$485 million in 2006/2007 - a 7% increase. "The past few months has seen a slowing of loan approvals, prompted not only from a falling demand but also conscious tightening of our credit policies in anticipation of a further slowing and deterioration of the residential market.", said Mr Hancock.

Outstanding loans, including former MPBS loans, at 30 June 2008 stood at \$1.996 billion. The loan portfolio consists principally of residential lending with a small proportion of fully secured commercial loans and margin lending totaling \$26.2 million on managed products available on the Aviva Navigator platform. These margin loans are predominately provided in conjunction with a financial planning strategy which also incorporates the borrower's residential borrowings. Wide Bay company policy has always been to avoid 'sub prime', 'low doc' and lower security lending.

Wide Bay mortgage-insures all residential mortgage loans except on very low LVRs principally through the Company's own captive mortgage insurer, Mortgage Risk Management Pty Ltd (MRM). MRM achieved an after tax surplus of \$2.24 million for the year.

Bad debts for the period were \$72,266 and represented write-offs in respect of Wide Bay's holding in a small leasing company being wound up. There was no further provisioning required for bad debts.

Wide Bay's funding mix is approximately 54% retail deposits and 46% wholesale. With the addition of former MPBS's branches, Wide Bay now boasts 44 branches in Queensland, from

Robina on the Gold Coast to Cairns, plus a branch in both Sydney and Melbourne and an outlet in Adelaide. "With the additional acquisition of branches in North Queensland this funding mix ratio could be maintained. While branches are operationally expensive, the retail market provides lower cost and stable funding", Mr Hancock said.

In relation to lending, Wide Bay makes very limited use of brokers. "Most of our lending is sourced from our branch network particularly in Queensland, however with only one lending centre in Sydney and Melbourne the use of brokers in those States helps us to secure our lending targets.", said Mr Hancock.

Wide Bay will continue to look for opportunities to further develop and expand its operations. "Growth could be achieved either by further acquisitions or by developing associations or partnerships. In addition, now that the acquisition of Mackay Permanent is completed, we intend to strongly focus on developing and strengthening the performances of our branches, both in lending and retail deposits.", Mr Hancock said.

Commenting on the market outlook, Mr Hancock said, "Although Wide Bay is anticipating a tight competitive market for 2008/2009, with slowing demand for lending, tightening of credit controls and continuing high cost of wholesale funding, the company still expects growing profits."

"Our 2008/09 forecast for after-tax profit growth is in the range of 15-20%. This forecast has been buoyed by the anticipated synergies from the Mackay Permanent acquisition but at the same time has been tempered with caution in lending operations and wholesale funding costs." Mr Hancock said.

He said lending approvals have been projected at a significant decrease to 2007/2008 however the overall loan book is still expected to increase by 8% for the 2008/2009 year with total asset growth of 7.3%.

Forecast wholesale funding costs would be held at the current level for the remainder of 2008/2009.

Mr Hancock said Wide Bay Australia is a strong efficient organisation and the company's continued performance in achieving excellent costs to income ratios over the years would prove a major advantage in the current tougher competitive environment. Cost to income in the 2007/2008 increased from 53.6% in 2007 to 55.5% in 2008 which was predominantly a result of the MPBS acquisition and additional branch costs. "Our forecast for 2008/2009 is a cost to income ratio of 57% reflecting a slowing in overall growth." said Mr Hancock.

A dividend of 33 cents per share has been declared and will be paid on 3 October 2008. This brings the full dividend for the year to 66 cents per share fully franked.

The Board has reintroduced the Dividend Reinvestment Plan which will provide a 2.5% discount. Details of the Plan will be released to the market and shareholders in the next few days.

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ENDS

Appendix 4E

Preliminary final report

Name of entity

WIDE BAY AUSTRALIA LTD

ABN or equivalent company reference

40 087 652 060

Financial year ended

30 June 2008

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up	26.41%	to	174,983
Profit (loss) from ordinary activities after tax attributable to members	Up	13.11%	to	18,160
Net profit (loss) for the period attributable to members	Up	13.11%	to	18,160

DIVIDENDS

		Amount per security	Franked amount per security
Final dividend	Current year	33.0c	33.0c
	Previous year	30.0c	30.0c
Interim dividend	Current year	33.0c	33.0c
	Previous year	30.0c	30.0c
The record date for determining entitlements to the dividends		26 September 2008	

TOTAL DIVIDEND (DISTRIBUTION) PER SECURITY (INTERIM PLUS FINAL)

	Current year	Previous year
Ordinary securities	66.0c	60.0c
Preference securities	\$ -	\$ 4.26

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan has been reintroduced by the Board of Directors.

The choices are for Full Participation where the dividend on all fully paid shares or contributing shares held is reinvested in new shares, or Partial Participation where the dividend on a specified number of shares is reinvested in new shares.

To participate in the plan, shareholders must complete the Application Form and lodge the form with the Company's Share Registry. Full terms and conditions of the dividend reinvestment plan and the application form will be forwarded to shareholders by the

Ranking for dividend

Shares issued under the plan will rank equally in every respect with existing fully paid permanent ordinary shares and will participate in all cash dividends declared after the date of issue.

Issue price of the new shares

The shares issued under the Plan will be issued at a discount of 2.5% on the weighted average sale price of the Company's shares sold during the five trading days immediately following the Record Date.

The final date for the receipt of the application form for participation in the dividend reinvestment plans is 26 September 2008.

DETAILS OF INDIVIDUAL AND TOTAL DIVIDENDS

	Current period \$A'000	Previous corresponding period \$A'000
Ordinary securities		
Interim dividend paid 18 March 2008 - previous period paid 19 December 2006	9,625	6,189
Final dividend payable 03 October 2008 - previous period paid 14 September 2007	9,670	7,499
Preference securities		
Preference securities converted to ordinary shares 20 December 2006 - previous period paid 20 September 2006	-	709
Preference securities converted to ordinary shares 20 December 2006 - previous period paid 20 December 2006	-	722
Total	19,295	15,119

CONSOLIDATED RETAINED PROFITS

	Current period \$A'000	Previous corresponding period \$A'000
Retained profits (accumulated losses) at the beginning of the financial period	18,593	15,602
Net profit (loss) attributable to members	18,160	16,054
Net transfers from (to) reserves	17	-
Dividends and other equity distributions paid or payable	17,124	13,063
Retained profits (accumulated losses) at end of financial period	19,612	18,593

NET TANGIBLE ASSET BACKING

	Current period \$A'000	Previous corresponding period \$A'000
Net tangible asset backing per ordinary share	\$ 3.37	\$ 3.69

AUDIT OF ACCOUNTS

The accounts are in the process of being audited.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED		CHIEF ENTITY	
		\$ 2008	\$ 2007	\$ 2008	\$ 2007
Interest revenue	2	159,215,808	123,884,144	158,168,554	122,800,753
Borrowing costs	2	118,786,618	89,054,098	118,856,888	89,027,006
Net interest revenue		40,429,190	34,830,046	39,311,666	33,773,747
Share of profit of associate	11	1,197,519	1,029,791	1,197,519	1,029,791
Other non interest revenue	3	14,569,304	13,513,581	13,694,905	11,465,307
Employee benefits expense		14,843,538	10,927,748	14,794,584	10,737,186
Depreciation expense		1,975,745	1,307,402	1,974,881	1,298,752
Amortisation expense		335,923	357,975	335,923	357,975
Occupancy expense		1,995,635	1,488,820	1,991,736	1,462,250
Bad and doubtful debts expense	10	72,266	18,297	(51,843)	(2,644)
Other expenses	3	11,971,337	12,680,213	10,778,400	11,093,901
Profit before income tax		25,001,569	22,592,963	24,380,409	21,321,425
Income tax expense	4	6,901,839	6,510,478	5,971,690	5,527,198
Profit after tax from continuing operations		18,099,730	16,082,485	18,408,719	15,794,227
Profit/(loss) attributable to minority interest		(59,870)	28,364		
Net profit attributable to members of the parent company		18,159,600	16,054,121	18,408,719	15,794,227
EARNINGS PER SHARE					
Basic earnings per share (cents per share)	29	68.02	63.85		
Diluted earnings per share (cents per share)	29	68.02	64.22		

BALANCE SHEET AS AT 30 JUNE 2008

	Note	CONSOLIDATED		CHIEF ENTITY	
		\$ 2008	\$ 2007	\$ 2008	\$ 2007
ASSETS					
Cash and cash equivalents	6	72,360,247	50,072,811	55,470,903	33,046,986
Due from other financial institutions	7	12,309,038	2,283,916	12,309,038	2,283,916
Accrued receivables	8	13,372,103	11,298,073	12,939,728	10,621,006
Financial assets available for sale	9	98,371,942	84,340,720	96,569,687	82,313,678
Loans and advances	10	1,995,969,968	1,548,334,568	1,999,085,468	1,548,311,911
Other investments	11	7,309,669	7,065,063	18,756,740	17,786,104
Goodwill	12	41,309,710	-	42,568,612	-
Property, plant & equipment	13	21,891,844	17,333,526	18,138,824	17,328,504
Deferred income tax assets	14	2,530,989	1,105,733	2,066,550	669,084
Other assets	15	12,280,177	9,678,272	6,194,486	4,979,085
TOTAL ASSETS		2,277,705,687	1,731,512,682	2,264,100,036	1,717,340,274
LIABILITIES					
Deposits and short term borrowings	16	1,127,040,831	830,994,432	1,128,855,192	832,761,761
Due to other financial institutions	17	389,486	1,305,912	-	-
Payables and other liabilities	18	29,994,378	24,175,794	25,035,062	20,157,041
Securitised loans	10	947,997,799	758,389,467	947,997,799	758,389,467
Income tax payable	19	(1,020,949)	2,674,903	(1,216,741)	1,651,742
Deferred income tax liabilities	19	2,913,961	2,345,168	2,420,893	2,345,168
Provisions	20	10,362,193	9,326,664	2,590,940	1,670,972
Subordinated capital notes	21	20,000,000	10,000,000	20,000,000	10,000,000
TOTAL LIABILITIES		2,137,677,699	1,639,212,340	2,125,683,145	1,626,976,151
NET ASSETS		140,027,988	92,300,342	138,416,891	90,364,123
EQUITY					
Parent entity interest in equity					
Contributed equity	22	105,930,517	59,620,618	105,930,517	59,620,618
Reserves	23	14,939,064	14,480,537	14,939,064	14,480,537
Retained profits		19,611,935	18,593,102	17,547,310	16,262,968
Total parent entity interest in equity		140,481,516	92,694,257	138,416,891	90,364,123
Minority interest in controlled entities	24				
Contributed equity		1,000	1,000		
Retained profits		(454,528)	(394,915)		
Total outside equity interest		(453,528)	(393,915)		
TOTAL EQUITY		140,027,988	92,300,342	138,416,891	90,364,123

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	CONSOLIDATED		CHIEF ENTITY	
		\$ 2008	\$ 2007	\$ 2008	\$ 2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		158,778,840	123,993,707	157,731,585	122,910,316
Dividends received		1,197,949	1,029,791	3,797,949	3,029,791
Borrowing costs		(116,140,827)	(88,303,160)	(116,211,096)	(88,276,068)
Other non interest income received		19,284,155	16,709,769	11,122,396	9,437,391
Cash paid to suppliers & employees		(33,510,509)	(35,059,163)	(28,967,014)	(28,927,102)
Income tax paid		(8,982,869)	(7,408,569)	(8,173,117)	(5,643,907)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	20,626,739	10,962,375	19,300,703	12,530,421
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase in investment securities		(17,527,490)	33,002,947	(17,752,276)	31,580,723
Net increase in amounts due from other financial institutions		(5,150,673)	(52,033)	(5,150,673)	(52,033)
Net increase in loans		(446,872,049)	(124,632,384)	(447,912,134)	(126,316,259)
Purchase of goodwill on consolidation	12	(41,309,710)	-	(42,568,612)	-
Net increase in other investments		(1,622,787)	(117,653)	(2,348,817)	(117,653)
Purchase of non current assets		(6,781,206)	(1,747,402)	(3,032,344)	(1,747,402)
Proceeds from sale of property, plant & equipment		2,432	-	2,432	-
NET CASH USED IN INVESTING ACTIVITIES		(519,261,483)	(93,546,525)	(518,762,424)	(96,652,624)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits and other borrowings		296,309,362	71,907,215	296,356,394	72,092,301
Purchase (redemption) of subordinated capital notes		10,000,000	-	10,000,000	-
Net increase in amounts due to other financial institutions and other liabilities		185,728,144	12,677,611	186,644,570	14,329,025
Proceeds from share issue		46,009,051	662,580	46,009,051	662,580
Dividends paid		(17,124,377)	(13,062,984)	(17,124,377)	(13,062,984)
NET CASH FLOWS FROM FINANCING ACTIVITIES		520,922,180	72,184,422	521,885,638	74,020,922
NET INCREASE/(DECREASE) IN CASH HELD		22,287,436	(10,399,728)	22,423,917	(10,101,281)
Cash at beginning of financial year		50,072,811	60,472,539	33,046,986	43,148,267
CASH AT END OF FINANCIAL YEAR		72,360,247	50,072,811	55,470,903	33,046,986

For the purposes of the Cash Flow Statement, cash includes cash on hand and deposits on call. The cash at the end of the year can be agreed directly to the Balance Sheet.

WIDE BAY AUSTRALIA LTD - ABN 40 087 652 060
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008

	Share Capital Ordinary	Perpetual Resetting Convertible Preference Shares	Retained Profits	Asset Revaluation Reserve	General Reserve	Statutory Reserve	Doubtful Debts Reserve	Minority Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
CONSOLIDATED									
Balance at 01 July 2006	26,951,775	31,743,909	15,601,965	4,041,244	5,833,939	2,676,071	1,929,283	(422,279)	88,355,907
Profit attributable to members of parent company	-	-	16,054,121	-	-	-	-	-	16,054,121
Profit attributable to minority shareholders	-	-	-	-	-	-	-	28,364	28,364
Sub-total	26,951,775	31,743,909	31,656,086	4,041,244	5,833,939	2,676,071	1,929,283	(393,915)	104,438,392
Issue of share capital	924,934	-	-	-	-	-	-	-	924,934
Conversion of perpetual resetting convertible preference shares	31,743,909	(31,743,909)	-	-	-	-	-	-	-
Dividends provided for or paid - ordinary shares	-	-	(11,632,003)	-	-	-	-	-	(11,632,003)
Dividends provided for or paid - perpetual resetting convertible preference shares	-	-	(1,430,981)	-	-	-	-	-	(1,430,981)
Balance at 30 June 2007	59,620,618	-	18,593,102	4,041,244	5,833,939	2,676,071	1,929,283	(393,915)	92,300,342
Balance at 01 July 2007	59,620,618	-	18,593,102	4,041,244	5,833,939	2,676,071	1,929,283	(393,915)	92,300,342
Profit attributable to members of parent company	-	-	18,159,600	-	-	-	-	-	18,159,600
Profit attributable to minority shareholders	-	-	-	-	-	-	-	(59,613)	(59,613)
Sub-total	59,620,618	-	36,752,702	4,041,244	5,833,939	2,676,071	1,929,283	(453,528)	110,400,329
Issue of share capital for staff share plan	1,104,076	-	-	-	-	-	-	-	1,104,076
Issue of share capital on purchase of shares in Mackay Permanent Building Society Ltd	45,205,823	-	-	-	-	-	-	-	45,205,823
Dividends provided for or paid - ordinary shares	-	-	(17,124,377)	-	-	-	-	-	(17,124,377)
Doubtful debt reserve acquired on purchase of shares in Mackay Permanent Building Society Lt	-	-	-	-	-	-	458,527	-	458,527
Retained profits of subsidiaries on purchase of shares in Mackay Permanent Building Society Lt	-	-	(16,390)	-	-	-	-	-	(16,390)
Balance at 30 June 2008	105,930,517	-	19,611,935	4,041,244	5,833,939	2,676,071	2,387,810	(453,528)	140,027,988

	Share Capital Ordinary	Perpetual Resetting Convertible Preference Shares	Retained Profits	Asset Revaluation Reserve	General Reserve	Statutory Reserve	Doubtful Debts Reserve	Minority Interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
CHIEF ENTITY									
Balance at 01 July 2006	26,951,775	31,743,909	13,531,725	4,041,244	5,833,939	2,676,071	1,929,283	-	86,707,946
Profit attributable to members of parent company	-	-	15,794,227	-	-	-	-	-	15,794,227
Sub-total	26,951,775	31,743,909	29,325,952	4,041,244	5,833,939	2,676,071	1,929,283	-	102,502,173
Issue of share capital for staff share plan	924,934	-	-	-	-	-	-	-	924,934
Conversion of resetting convertible preference shares	31,743,909	(31,743,909)	-	-	-	-	-	-	-
Dividends provided for or paid - ordinary shares	-	-	(11,632,003)	-	-	-	-	-	(11,632,003)
Dividends provided for or paid - perpetual resetting convertible preference shares	-	-	(1,430,981)	-	-	-	-	-	(1,430,981)
Balance at 30 June 2007	59,620,618	-	16,262,968	4,041,244	5,833,939	2,676,071	1,929,283	-	90,364,123
Balance at 01 July 2007	59,620,618	-	16,262,968	4,041,244	5,833,939	2,676,071	1,929,283	-	90,364,123
Profit attributable to members of parent company	-	-	18,408,719	-	-	-	-	-	18,408,719
Sub-total	59,620,618	-	34,671,687	4,041,244	5,833,939	2,676,071	1,929,283	-	108,772,842
Issue of share capital for staff share plan	1,104,076	-	-	-	-	-	-	-	1,104,076
Issue of share capital on purchase of shares in Mackay Permanent Building Society Ltd	45,205,823	-	-	-	-	-	-	-	45,205,823
Dividends provided for or paid - ordinary shares	-	-	(17,124,377)	-	-	-	-	-	(17,124,377)
Doubtful debt reserve acquired on purchase of shares in Mackay Permanent Building Society Ltd	-	-	-	-	-	-	458,527	-	458,527
Balance at 30 June 2008	105,930,517	-	17,547,310	4,041,244	5,833,939	2,676,071	2,387,810	-	138,416,891

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1

1. BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for land and buildings, derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The financial report covers the consolidated group of Wide Bay Australia Ltd and controlled entities, ("consolidated entity/economic entity") and Wide Bay Australia Ltd as an individual parent entity ("the society"). Wide Bay Australia is a listed public company, incorporated and domiciled in Australia.

a) PRINCIPLES OF CONSOLIDATION

A controlled entity is any entity Wide Bay Australia Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent company.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b) INCOME TAX

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c) PROPERTY, PLANT & EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation periods used for each class of depreciable assets are:

Buildings - 40 years

Plant and equipment - 4 to 6 years

Leasehold improvements - 4 to 6 years or the term of the lease, whichever is the lesser

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e) FINANCIAL INSTRUMENTS

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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 are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f) INVESTMENTS IN ASSOCIATES

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies.

The financial statements of the associate are used by the group to apply the equity method. The reporting dates of the associate and the group are identical and both use consistent accounting policies.

The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

g) GOODWILL

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

h) INTANGIBLES

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

i) EMPLOYEE BENEFITS

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the

estimated future cash outflows to be made for those benefits.

j) PROVISIONS

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

l) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Prior period adjustment

In accordance with a ruling from the Australian Taxation Office, GST was reassessed on the group during the financial period and a prior period adjustment was made for the GST relating to financial periods prior to 01 July 2007.

As a result of the adjustment net profit attributable to members of the parent company decreased by \$216,737 from \$16,270,858 to \$16,054,121 in the consolidated group, and decreased by \$216,737 from \$16,010,964 to \$15,794,227 in the chief entity, in the prior year profit and loss.

The basic earnings per share in the prior year profit and loss decreased from 64.79 cents per share to 63.85 cents per share, and the diluted earnings per share in the prior year profit and loss decreased from 65.09 cents per share to 64.22 cents per share as a result of the adjustment.

m) REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Interest is recognised as it accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend revenue is recognised when the shareholder's right to receive the payment is established.

Fees and commissions are recognised as revenue or expenses on an accrual basis.

Premium Revenue - Mortgage Risk Management Pty Ltd

Premiums have been brought to account as income from the date of attachment of risk. Direct Premiums comprise amounts charged to the policy holder, excluding stamp duties collected on behalf of the statutory authorities. The earned portion of premiums received and receivable is recognised as revenue.

n) LOANS AND ADVANCES - DOUBTFUL DEBTS

The society has extended its lending to incorporate limited fully secured commercial lending and continues to insure the majority of new mortgage loans approved, in particular in excess of 75% LVR, with the society's wholly owned subsidiary, Mortgage Risk Management Pty Ltd, a registered lender's mortgage insurer.

There are no loans on which interest is not being accrued and no specific provision for doubtful debts for any type of loan.

Specific provisions for doubtful debts and write-off of debts are in respect of overdrawn savings accounts, leases and relevant non recoverable amounts.

o) CHANGE IN ACCOUNTING POLICY

i) Loans and advances - change in accounting policy - loan origination fees

The society incurs loan origination fees on loans sourced from brokers and some agencies. Prior to 01 July 2006 these origination fees were recognised immediately as an expense in the income statement. With the introduction of commercial loan and margin loan products during the financial year to 30 June

2007, and an expectation that the loans from brokers will increase, the directors resolved to capitalise loan origination fees and write each individual fee off over a period of four years. Origination fees are written off immediately where the loan for which the fee was incurred is paid out.

The change in accounting policy had the following impact on these financial statements:

Income Statement for the year ended 30 June 2007

A decrease in brokers fees expense charge to the income statement of \$589,882.
An increase in the earnings per share of 1.80 cents (basic) and 1.65 cents (diluted).

Balance Sheet at 30 June 2007

Recognition of capitalised loan origination fees of \$589,882.

There was no change to prior year profit and loss during the financial year to 30 June 2007 as a result of the change in accounting policy. The directors considered the calculation of prior year adjustments and amendment of prior year results to be impractical, considering the cost and time to recalculate the balance in prior periods.

ii) At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standard will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Group and the company's financial report:

AASB 101 'Presentation of Financial Statements' (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009
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Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Group and the company:

AASB Interpretation 12 'Service Concession Arrangements'	Effective for annual reporting periods beginning on or after 1 January 2008
AASB Interpretation 14 'AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	Effective for annual reporting periods beginning on or after 1 January 2008
AASB Interpretation 13 'Customer Loyalty Programmes'	Effective for annual reporting periods beginning on or after 1 January 2008
AASB123 'Borrowing Costs' (revised)	Effective for annual reporting periods beginning on or after 1 January 2009
AASB 2008-2 'Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard of the following Standard has not yet been determined:

IFRS 3 'Business Combinations' and IAS 27 Separate and Consolidated Financial Statements'	Effective for annual reporting periods beginning on or after 1 January 2009
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p) COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

q) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTE 2

INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Month end averages are used as they are representative of the entity's operations during the period.

INTEREST REVENUE 2008

	Average Balance	Interest	Average Interest Rate
	\$	\$	%
Deposits with other financial institutions	26,563,860	2,235,884	8.42
Investment securities	117,739,390	8,589,453	7.30

Loans and advances	1,758,410,143	147,214,530	8.37
Other	17,416,822	1,175,941	6.75
	1,920,130,215	159,215,808	8.29

BORROWING COSTS 2008

Deposits from other financial institutions	875,848,341	63,816,287	7.29
Customer deposits	996,926,750	53,670,795	5.38
Subordinated notes	14,758,065	1,299,536	8.81
	1,887,533,156	118,786,618	6.29

NET INTEREST REVENUE 2008

40,429,190

INTEREST REVENUE 2007

Deposits with other financial institutions	18,429,960	1,072,560	5.82
Investment securities	116,068,595	7,245,377	6.24
Loans and advances	1,480,445,843	114,602,115	7.74
Other	15,590,544	964,092	6.18
	1,630,534,942	123,884,144	7.60

BORROWING COSTS 2007

Deposits from other financial institutions	766,232,124	50,374,147	6.57
Customer deposits	801,404,933	37,888,809	4.73
Subordinated notes	10,000,000	791,142	7.91
	1,577,637,057	89,054,098	5.64

NET INTEREST REVENUE 2007

34,830,046

CONSOLIDATED		CHIEF ENTITY	
\$	\$	\$	\$
2008	2007	2008	2007

NOTE 3

PROFIT FROM ORDINARY ACTIVITIES

Profit before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the consolidated group.

Profit relating to mortgage insurance activities (also refer Note 1. m)

Premium revenue	3,748,777	3,614,258	-	-
Reinsurance expense	(775,413)	(470,881)	-	-
	2,973,364	3,143,377	-	-

Included in the profit from ordinary activities are the following revenue items:

Other revenue from ordinary activities

Dividends				
Controlled entities	-	-	2,600,000	2,000,000
Other corporations	430	-	430	-
Fees and commissions	10,272,338	8,610,859	10,272,338	8,610,859
Other revenue	1,323,172	1,759,345	822,137	854,448
	14,569,304	13,513,581	13,694,905	11,465,307

The profit from ordinary activities before income tax is arrived at after charging the following items:

Other expenses from operating activities

Fees and commissions	3,124,095	3,163,915	3,124,095	3,163,914
Provisions for employee entitlements	249,316	216,000	249,316	216,000
General and administration expenses	7,921,443	8,192,131	7,404,989	7,713,987
Underwriting expenses	676,483	1,108,167	-	-

11,971,337	12,680,213	10,778,400	11,093,901
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NOTE 4

INCOME TAX

Major components of tax expense for the year are:

Current income tax	6,331,701	6,812,909	5,328,177	5,786,508
Deferred income tax	570,138	(302,431)	643,513	(259,310)

Income tax reported in income statement	6,901,839	6,510,478	5,971,690	5,527,198
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The prima facie tax on profit before income tax differs from the income tax provided as follows:

Prima facie tax on profit before income tax at 30% (2007 - 30%)	7,500,471	6,777,889	7,314,123	6,396,427
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Tax effect of permanent differences

Depreciation of buildings	37,928	37,928	37,928	37,928
Capital gain on sale of assets	(10,381)	-	(10,381)	-
Franked dividends	(368,359)	(308,937)	(968,359)	(908,937)
Other items - net	154,915	3,598	11,114	1,780
Equity accounting income	(188,230)	-	(188,230)	-
Prior period adjustment - GST	(92,888)	-	(92,888)	-
Takeover bid expenses	(18,166)	-	(18,166)	-
Overprovision for taxation in prior year	(113,451)	-	(113,451)	-

Income tax expense attributable to profit from ordinary activities

6,901,839	6,510,478	5,971,690	5,527,198
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NOTE 5

DIVIDENDS PAID

Dividends paid during the year

Interim for current year	7,499,339	6,189,286	7,499,339	6,189,286
Fully franked dividend on ordinary shares				

Final for previous year	9,625,038	5,442,717	9,625,038	5,442,717
Fully franked dividend on ordinary shares				

17,124,377	11,632,003	17,124,377	11,632,003
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Dividends paid during the year

Fully franked dividends on non-cumulative perpetual resetting convertible preference shares	-	1,430,981	-	1,430,981
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-	1,430,981	-	1,430,981
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In accordance with Accounting Standards, dividends are only provided for as declared or paid. Subsequent to the reporting date, the Board declared a dividend of 33 cents per ordinary share (\$9.671 million), for the six months to 30 June 2008, payable on 03 October 2008.

The final dividend for the six months to 30 June 2007 (\$7.499 million) was paid on 14 September 2007, and was disclosed in the 2006/07 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2007 - 30%).

The amount of franking credits available for the subsequent financial year are:

Balance as at the end of the financial year	6,418,642	5,806,189	5,561,483	4,835,034
Credits that will arise from the payment of income				

tax payable per the financial statements	1,412,533	1,763,718	1,216,741	1,641,694
Debits that will arise from the payment of the proposed dividend	(4,144,586)	(3,214,003)	(4,144,586)	(3,214,003)
	3,686,589	4,355,904	2,633,638	3,262,725

Dividends - cents per share

Dividend proposed				
Fully franked dividend on ordinary shares	33.0	30.0	33.0	30.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	33.0	30.0	33.0	30.0
Fully franked dividends on non-cumulative perpetual resetting convertible preference shares	-	426.0	-	426.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	30.0	26.5	30.0	26.5

NOTE 6

CASH AND CASH EQUIVALENTS

Cash on hand and at banks	25,010,247	18,222,811	24,970,903	18,046,986
Deposits on call	47,350,000	31,850,000	30,500,000	15,000,000
	72,360,247	50,072,811	55,470,903	33,046,986

NOTE 7

DUE FROM OTHER FINANCIAL INSTITUTIONS

Bank term deposits	8,646,940	-	8,646,940	-
Deposits with SSP's	3,537,513	2,159,331	3,537,513	2,159,331
Subordinated loans	124,585	124,585	124,585	124,585
	12,309,038	2,283,916	12,309,038	2,283,916

Maturity analysis

Up to 3 months	8,625,082	-	8,625,082	-
From 3 to 12 months	21,858	-	21,858	-
From 1 to 5 years	-	-	-	-
No maturity specified	3,662,098	2,283,916	3,662,098	2,283,916
	12,309,038	2,283,916	12,309,038	2,283,916

NOTE 8

ACCRUED RECEIVABLES

Interest receivable	2,205,052	1,666,354	1,872,173	1,074,790
Other	11,167,051	9,631,719	11,067,555	9,546,216
	13,372,103	11,298,073	12,939,728	10,621,006

NOTE 9

FINANCIAL ASSETS AVAILABLE FOR SALE

Bills of exchange and promissory notes	75,500,837	62,937,635	75,500,837	62,937,635
Certificates of deposit	8,151,166	2,962,091	8,151,166	2,962,091
Notes - Securitisation program & other	14,719,939	18,440,994	12,917,684	16,413,952
	98,371,942	84,340,720	96,569,687	82,313,678
Maturity analysis				
Up to 3 months	83,652,002	65,899,726	83,652,002	65,899,726
Later than 5 years	14,719,940	18,440,994	12,917,685	16,413,952
	98,371,942	84,340,720	96,569,687	82,313,678

NOTE 10

LOANS AND ADVANCES

Term loans	1,578,097,740	1,216,099,832	1,578,097,740	1,216,099,832
Loans to controlled entities	-	-	5,338,254	4,180,350
Other commercial loan	-	-	-	-
Continuing credit loans	415,729,610	328,041,245	415,729,610	328,041,245
Leases receivable	2,337,669	4,226,206	-	-
	<u>1,996,165,019</u>	<u>1,548,367,283</u>	<u>1,999,165,604</u>	<u>1,548,321,427</u>
Provision for impairment	(195,051)	(32,715)	(80,136)	(9,516)
Total loans	1,995,969,968	1,548,334,568	1,999,085,468	1,548,311,911

Provision for impairment				
Specific provision				
Opening balance	(32,715)	(58,393)	(9,516)	(12,160)
Bad and doubtful debts provided for during the year	(162,336)	25,678	(70,620)	2,644
Total provision for impairment	(195,051)	(32,715)	(80,136)	(9,516)

Charge to profit and loss for bad and doubtful debts comprises:

Specific provision	(162,336)	25,678	(70,620)	2,644
Bad debts recognised directly	90,070	(43,975)	18,777	-
	(72,266)	(18,297)	(51,843)	2,644

The costs associated with the establishment of each securitisation program has been reassessed under AIFRS, and there is no impact on the profit and loss of the consolidated entity.

Maturity analysis

Up to 3 months	368,062	394,647	291,890	324,257
From 3 to 12 months	3,320,478	357,774	3,039,702	5,944
From 1 to 5 years	44,848,717	17,995,515	42,881,497	14,191,529
Later than 5 years	1,947,432,711	1,529,586,632	1,952,872,379	1,533,790,181
	1,995,969,968	1,548,334,568	1,999,085,468	1,548,311,911

Concentration of risk

The loan portfolio of the society does not include any loan which represents 10% or more of capital.

CONSOLIDATED		CHIEF ENTITY	
\$	\$	\$	\$
2008	2007	2008	2007

NOTE 11

OTHER INVESTMENTS

Unlisted shares - at Directors' valuation	350,158	164,246	376,065	164,246
Controlled entities - at cost	-	-	11,421,164	10,721,041
Investment in associate	6,944,511	6,885,817	6,944,511	6,885,817
Interest in joint venture - at cost	15,000	15,000	15,000	15,000
	7,309,669	7,065,063	18,756,740	17,786,104

Investment in controlled entities comprises:

Name	Country of incorporation	JUN 08 %	JUN 07 %	Contribution to consolidated operating profit after income tax	Investment carrying value
Chief entity					
Wide Bay Australia Ltd	Australia			14,611,201	12,764,436
Controlled entities					
Mortgage Risk Management Pty Ltd	Australia	100	100	2,413,131	2,230,373
Wide Bay Australia Mini Lease Pty Ltd	Australia	51	51	(61,789)	29,521
MPBS Insurance Pty Ltd	Australia	100	0	33,857	-
MPBS Holdings Pty Ltd	Australia	100	0	(34,319)	-
F.I. Software Solutions Pty Ltd	Australia	100	0	-	-
				2,350,880	2,259,894
					11,421,164
					10,721,041

Investment in associate comprises:

Financial Technology Securities Pty Ltd	Australia	25	25	1,197,519	1,029,791	6,944,511	6,885,817
				18,159,600	16,054,121	18,365,675	17,606,858

The carrying amounts of unlisted shares were reassessed by the Directors as at 30 June 2008 with the reassessments being based on the projections of the current market values of the shares.

Controlled entities

Mortgage Risk Management Pty Ltd (MRM) is a wholly owned subsidiary of Wide Bay Australia Ltd and is a registered lenders' mortgage insurance provider. The company acts solely for the purpose of insuring the society's residential mortgages and has received APRA approval.

The operations of MRM are subject to and under the supervision of APRA in respect of compliance and capital requirements.

MRM meets APRA's acceptable LMI test and all residential mortgage loans insured with the company qualify for a concessional risk-weight for capital adequacy purposes.

The society controls a 51% share in Wide Bay Australia Mini Lease Pty Ltd. This company provides leasing and rental finance for businesses to acquire plant and equipment. The directors have resolved not to issue new leasing and rental contracts and to wind the business down as existing contracts are paid out.

The society has entered into a joint venture with Tamsu

Pty Ltd as trustee for the FT(WBC)Unit Discretionary Trust to establish a vehicle for the provision of financial planning and services. The company, Wide Bay Australia Financial Planning Services Pty Ltd, is a 50/50 structure and acts as an authorised representative of an Australian Financial Services licence holder.

MPBS Holdings Pty Ltd is a wholly owned subsidiary which holds the property at 73 Victoria Street Mackay.

MPBS Insurance Pty Ltd is a wholly owned subsidiary which receipted a small amount of commissions during the financial year.

F.I. Software Solutions Pty Ltd is a wholly owned subsidiary which is no longer actively trading.

Investment accounted for using the equity method

On 29 July, 2005, Wide Bay Australia Ltd and Aviva Australia (a wholly owned subsidiary of UK listed Aviva Plc) announced that following extensive due diligence, they had agreed to each acquire a 25% interest in Financial Technology Securities Pty Ltd (Financial Technology) giving a collective interest of 50.01%.

Financial Technology has operated since 1993 as financial planners using a plan that utilises investor equity for wealth creation, with Wide Bay Australia being one of their preferred lenders and Navigator their investment platform during that period. The company operates primarily in South East Queensland and New South Wales, with a large clientele developed over the years.

Financial Technology Securities Pty Ltd is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of the associate is the same as Wide Bay Australia Ltd.

There were no impairment losses relating to the investment in associate or other commitments relating to the associate.

NOTE 12

GOODWILL ON CONSOLIDATION

Pursuant to a bidder's statement lodged with the Australian Securities & Investments Commission on 15 November 2007, the company issued an off-market takeover offer for 100% of the ordinary shares in Mackay Permanent Building Society Ltd (MPBS).

Under the Offer, the company offered:

0.80 ordinary shares of Wide Bay plus \$1.00 cash; or
\$9.40 cash,
for each ordinary share of MPBS.

On 11 January 2008 the company announced the fulfilment of conditions pertaining to the off-market takeover offer as set out in the bidder's statement and gave notice that the offer was unconditional effective 10 January 2008.

On 22 January 2008 the company gave notice that under Listing Rule 3.3, in relation to the off-market takeover bid for MPBS, the company held 94.79% of the MPBS shares on issue and compulsory acquisition of the remaining MPBS shares would proceed.

The Australian Prudential Regulation Authority approved the merging of the licences of Wide Bay and MPBS on 31 May 2008 and the financial and accounting records of the entities were merged on 01 June 2008.

The financial accounting for this business combination has been prepared in accordance with Australian Accounting Standards and as set out in note 1g).

Details relating to the acquisition of the ordinary shares of MPBS and the calculation of goodwill are as follows:

	CONSOLIDATED \$	CHIEF ENTITY \$
Cost of acquisition		
Consideration in cash	12,219,971	12,219,971
Shares issued		
4,068,339 shares at \$10.80	43,938,061	43,938,061
138,373 shares at \$9.40	1,300,706	1,300,706
Expenses related to acquisition	2,038,922	2,038,922
	<u>59,497,660</u>	<u>59,497,660</u>
Fair value of identifiable net assets	<u>18,187,950</u>	<u>16,929,048</u>
Goodwill	41,309,710	42,568,612

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Freehold land and buildings				
At independent valuation - June 2006	12,065,000	12,065,000	12,065,000	12,065,000
Provision for depreciation	490,850	245,425	490,850	245,425
Additions				
Land and buildings 73 Victoria St Mackay	3,909,376	-	-	-
At independent valuation - August 2006				
Provision for depreciation	156,356	-	-	-
	<u>15,327,170</u>	<u>11,819,575</u>	<u>11,574,150</u>	<u>11,819,575</u>
Movement in carrying amount				
Carrying amount at beginning of year	11,819,575	12,065,000	11,819,575	12,065,000
Additions	3,792,233	-	-	-

NOTE 13

PROPERTY, PLANT AND EQUIPMENT

Depreciation	284,638	245,425	245,425	245,425
Carrying amount at end of year	15,327,170	11,819,575	11,574,150	11,819,575
Plant and equipment				
At cost	22,302,768	19,872,690	22,302,768	19,777,622
Provision for depreciation	15,738,094	14,358,739	15,738,094	14,268,693
	6,564,674	5,513,951	6,564,674	5,508,929
Movement in carrying amount				
Carrying amount at beginning of year	5,513,953	5,091,687	5,508,929	5,078,015
Additions	2,525,147	1,842,218	2,525,146	1,842,217
Disposals	4,161	-	-	-
Depreciation	1,470,265	1,419,954	1,469,401	1,411,303
Carrying amount at end of year	6,564,674	5,513,951	6,564,674	5,508,929
	21,891,844	17,333,526	18,138,824	17,328,504

The land and buildings at 73 Victoria Street Mackay were acquired with the purchase of shares in Mackay Permanent Building Society Ltd. The land and buildings were valued at 14 August 2006 by certified practising valuer, Barry Deacon AAPI of Herron Todd White.

All other land and buildings were revalued as at 30 June 2006 by independent registered valuers Rod Noakes AAPI, Anthony Carter AAPI and Paul Caspers AAPI of Alex J Saunders Valuations Pty Ltd.

The valuations were based on current market values. The society's policy is to revalue freehold land and buildings every three years.

NOTE 14

DEFERRED INCOME TAX ASSETS

Deferred income tax assets are attributable to:

Employee leave provisions	608,100	494,700	608,100	494,700
Other provisions	58,516	9,815	24,041	2,855
Property, plant & equipment	467,101	413,934	37,137	(15,755)
Takeover expenses	54,499	72,666	54,499	72,666
Prior period adjustment - GST	-	92,888	-	92,888
Goodwill on consolidation	1,331,161	-	1,331,161	-
Other items	11,612	21,730	11,612	21,730
	2,530,989	1,105,733	2,066,550	669,084

In respect of each temporary difference the adjustment was charged to income.

NOTE 15

OTHER ASSETS

Prepayments	12,280,177	9,678,272	6,194,486	4,979,085
	12,280,177	9,678,272	6,194,486	4,979,085

NOTE 16

DEPOSITS AND SHORT TERM BORROWINGS

Call deposits	415,475,611	329,742,871	417,289,972	331,510,200
Term deposits	711,565,220	501,251,561	711,565,220	501,251,561
	1,127,040,831	830,994,432	1,128,855,192	832,761,761
Maturity analysis				
On call	415,475,611	227,504,247	417,289,972	229,271,576
Up to 3 months	473,295,630	440,530,457	473,295,630	440,530,457

From 3 to 12 months	231,556,716	155,840,076	231,556,716	155,840,076
From 1 to 5 years	6,712,874	7,119,652	6,712,874	7,119,652
Later than 5 years	1,127,040,831	830,994,432	1,128,855,192	832,761,761

The society's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

NOTE 17

DUE TO OTHER FINANCIAL INSTITUTIONS

Secured loans	389,486	1,305,912	-	-
Maturity analysis				
From 1 to 5 years	389,486	1,305,912	-	-
	389,486	1,305,912	-	-

NOTE 18

PAYABLES AND OTHER LIABILITIES

Trade creditors	6,792,795	3,079,343	6,792,795	3,079,345
Accrued interest payable	12,323,757	8,556,516	12,323,757	8,556,516
Other creditors	10,877,826	12,539,935	5,918,510	8,521,180
	29,994,378	24,175,794	25,035,062	20,157,041
Maturity analysis				
Up to 3 months	25,832,535	21,764,789	20,873,219	17,746,036
From 3 to 12 months	4,048,249	2,312,347	4,048,249	2,312,347
From 1 to 5 years	113,594	98,658	113,594	98,658
	29,994,378	24,175,794	25,035,062	20,157,041

NOTE 19

DEFERRED INCOME TAX LIABILITIES

Provision for taxation	(1,020,949)	2,674,903	(1,216,741)	1,651,742
Deferred income tax liabilities are attributable to:				
Asset revaluation reserve	1,731,962	1,731,962	1,731,962	1,731,962
Prepayments	298,317	495,258	298,317	495,258
Equity accounting revenue	188,230	-	188,230	-
Accrued interest	182,114	117,948	182,114	117,948
Land and buildings	493,068	-	-	-
Goodwill on acquisition adjustment	20,270	-	20,270	-
	2,913,961	2,345,168	2,420,893	2,345,168
	1,893,012	5,020,071	1,204,152	3,996,910

In respect of each temporary difference the adjustment was charged to income.

NOTE 20

PROVISIONS

Employee entitlements				
Balance at beginning of year	1,649,949	1,435,914	1,649,949	1,435,914
Annual leave and long service leave provided for during the year	377,051	214,035	377,051	214,035
Balance at end of year	2,027,000	1,649,949	2,027,000	1,649,949
Unearned direct premiums and outstanding claims				
Balance at beginning of year	7,655,692	7,425,347	-	-
Transfers to the provision during the year	4,226,431	4,185,246	-	-
Payments from the provision during the year	4,110,870	3,954,901	-	-
Balance at end of year	7,771,253	7,655,692	-	-

Premium revenues are earned over 10 years

in accordance with actuarial advice based on historical claim patterns. The unearned portion is recognised as unearned premium liability.

The outstanding claims liability is based on independent actuarial advice and estimates of claims incurred but not settled at balance date. The estimation is based on statistical analyses of historical experience.

Other provisions	563,940	21,023	563,940	21,023
Total provisions	10,362,193	9,326,664	2,590,940	1,670,972

NOTE 21

SUBORDINATED CAPITAL NOTES

Inscribed debenture stock	20,000,000	10,000,000	20,000,000	10,000,000
Maturity analysis Up to 3 months	20,000,000	10,000,000	20,000,000	10,000,000

	Shares 2008 No.	\$ 2008	Shares 2007 No.	\$ 2007
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NOTE 22

CONTRIBUTED EQUITY

Fully paid ordinary shares

All ordinary shares have equal voting, dividend and capital repayment rights.

Balance at beginning of year	24,997,798	59,620,618	20,538,554	26,951,775
Issued during the year				
Staff share plan	100,645	1,104,076	92,401	924,934
Conversion of Non-cumulative Perpetual Resetting Convertible Preference (RCP) Shares	-	-	4,366,843	31,743,909
Issue of fully paid shares under an off-market offer for the shares in Mackay Permanent Building Society Ltd	4,206,712	45,238,768	-	-
Share issue costs	-	(32,945)	-	-
Balance at end of year	29,305,155	105,930,517	24,997,798	59,620,618

Fully Paid Non-cumulative Perpetual Resetting Convertible Preference Shares

Balance at beginning of year	-	-	335,911	31,743,909
Conversion of Non-cumulative Perpetual Resetting Convertible Preference Shares	-	-	(335,911)	(31,743,909)
Balance at end of year	-	-	-	-
		105,930,517		59,620,618

CONSOLIDATED
2008 2007

CHIEF ENTITY
2008 2007

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.

Staff share plan

03 December 2007 - 100,645 ordinary shares were issued.

Shares issued pursuant to the society's staff share plan were at a price of 90% of the weighted average price of the society's shares

traded on the Australian Stock Exchange for the 10 days prior to the issue of the invitation to subscribe for the shares.

The members of the society approved a staff share plan in 1992 enabling the staff to participate to a maximum of 10% of the shares of the society. The share plan is available to all employees under the terms and conditions as decided from time to time by the Directors, but in particular, limits the maximum loan to each participating employee to 40% of their gross annual income. The plan requires employees to provide a deposit of 10% with the balance able to be repaid over a period of 5 years at no interest.

The total number of shares issued to employees since the inception of the staff share plan was

	2,025,398	1,924,753	2,025,398	1,924,753
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The total number of shares issued to employees during the financial year was

	100,645	92,401	100,645	92,401
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The total market value at date of issue, 03 December 2007 (21 November 2006) was

	1,258,063	1,155,013	1,258,063	1,155,013
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The total amount paid or payable for the shares at that date was

	1,104,076	924,934	1,104,076	924,934
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Non-cumulative Perpetual Resetting Convertible Preference shares

On 17 December 2001, the society issued 350,000 non-cumulative perpetual resetting convertible preference shares by way of private placement to sophisticated and professional investors. The 350,000 preference shares were issued at a price of \$100, raising \$35,000,000.

On 20 December 2002, the company announced its intention to buy back a maximum number of 70,000 Resetting Convertible Preference shares. A total of 14,089 preference shares were repurchased, and the Final Share Buy-back Notice was issued on 28 October 2003, cancelling further buy-backs.

The RCP shares were converted to Ordinary Shares on 20 December 2006. Under the relative terms and conditions, and the price of Ordinary Shares at the time of conversion, the RCP shares converted to 4,366,843 shares, bringing the total number of Ordinary Shares to 24,905,397. This figure subsequently increased to 24,997,798 on 21 November 2006, with the issue of 92,401 shares under the staff shares scheme, with a total issue price of \$924,934.

The principal terms applicable to the RCP shares are as follows:

Dividends

Dividends are non-cumulative.

A holder of RCP shares will be entitled to receive a dividend subject to:

- the Directors, at their discretion, declaring a dividend to be payable;
- the aggregate amount of dividends or distributions paid in any financial year does not exceed the distributable profits (unless otherwise agreed by APRA);
- the society being in compliance with APRA's prevailing prudential standards and guidelines (unless otherwise agreed by APRA) at the time of declaration of the dividend; and
- at the time of the declaration of the dividend, APRA not having announced or issued to the society any objection to the dividend payment or not having stated that if the dividend is paid the RCP shares will cease to be treated as Tier 1 or Upper Tier 2 Capital.

Ranking

RCP shares rank equally amongst themselves in all respects and are subordinated in right of:

- return of capital (not exceeding the Issue Price); and
- payment of any Dividend declared but unpaid, to all creditors and depositors of the society.

Voting rights

The holders of RCP shares will not be entitled to speak or to vote at general meetings of the society except in each of the following circumstances:

- if at the time of the meeting, a dividend (or part of a dividend) in respect of RCP shares has been declared but not been paid in full by the relevant dividend payment date;
- on any proposal to reduce the capital of the society;
- on any resolution to approve the terms of a buy-back agreement;
- on any proposal that affects the rights or privileges attaching to the RCP shares;
- on any proposal to wind-up the society;
- on any proposal for the disposal of the whole of the society's business, undertaking and assets;
- during the winding-up of the society; and
- in any other circumstance in relation to which, at any time, the ASX Listing Rules require the holders of the RCP shares to be entitled to vote, in which case a holder of RCP shares has the same rights as to manner of attendance as to voting in respect of each RCP share as those conferred on ordinary shareholders in respect of each ordinary share.

CONSOLIDATED		CHIEF ENTITY	
\$	\$	\$	\$
2008	2007	2008	2007

NOTE 23

RESERVES

Movements in reserves

Asset revaluation reserve

Balance at end of year

4,041,244	4,041,244	4,041,244	4,041,244
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The balance of this reserve represents the excess of the independent valuation over the original cost of the land and buildings.

Statutory reserve - Building Societies Fund Act 1993

Balance at end of year

2,676,071	2,676,071	2,676,071	2,676,071
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This is a statutory reserve created on a distribution from the Queensland Building Society Fund.

General reserve

Balance at end of year

5,833,939	5,833,939	5,833,939	5,833,939
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A special reserve was established upon the society issuing fixed share capital in 1992. The special reserve represented accumulated members profits at that date and was transferred to the general reserve over a period of 10 years being finalised in 2001/2002.

Doubtful debts reserve

Balance at beginning of year

1,929,283	1,929,283	1,929,283	1,929,283
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Increase in reserve on acquisition of shares in Mackay Permanent Building Society Ltd

458,527	-	458,527	-
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Balance at end of year

2,387,810	1,929,283	2,387,810	1,929,283
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Under APRA Harmonised Standards the society is required to establish a general reserve for doubtful debts. The amount is generally up to 0.5% of Risk Weighted Assets.

Total Reserves	14,939,064	14,480,537	14,939,064	14,480,537
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NOTE 24

OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in controlled entities:

Opening balance	(393,915)	(422,279)		
Share of operating (profit)/loss	(59,613)	28,364		
Closing balance	(453,528)	(393,915)		

NOTE 25

CASH FLOW STATEMENT

Reconciliation of profit from ordinary activities after tax to the net cash flows from operations:

Profit after tax from continuing operations	18,099,730	16,082,485	18,408,719	15,794,227
Depreciation & amortisation	2,311,668	1,665,377	2,310,804	1,656,727
(Profit)/Loss on disposal of non-current assets	(2,432)	-	(2,432)	-
(Increase)/Decrease in Assets				
Accrued interest on investments	587,998	(144,499)	587,998	(144,499)
Prepayments	(1,215,400)	(787,842)	(1,215,400)	(787,842)
Inventories	(33,924)	(12,593)	(33,924)	(12,593)
Sundry debtors	5,676,238	5,914,591	2,460,074	3,986,823
Future income tax benefit	573,619	(313,210)	591,333	(295,496)
Increase/(Decrease) in Liabilities				
Increase in creditors & accruals	(3,614,773)	(10,796,033)	(1,930,083)	(7,802,403)
Increase in deferred tax payable	75,725	36,186	75,725	36,186
Increase in income tax payable	(2,081,026)	(898,087)	(2,201,425)	(116,709)
Increase in employee entitlement provisions	249,316	216,000	249,316	216,000
Net cash flows from operating activities	20,626,739	10,962,375	19,300,703	12,530,421

Cash flows arising from the following activities are presented on a net basis:

- Deposits to and withdrawals from customer deposit accounts.
- Advances and repayments on loans, advances and other receivables.
- Sales and purchases of investment securities.
- Insurance and reinsurance premiums.
- (Profit)/Loss on disposal of fixed assets

NOTE 26

EXPENDITURE COMMITMENTS

Capital expenditure commitment

Capital expenditure contracted for within one year	183,594	94,815	183,594	94,815
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Lease expenditure commitments

Non cancellable operating leases				
Up to 1 year	2,642,436	1,305,960	2,642,436	1,305,960
From 1 to 2 years	2,265,453	1,200,700	2,265,453	1,200,700
From 2 to 5 years	3,370,682	2,144,953	3,370,682	2,144,953
Later than 5 years	284,637	360,020	284,637	360,020
Total lease expenditure	8,563,208	5,011,633	8,563,208	5,011,633

NOTE 27

EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

Employee entitlements

The aggregate employment entitlement liability is comprised of:
Provisions - (note 20)

2,027,000	1,649,949	2,027,000	1,649,949
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NOTE 28

CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

Approved but undrawn loans	68,115,977	62,189,792	68,115,977	62,153,823
Approved but undrawn credit limits	95,875,476	79,239,917	95,875,476	79,239,917
	163,991,453	141,429,709	163,991,453	141,393,740

NOTE 29

EARNINGS PER SHARE

Basic earnings per share (cents per share)	68.02	63.85
Diluted earnings per share (cents per share)	68.02	64.22

	Basic		Diluted	
	\$	\$	\$	\$
	2008	2007	2008	2007

Information relating to the calculation of the earnings per share is as follows:

Calculation of numerator

Net profit attributable to shareholders	18,159,600	16,054,121	18,159,600	16,054,121
Less dividends paid on preference shares	-	1,430,981	-	-
Numerator	18,159,600	14,623,140	18,159,600	16,054,121

Weighted average number of shares

Ordinary shares	26,695,797	22,903,797	26,695,797	24,997,798
Potential ordinary shares	-	-	-	-
Total weighted average ordinary shares	26,695,797	22,903,797	26,695,797	24,997,798

CONSOLIDATED		CHIEF ENTITY	
\$	\$	\$	\$
2008	2007	2008	2007

NOTE 30

REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditors of the chief entity are as follows:

audit or review of the financial statements of the entity and any other entity in the economic entity	49,802	95,469	49,802	95,469
other services	10,757	8,031	9,257	6,531
	<u>60,559</u>	<u>103,500</u>	<u>59,059</u>	<u>102,000</u>

Amounts received or due and receivable by the auditors of Mortgage Risk Management Pty Ltd are as follows:

audit or review of the financial statements of the entity	23,500	22,500	-	-
other services	9,000	8,500	-	-
	<u>32,500</u>	<u>31,000</u>	<u>-</u>	<u>-</u>

93,059	134,500	59,059	102,000
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NOTE 31

BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

The society operates predominantly in one industry. The principal activities of the society are confined to the raising of funds and the provision of finance for housing. The society operates within the States of Queensland, New South Wales, Victoria and South Australia.

NOTE 32

CONCENTRATION OF ASSETS AND LIABILITIES AND OFF BALANCE SHEET ITEMS

The Directors are satisfied that there is no undue concentration of risk by way of geographical area, customer group or industry group.

NOTE 33

FINANCIAL INSTRUMENTS

a) CAPITAL RISK MANAGEMENT

The group manages its capital in accordance with APRA's Prudential Standard APS110 which aims to ensure that authorised deposit-taking institutions (ADI's) maintain adequate capital, on both an individual and group basis, to act as a buffer against the risks associated with the group's activities.

The group's management prepares a 3 year capital plan and monitors actual risk-based capital ratios on a monthly basis to ensure the capital falls within APRA's guidelines. APRA requires the capital adequacy ratio for the group to be maintained above 10%.

APRA Prudential Standards and Guidance Notes for ADI's provide guidelines for the calculation of capital and specific parameters relating to Tier 1 and Tier 2 capital and deductions from capital. Details of the risk-based capital ratio are as follows:

	CONSOLIDATED		CHIEF ENTITY	
	\$ JUN 08	\$ JUN 07	\$ JUN 08	\$ JUN 07
Total risk weighted assets	687,562,493	531,031,737	690,587,174	531,547,511
Capital base	88,322,282	72,934,543	88,500,731	73,595,300
Risk-based capital ratio	12.85%	13.73%	12.82%	13.85%

b) INTEREST RATE RISK MANAGEMENT

The Asset and Liability Management Committee (ALMC) is responsible for the analysis and management of interest rate risk inherent in the balance sheet through balance sheet and financial derivative alternatives. These risks are in the Rate Sensitive Asset and Liability Gap Analysis Report (the "Gap Analysis Report"). ALMC's function and role are:

- i) To review and analyse the interest rate exposures (as set out in the Gap Analysis Report) in the context of current wholesale interest setting;
- ii) To compare the interest rate exposures set out in the Gap Analysis Report against the limits prescribed under the Interest Rate Risk Management Policy; and
- ii) To ascertain whether the risks manifested in the Gap Analysis Report are appropriate given the committee's view on interest rates.

At the reporting date, if interest rates had been 10 points higher or lower and all other variables were held constant, the group's net profit would decrease by \$205,909 or increase by \$205,909 (2007: decrease by \$116,456 or increase by \$116,456). This is a mainly due to the society's exposures to fixed and variable rate loans, and deposit and securitization liabilities.

c) LIQUIDITY RISK MANAGEMENT

The board of directors have built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, credit facilities and reserve borrowing facilities, and continually monitoring forecast and actual cashflows.

Liquidity is monitored on a daily basis by management and a projection of near future liquidity (10 weeks) is calculated weekly. This information is used by management to manage liquidity.

An additional reserve equivalent to a minimum of 5% of the Society's liability base assessed on a quarterly basis is set aside and isolated as additional liquidity available in a crisis situation.

d) CREDIT RISK MANAGEMENT

The economic entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet. The maximum credit risk exposure does not take into account the value of any security held or the value of any mortgage or other insurance to cover the risk exposure.

The society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the states of Queensland, New South Wales, Victoria and South Australia. The majority of customers are concentrated in Queensland.

Credit risk in loans receivable is managed by protecting the majority of new mortgage loans, particularly in excess of 75% LVR, with either one of the recognised mortgage insurers or through the society's wholly owned subsidiary Mortgage Risk Management Pty Ltd, an approved lenders mortgage insurer, and by securing the loans by first mortgages over residential property.