

30 September 2008

Release to the Australian Stock Exchange

Please find attached Wide Bay Australia Ltd's (WBB) audited financial statements for the year ended 30 June 2008.

Please note that the Cash Flow Statement differs from the Cash Flow Statement that was released to the market as part of Appendix 4E on 25 August 2008. The Cash Flow Statement has been adjusted to reflect Australian Accounting Standards applicable to the acquisition of Mackay Permanent Building Society Ltd.

Wide Bay Australia's full Annual Report will be available to the market in due course.

Yours faithfully



RE Hancock
Managing Director

ambition
growth
performance
relationships
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flexibility



wide bay
AUSTRALIA LTD
banking your way

financial statements
for the year ended 30 june 2008

ABN 40 087 652 060

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 equity holders 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

growth

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
Property, plant and equipment	12	21,891,844	17,333,526	18,138,824	17,328,504
Deferred income tax assets	13	2,530,989	1,105,733	2,066,550	669,084
Other assets	14	12,280,177	9,678,272	6,194,486	4,979,085
Goodwill	15	41,309,710	-	42,568,612	-
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					
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		158,677,110	123,993,707	157,371,171	122,910,316
Dividends received		1,197,949	1,029,791	3,797,949	3,029,791
Borrowing costs		(115,019,377)	(88,303,160)	(115,089,647)	(88,276,068)
Other non interest income received		14,511,842	16,709,769	10,928,632	9,437,391
Cash paid to suppliers and employees		(34,496,925)	(35,059,163)	(32,249,159)	(28,927,102)
Income tax paid		(10,140,331)	(7,408,569)	(8,857,308)	(5,643,907)
Net cash flows from operating activities	25	14,730,268	10,962,375	15,901,638	12,530,421
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase in investment securities		(10,557,370)	33,002,947	(10,782,157)	31,580,723
Net increase in amounts due from other financial institutions		24,654,878	(52,033)	24,654,878	(52,033)
Net increase in loans		(164,320,359)	(124,632,384)	(165,334,485)	(126,316,259)
Cash acquired on purchase of controlled entity	15	19,496,603	-	19,496,209	-
Payments for purchase of equity in controlled equity	15	(14,291,838)	-	(14,291,838)	-
Net increase in other investments		(244,606)	(117,653)	(970,636)	(117,653)
Purchase of non current assets		(1,644,293)	(1,747,402)	(1,677,046)	(1,747,402)
Proceeds from sale of property, plant & equipment		2,432	-	2,432	-
Net cash used in investing activities		(146,904,553)	(93,546,525)	(148,902,643)	(96,652,624)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits and other borrowings		(17,909,037)	71,907,215	(17,862,262)	72,092,301
Net increase in amounts due to other financial institutions and other liabilities		188,691,906	12,677,611	189,608,332	14,329,025
Proceeds from share issue		803,229	662,580	803,229	662,580
Dividends paid		(17,124,377)	(13,062,984)	(17,124,377)	(13,062,984)
Net cash flows from financing activities		154,461,721	72,184,422	155,424,922	74,020,922
NET INCREASE/(DECREASE) IN CASH HELD					
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.

statement of changes in equity

for the year ended 30 June 2008

MPBS = Mackay Permanent Building Society Ltd

	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
Subtotal	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)
Subtotal	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 MPBS	45,205,823	-	-	-	-	-	-	-	45,205,823
Dividends provided for or paid - ordinary shares	-	-	(17,124,377)	-	-	-	-	-	(17,124,377)
Transfer of doubtful debts reserve following acquisition of shares in MPBS	-	-	(16,390)	-	-	-	458,527	-	442,137
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

statement of changes in equity continued

for the year ended 30 June 2008

MPBS = Mackay Permanent Building Society Ltd

	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
Subtotal	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
Subtotal	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 MPBS	45,205,823	-	-	-	-	-	-	-	45,205,823
Dividends provided for or paid - ordinary shares	-	-	(17,124,377)	-	-	-	-	-	(17,124,377)
Transfer of doubtful debts reserve following acquisition of shares in MPBS	-	-	-	-	-	-	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

performance

notes to the financial pages

for the year ended 30 June 2008

note 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/the company"). 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.

Tax consolidation legislation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law as of this financial year, the year ended 30 June 2008. Wide Bay Australia Ltd is the head entity in the tax consolidation group, and as a consequence recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. The tax consolidated group has not entered into a tax sharing agreement.

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 and chief entity 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 and chief entity 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 and chief entity 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 economic entity'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. It continues to insure the majority of new residential 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 4 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 Australian Accounting Standards and Interpretations listed below were in issue but not yet effective. These have not been adopted in the preparation of the financial statements at reporting date.

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 consolidated entity 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
Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the consolidated entity 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
■ IFRS 3 'Business Combinations' and IAS 27 'Separate and Consolidated Financial Statements'	Effective for annual reporting periods beginning on or after 1 January 2009

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 consolidated entity.

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.

	\$ Average balance	\$ Interest	% Average interest rate
INTEREST REVENUE 2008			
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

note 2 continued

BORROWING COSTS 2008

	\$ Average balance	\$ Interest	% Average interest rate
Deposits from other financial institutions	875,848,341	63,921,435	7.29
Customer deposits	996,926,750	53,565,647	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	-	-

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

note 3 continued

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

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

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
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

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

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

Dividends paid during the year

Fully franked dividends on non-cumulative perpetual resetting convertible preference shares	-	1,430,981	-	1,430,981
	-	1,430,981	-	1,430,981

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**

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

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Term loans	1,578,097,740	1,216,099,832	1,578,097,740	1,216,099,832
Loan to controlled entity	-	-	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	-	-
	1,999,165,019	1,548,367,283	1,999,165,604	1,548,321,427
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
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

The economic entity has entered into securitisation transactions on residential mortgage loans that do not qualify for derecognition. The special purpose entity established for the securitisation is considered to be controlled in accordance with Australian Accounting Standards & Australian Accounting Interpretations. The economic entity is entitled to any residual income of the securitisation program after all payments due to investors and costs of the program have been met, to this extent the economic entity retains credit and liquidity risk.

The impact on the consolidated and chief entity is an increase in liabilities - securitised loans - of \$947.998 million (30 June 2007 - \$758.398 million).

Concentration of risk

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

note 11

OTHER INVESTMENTS

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

Name	Country of incorporation	June 2008 %	June 2007 %	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	11,420,000
Wide Bay Australia Mini Lease Pty Ltd						
	Australia	51	51	(61,789)	29,521	1,041
Mackay Permanent Building Society Ltd						
	Australia	100	0	-	-	-
MPBS Insurance Pty Ltd						
	Australia	100	0	33,857	-	2
MPBS Holdings Pty Ltd						
	Australia	100	0	(34,319)	-	1
F.I. Software Solutions Pty Ltd						
	Australia	100	0	-	-	120
				2,350,880	2,259,894	11,421,164
						10,721,041

Chief entity

Wide Bay Australia Ltd Australia 14,611,201 12,764,436

Controlled entities

Mortgage Risk

Mortgage Risk Management Pty Ltd Australia 100 100 2,413,131 2,230,373 11,420,000 10,720,000

Wide Bay Australia

Mini Lease Pty Ltd Australia 51 51 (61,789) 29,521 1,041 1,041

Mackay Permanent

Building Society Ltd Australia 100 0 - - - -

MPBS Insurance

Pty Ltd Australia 100 0 33,857 - 2 -

MPBS Holdings

Pty Ltd Australia 100 0 (34,319) - 1 -

F.I. Software Solutions

Pty Ltd Australia 100 0 - - 120 -

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.

note 11 continued

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.

Mackay Permanent Building Society Ltd

On 11 January 2008, the company announced the fulfilment of conditions pertaining to the off-market takeover of shares in Mackay Permanent Building Society Ltd as set out in the bidder's statement and gave notice that the offer was unconditional effective 10 January 2008. Further details of the acquisition are set out in note 15.

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 the associate or other commitments relating to the associate.

The following table illustrates summarised information of the investment in Financial Technology Securities Pty Ltd:

	\$ 2008	\$ 2007
Share of associate's balance sheet:		
Current Assets	452,179	695,560
Non-current assets	661,325	478,273
Current Liabilities	(275,415)	(554,968)
Non-current liabilities	(98,848)	-
Net Assets	739,241	618,865
Share of associate's revenue and profit:		
Revenue	3,723,610	3,107,003
Profit before income tax	1,790,443	1,622,627
Adjustment of under-accrual	(84,112)	(42,934)
Income tax	(508,812)	(549,902)
Profit after income tax	1,197,519	1,029,791

note 12**PROPERTY, PLANT AND EQUIPMENT**

	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	-	-	-
	15,327,170	11,819,575	11,574,150	11,819,575
Movement in carrying amount				
Carrying amount at beginning of year	11,819,575	12,065,000	11,819,575	12,065,000
Additions due to business combinations	3,792,233	-	-	-
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	1,644,293	1,842,218	1,677,046	1,842,217
Additions due to business combinations	1,433,460	-	1,444,078	-
Disposals	2	-	-	-
Depreciation	2,027,030	1,419,954	2,065,379	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 13**DEFERRED INCOME TAX ASSETS**

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
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
MPBS acquisition costs	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 14**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 15**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), a building society listed on the ASX. MPBS operated from the head office in Mackay Queensland, and had 27 branches and agencies in central and northern Queensland.

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 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. At 30 June 2008 the company held 100% of the MPBS shares on issue.

On 30 May 2008 the Australian Prudential Regulation Authority (APRA) issued:

- i) a "Revocation of Authority to carry on banking business" to MPBS;
 - ii) a "Voluntary transfer approval" for the transfer of business from MPBS; and
 - iii) a "Certificate of transfer" to effect the transfer of business from MPBS to Wide Bay Australia Ltd.
- The certificate came into force on 01 June 2008.

note 15 continued

In accordance with APRA's approval for the transfer of business the financial and accounting records of the entities were merged on 01 June 2008.

The acquisition is expected to result in a large number of synergies for the consolidated entity and as such it is impractical to measure the contribution that the acquisition would have made to the consolidated entity's profit if it had been held for the full year.

The financial accounting for this business combination has been prepared in accordance with Australian Accounting Standards and as set out in note 1g), and recognises the acquisition date as 10 January 2008.

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

	CONSOLIDATED \$	CHIEF ENTITY \$
Cost of business combination		
Consideration in cash	12,219,971	12,219,971
Expenses related to acquisition	2,038,922	2,038,922
Total cash consideration	14,258,893	14,258,893
Shares issued		
4,068,339 fully paid ordinary shares - closing ASX price at 08 February 2008 \$10.80	43,938,061	43,938,061
138,373 fully paid ordinary shares - closing ASX price at 19 March 2008 \$9.40	1,300,706	1,300,706
Expenses related to acquisition	59,497,660	59,497,660
Fair value of identifiable net assets		
Assets		
Cash and cash equivalents	19,496,603	19,496,209
Due from other financial institutions	34,680,000	34,680,000
Investments	3,473,852	3,473,852
Loans and advances	282,627,932	284,627,854
Deferred tax assets	1,313,823	1,304,606
Property, plant and equipment	5,225,693	1,444,078
Other assets	1,362,739	1,355,496
Total assets	348,180,642	346,382,095
Liabilities		
Deposits	313,955,693	313,955,693
Accounts payable and other liabilities	5,773,239	5,233,594
Employee benefit obligations	263,760	263,760
Subordinated debt	10,000,000	10,000,000
Total liabilities	329,992,692	329,453,047
Net assets	18,187,950	16,929,048
Goodwill	41,309,710	42,568,612

Impairment testing

The cash-generating unit selected for impairment testing of goodwill was the consolidated MPBS entity. The information technology and accounting systems of MPBS were physically merged with those of the chief entity on 01 June 2008. Consequently, the assets used in determining the cash-generating unit comprised the net assets of MPBS at 31 May 2008 and goodwill on consolidation.

The goodwill disclosed in the Balance Sheet at 30 June 2008 was supported by the impairment testing and no impairment adjustment was required.

Impairment testing of goodwill was carried out by comparing the net present value of cash flows from the cash-generating unit to the carrying value of the goodwill in the balance sheet. The cash flows were based on projections of future earnings before interest, taxation, depreciation and amortisation, plus expected receipts from the sale of capital assets.

The cash flows have been projected over a period of nine years as the MPBS entity has been acquired for the long term and there is no currently foreseeable intention to dispose of that business. The terminal value of the business beyond the year nine has been determined using a constant growth perpetuating formula.

The key assumptions used in carrying out the impairment testing were as follows:

- the trading results for the four months 01 February to 31 May 2008 conservatively represents the cash-generating potential of the acquired MPBS unit;
- the estimated growth in the cash-generating unit cash flows over the testing period was 4% which compares to budgeted growth for the consolidated group of 7%;
- the net present value discount rate used in the impairment testing was 8.67% which represents the cost of funds to the consolidated group at 30 June 2008.

The estimated growth of 4% is considered to be a conservative parameter as the growth in the loan book of the consolidated entity has averaged 10.90% over the previous 5 years.

The above value of net assets at acquisition date are the same as those MPBS had immediately before acquisition.

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

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
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	-	-	-
MPBS acquisition adjustments	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**

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

note 22

CONTRIBUTED EQUITY

Fully paid ordinary shares

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

	SHARES 2008		SHARES 2007	
	No.	\$	No.	\$
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 (RCP) Shares				
Balance at beginning of year	-	-	335,911	31,743,909
Conversion of Non-cumulative Perpetual Resetting Convertible Preference (RCP) Shares	-	-	(335,911)	(31,743,909)
Balance at end of year	-	-	-	-
		105,930,517		59,620,618

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.

note 22 continued

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

	CONSOLIDATED		CHIEF ENTITY	
	2008	2007	2008	2007
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
The total number of shares issued to employees during the financial year was	100,645	92,401	100,645	92,401
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
The total amount paid or payable for the shares at that date was	1,104,076	924,934	1,104,076	924,934

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.

note 22 continued

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.

note 23

RESERVES

Movements in reserves

Asset revaluation reserve

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Balance at end of year	4,041,244	4,041,244	4,041,244	4,041,244
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
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
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.				

note 23 continued

Doubtful debts reserve

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Balance at beginning of year	1,929,283	1,929,283	1,929,283	1,929,283
Increase in reserve on acquisition of shares in Mackay Permanent Building Society Ltd	458,527	-	458,527	-
Balance at end of year	2,387,810	1,929,283	2,387,810	1,929,283
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 Risk Weighted Assets.				
Total reserves	14,939,064	14,480,537	14,939,064	14,480,537

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
Bad debts expense	72,266	-	(51,843)	-
(Profit)/Loss on disposal of non-current assets	(2,432)	-	(2,432)	-
(Increase)/Decrease in Assets				
Accrued interest on investments	(538,698)	(144,499)	(797,383)	(144,499)
Prepayments	(2,601,905)	(787,842)	(1,215,401)	(787,842)
Inventories	(33,924)	(12,593)	-	(12,593)
Sundry debtors	(155,059)	5,914,591	(165,843)	3,986,823
Future income tax benefit	(111,433)	(313,210)	(92,860)	(295,496)

note 25 continued

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Increase/(Decrease) in Liabilities				
Increase in creditors & accruals	703,823	(10,796,033)	187,344	(7,802,403)
Increase in deferred tax payable	568,793	36,186	75,725	36,186
Increase in income tax payable	(3,695,852)	(898,087)	(2,868,483)	(116,709)
Increase in employee entitlement provisions	113,291	216,000	113,291	216,000
Net cash flows from operating activities	14,730,268	10,962,375	15,901,638	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.

Non-cash financing and investing activities:

Share issue - Mackay Permanent Building Society Ltd (MPBS)

4,206,712 ordinary shares were issued as part of the acquisition of MPBS. The shares issued were based on the market value of the shares at the date of issue. Full details of the acquisition are set out in note 15.

note 26**EXPENDITURE COMMITMENTS**

Capital expenditure commitment

	2008	2007	2008	2007
Capital expenditure contracted for within one year	183,594	94,815	183,594	94,815

Lease expenditure commitments

	2008	2007	2008	2007
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

	2008	2007	2008	2007
The aggregate employment entitlement liability is comprised of:				
Provisions - (note 20)	2,027,000	1,649,949	2,027,000	1,649,949

note 28**CONTINGENT LIABILITIES AND CREDIT COMMITMENTS**

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

	2008	2007
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

note 30**KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES****a) Details of key management personnel**

The following were key management personnel for the entire reporting period except where stated.

i) Directors

JF Pressler	Chairman - Non-executive Director
JH Fell	Director - Non-executive
RE Hancock	Managing Director
JS Humphrey	Director - Non-executive - appointed 19 February 2008
FM McLeod	Executive Director and Chief Operating Officer
PJ Sawyer	Director - Non-executive

note 30 continued

ii) Executives

IR Pokarier	<i>Operations Manager</i>
WR Schafer	<i>Chief Financial Officer and Company Secretary</i>
SV Butler	<i>Loans Manager</i>
DA Hancock	<i>Manager Structured Finance, Products and Interstate Operations</i>
AR Ashton	<i>Internal Auditor</i>

Each of the key management personnel, relatives of key management personnel and related business entities which hold share capital and/or deposits with the society do so on the same conditions as those applying to all other members of the society.

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
b) Key management personnel compensation				
Remuneration for the year ended 30 June 2008				
Short term benefits				
Cash salary and fees	1,988,376	1,736,203	1,988,376	1,736,203
Cash bonus	-	-	-	-
Non-monetary	79,809	57,510	79,809	57,510
Post employment benefits				
Superannuation	497,664	470,814	497,664	470,814
Retirement benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
Other long term benefits	-	-	-	-
	2,565,849	2,264,527	2,565,849	2,264,527

The company has taken advantage of the relief provided by Corporations Amendment Regulation 2006 (No. 4) and has transferred the detailed remuneration disclosures to the Remuneration Report section of the Directors' Report.

c) Loans to key management personnel

The following table outlines the aggregate of loans to key management personnel. Details are provided on an individual basis for each of the key management personnel whose indebtedness exceeded \$100,000 at any time during this reporting period.

Loans have been made in accordance with the normal terms and conditions offered by the society and charged at the Benchmark Interest Rate for the Fringe Benefits Tax year as set by the Australian Taxation Office. This Benchmark Interest Rate would approximate an arms' length interest rate offered by the society.

Loans are also made in accordance with the Staff Share Plan approved by shareholders in 1992. The loans are repayable over 5 years at 0% interest, with the loans being secured by a lien over the relevant shares.

Such loans are only available to employees of the society and there is no applicable arm's length interest to take to account in this note.

note 30 continued

Loans for the year ended

30 June 2008

	\$ Balance 01 July 2007	\$ Interest Charged	\$ Write-off	\$ Balance 30 June 2008	Number in Group 30 June 2008
Directors	(1,715,368)	92,232	-	(2,050,727)	3
Executives	(1,463,783)	98,971	-	(1,942,840)	5
Total:					
Key management personnel	(3,179,151)	191,203	-	(3,993,567)	8

Loans for the year ended

30 June 2007

	\$ Balance 01 July 2006	\$ Interest Charged	\$ Write-off	\$ Balance 30 June 2007	Number in Group 30 June 2007
Directors	(1,634,942)	77,868	-	(1,715,368)	3
Executives	(1,206,344)	101,418	-	(1,463,783)	5
Total:					
Key management personnel	(2,841,286)	179,286	-	(3,179,151)	8

Individuals with loans above \$100,000 in reporting period

	\$ Balance 01 July 2007	\$ Interest* Charged	\$ Write-off	\$ Balance 30 June 2008	\$ Highest in period
Directors					
RE Hancock	(486,852)	-	-	(506,372)	(576,650)
JH Fell	(967,471)	77,543	-	(1,268,606)	(1,268,887)
FM McLeod	(261,045)	14,689	-	(275,749)	(292,245)
Executives					
IR Pokarier	(191,496)	4,745	-	(190,197)	(211,652)
WR Schafer	(564,165)	45,994	-	(685,677)	(717,136)
DA Hancock	(428,569)	15,446	-	(530,858)	(583,396)
SV Butler	(243,495)	32,786	-	(536,108)	(533,427)

* Does not include AR Ashton as his loan was less than \$100,000.

* Actual interest charged is affected by the use of the society's offset account.

note 30 continued

d) Equity holdings and transactions

The following table is in respect of ordinary shares held directly, indirectly or beneficially by key management personnel.

	Balance 01 July 2007	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Directors					
JF Pressler	-	-	-	-	-
RE Hancock	1,678,546	-	-	55,529	1,734,075
JH Fell	393,826	-	-	11,800	405,626
PJ Sawyer	451,656	-	-	-	451,656
FM McLeod	99,088	-	-	3,933	103,021
Executives					
IR Pokarier	259,087	-	-	21,472	280,559
WR Schafer	13,000	-	-	4,306	17,306
DA Hancock	30,968	-	-	25,232	56,200
SV Butler	1,750	-	-	2,000	3,750
AR Ashton	10,187	-	-	-	10,187
Total	2,938,108	-	-	124,272	3,062,380

While Mr J F Pressler does not hold shares individually or in a related body corporate he is a director of Hestearn Pty Ltd, which holds 303,743 shares. Mr Pressler does not have a controlling interest in Hestearn Pty Ltd.

There were no shares granted during the reporting period as compensation.

e) Other key management personnel transactions

The following persons and entities related to key management personnel have provided services to the society.

In each case the transactions have occurred within a normal supplier - customer relationship on terms and conditions no more favourable than those available to other suppliers.

Mallesons Stephen Jaques, a related party due to having a common director being John S Humphrey, received fees for legal services provided in connection with the acquisition of MPBS totalling:

	CONSOLIDATED		CHIEF ENTITY	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
	304,147	-	304,147	-

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

note 31**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	94,743	95,469	94,743	95,469
Services provided in connection with the acquisition of MPBS	49,959	-	49,959	-
Tax return subsidiaries	4,568	4,020	3,068	2,520
Tax advice	6,189	4,011	6,189	4,011
	155,459	103,500	153,959	102,000

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	-	-
	32,500	31,000	-	-
	187,959	134,500	153,959	102,000

note 32**EVENTS SUBSEQUENT TO BALANCE DATE**

The financial statements were authorised by issue by the Directors on the date the directors' declaration was signed.

note 33**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 principally operates within the States of Queensland, New South Wales, Victoria and South Australia.

note 34**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 35**FINANCIAL INSTRUMENTS****a) Capital Risk Management**

The Australian Prudential Regulation Authority's (APRA's) Prudential Standard APS110 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. APRA requires capital to be allocated against credit, market and operational risk, and the group has adopted the 'standard model' approach to measure the capital adequacy ratio.

note 35 continued

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 ratio complies with APRA's guidelines. APRA requires the capital adequacy ratio for the group to be maintained above 10%. During the 2008 and 2007 financial years the consolidated and chief entity complied with APRA's prescribed minimum capital requirements at all times.

The capital adequacy calculations at 30 June 2008 have been prepared in accordance with the revised prudential standards incorporating the Basel II principles. The 30 June 2007 capital adequacy calculations have been prepared in accordance with the prudential standards in place at that date.

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, including a requirement for Tier 1 capital to comprise at least 50% of total capital. Tier 1 capital comprises the highest quality components of capital and includes ordinary share capital, reserves and retained earnings less specific deductions. Tier 2 capital comprises other capital components including general reserve for credit losses, asset revaluation reserve and term subordinated debt less specified deductions.

Tier 2 capital is divided between "Upper Tier 2 capital" and "Lower Tier 2 capital" with upper Tier 2 capital comprising components of capital that are more permanent in nature, with Lower Tier 2 capital comprising instruments that are not permanent. Lower Tier 2 capital net of specified deductions cannot exceed 50% of net Tier 1 capital.

The total risk weighted assets calculations are based on:

- i) credit risk arising from on-balance sheet and off-balance sheet exposures;
- ii) market risk arising from trading activities;
- iii) operational risk associated with banking activities; and
- iv) securitisation risks.

Details of the capital adequacy ratio on a chief entity and consolidated basis are set out below:

	CONSOLIDATED		CHIEF ENTITY	
	June 2008	June 2007	June 2008	June 2007
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 quantified 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
- iii) 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 1.0% higher or lower and all other variables were held constant, the group's net profit would decrease by \$2,059,085 or increase by \$2,059,085 (2007: decrease by \$1,164,552 or increase by \$1,164,552). This is mainly due to the society's exposures to fixed and variable rate loans, and deposit and securitisation liabilities.

The sensitivity analysis was derived from the Gap Analysis Report which calculates risk associated with movements in interest rates through the input of parameters for all financial assets and liabilities. The parameters used were consistent with those adopted for the prior period.

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 cash flows.

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

Under the direction of the Board of Directors, management has developed risk management policies and procedures to establish and monitor the credit risk of the society. The risk management procedures define the credit principles, lending policies and the decision making processes which control the credit risk of the society.

Credit risk is minimised by the availability and application of insurances including lender's mortgage insurance, title insurance, property insurance, mortgage protection insurance and consumer credit insurance. Credit risk in the loan portfolio is managed by protecting the majority of new residential 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.

The society has a diversified branch network consisting of 50 branches and agencies across Queensland, branches in Sydney and Melbourne and a lending centre in Adelaide. As a result the geographic risk is widely disbursed. All regional loan staff and panel valuers are locally based ensuring an in depth knowledge of the local economy and developments in the real estate market.

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

The Board of Directors and management receive reports on a monthly basis to monitor and supervise the past due loans in the portfolio and ensure credit procedures are adhered to on a timely and accurate basis.

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 past due loans and advances for the group comprise:

	CONSOLIDATED		CHIEF ENTITY	
	June 2008	June 2007	June 2008	June 2007
Less than 30 days	48,667,207	41,965,337	48,579,604	41,733,517
30 days and less than 60 days	21,809,411	17,918,930	21,778,652	17,810,740
60 days and less than 90 days	4,628,955	5,525,592	4,588,319	5,513,081
90 days and less than 182 days	5,236,064	4,312,847	5,157,002	4,306,277
182 days and less than 273 days	1,313,644	2,806,486	1,269,969	2,801,056
273 days and less than 365 days	330,281	427,659	248,887	425,584
365 days and over	550,594	708,201	500,341	692,548
	82,536,156	73,665,052	82,122,774	73,282,803

note 35 continued

Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instrument	Notes to Accounts	Accounting Policies	Terms and Conditions
Financial assets			
Short term deposits	6 7	Short term deposits are stated at amortised cost. Interest is recognised when earned.	Short term deposits have an effective interest rate of 7.36% (2007 - 6.96%)
Accrued Receivables	8	Amounts receivable are recorded at their recoverable amount.	
Bills of exchange and promissory notes	9	Bills of exchange and promissory notes are stated at amortised cost.	Bills of exchange and promissory notes have an effective interest rate of 7.69% (2007 - 6.25%)
Certificates of deposit	9	Certificates of deposit are carried at amortised cost. Interest revenue is recognised when earned.	Certificates of deposit have an effective interest rate of 8.10% (2007 - 5.16%)
Notes	9	Notes are carried at amortised cost.	These notes are an overcover required as part of the securitisation of loans. They have an effective interest rate of 9.05% (2007 - 7.12%)
Loans and advances	10	Loan interest is calculated on the closing daily outstanding balance and is charged in arrears to the customer's account on a monthly basis. Loans and advances are recorded at amortised cost.	The majority of new mortgage loans approved, in particular in excess of 75% LVR, are protected 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 are secured by first mortgage over residential property. Loans made for the purchase of staff shares are secured by the shares themselves. The loan to subsidiary is secured by a fixed and floating charge over all property, assets and rights of the subsidiary. Certain of the society's loans have been securitised and continue to be managed by the society. Further details are disclosed in note 10. The securitisation notes have a maturity period of greater than 30 years. The securitisation notes are eligible for repayment once the balance of the trust falls below 10% of the invested amount. Interest paid to the note holders is repriced on a monthly basis.
Financial liabilities			
Deposits	16	Deposits are recorded at the principal amount. Interest is brought to account on an accrual basis.	Details of maturity of the deposits are set out in note 16. Interest is calculated on the daily balance.
Due to other financial institutions	17	Amounts due to other financial institutions are initially recorded at cost, being fair value of the consideration received net of issue costs. Subsequently they are measured at amortised cost.	
Payables and other liabilities	18	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade creditors are normally settled on 30 day terms.
Dividends payable	5	Dividends payable are recognised when declared by the company.	Details of the final dividend declared by the company for the financial year ended 30 June 2008 are disclosed in note 5.
Subordinated capital notes	21	The subordinated capital notes are inscribed debenture stock.	These notes are issued for an initial period of 5 years and thereafter can be redeemed on an annual basis until the final redemption date of 10 years.

note 35 continued

Derivatives

Each of the securitisation trusts has an Interest Rate Swap in place to hedge against fixed rate loans held in the trust. The mark to market value which was positive for each contract at the end of the year was as follows:

	\$ 2008	\$ 2007
WB Trust No.3	154,213	1,254,183
WB Trust 2006-1	99,713	602,494
WB Trust 2005-1	148,297	299,990
WB Trust 2004-1	94,922	193,502
WB Trust 2003-1	22,141	107,344

flexibility

Interest rate risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in				Non interest bearing		Total carrying amount per balance sheet		Weighted average effective interest rate	
	\$ 2008	\$ 2007	1 year or less \$ 2008	\$ 2007	from 1 to 5 years \$ 2008	\$ 2007	\$ 2008	\$ 2007	\$ 2008	\$ 2007	% 2008	% 2007
Financial assets												
Cash and cash equivalents	66,842,826	47,548,584	-	-	-	-	5,517,421	2,524,227	72,360,247	50,072,811	7.40	7.03
Due from other financial institutions	3,567,098	2,188,916	8,646,940	-	-	-	95,000	95,000	12,309,038	2,283,916	6.74	5.50
Accrued receivables	-	-	-	-	-	-	13,301,322	11,263,518	13,301,322	11,263,518	-	-
Investment securities	10,917,685	14,413,952	83,652,002	65,899,726	3,802,255	4,027,042	-	-	98,371,942	84,340,720	7.64	6.05
Loans and advances	1,368,218,00	1,119,271,231	160,518,102	174,434,908	467,428,917	254,661,144	-	-	1,996,165,019	1,548,367,283	8.72	7.64
Other investments	-	-	-	-	-	-	6,075,450	7,050,063	6,075,450	7,050,063	-	-
Other assets	-	-	-	-	-	-	6,194,486	4,979,085	6,194,486	4,979,085	-	-
Total financial assets	1,449,545,609	1,183,422,683	252,817,044	240,334,634	471,231,172	258,688,186	31,183,679	25,911,893	2,204,777,504	1,708,357,396		
Financial liabilities												
Deposits and short term borrowings	414,637,266	329,742,871	705,690,691	494,131,909	6,712,874	7,119,652	-	-	1,127,040,831	830,994,432	5.38	4.70
Due to other financial institutions	-	-	-	-	389,486	1,305,912	-	-	389,486	1,305,912	6.58	8.53
Payables and other liabilities	-	-	-	-	-	-	29,994,378	24,175,794	29,994,378	24,175,794	-	-
Securitised loans	649,779,773	548,218,450	76,231,577	85,438,125	221,986,449	124,732,892	-	-	947,997,799	758,389,467	7.45	6.55
Provisions	-	-	-	-	-	-	10,362,193	9,326,664	10,362,193	9,326,664	-	-
Subordinated capital notes	-	-	20,000,000	10,000,000	-	-	-	-	20,000,000	10,000,000	8.81	7.91
Total financial liabilities	1,064,417,039	877,961,321	801,922,268	589,570,034	229,088,809	133,158,456	40,356,571	33,502,458	2,135,784,687	1,634,192,269		

note 35 continued

Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are as follows:

	Total carrying amount per balance sheet		Aggregate net fair value	
	\$ 2008	\$ 2007	\$ 2008	\$ 2007
Financial assets				
Cash and cash equivalents	72,360,247	50,072,811	72,360,247	50,072,811
Due from other financial institutions	12,309,038	2,283,916	12,341,464	2,283,916
Accrued receivables	13,301,322	11,263,518	13,301,322	11,263,518
Investment securities	98,371,942	84,340,720	99,719,939	85,040,993
Loans and advances	1,996,165,019	1,548,367,283	2,005,531,254	1,553,796,310
Other investments	6,075,450	7,050,063	6,075,450	7,050,063
Other assets	6,194,486	4,979,085	6,194,486	4,979,085
Total financial assets	2,204,777,504	1,708,357,396	2,215,524,162	1,714,486,696
Financial liabilities				
Deposits and short term borrowings	1,127,040,831	830,994,432	1,124,268,625	829,007,944
Due to other financial institutions	389,486	1,305,912	382,183	1,281,426
Payables and other liabilities	29,994,378	24,175,794	29,994,378	24,175,794
Securitised loans	947,997,799	758,389,467	952,445,913	761,048,602
Provisions	10,362,193	9,326,664	10,362,193	9,326,664
Subordinated capital notes	20,000,000	10,000,000	20,000,000	10,000,000
Total financial liabilities	2,135,784,687	1,634,192,269	2,137,453,292	1,634,840,430

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalents

The carrying amount approximates fair value because these assets are receivable on demand or have a short term to maturity.

Due from other financial institutions

The fair values of amounts due from other financial institutions are estimated using discounted cash flow analysis, based on current lending rates for similar types of investments. The carrying amount approximates fair value.

Accrued receivables

The carrying amount approximates fair value as they are short term in nature.

Investment securities

For the financial instruments traded in organised financial markets, fair value is the current quoted market price adjusted for any realisation costs.

Loans and advances

The fair values of loans receivable are estimated using discounted cash flow analysis, based on current lending rates for similar types of loans.

Other investments

The carrying amount for other investments is considered to be the reasonable estimate of net fair value.

Other assets

The carrying amount for these prepaid fees and expenses is considered to be the reasonable estimate of net fair value.

Deposits and short term borrowings

The fair values of deposits are estimated using discounted cash flow analysis, based on current lending rates for similar types of deposits.

Due to other financial institutions

The fair values of these liabilities are estimated using discounted cash flow analysis, based on current borrowing rates for similar types of borrowing arrangements.

Payables and other liabilities

This includes interest payable and trade payables for which the carrying amount is considered to be a reasonable estimate of net fair value. For the liabilities which are long term the fair value is estimated using discounted cash flow analysis, based on current rates for similar types of liability.

Securitised loans

The fair values of securitised loans are estimated using discounted cash flow analysis, based on current lending rates for similar types of loans.

Provisions

The carrying amount approximates fair value.

Subordinated capital notes

The carrying amount approximates fair value.

Credit risk exposure

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.

Concentration of credit risk

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

The concentration of the loans and advances throughout Australia are as follows:

	% 2008	% 2007
Queensland	79.7	75.5
Victoria	9.5	12.2
New South Wales	9.4	10.7
South Australia	1.1	1.3
Western Australia	0.3	0.3
	100	100

Credit risk in loans receivable is managed by protecting the majority of new residential 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.

Interest rate risk

Interest rate risk is measured by analysis of rate risk inherent in the balance sheet. The society monitors the risk by matching maturity, volume and interest rate sensitivity of assets and liabilities.

Interest rate risk is managed utilising the balance sheet repricing gap analysis and setting triggers for reporting and acting on exposures. Solutions may include balance sheet solutions whereby current products are priced to generate the desired outcome, and the purchase of financial instruments to hedge mismatches in the balance sheet.

Liquidity risk

Liquidity risk is monitored and managed in accordance with APRA standards, and the society actively forecasts cash flows and ensures adequate unutilised facilities are maintained.

directors' declaration

- 1 In the opinion of the Directors of Wide Bay Australia Ltd ("the company"):
 - a) the financial statements and notes and the remuneration disclosures that are contained in the Remuneration Report are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretation) and the Corporations Regulations 2001;
 - c) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;
 - d) the audited remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures; and
 - e) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2008.

Signed in accordance with a resolution of the Directors.



R E Hancock
Managing Director

29 September 2008
Bundaberg



P J Sawyer
Director

growth

independent auditor's report to the members of Wide Bay Australia Ltd

for the year ended 30 June 2008

ambition

Report on the Financial Report

We have audited the accompanying financial report of Wide Bay Australia Ltd (the company) and Wide Bay Australia Ltd and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements, and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Wide Bay Australia Ltd on 25 September 2008, would be in the same terms if provided to the directors as at the date of this auditors' report.

Auditor's Opinion

In our opinion:

- a) the financial report of Wide Bay Australia Ltd and Wide Bay Australia Ltd and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Statutory Report on pages 29 to 32 for the financial year ended 30 June 2008.

The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Wide Bay Australia Ltd for the financial year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

Bentleys

**Bentleys
Brisbane Partnership**

29 September 2008
Brisbane

Martin Power

**P M Power
Partner**

directors' statutory report

Review and Results of Operations

The consolidated net profit after income tax for the year was \$18,159,600. This compares with a figure of \$16,054,121 from last year. The society's captive LMI, Mortgage Risk Management Pty Ltd, contributed an after tax surplus for the year of \$2,413,131. Total assets and funds under management now total \$2,277,705,687 representing an increase of 31.54%. This increase has been influenced by the acquisition of Mackay Permanent Building Society Ltd ("MPBS"). Loans approved for the year totalled \$517,998,048.

Principal Activities and Significant Changes

There have been no significant changes in the principal activities during the financial year, which is the provision of banking facilities and financial services, including the raising of funds on deposits and the provision of housing finance over mortgages secured by residential property.

On 10 January 2008, the society acquired control of MPBS and integrated their operations with that of Wide Bay Australia Ltd on 31 May 2008. MPBS was a very similar operation to Wide Bay Australia.

The society continues to insure the majority of new residential 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.

Wide Bay Australia Ltd is a company limited by shares and incorporated in Australia.

The number of full time equivalent employees at 30 June 2008 was 257.

Matters Subsequent to the End of the Financial Year and Future Developments

There has been no matter or circumstance since the end of the year that will significantly affect the results of operations in further years or the state of affairs of the society.

Capital adequacy as at 30 June 2008 was 12.85%. The Board is monitoring this level of capital and any future impacts, particularly in regards to securitisation, with a view to ensuring that our capital is appropriately managed.

Likely Developments

The projections for the next 12 months are consistent with the trend for 2007/2008, with an adjustment on the integration of MPBS. With this acquisition and the anticipated growth of the society's assets and loan book a further increase in trading results in the range of 15% to 20% has been forecast.

Business Strategies & Prospects for Future Financial Years

The society continues to focus on residential lending as its primary target throughout its own branches, using broker introduced loans to a limited extent.

The Board intends that the society will continue to look at all opportunities as they emerge, particularly mergers of 'like' institutions and/or acquisitions that will complement the society's overall operations.

Dividends

Ordinary Shares

Dividends paid or declared by the society, since the end of the last financial year, are as follows:

- An interim fully franked dividend of 33 cents per ordinary share was paid on 20 March 2008 (19 December 2006 - 30 cents).
- A final fully franked dividend of 33 cents per ordinary share has been declared by the Directors and will be paid on 3 October 2008 (14 September 2007 - 30 cents).

The Board has reintroduced the Dividend Reinvestment Plan which was suspended in 2000, commencing with the final 2007/2008 dividend, which is payable on 3 October 2008.

Directors

The names and particulars of the directors of the society in office during or since the end of the financial year are:

Mr John F Pressler OAM, FAICD, FIFS

Mr Pressler is Chairman. He was appointed to the Board in 1988. He is a prominent figure in Emerald's agricultural and horticultural industries and is the Chairman of the listed Lindsay Australia Ltd. He is a director of Mortgage Risk Management Pty Ltd and is a member of the Audit Committee. Mr Pressler is an independent director and is aged 66.

Mr John H Fell FCA, FAICD, FIFS

Mr Fell was a director and secretary of the Gympie and North Coast Building Society from 1976 until merger with the society in 1981. He is Chairman of Mortgage Risk Management Pty Ltd and a member of the Audit Committee. He was a practising Chartered Accountant for many years and is a member of the Institute of Chartered Accountants. Mr Fell is an independent director and is aged 59.

Mr Ronald E Hancock FCA, FAICD, FIFS

Mr Hancock is the Managing Director. He was a foundation director and manager of the Burnett Permanent Building Society formed in 1966, which subsequently merged with other Queensland societies to form Wide Bay Capricorn Building Society Ltd, subsequently Wide Bay Australia Ltd.

Mr Hancock was a practising Chartered Accountant for 32 years and is a member of the Institute of Chartered Accountants, a director of Wide Bay Australia Financial Planning Services Pty Ltd, Mortgage Risk Management Pty Ltd and Financial Technology Securities Pty Ltd. He is Chairman of Wide Bay Australia Mini Lease Pty Ltd. Mr Hancock is an executive director and is aged 66.

Mr John S Humphrey LL.B

Mr Humphrey was appointed to the Board on 19 February 2008. He is a senior partner in the Brisbane office of national law firm, Mallesons Stephen Jaques, where he specialises in commercial law and corporate mergers and acquisitions. He is currently a non-executive director of Horizon Oil Limited and Downer-EDI Limited. Mr Humphrey is an independent director, a member of the Audit Committee and is aged 53.

Mrs Frances M McLeod MAICD, FIFS

Mrs McLeod was appointed to the Board in 2003. She is Chief Operating Officer of Wide Bay Australia Ltd and has a wide range of experience based on her involvement with the society for over 30 years. She is a director of Mortgage Risk Management Pty Ltd and Wide Bay Australia Financial Planning Services Pty Ltd. Mrs McLeod is an executive director and is aged 50.

Mr Peter J Sawyer FCA, FAICD, FIFS

Mr Sawyer has been a director since 1987. Until August 2008, he was a partner of the firm Ulton Chartered Accountants of Bundaberg, Hervey Bay, Maryborough & Gladstone and is a Fellow of the Institute of Chartered Accountants. He is involved in a wide range of business activities. Mr Sawyer is the Chairman of the Audit Committee, is an independent director and is aged 58.

The abovenamed directors held office during the whole of the financial year except for Mr JS Humphrey who was appointed to the Board on 19 February 2008.

Company Secretary

Mr William R Schafer B.Com CA

Mr Schafer was appointed Company Secretary in August 2001. He has extensive experience in public accounting and management (law firms). He is an Associate of the Institute of Chartered Accountants.

Directors' Meetings

During the financial year, 18 meetings of the Directors, 6 meetings of the Audit Committee and 1 meeting of the Remuneration Committee were held, in respect of which each Director attended the following number:

	Board		Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
JF Pressler	18	18	6	6	1	1
RE Hancock	18	18	6	6*	1	1
JH Fell	18	18	6	6	n/a	n/a
PJ Sawyer	18	17	6	6	n/a	n/a
FM McLeod	18	17	6	6*	n/a	n/a
JS Humphrey (appointed Feb 2008)	6	6	2	2	n/a	n/a

* Messrs Hancock and McLeod, who are not members of the Audit Committee attended the Audit Committee meetings by invitation.

Directors' Shareholdings

The Directors currently hold shares of the company in their own name or a related body corporate as follows:

	Ordinary Shares
RE Hancock	1,734,075
JH Fell	405,626
PJ Sawyer	451,656
FM McLeod	103,021

While Mr J F Pressler does not hold shares individually or in a related body corporate he is a director of Hestearn Pty Ltd, which holds 303,743 shares. Mr Pressler does not have a controlling interest in Hestearn Pty Ltd.

Related Party Disclosure

No Directors have during or since the end of the financial year received or become entitled to receive a benefit by reason of a contract made by the society.

Remuneration Report

The fees payable for non-executive directors are determined with reference to Industry Standards, the size of the society, performance and profitability. The directors' fees are approved by the shareholders at the Annual General Meeting in the aggregate and the individual allocation is approved by the Board.

The remuneration of the Managing Director is a matter for the non-executive directors and is linked to his performance and responsibilities.

Remuneration of senior executives and other executive directors is subject to the Remuneration Committee, consisting of the Chairman and Managing Director and ratified by the Board. Relevant remuneration is based on the individual's performance throughout the year, the duties and responsibilities undertaken and is set so as to reflect the remuneration commensurate with the market place, given those duties and performances.

No company performance based payments were made to senior executives during the year.

performance

relationships

Remuneration Report continued

Details of the nature and amount of each major element of the remuneration of each director and each of the named officers of the society receiving the highest remuneration and the key management personnel are:

		Short Term Benefits			Post Employment Benefits	Termination Benefits	Share Based Payments	Other Long Term Benefits	Total
		Cash Salary and Fees	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits	Termination Benefits	Options	
		\$	\$	\$	\$	\$	\$	\$	\$
Specified Directors									
Hancock, RE	2007/08	893,495		21,041	100,000				1,014,536
<i>Managing Director</i>	2006/07	814,875		16,962	105,113				936,950
McLeod, FM	2007/08	202,999		6,017	50,000				259,016
<i>Director & Chief Operating Officer</i>	2006/07	167,640		4,725	42,359				214,724
Pressler, JF	2007/08	66,700			34,550				101,250
<i>Chairman (non-exec)</i>	2006/07	72,800			18,200				91,000
Sawyer, PJ	2007/08				75,000				75,000
<i>Director (non-exec)</i>	2006/07				64,750				64,750
Fell, JH	2007/08	20,000			55,000				75,000
<i>Director (non-exec)</i>	2006/07				64,750				64,750
Humphrey, JS	2007/08	21,863			5,466				27,329
<i>Director (non-exec)</i>	2006/07								
Total Remuneration - Specified Directors									
	2007/08	1,205,057		27,058	320,016				1,552,131
	2006/07	1,055,315		21,687	295,172				1,372,174

		Short Term Benefits			Post Employment Benefits	Termination Benefits	Share Based Payments	Other Long Term Benefits	Total
		Cash Salary and Fees	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits	Options		
		\$	\$	\$	\$	\$	\$	\$	
Other Key Management Personnel									
Pokarier, IR	2007/08	179,444		6,077	105,555				291,076
<i>Operations Manager</i>	2006/07	161,387		3,406	105,113				269,906
Schafer, WR	2007/08	231,336		15,152	14,629				261,117
<i>Chief Financial Officer</i>	2006/07	185,626		10,364	17,339				213,329
Butler, SV	2007/08	138,863		14,655	13,541				167,059
<i>Loans Manager</i>	2006/07	125,709		7,639	11,951				145,299
Hancock, DA	2007/08	133,513		16,867	13,087				163,467
<i>Manager - Structured Finance, Products and Interstate Operations</i>	2006/07	116,260		11,334	11,146				138,740
Ashton, AR	2007/08	100,163			30,836				130,999
<i>Internal Auditor</i>	2006/07	91,906		3,080	30,093				125,079
Total Remuneration - Specified Executives									
	2007/08	783,319		52,751	177,648				1,013,718
	2006/07	680,888		35,823	175,642				892,353

Employment Contracts

All named Key Management Personnel, the Managing Director and Chief Operating Officer have employment contracts. Major provisions of those agreements are summarised below:

Managing Director - R E Hancock

- Contract dated - 21 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or R E Hancock may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Executive Director & Chief Operating Officer - F M McLeod

- Contract dated - 21 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or F M McLeod may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Operations Manager - I R Pokarier

- Contract dated - 21 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or I R Pokarier may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Chief Financial Officer & Company Secretary - W R Schafer

- Contract dated - 28 May 2007
- Term of agreement - no fixed term

- Wide Bay Australia or W R Schafer may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Loans Manager - S V Butler

- Contract dated - 18 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or S V Butler may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Manager - Structured Finance, Products and Interstate Operations - D A Hancock

- Contract dated - 28 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or D A Hancock may terminate this agreement by providing 4 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 6 months salary plus 2 weeks salary per year of service with a minimum payment of 20 weeks and a maximum payment of 104 weeks.

Internal Auditor - AR Ashton

- Contract dated - 29 May 2007
- Term of agreement - no fixed term
- Wide Bay Australia or A R Ashton may terminate this agreement by providing 3 months written notice or provide payment in lieu of the notice period.
- Payment on early termination due to a takeover or not being offered ongoing employment in Bundaberg in an equivalent position, equal to 4 months salary plus 2 weeks salary per year of service with a minimum payment of 16 weeks and a maximum payment of 104 weeks.

leadership

Indemnities and Insurance Premiums for Officers and Auditors

During the financial year the society has paid premiums to indemnify Directors and officers against personal losses arising from their respective positions within the society. During the reporting period and subsequent to 30 June 2008, no amounts have been paid under the indemnities by the society.

The Directors and officers of the society and its subsidiaries are insured against certain liabilities arising in the course of their duties. This premium is paid by the society but under the confidentiality provisions of this policy, the directors have not disclosed the nature of the liability, the insurer, the limit of liability or the premiums paid.

Non-Audit Services

During the year, Bentleys, the society's Auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the Auditor, and in accordance with advice provided by the Audit Committee, is satisfied that the provision of those non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the society and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the Auditor, and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional and Ethics Board, as they did not involve reviewing or auditing the Auditor's own work, acting in a management or decision making capacity for the society, acting as an advocate for the society or jointly sharing risks and rewards.

A copy of the Auditor's Independence Declaration, as required under Section 307C of the Corporations Act, is included in the Directors' Statutory Report.

Non-audit services paid to Bentleys are as follows:

	\$ 2008	\$ 2007
Services provided in connection with the acquisition of MPBS	49,959	-
Tax Return Subsidiaries	4,568	4,020
Tax Advice	6,189	4,011
Total	60,716	8,031

auditor's independence declaration

under Section 307C of the Corporations Act 2001

to the directors of Wide Bay Australia Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

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

Bentleys
Brisbane Partnership

25 September 2008
Brisbane

P M Power
Partner

This Report is signed for and on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

R E Hancock
Managing Director

29 September 2008
Bundaberg

P J Sawyer
Director

Corporate Governance Practices

The Board of Directors of Wide Bay Australia Ltd has adopted a Board Charter which sets out the society's compliance with the Australian Stock Exchange (ASX) Corporate Governance, Principles of Good Corporate Governance and Best Practice Recommendations. The 'Board Charter' is available on the company's website www.widebayaust.com.au.

Wide Bay Australia has complied with the principles in accordance with the Board Charter.

Principle 1: Lay solid foundations for management and oversight

In particular, in respect of Principle 1 the Board has carried out a performance evaluation of the Managing Director with other senior executives being reviewed by the Remuneration Committee consisting of the Chairman and the Managing Director.

Wide Bay Australia is in compliance with Principle 1 and full details of the 'Board Charter' are available on www.widebayaust.com.au.

Principle 2: Structure the Board to add value

Independent directors being non-executive directors who are free of any business or other relationships that can materially interfere with their independence or the exercise of their judgement were:

John Fell	27 years in office
John Humphrey	7 months in office
John Pressler	20 years in office
Peter Sawyer	21 years in office

The independent non-executive directors each have many years of service and, with that experience and knowledge of the industry, together with their diversified backgrounds they continue to make an integral contribution to the ongoing development of the society.

An independent director is classified as being:

1. not a substantial shareholder or an officer of the company;
2. not employed or previously employed in an executive capacity by the company or group;
3. not been a principal of a material professional adviser or a material consultant to the company or group within the last three years;
4. not a material supplier or customer of the company or group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. does not have a material contractual relationship with the company or group other than as a director.

The society's Board Charter provides for independent directors to have access to professional advice where required at the expense of the society.

The executive directors are:

Ron Hancock	29 years in office
Frances McLeod	5 years in office

Details of skills, experience and expertise relevant to each director is set out in the Directors' Statutory Report.

Separately the Board does not have a formal Nomination Committee, with the full Board addressing such issues that would otherwise be considered by the Nomination Committee.

The Chairman conducts a performance evaluation in conjunction with the Directors of the Board on an annual basis. The performance also includes a 'fit and proper' test required under the APRA guidelines. The evaluation confirmed a satisfactory performance by the Board.

Wide Bay Australia is in compliance with Principle 2 and full details of the 'Board Charter' are available on www.widebayaust.com.au.

Principle 3: Promote ethical and responsible decision-making

Wide Bay Australia is in compliance with Principle 3 and full details are available on www.widebayaust.com.au under the Corporate Governance Section 'ASX & Shareholder Disclosure' and 'Corporate Code of Conduct'.

Principle 4: Safeguard integrity in financial reporting

The Audit Committee has a documented Charter, approved by the Board. The 'Audit Committee Charter' is available on the company's website www.widebayaust.com.au and sets out the society's compliance with the principles of the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'.

The internal and external auditors, the Managing Director, Chief Financial Officer and the Chief Operating Officer are invited to Audit Committee meetings at the discretion of the Committee.

The names and qualifications of the Audit Committee, the number of meetings held and the number of meetings attended are set out in the Directors' Statutory Report.

Wide Bay Australia is in compliance with Principle 4 and full details are available on www.widebayaust.com.au under the Corporate Governance Section 'Audit Committee Charter' and 'Appointment of External Auditors' which includes 'Rotation of the External Audit Partners'.

Principle 5: Make timely and balanced disclosure

Wide Bay Australia is in compliance with Principle 5 and full details are available on www.widebayaust.com.au under the Corporate Governance section 'ASX & Shareholder Disclosure'.

Principle 6: Respect the rights of shareholders

Wide Bay Australia is in compliance with Principle 6 and full details are available on www.widebayaust.com.au under the Corporate Governance section 'ASX & Shareholder Disclosure'.

Principle 7: Recognise and manage risk

The Audit Committee also carries out various aspects of the financial risk management process and the controls applicable. They are required to review regularly with management the appropriateness of policies and programs in respect of management assessment and any other activities that may be deemed relevant having regard to the prudential standards, APRA requirements and the ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'.

The Managing Director and Chief Financial Officer in accordance with Section 295A of the Corporations Act 2001 have declared in writing to the Board, that the risk management systems and internal controls are operating efficiently and effectively in all material respects in relation to the financial reporting risks and are founded on a sound system of risk management, internal compliance and control which implements the policies of the Board.

Wide Bay Australia is in compliance with Principle 7 and full details are available on www.widebayaust.com.au under the Corporate Governance section 'Audit Committee Charter'.

Principle 8: Remunerate fairly and responsibly

The fees payable for non-executive Directors are determined with reference to industry standards, the size of the society, performance and profitability. The Directors' fees are approved by the shareholders at the Annual General Meeting in the aggregate and the individual allocation is approved by the Board.

The remuneration of the Managing Director is a matter for the non-executive Directors and is linked to his performance and responsibilities.

Remuneration of senior executives and other executive Directors is subject to the Remuneration Committee consisting of the Chairman and Managing Director and ratified by the Board. Relevant remuneration is based on the individual's performance throughout the year, the duties and responsibilities undertaken and is set so as to reflect the remuneration commensurate with the market place, given those duties and performances.

No company performance based payments were made to senior executives during the year.

The names of the members of the Remuneration Committee and their attendance at meetings is set out in the Directors' Statutory Report.

Wide Bay Australia is in compliance with Principle 8 and full details are available on www.widebayaust.com.au under the Corporate Governance section.

Issued Shares

Wide Bay Australia Ltd shares are listed on the Australian Stock Exchange under the code "WBB". The securities are permanent ordinary shares and at the date of this Report there were 29,305,155 shares.

Voting Rights of Shareholders

A shareholder is entitled to exercise one vote in respect of each fully paid ordinary permanent share held in accordance with the provisions of the Constitution.

Substantial Shareholders

The society's Register of Substantial Shareholders recorded the following substantial shareholders interests:

Permanent Ordinary Shares

	No. of Shares	% of Total
As at 25 September 2008		
Hancock, R E	1,754,075	5.99
Drenwood Pty Ltd/Skipglen Pty Ltd (associated entities & associates)	1,276,910	4.36

Distribution of Shareholders

Permanent Ordinary Shares

As at 25 September 2008

Range	No. of Shareholders
1 - 1,000	1,367
1,001 - 5,000	1,722
5,001 - 10,000	438
10,001 - 100,000	389
100,001 - over	50
Total number of shareholders	3,966

33 shareholders held less than a marketable parcel.

List of Top 20 Permanent Shareholders

Permanent Ordinary Shares

As at 25 September 2008

	Name	No. of Shares	%
1	Hancock, RE	880,758	3.01
2	Hancock, RE & LP	835,998	2.85
3	J P Morgan Nominees Australia Ltd	627,323	2.14
4	Drenwood Pty Ltd	517,972	1.76
5	Skipglen Pty Ltd	499,953	1.71
6	Sawyer, K	462,719	1.58
7	ANZ Nominees Limited (Cash Income a/c)	441,637	1.50
8	Sawyer, PJ ATF P Sawyer Family A/c	400,000	1.36
9	Sprake, BR & CL ATF RG Sprake & Co Super A/c	336,011	1.15
10	Olsen, RC	330,520	1.13
11	Wealthcoach Pty Ltd (Sunrise a/c)	310,000	1.06
12	Hestearn Pty Ltd	303,743	1.04
13	Mertan Pty Ltd	300,786	1.03
14	McBride, KG & PA	285,888	0.98
15	Milton Corporation Limited	281,930	0.96
16	Cran, D	264,074	0.90
17	Drenwood Pty Ltd (Protection A/c)	258,985	0.88
18	Greenwich Stud Pty Ltd	215,800	0.74
19	Cockerill, GD & DM ATF Graham Cockerill S/F A/c	214,955	0.73
20	Emmerton DR & CA ATF Warambul Superannuation A/c	207,989	0.71
Top 20 Permanent Shareholders		7,977,041	27.22

Registered Office

The registered office and principal place of business of Wide Bay Australia Ltd is 5th Floor, Wide Bay Australia House, 16-20 Barolin Street, Bundaberg, Queensland telephone (07) 4150 4000

Secretary

The Secretary is Mr William Ray Schafer.

Share Register

The registers of holders of Permanent Ordinary shares are kept at the office of Computershare Investor Services Pty Limited Level 19, 307 Queen Street, Brisbane, Queensland telephone 1300 552 270

On-Market Buy Back

There is no on-market buy back.

growth

our corporate directory

Directors

John F Pressler OAM FAICD FIFS (Chairman)
Ronald E (Ron) Hancock FCA FAICD FIFS (Managing Director)
John H Fell FCA FIFS
Peter J Sawyer FCA FAICD FIFS
Frances M McLeod MAICD FIFS
John S Humphrey LLB

Secretary

William R (Bill) Schafer BCom CA

Registered Office

Level 5 Wide Bay Australia House
16-20 Barolin Street
Bundaberg QLD 4670
telephone (07) 4150 4000
facsimile (07) 4152 3499
email widebay@widebayaust.com.au
website www.widebayaust.com.au

Australian Stock Exchange Code

WBB

Principal Banker

Westpac Banking Corporation

Auditors

Bentleys
Brisbane Partnership
Chartered Accountants
Level 26 AMP Place
10 Eagle Street
Brisbane Qld 4000
telephone (07) 3222 9777
facsimile (07) 3221 9250
email admin@bris.bentleys.com.au

Principal Lawyers

MRH Lawyers
Level 6 Wide Bay Australia House
16-20 Barolin Street
Bundaberg Qld 4670
telephone (07) 4154 5500
facsimile (07) 4152 8819
email info@mrh.com.au

Share Register

Computershare Investor Services Pty Limited
Level 19
307 Queen Street
Brisbane Qld 4000
telephone 1300 552 270
facsimile (07) 2118 9860
email brisbane.services@computershare.com.au