wide bay australia LTD

2008 » 2009 annual report + financial performance

real people real smiles real service real strength!

cover

Of all the aeroplanes that have contributed to aviation **progress** - there is one which surpasses all others in **faithful service** and **dependability.**

The **DC3**, conceived in 1939 and still flying today, is a fabulous aircraft that has earned itself many names, flown more miles and carried more cargo and passengers than any other aeroplane.

Over 15,000 of these aircraft, also known as the C47, Dakota, Gooney Bird, Sky Train and many other nicknames, were built.

General Dwight D. Eisenhower is recorded as saying the **success** of the DC3 was a major reason for the Allied WWII **victory!**

As a commercial airliner, for cargo or as a military transport, the DC3 has endeared itself to the crews who flew it, in any part of the world and **in every kind of weather.**

The most **reliable** in its class - no other plane has ever been considered to be as **safe.**

Hence it was very fitting that a DC3 was the feature aircraft at the **Wide Bay Australia International Air Show** which was held at Bundaberg in Queensland over the weekend of 3-5 July 2009. *(see page 19)*

This particular DC3 *(pictured above flying over our Head Office, Wide Bay Australia House)* has quite a history. After delivery to the US Air Force in 1942 it saw active service in the Pacific region and still has evidence of several bullet holes in the fuselage.

In 1944 it was purchased by the Australian Government and became the 'start up' aircraft for TAA - flying until retirement in 1970 and later was placed on a pole outside the Tullamarine Terminal in New South Wales for eight years.

Because of the historical importance of this particular aircraft, it was completely restored by volunteers in 1987 and today is operated by the Qantas Foundation Memorial Ltd for charitable and promotional services.

Image courtesy of Aero Aspects

wide bay AUSTRALIA LTD *banking your way*

contents

real people real smiles real service
real strength!

every day at wide bay australia, we **work to fulfil** the **commitments** we make to our **local communities**, our **loyal customers**, our **valued shareholders** - and to the **dedicated staff** who **deliver** our **promise** of ***banking** your way***!**

we are **committed** to ...

- » **increasing wealth** for our customers and shareholders
- » a **progressive environment** for our management and staff
- » **creating opportunities** for our communities
- » **providing** a **true** banking **alternative** for everyday Australians

Delivering on these commitments in a **healthy economy** is an **expectation** - but the true measure of a **successful** company is **how** it **reacts** to and **performs** in **rapid** and **unexpected change,** such as the **'unchartered waters'** of a **global financial crisis!**

With the **collapse** of world markets, the economic **uncertainty** and the unique **challenges** that have **characterised** this **past year**, Wide Bay Australia's Board, Management team and staff - more than **ever** before - have **striven** to **achieve our promise!**

We are **proud** to report that as a **direct result** of our **policies, structures** and **prudential management** - we've not only **'weathered the storm'** and **achieved** our mission, but are **building a platform** to ensure we take **full advantage** of **future opportunities!**

in **contrast to many, this** 2008»2009 annual report is a **good news story** about **what real strength is!**

real strength is...

a quality portfolio of loans

'toxic loans' is an expression that has been in the **news a lot** this year, but they're **not** words **you'll** hear at **wide bay australia** where our **prudent lending practices** have been **rewarded!**

Approximately 98% of our loans are for purposes **secured by mortgage over residential real estate** and each loan is **individually approved** and a valuation obtained by a **licensed valuer** - no 'drive by' assessments as used by some lenders. There are **no 'low doc' or 'sub-prime'** loans as each loan is **fully documented** and **income verified.** Of those residentially secured loans - approximately 98% are **mortgage insured.**

The quality of our loans portfolio is further enhanced as all properties held as security also require **home building insurance.** A large number of borrowers have arranged **mortgage repayment insurance** which helps them meet their loan payments in the event of illness or unemployment or pay their outstanding mortgage in the event of death. Borrowers can also **protect themselves and their loved ones** in the event of death, terminal illness or total & permanent disability with **Widecover LiFE** which was introduced in April 2009.

Plus Wide Bay Australia has a team of **experienced professionals** who work closely with our customers who may experience payment difficulties or financial hardship in the current environment to arrive at **mutually beneficial solutions** wherever they can.

The **testament** to our approach is that the bad and doubtful debts expense (allowing for previous provisioning) showed a **surplus** of $1,467 for the year - **a reassuring outcome** on a portfolio of over **$2,000,000,000** in loans under management!

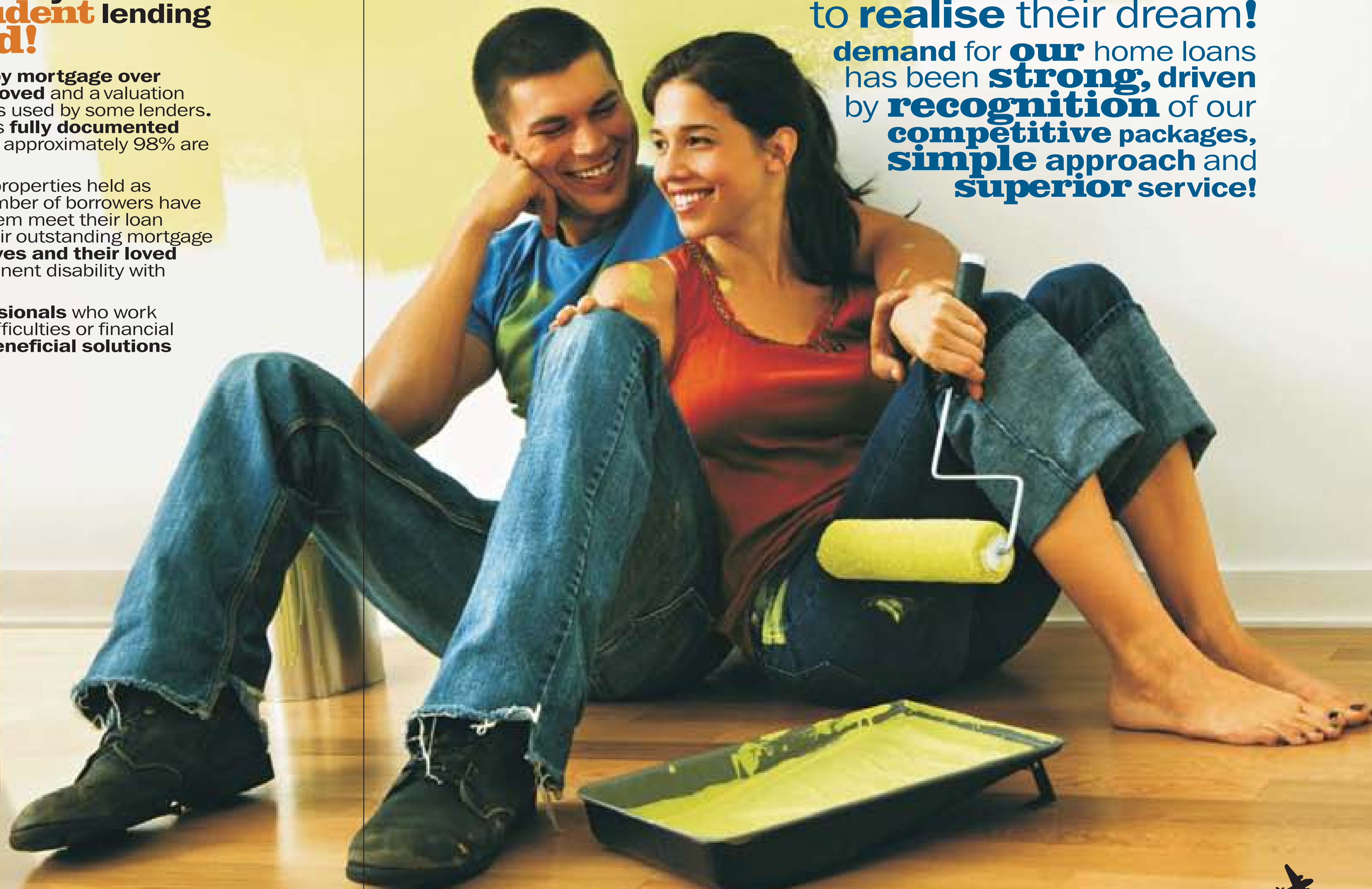
As well as maintaining prudent lending standards and management of our existing portfolio, the continued funding of our lending program in the economic climate has been a major focus.

Apart from **growing retail deposits,** our funding sourced through securitisation received a significant boost on 2 June 2009 when the Australian Office of Financial Management (OAFM) announced their support of Wide Bay Australia in the allocation of mandates for Residential Mortgage Backed Securities (RMBS).

The OAFM subsequently participated as a **'cornerstone' investor** in a $433 million RMBS transaction on 9 July 2009 which will allow the continued **competitiveness and stability** of our lending program!

falling interest rates and the government's **boost** to the **'first home owner grant'** in late 2008 made it **more affordable** for **many** australians to **realise** their dream!

demand for **our** home loans has been **strong, driven** by **recognition** of our **competitive packages, simple approach** and **superior service!**



real strength is...

secure guaranteed deposits

approximately **55%** of wide bay australia's **loans** are **funded** by our **retail deposits** such as **transaction, savings, cash management** and **fixed term deposit accounts!**

Our commitment to **safety, security and standards** and our **policies and controls** have produced a **consistent record of stability and growth** for over 40 years. It was gratifying that on 12 October 2008, when responding to volatility in the global financial markets, the Australian Government announced Wide Bay Australia depositors would also be **covered by the Australian Government Deposit Guarantee!**

Under the Guarantee, our customers' term and on-call deposit **accounts are guaranteed** up until 12 October 2011. It was subsequently announced on 28 November 2008 that deposits over $1million are able to be guaranteed upon application by the depositor and the payment of a Government Guarantee Fee.

Wide Bay Australia qualified for the Guarantee as an **Approved Deposit Taking Institution** (ADI) operating under the *Banking Act 1959* so therefore **prudentially supervised** by the Australian Prudential Regulation Authority (APRA).

Apart from promoting safety and soundness, APRA provides a **consistent approach** to the supervision of Australian building societies, banks and credit unions. This also includes maintaining **capital adequacy standards.**

AN AUSTRALIAN GOVERNMENT GUARANTEED DEPOSIT

capital is considered the cornerstone of an Approved Deposit Taking Institution's strength!

The maintenance of adequate capital reserves engenders **confidence** in the **financial soundness and stability** of an institution by providing continued **assurance** that the ADI will continue to **honour its obligations** to depositors and creditors.

Following the reintroduction of our Dividend Reinvestment Plan in October 2008, a non-renounceable Rights Issue which raised $7.9 million in Tier 1 capital in December 2008, plus the issue of $15 million in unsecured Subordinated Notes in June 2009 - Wide Bay Australia's capital adequacy of 12.25% at 30 June was **well above APRA requirements.**

Wide Bay Australia's **investment grade credit rating** was reaffirmed by ratings agency Standard & Poors on 9 June 2009. The ***'BBB-' stable outlook*** rating indicates Standard & Poors' assessment of our adequate **financial capacity (creditworthiness)** to pay our financial obligations and recognises our **strong performance** over previous years, the strength of our **lending and asset quality,** our funding and liquidity position and **lack of losses.** This enables institutions and organisations who require such a rating under their individual charter to invest in Wide Bay Australia's deposits.

Wide Bay Australia also holds **Financial Services Licence** 239686 issued by ASIC which requires us to meet on an on-going basis:

» **adequate financial resources** for the performance of our activities
» **competence, skills and experience** to provide financial services
» adequate **systems for training and supervision** of our representatives

In December 2008, this Licence was varied to include life protection products issued by a Registered Life Insurance Company.

real strength is...

sound corporate governance

wide bay australia's **board of directors recognise** that they are **ultimately responsible** for the **operation** and **administration** of the company **and** for the **delegation** of various **authorities** to the **senior** management team.

The Board is **conscious of its obligations** and **accountability to shareholders** and customers as well as other regulatory and **ethical** expectations. It accepts the responsibility of acting in the **best interest of all parties** and for Wide Bay Australia's **overall performance.**

Given current economic conditions and, in particular, a focus on the health of the financial services industry, this role **has never been more important!**

Peter Sawyer
FCA FAICD FIFS
Director

John Pressler OAM
FAICD FIFS
Chairman

John Fell
FAICD FIFS
Director

Wide Bay Australia's Board is **active** in:

- regularly monitoring the **performance and actions** of the Management team
- adopting and approving strategic plans and providing input into Management's **corporate strategy**
- ensuring they have a **proper understanding** of and the **competence** to deal with current and emerging issues
- overseeing Wide Bay Australia's **control and accountability** systems
- the review and ratification of systems for **risk management** and internal **compliance and control**
- ensuring adherence to **codes of conduct** and **legal compliance**
- adequate **management of capital** and the approval and **monitoring** of financial and other reporting
- approval and monitoring of annual budgets and **ensuring appropriate resources** are available to achieve company objectives

The majority of Wide Bay Australia's Board act as **independent** Directors as defined in the definition of independence given by Corporate Governance Principles. This ensures they can **effectively review and challenge,** if it is required, the performance of Management and exercise their **independent judgement.**

Competent committees are also active, including an Audit and Risk Committee and a Remuneration Committee.

Frances McLeod
MAICD FIFS
Executive Director

Ron Hancock AM
FCA FAICD FIFS
Managing Director

John Humphrey
LLB
Director

directors' report

by Chairman **John Pressler** OAM

Despite the difficulties and challenges of the last year, as Chairman of the Board of Directors, I am delighted to confirm that Wide Bay Australia Ltd (Wide Bay Australia) has again **enjoyed solid growth and achievements** in 2008 » 2009!

Wide Bay Australia, the chief entity itself has recorded an **after tax surplus for the year of $20.26 million,** which compares to $18.41 million for 2007 > 2008 - an increase of 10.1%.

Our wholly owned lenders' mortgage insurance captive Mortgage Risk Management Pty Ltd (MRM), after restructuring and provisions for adjustment of its investments to fair value, recorded a loss of $2.38 million.

The consolidated group's **after tax profit for the year was $17.05 million -** a reduction of 6.1% compared to the previous financial year. This result incorporates the restructuring of the MRM captive - whereby the investments were valued at fair value as opposed to original cost and resulted in a provisioning being brought to account of $4.86 million. This fair value will be reviewed six monthly and any appropriate adjustments will be made as the investments move closer to maturity. We expect some valuations will increase.

After discussions with reinsurers and advisers, the Board of MRM resolved to terminate reinsurance arrangements with Radian Guaranty Inc where we had seen significant declines in their credit ratings from the original "AA" when reinsurance was originally effected. At present, the world reinsurance market is limited in respect of possible reinsurers and it is the Board's intention for MRM to operate in a reduced capacity in the short term until suitable reinsurers reemerge in the world market.

In the meantime, Wide Bay Australia will also use two traditional mortgage insurers, Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders' Mortgage Insurance Limited, to cover the bulk of future new loans. The captive will continue to contribute to the operations of Wide Bay Australia, as the premiums within MRM are earned over a ten year cycle and there are significant premiums yet to be brought to account.

Our 25% investment in Financial Technologies Securities Pty Ltd, a financial planning company, has also performed well during the year, although as would be expected given market conditions, at a reduced level of profit.

A fully franked final dividend of 30 cents per share has been declared and is payable on 2 October 2009, bringing the **total dividend for the year to 60 cents.**

Our **lending result was strong at $531 million,** compared to $518 million in 2007 > 2008. The bulk of lending is primarily through our retail network - however mortgage brokers are used to a limited extent, particularly in Sydney and Melbourne. It is anticipated that following the reduction in the Government's First Home Owner Grant Boost in September, lending will slow for the remainder of this financial year until the economy shows significant improvements. The chief entity's **total loans** under management **increased** from $1.999 billion **to $2.144 billion** as at 30 June 2009 - an increase of 7.23%.

The introduction of the Australian Government's Deposit Guarantee to Approved Deposit Taking Institutions (ADI's) in October 2008 has also seen strong support for our deposit products - which increased from $1.129 billion to $1.256 billion during the year - an increase of 11.22%.

Although we have had some difficulties with the premiums due to differentiation between various ADI's, we believe the introduction of the Deposit Guarantee was one of the primary reasons for the stability of the Australian banking sector during the global crisis.

The society's 44 retail outlets which are principally located in regional Queensland have played a major role in our twelve months operations by allowing us to access retail deposits at a time when wholesale funding was not only difficult to obtain but also very expensive. Retail funds at 30 June 2009 made up 55% of the society's overall funding portfolio.

The Board's principal focus through the year has been the stability and planning of the total aspects of our operation. The society is now well placed going forward to continue a strong lending program and expansion of our operations.

The **total assets** of the chief entity now **stand at $2.474 billion -** an **increase** of 9.27% for the year.

The past year has seen the continued integration of the acquisition of the Mackay Permanent Building Society Limited (MPBS) which is now complete. We have seen some of their less acceptable branch locations closed, with two branches re-established at Stocklands Cairns and Redlynch Central shopping centres. Our Management team is seeking suitable locations to replace Townsville's closed branches.

With our broad spread of branches in Queensland, from the Gold Coast to Cairns, our Board and Management are aware of our obligations to these local communities and we are committed to being a good corporate citizen.

Throughout the year, we have sponsored and supported **many large and small community activities** and we will continue to support a range of community organisations in the future. In July 2009, we conducted our largest sponsorship ever, the Wide Bay Australia International Airshow held in Bundaberg, which was a major success - bringing considerable benefits to not only the local community but to Queensland in general. We will continue to review these sponsorships.

"our principal focus has been the stability and planning of the total aspects of our operation... we are now well placed going forward to continue strong lending and expansion..."

sound corporate governance

For many years I have been reporting the society's **recognition of the importance** of the operations of the industry supervisory body, the Australian Prudential Regulation Authority (APRA) which develops the Prudential Standards and supervises the activities of Approved Deposit Taking Institutions, which includes banks, building societies and credits unions. There is no doubt that their existence, their method of operation and the role that they have played in the recent global issues has contributed enormously to the stability of the Australian banking sector and I again **compliment them for their supervision and acknowledge the importance they play in our financial sector.**

At the time of writing this report, indicators are that global financial problems are easing, but we believe that the next 12 months will continue to be difficult and affected by the high cost of wholesale funding and a slowing in the housing market after a scaling back of the First Home Owner Grant Boost. Our forecasts though, are still for a strong performance for 2009 > 2010.

To our Management team - who have not only **helped ensure the strong performance** of the society, but addressed some very challenging issues that have arisen as a result of the 'crisis' - on behalf of the Board, I extend our appreciation for another excellent year. We are fortunate to boast a unique culture where many of our key personnel have many years of dedicated service.

I am particularly proud that our Management team volunteered a salary freeze for 2009 > 2010 as an early response to the global economic crisis. This move flowed through to personnel at all levels and typifies **the attitude and commitment of our team.** In support of these actions, the Board has also resolved to maintain Directors' Fees at the same level as last year.

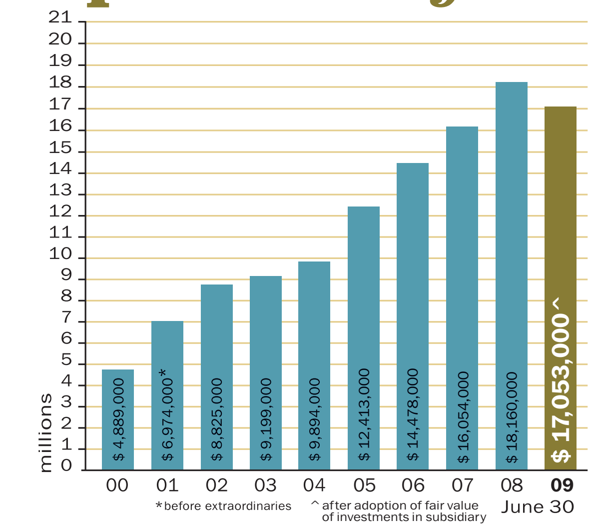
I acknowledge the contribution of all of the staff throughout our network who continued to function as a cohesive unit, and in particular, those former MPBS personnel who have integrated exceptionally well within our operations.

Finally, I extend my appreciation to my fellow Directors for their individual contributions and commitment throughout the year. I have advised my fellow Directors that after 12 years as Chairman of the society that I do not intend to seek re-election as Chairman, but will nominate for election as a Board member and hopefully will continue to contribute towards the ongoing success of Wide Bay Australia.

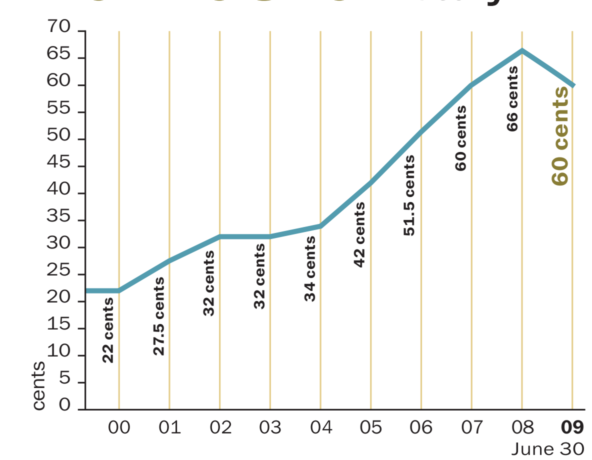
Yours faithfully,

John Pressler OAM
Chairman
8 September 2009 - Bundaberg

profitability



dividend history



share price history

real people real smiles real service real strength!

real strength is... a dependable management team

it's **reassuring** to **know** that wide bay australia's senior **management team** boasts **over 250 years** of **combined** service - **strong leadership** and **experience** that keeps us in **good stead** in **uncertain times!**

24th year
Ray Linderberg
BBus(Comm) AIFS
Marketing Manager

14th year
Ian Hatton
MBA AFAIM
Manager - Retail Outlets Queensland

14th year
Dale Hancock
BBus SA FIN
Manager - Structured Finance, Products & Interstate Operations

33rd year
Gayle Job
FIFS
Training Manager

9th year
Bill Schafer
BCom CA
Chief Financial Officer + Company Secretary

36th year
Frances McLeod
MAICD FIFS
Chief Operating Officer + Executive Director

Sound decision making and strategic planning based on **real knowledge** has cemented Wide Bay Australia's strong performance during a year characterised by doubt and uncertainty.

While stable management forms a **solid foundation** for our operations, we also value **ambition and innovation!**

We are always on the lookout for **new ideas** to boost our **relationships, growth and performance** and are quick to act on **new opportunities.** This progress is aided by our **unique structure** whereby decision making is not hindered by bureaucratic red tape - and our Management team are assisted by their respective departmental staff, who are also **empowered** to actively contribute to our company's **success.**

over 250 years combined service to wide bay australia

it's **this flexible** approach **together** with our wealth of **experience** that makes all the **difference!**

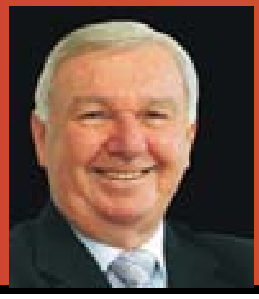
44th year
Ron Hancock AM
FCA FAICD FIFS
Managing Director

35th year
Ian Pokarier
AIFS
Operations Manager

8th year
Bob Ashton
CPFA(UK) CISA(US)
Internal Auditor

9th year
Stephen Butler
Loans Manager

31st year
Joanne Norris
Administration Manager



managing director's report

by Managing Director **Ron Hancock** AM

With the economic crisis and its impact on wholesale funding costs, **the acquisition of Mackay Permanent Building Society (MPBS)** - apart from the contribution it has made to our overall financial operations - **was very timely** given they had established a solid base of retail deposits and branch network.

This significantly assisted the overall performance of Wide Bay Australia, with retail deposits and growth achieved from our extended Queensland branch network - which now stretches from the Gold Coast to Cairns.

The acquisition is now complete, with unsuitable branch locations in Cairns now relocated. Some Townsville branches have also been closed and we are seeking satisfactory alternative locations in high profile shopping centres.

Possibly one of the most challenging issues of the 'global crisis' was the availability of and also the re-pricing that occurred in respect to new and existing wholesale funding.

Fortunately with falling interest rates, the banking sector including ourselves were able to manage margins to offset some of those costs and successfully navigate those challenges.

We have always maintained a target for our operating margin in the range of 2%, which currently stands at marginally above that figure - a very good platform for this current financial year.

Going forward, we are well placed with both retail and wholesale funding to **address our future requirements and maintain a steady lending program.**

Apart from the benefits of retail deposits sourced from our branch network, our branches also play a major role in sourcing loans rather than us placing any heavy reliance on broker networks. Throughout the year, mortgage brokers accounted for just under 20% of our total lending, with the balance sourced through our branches and referrers.

Despite conditions, our loan book is performing well. Our **arrears show no area of concern** and are consistent with previous years. Our bad debt expense for the year showed a surplus of $1,467 representing an adjustment of previous provisioning.

Our residential loan book continues to be fully mortgage insured, with limited commercial lending, **no** exposure to 'sub-prime' or 'low-doc' loans and a very low expectation of bad debts going forward.

As Managing Director, **the results for the year have been extremely satisfactory.** While they have been affected by the restructuring of our lenders' mortgage insurance captive, Mortgage Risk Management Pty Ltd (MRM) where we adopted fair value as the basis for bringing our investments to account in the captive rather than at original cost, we are hopeful that as these investments move closer to maturity, that their fair value will increase, resulting in a positive effect on future results.

Our final consolidated profit of $17.05 million represented an overall reduction of 6.1%. MRM, with the adjustment to the value of investments, has recorded a loss of $2.38 million, but it is expected to continue to make significant contributions to our results going forward. This is because of the manner in which premiums are brought to account in our financial statements, whereby MRM adopts a ten year earnings pattern for premiums and a significant amount of premium is yet to be brought to account in future years.

MRM has terminated existing reinsurance arrangements because of the significant decline in the credit rating of Radian Guaranty Inc and will scale back its operations. Wide Bay Australia will insure the bulk of new lending with Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders' Mortgage Insurance Limited.

Wide Bay Australia, **the chief entity, performed strongly** with an overall increase in profit for the year of 10.1%, and in particular, has maintained an excellent **cost-to-income ratio of 54.7%**, an improvement on the previous financial year. This performance ratio reflects the efficiencies of the organisation, compares very favourably to the regional banks and **outperforms almost the entire building society and credit union segment** of the industry.

Our lending was very strong, particularly in the last five months of the financial year with the boost to the Government's First Home Owner Grant. We **exceeded last year's lending** of $518 million, **with total loans of $531 million.** The First Home Owner Grant Boost will be reduced at the end of September and wind down completely in December, and we expect to see a declining housing market for some time into the new calendar year and expect our lending to be lower overall this financial year.

Our Dividend Reinvestment Plan (DRP) continues to receive strong support with the Board resolving to continue the 7.5% discount for the October dividend. In the current market the DRP represents a very low cost of raising capital, when compared to other discount options in the market such as Rights Issues, Share Purchase Plans etc.

The industry regulator, the Australian Prudential Regulation Authority (APRA), continues to monitor and supervise our operations as they do with all other Australian banks, building societies and credit unions. I am pleased to report that we continue to enjoy a harmonious relationship with them. Their existence and operation provides comfort to our shareholders, investors and borrowers.

> **"one of the most challenging issues was the availability of and the re-pricing that occurred in respect to wholesale loan funding... we were able to successfully navigate those challenges."**

a dependable management team

Management constantly **reviews the market for product initiatives and opportunities.** Early in 2009, in conjunction with Aviva Australia Holdings Ltd, we introduced a new personal risk insurance cover called 'Widecover LiFE'. This is expected to become an **important and competitive product** for our customers and the public generally and will also provide additional fee income for the society.

We are very fortunate to now have a network of 42 Queensland branches in what is still very much a growth State. The developments that have been announced recently, particularly in the coal and mining industry, will continue to lead that growth - with our established presence providing us with **opportunities to share in that growth.**

2008>2009 was a very challenging year in many respects and it was a pleasure to work with such a **competent and enthusiastic** Management team. We have an experienced and great team and I extend my appreciation to them for their support. I also extend my appreciation to all of our Head Office and Branch staff.

Our Board of Directors responded to the year enthusiastically and diligently and have worked and cooperated very well with Management. I extend my appreciation for their support and assistance.

Our Chairman, John Pressler, has announced he will not be seeking re-election as Chairman after the Annual General Meeting in November. John has been Chairman for 12 years and, as with all of our past Chairmen, has been a pleasure to work with. His advice and support has played a major role in our operations and on behalf of the Management team I thank him sincerely for his contribution during those 12 years.

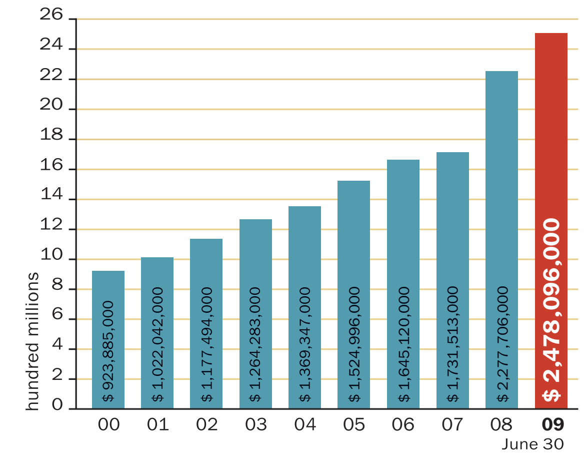
To our shareholders, we are confident of **producing further strong results across our total operations in 2009>2010.**

To our depositors and borrowers, I assure you of **our continued efforts in providing competitive and excellent service.**

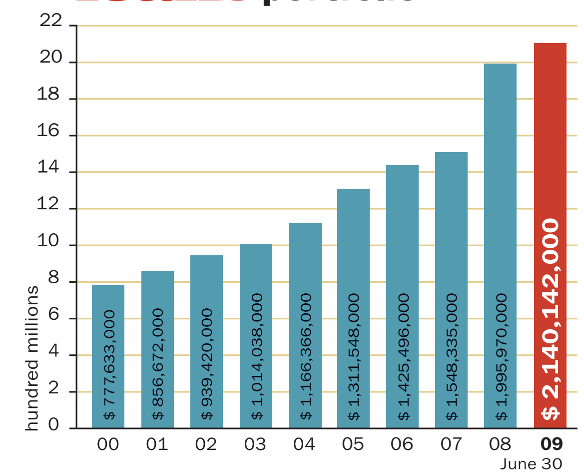
Yours faithfully,

Ron Hancock AM
Managing Director
8 September 2009 - Bundaberg

total assets

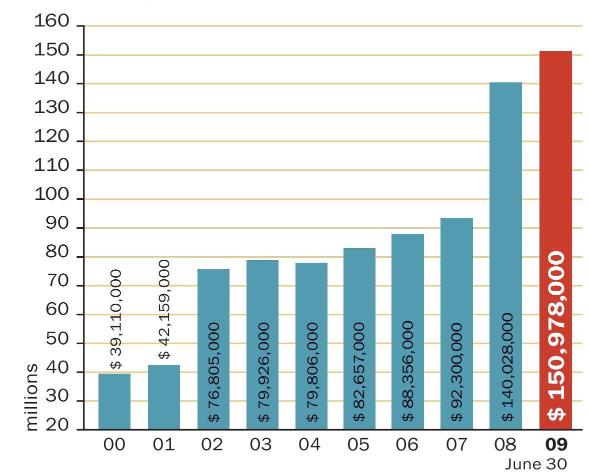


loans portfolio



shareholders' equity

share capital and accumulated reserves



real strength is...

built on trust and values

wide bay australia's **success** as a **leading** financial institution, even in **turbulent times**, is the **result** of the **individual** and **cooperative efforts** of a **professional team** that **strives** to **deliver** ***banking** your way*!

Every day, our **dedicated team** fulfil the commitments they make to their local customers, shareholders and communities.

Despite being bombarded with negative news on many financial fronts, our customers continued to **place their trust** in Wide Bay Australia and our staff - staff who are also **local people** drawn from the communities we serve.

Wide Bay Australia's Board and Management has also been determined to **protect employment prospects** for our people. We've continued to build and sustain a **progressive, team-oriented and friendly environment,** where staff are supported and offered **challenging and rewarding career paths.**

Our Wide Bay Australia Staff Share Plan is well supported and allows employees to take an **active interest** in company **direction and performance** while participating in rewards for their efforts.

the team at wide bay australia are great! nothing is ever too much trouble... real good people to have handling our banking... top stuff!
D & T Hutley
Charters Towers, North Queensland

my loan was prepared before my solicitor was even half ready for my settlement... thanks, it meant a lot!
K Cini
Coombabah, Gold Coast, Queensland

our Rockhampton loan consultant - Sue James

central to building trust and core to our mission are the set of values that represent the qualities of our company and our people...

I don't think you could do any better... everything was handled just great!
I Brown
Tenterfield, New South Wales

» **relationships** our success is built on the relationships we share with our customers, shareholders and each other - we value their **loyalty** and are committed to providing **service excellence**

» **growth** by growing our business, products and services and our people we will be **leaders** in the **competitive** banking and financial services industry

» **ambition** our Board and Management team share **a drive to succeed** as a publicly listed company, as a financial institution, as an employer and as an active member of our community

» **performance** we take seriously our commitment to shareholders, customers and ourselves to be **strong and consistently performing** above and beyond expectations

» **leadership** strong leadership, **expertise, innovation and progress** are important to us as they ensure we control our own destiny, build our reputation and add to our achievements

» **flexibility** being flexible allows us to **respond quickly** to change, to **capitalise on new opportunities** and to **deliver solutions** that meet our customers' changing financial needs

thanks wide bay australia for being so wonderful... you're amazing!
K Carter
Raceview, Ipswich, Queensland

our friends told us about wide bay australia and we haven't regretted it!
C & M Farrall
Maryborough, Queensland

real people **real** smiles **real** service **real** strength!

real strength is...

a strong local presence

wide bay australia **remains** the **'largest** building society and **approved** deposit taking institution **based north of brisbane'** and is renowned for providing **local** finance, investing, banking and insurance **solutions!**

Having our **roots in regional Queensland** has created **trust and assurance** when it was needed most.

With our Head Office in **Bundaberg** and with branches from **Cairns to the Gold Coast,** thousands of regional Queenslanders now consider Wide Bay Australia to be **'their' local financial institution!**

In fact, in many of the regional Queensland cities that make up the heart of our operations, we boast **more local branches** than any other financial institution, and in a number of locations, Wide Bay Australia **is the only provider of banking services** to that community!

Our branches and loan centres in Upper Mt Gravatt in **Brisbane,** Robina on the **Gold Coast,** Parramatta in **Sydney** and Camberwell in **Melbourne** act as a hub for our metropolitan operations and have helped **increase our national profile.**

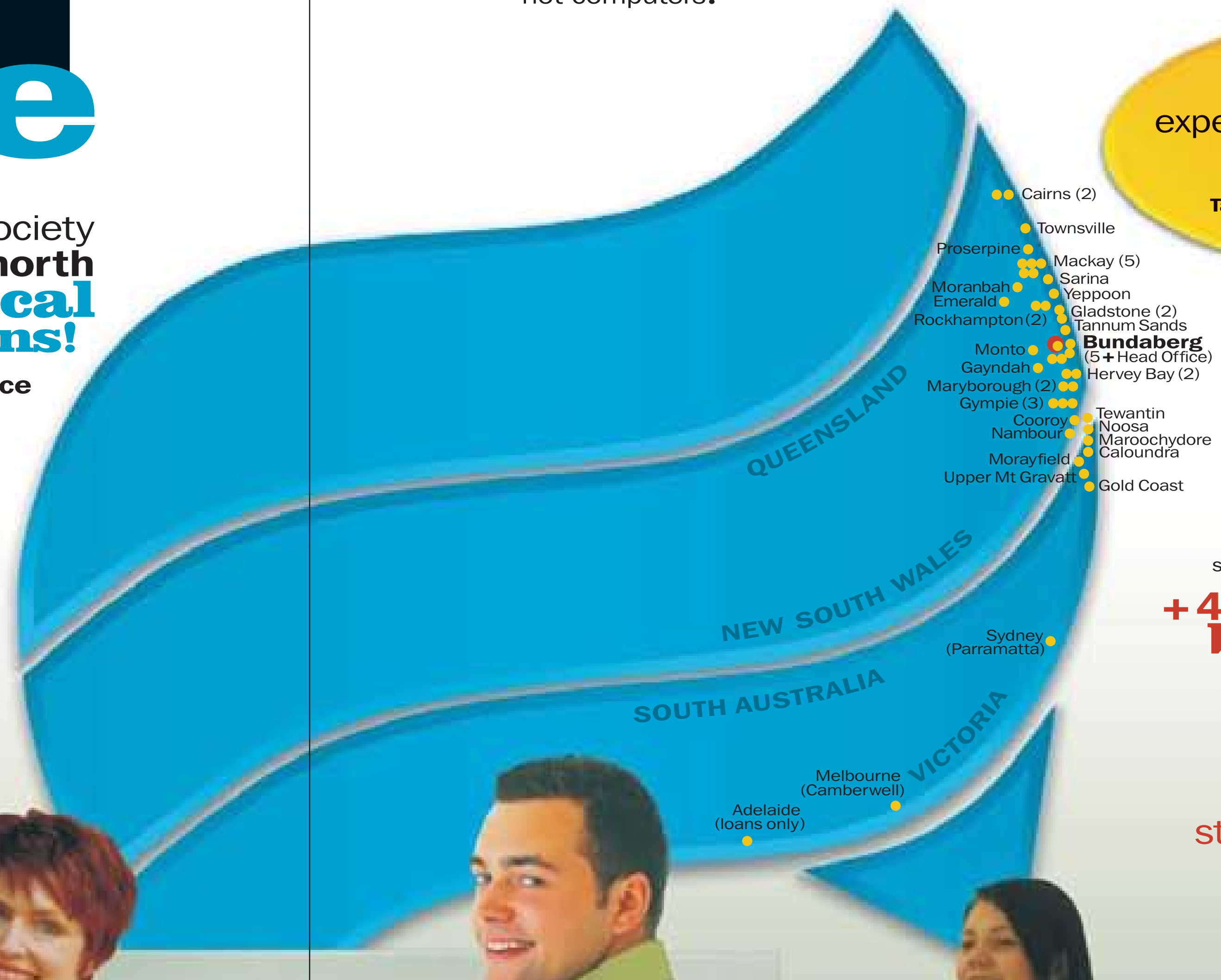
A major task during the year was completing the consolidation of Mackay Permanent Building Society's (MPBS) operations into Wide Bay Australia's network - including the rebranding and refurbishment of MPBS branches.

It's gratifying that former MPBS deposit and loans customers and the Mackay regional community have **continued to support** Wide Bay Australia. Since our takeover we've witnessed **sound growth** in both home loans and deposits!

In addition, the two MPBS Cairns branches were **strategically relocated** to prominent shopping centres where it is anticipated we will experience **substantial growth** in the year ahead.

Importantly, even though times are tough, we've kept our focus on providing **real service by real people!** On weekdays our branches continue to **open earlier and longer than most other banks** and our phones are manned by **local people,** not computers!

> your staff consistently exceed expectations and are always offering solutions!
>
> **G & T Chapman**
> **Tannum Sands, Central Queensland**



45 branches, loan centres and agencies

see page 60 for our branch directory

+ 44 wide bay australia branded ATM's

+ over 3300 Bank@Post outlets

+ lending in all states and territories

customer service consultants at our Barolin Street branch in Bundaberg

real strength is...

staying dedicated to our local communities

throughout 2008»2009, wide bay australia has **continued** to play an **active role** in our valued **communities.** that's been **particularly important** at a **time** when **many** businesses and the government have **tightened** their spending on **community programs!**

As a **caring corporate citizen,** Wide Bay Australia (and its predecessor building societies) has contributed literally **millions of dollars** to community activities, organisations and events.

This year we again made **hundreds of contributions,** where we could, to a wide range of **sporting, cultural, charitable and community** interests and endeavours from Cairns to the Gold Coast.

That literally includes everything ranging from supporting the fundraising efforts of local service clubs to acting as a collection point for community appeals, and from sponsoring regional art exhibitions to trophies for a local swimming carnival!

come and feel the noise! wide bay australia INTERNATIONAL AIRSHOW 2009 bundaberg qld

wide bay australia BUNDY Thunder

Significantly, Wide Bay Australia is also the **naming rights sponsor** for two premier **nationally and internationally recognised** events:

» a fantastic biennial aircraft and flying spectacular - the **Wide Bay Australia International Airshow**

» the exciting annual powerboat racing challenge - the **Wide Bay Australia Bundy Thunder**

Apart from important local, regional and national **economic and social benefits,** these events benefit a host of **community organisations** - such as the Leukaemia Foundation - by providing them with an avenue for raising awareness and funds!

Large or small, our support of these activities is commensurate with our **corporate mission** statement and our promise to **create opportunities** for our communities. It tangibly demonstrates our **community banking philosophy** and is just another way Wide Bay Australia is ***banking your way!***

From a shareholder's perspective, these events also help **build our company profile,** create an **awareness of our operations** and provide **opportunities for marketing** our services in their own right.

Wide Bay Australia will continue **listening to our communities** and playing our part!

real strength is...

innovation with more choice

rather than be **distracted** by **unfolding economic events,** wide bay australia has **again striven** to **ensure** the **competitiveness** of our **products** and **services** to **help** our customers continue to **build their wealth!**

We've also continued to deliver a range of financial services that help our customers **efficiently and safely manage their money** either **face-to-face** or electronically.

Finally, we've not lost sight of the fact that we have an important role in helping our customers to **protect their assets and loved ones,** at a time when affordable protection is more important than ever!

We recognised that while many Australians have insurance in place for their car or home, a great number still haven't protected the most precious thing in **their** world - **themselves and their family!**

Many of our loan customers have **peace-of-mind** from mortgage repayment insurance life, disability or unemployment covers offered through Allianz Australia - but now **all** our customers, shareholders and staff have access to **easier and more affordable** life insurance protection with Wide Bay Australia's launch of **Widecover LiFE** in March 2009.

widecover LiFE
easy and affordable

home finance
banking services
everyday banking accounts
saving and investing accounts
travel money and foreign exchange
wealth creation and financial planning
business banking and finance
general and life insurance
credit cards

For just the cost of a cup of coffee a week, many Wide Bay Australia customers have now arranged Widecover LiFE, meaning they **no longer** need deal directly with a 'big bank' or insurance company! Importantly, Widecover LiFE comes **without** the usual **time consuming** applications, red tape and lengthy medical checks!

To ensure **excellent quality** cover with **affordable pricing** and **reliable after-sales service,** Widecover LiFE is offered through Norwich Union Life, which is a subsidiary of Aviva Australia.

This initiative reinforces Wide Bay Australia's commitment to delivering **great service** and finding **innovative ways** to meet our customers' needs!

real strength is...

solid performance and results

chief entity
growth in loans portfolio to $2.14 billion
an increase of 7.22%

chief entity
growth in customer deposits to $1.248 billion
an increase of 10.7%

chief entity
net profit after tax of $20.26 million
an increase of 10.1%

consolidated
net profit after tax of $17.05 million
a decrease of 6.10% after adoption of fair value of investments in subsidiary

consolidated
growth in assets to $2.478 billion
an increase of 8.80%

chief entity
cost to income ratio of 54.74%
55.02% in 2008

consolidated
return from ordinary activities of $185 million
an increase of 5.68%

consolidated
return on equity ratio of 11.29%
13% in 2008

consolidated
final fully franked dividend of 30 cents » a total of 60 cents for the year
66 cents in 2008

wide bay australia LTD

2008 » 2009

financial statements

income statement

for the year ended 30 June 2009

	Note	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Interest revenue	2	**165,512,264**	159,215,808	**165,121,928**	158,168,554
Borrowing costs	2	**117,325,542**	118,786,618	**117,486,567**	118,856,888
Net interest revenue		**48,186,722**	40,429,190	**47,635,361**	39,311,666
Share of profit of associate	11	**742,000**	1,197,519	**742,000**	1,197,519
Other non interest revenue	3	**18,672,613**	14,569,304	**16,122,942**	13,694,905
Employee benefits expense		**15,366,157**	14,843,538	**15,366,157**	14,794,584
Depreciation expense		**1,726,222**	1,975,745	**1,726,222**	1,974,881
Amortisation expense		**360,989**	335,923	**360,989**	335,923
Occupancy expense		**2,377,211**	1,995,635	**2,377,211**	1,991,736
Bad and doubtful debts expense	10	**(1,467)**	72,266	**(2,743)**	(51,843)
Other expenses	3	**22,625,005**	11,971,337	**15,479,926**	10,778,400
Profit before income tax		**25,147,218**	25,001,569	**29,192,541**	24,380,409
Income tax expense	4	**8,077,278**	6,901,839	**8,932,539**	5,971,690
Profit after tax from continuing operations		**17,069,940**	18,099,730	**20,260,002**	18,408,719
Profit/(loss) attributable to minority interest		**17,179**	(59,870)		
Net profit attributable to equity holders of the parent company		**17,052,761**	18,159,600	**20,260,002**	18,408,719

Earnings per share

	Note	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008
Basic earnings per share (cents per share)	29	**56.41**	68.02
Diluted earnings per share (cents per share)	29	**56.41**	68.02

balance sheet

as at 30 June 2009

	Note	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
ASSETS					
Cash and cash equivalents	6	**78,173,076**	72,360,247	**66,286,332**	55,470,903
Due from other financial institutions	7	**28,326,272**	12,309,038	**28,326,272**	12,309,038
Accrued receivables	8	**23,147,287**	13,372,103	**16,897,737**	12,939,728
Financial assets available for sale	9	**126,571,204**	98,371,942	**126,571,204**	96,569,687
Loans and advances	10	**2,140,142,376**	1,995,969,968	**2,143,584,461**	1,999,085,468
Other investments	11	**7,481,582**	7,309,669	**23,402,626**	18,756,740
Property, plant and equipment	12	**22,176,951**	21,891,844	**18,306,951**	18,138,824
Deferred income tax assets	13	**3,144,313**	2,530,989	**1,371,222**	2,066,550
Other assets	14	**6,875,599**	12,280,177	**5,878,390**	6,194,486
Goodwill	15	**42,057,110**	41,309,710	**43,316,012**	42,568,612
Total assets		**2,478,095,770**	2,277,705,687	**2,473,941,207**	2,264,100,036
LIABILITIES					
Deposits and short term borrowings	16	**1,247,635,277**	1,127,040,831	**1,255,535,748**	1,128,855,192
Due to other financial institutions	17	**214,763,918**	389,486	**214,686,528**	-
Payables and other liabilities	18	**32,937,986**	29,994,378	**28,236,510**	25,035,062
Securitised loans	10	**790,455,746**	947,997,799	**790,455,746**	947,997,799
Income tax payable	19	**2,179,745**	(1,020,949)	**2,085,549**	(1,216,741)
Deferred income tax liabilities	19	**3,489,184**	2,913,961	**2,996,116**	2,420,893
Provisions	20	**10,655,724**	10,362,193	**2,387,855**	2,590,940
Subordinated capital notes	21	**25,000,000**	20,000,000	**25,000,000**	20,000,000
Total liabilities		**2,327,117,580**	2,137,677,699	**2,321,384,052**	2,125,683,145
Net assets		**150,978,190**	140,027,988	**152,557,155**	138,416,891
EQUITY					
Parent entity interest in equity					
Contributed equity	22	**117,814,059**	105,930,517	**117,814,059**	105,930,517
Reserves	23	**15,867,456**	14,939,064	**15,867,456**	14,939,064
Retained profits		**17,733,024**	19,611,935	**18,875,640**	17,547,310
Total parent entity interest in equity		**151,414,539**	140,481,516	**152,557,155**	138,416,891
Minority interest in controlled entities	24				
Contributed equity		**1,000**	1,000		
Retained profits		**(437,349)**	(454,528)		
Total outside equity interest		**(436,349)**	(453,528)		
Total equity		**150,978,190**	140,027,988	**152,557,155**	138,416,891

cash flow statement

for the year ended 30 June 2009

	Note	CONSOLIDATED $ 2009	$ 2008	CHIEF ENTITY $ 2009	$ 2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		**165,443,900**	158,677,110	**165,053,564**	157,371,171
Dividends received		**570,855**	1,197,949	**1,320,855**	3,797,949
Borrowing costs		**(115,504,247)**	(115,019,377)	**(115,665,272)**	(115,089,647)
Other non interest income received		**16,640,528**	14,511,842	**15,375,585**	10,928,632
Cash paid to suppliers and employees		**(39,672,086)**	(34,496,925)	**(37,924,032)**	(32,249,159)
Income tax paid		**(5,047,456)**	(10,140,331)	**(5,504,980)**	(8,857,308)
Net cash flows from operating activities	25	**22,431,494**	14,730,268	**22,655,720**	15,901,638
CASH FLOWS FROM INVESTING ACTIVITIES					
Net increase in investment securities		**(30,326,838)**	(10,557,370)	**(32,129,093)**	(10,782,157)
Net increase in amounts due from other financial institutions		**(13,430,108)**	24,654,878	**(13,430,108)**	24,654,878
Net increase in loans		**(145,071,987)**	(164,320,359)	**(145,398,571)**	(165,334,485)
Cash acquired on purchase of controlled entity	15	**-**	19,496,603	**-**	19,496,209
Payments for purchase of equity in controlled entity	15	**-**	(14,291,838)	**-**	(14,291,838)
Net increase in other investments		**(5,325,548)**	(244,606)	**(4,933,521)**	(970,636)
Purchase of non current assets		**(1,100,206)**	(1,644,293)	**(983,226)**	(1,677,046)
Proceeds from sale of property, plant & equipment		**5,210**	2,432	**5,210**	2,432
Net cash used in investing activities		**(195,249,477)**	(146,904,553)	**(196,869,309)**	(148,902,643)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net increase in deposits and other borrowings		**120,030,998**	(17,909,037)	**126,117,108**	(17,862,262)
Purchase (redemption) of subordinated capital notes		**5,000,000**	-	**5,000,000**	-
Net increase in amounts due to other financial institutions and other liabilities		**60,734,766**	188,691,906	**61,046,862**	189,608,332
Proceeds from share issue		**8,337,488**	803,229	**8,337,488**	803,229
Dividends paid		**(15,472,440)**	(17,124,377)	**(15,472,440)**	(17,124,377)
Net cash flows from financing activities		**178,630,812**	154,461,721	**185,029,018**	155,424,922
NET INCREASE/(DECREASE) IN CASH HELD		**5,812,829**	22,287,436	**10,815,429**	22,423,917
Cash at beginning of financial year		**72,360,247**	50,072,811	**55,470,903**	33,046,986
CASH AT END OF FINANCIAL YEAR		**78,173,076**	72,360,247	**66,286,332**	55,470,903

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 2009

MPBS = Mackay Permanent Building Society Ltd

CONSOLIDATED	Share Capital Ordinary $	Retained Profits $	Asset Revaluation Reserve $	General Reserve $	Statutory Reserve $	Doubtful Debts Reserve $	Minority Interests $	Total $
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**
Balance at 01 July 2008	105,930,517	19,611,935	4,041,244	5,833,939	2,676,071	2,387,810	(453,528)	140,027,988
Profit attributable to members of parent company	-	17,052,761	-	-	-	-	-	17,052,761
Profit attributable to minority shareholders	-	-	-	-	-	-	17,179	17,179
Subtotal	105,930,517	36,664,696	4,041,244	5,833,939	2,676,071	2,387,810	(436,349)	157,097,928
Issue of share capital for staff share plan	904,689	-	-	-	-	-	-	904,689
Issue of share capital for dividend reinvestment plan	3,459,233	-	-	-	-	-	-	3,459,233
Issue of share capital for non-renounceable rights issue	7,912,475	-	-	-	-	-	-	7,912,475
Share issue costs	(392,855)	-	-	-	-	-	-	(392,855)
Dividends provided for or paid - ordinary shares	-	(18,931,672)	-	-	-	-	-	(18,931,672)
Increase due to revaluation increment on land and buildings	-	-	1,326,275	-	-	-	-	1,326,275
Deferred tax liability adjustment on revaluation increment on land and buildings	-	-	(397,883)	-	-	-	-	(397,883)
Balance at 30 June 2009	**117,814,059**	**17,733,024**	**4,969,636**	**5,833,939**	**2,676,071**	**2,387,810**	**(436,349)**	**150,978,190**

statement of changes in equity continued

for the year ended 30 June 2009

CHIEF ENTITY	Share Capital Ordinary $	Retained Profits $	Asset Revaluation Reserve $	General Reserve $	Statutory Reserve $	Doubtful Debts Reserve $	Minority Interests $	Total $
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**
Balance at 01 July 2008	105,930,517	17,547,310	4,041,244	5,833,939	2,676,071	2,387,810	-	138,416,891
Profit attributable to members of parent company	-	20,260,002	-	-	-	-	-	20,260,002
Subtotal	105,930,517	37,807,312	4,041,244	5,833,939	2,676,071	2,387,810	-	158,676,893
Issue of share capital for staff share plan	904,689	-	-	-	-	-	-	904,689
Issue of share capital for dividend reinvestment plan	3,459,233	-	-	-	-	-	-	3,459,233
Issue of share capital for non-renounceable rights issue	7,912,475	-	-	-	-	-	-	7,912,475
Share issue costs	(392,855)	-	-	-	-	-	-	(392,855)
Dividends provided for or paid - ordinary shares	-	(18,931,672)	-	-	-	-	-	(18,931,672)
Increase due to revaluation increment on land and buildings	-	-	1,326,275	-	-	-	-	1,326,275
Deferred tax liability adjustment on revaluation increment on land and buildings	-	-	(397,883)	-	-	-	-	(397,883)
Balance at 30 June 2009	**117,814,059**	**18,875,640**	**4,969,636**	**5,833,939**	**2,676,071**	**2,387,810**	**-**	**152,557,155**

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 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 asset's 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.

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 continued 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.

The operations of Mortgage Risk Managment have been scaled back in the financial year commencing 01 July 2009. The society will continue to insure the majority of residential mortgage loans approved with Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders' Mortgage Insurance Limited.

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, secured commercial loans and relevant non recoverable amounts.

o) New standards and interpretations not yet adopted

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the group follows:

AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, its impact on the group will be unable to be determined.

The following changes to accounting requirements are included:

- acquisition costs incurred in a business combination will no longer be recognised in goodwill but will be expensed unless the cost relates to issuing debt or equity securities;

- contingent consideration will be measured at fair value at the acquisition date and may only be provisionally accounted for during a period of 12 months after acquisition;
- a gain or loss of control will require the previous ownership interests to be remeasured to their fair value;
- there shall be no gain or loss from transactions affecting a parent's ownership interest of a subsidiary with all transactions required to be accounted for through equity (this will not represent a change to the group's policy);
- dividends declared out of pre-acquisition profits will not be deducted from the cost of an investment but will be recognised as income;
- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee; and
- where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of its investments at the carrying amount of its share of the equity items shown in the balance sheet of the original parent at the date of reorganisation.

The group will need to determine whether to maintain its present accounting policy of calculating goodwill acquired based on the parent entity's shares of net assets acquired or change its policy so goodwill recognised also reflects that of the non-controlling interest.

AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038] (applicable for annual reporting periods commencing from 1 January 2009). AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the group's Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result.

AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the group. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] (applicable for annual reporting periods commencing from 1 January 2009).The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the group as a policy of capitalising qualifying borrowing costs has been maintained by the group.

AASB 2008-1: Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations [AASB 2] (applicable for annual reporting periods commencing from 1 January 2009). This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

AASB 2008-2: Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation [AASB 7, AASB 101, AASB 132 & AASB 139 & Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro-rata share of net assets only upon liquidation.

AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-5) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) (AASB 2008-6) detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the group.

AASB 2008-8: Amendments to Australian Accounting Standards – Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the group.

AASB 2008-13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.

AASB Interpretation 15: Agreements for the Construction of Real Estate (applicable for annual reporting periods commencing from 1 January 2009). Under the interpretation, agreements for the construction of real estate shall be accounted for in accordance with AASB 111 where the agreement meets the definition of 'construction contract' per AASB 111 and when the significant risks and rewards of ownership of the work in progress transfer to the buyer continuously as construction progresses. Where the recognition requirements in relation to construction are satisfied but the agreement does not meet the definition of 'construction contract', revenue is to be accounted for in accordance with AASB 118. Management does not believe that this will represent a change of policy to the group.

AASB Interpretation 16: Hedges of a Net Investment in a Foreign Operation (applicable for annual reporting periods commencing from 1 October 2008). Interpretation 16 applies to entities that hedge foreign currency risk arising from net investments in foreign operations and that want to adopt hedge accounting. The interpretation provides clarifying guidance on several issues in accounting for the hedge of a net investment in a foreign operation and is not expected to impact the group.

AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The group does not anticipate early adoption of any of the above reporting requirements and does not expect these requirements to have any material effect on the group's financial statements.

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.

Details on critical estimates and judgements in respect of impairment of receivables, impairment of investments and impairment of goodwill are disclosed in Note 1 n), Note 11 and Note 15 respectively.

note 2

INTEREST REVENUE AND INTEREST EXPENSE

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

INTEREST REVENUE 2009	$ Average balance	$ Interest	% Average interest rate
Deposits with other financial institutions	**47,200,908**	**2,075,789**	**4.40**
Investment securities	**153,085,725**	**7,942,250**	**5.19**
Loans and advances	**2,095,053,750**	**154,756,342**	**7.39**
Other	**18,916,081**	**737,883**	**3.90**
	2,314,256,464	**165,512,264**	**7.15**

note 2 continued

	$ Average balance	$ Interest	% Average interest rate
BORROWING COSTS 2009			
Deposits from other financial institutions	**1,008,137,373**	**56,874,217**	**5.64**
Customer deposits	**1,193,867,105**	**59,380,871**	**4.97**
Subordinated notes	**14,375,000**	**1,070,454**	**7.45**
	2,216,379,478	**117,325,542**	**5.29**
Net interest revenue 2009		**48,186,722**	
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
BORROWING COSTS 2008			
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	

note 3

PROFIT BEFORE INCOME TAX

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

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Profit relating to mortgage insurance activities (also refer note 1.m)				
Premium revenue	**3,925,157**	3,748,777	**-**	-
Reinsurance expense (also refer note 11)	**(978,761)**	(775,413)	**-**	-
	2,946,396	2,973,364	**-**	-

note 3 continued

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Included in the profit before income tax are the following revenue items:				
Other revenue				
Dividends				
Controlled entities	**-**	-	**750,000**	2,600,000
Other corporations	**769**	430	**769**	430
Fees and commissions	**12,118,990**	10,272,338	**12,118,990**	10,272,338
Signup payment	**2,272,727**	-	**2,272,727**	-
Other revenue	**1,333,731**	1,323,172	**980,456**	822,137
	18,672,613	14,569,304	**16,122,942**	13,694,905
The profit from ordinary activities before income tax is arrived at after charging the following items:				
Other expenses				
Fees and commissions	**4,336,313**	3,124,095	**4,336,313**	3,124,095
Provisions for employee entitlements	**263,000**	249,316	**263,000**	249,316
General and administration expenses	**11,419,361**	7,921,443	**10,880,613**	7,404,989
Impairment losses (also refer note 11)	**4,866,000**	-	**-**	-
Underwriting expenses	**1,740,331**	676,483	**-**	-
	22,625,005	11,971,337	**15,479,926**	10,778,400

note 4

INCOME TAX

Major components of tax expense for the year are:

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Current income tax	**9,200,085**	6,331,701	**8,807,270**	5,328,177
Deferred income tax	**(1,122,807)**	570,138	**125,269**	643,513
Income tax reported in income statement	**8,077,278**	6,901,839	**8,932,539**	5,971,690
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% (2008 - 30%)	**7,544,166**	7,500,471	**8,757,762**	7,314,123
Tax effect of permanent differences				
Depreciation of buildings	**47,745**	37,928	**47,745**	37,928
Capital gain on sale of assets	**-**	(10,381)	**-**	(10,381)
Franked dividends	**(171,256)**	(368,359)	**(396,256)**	(968,359)
Other items - net	**118,332**	154,915	**(15,003)**	11,114
Equity accounting income	**(51,574)**	(188,230)	**(51,574)**	(188,230)
Prior period adjustment - GST	**-**	(92,888)	**-**	(92,888)
Takeover bid expenses	**-**	(18,166)	**-**	(18,166)
Overprovision for taxation in prior year	**589,865**	(113,451)	**589,865**	(113,451)
Income tax expense attributable to profit from ordinary activities	**8,077,278**	6,901,839	**8,932,539**	5,971,690

note 5

DIVIDENDS PAID

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Dividends paid during the year				
Interim for current year	**9,259,440**	7,499,339	**9,259,440**	7,499,339
Fully franked dividend on ordinary shares				
Final for previous year	**9,672,232**	9,625,038	**9,672,232**	9,625,038
Fully franked dividend on ordinary shares				
	18,931,672	17,124,377	**18,931,672**	17,124,377

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 30 cents per ordinary share ($9.373 million), for the six months to 30 June 2009, payable on 02 October 2009.

The final dividend for the six months to 30 June 2008 ($9.672 million) was paid on 03 October 2008, and was disclosed in the 2007/08 financial accounts in accordance with Accounting Standards.

The tax rate at which the dividends have been franked is 30% (2008 - 30%).

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

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Balance as at the end of the financial year	**5,313,053**	6,418,642	**5,313,053**	5,561,483
Credits that will arise from the payment of income tax payable per the financial statements	**1,997,248**	1,412,533	**1,997,248**	1,216,741
Debits that will arise from the payment of the proposed dividend	**(4,016,822)**	(4,144,586)	**(4,016,822)**	(4,144,586)
	3,293,479	3,686,589	**3,293,479**	2,633,638
Dividends - cents per share				
Dividend proposed				
Fully franked dividend on ordinary shares	**30.0**	33.0	**30.0**	33.0
Interim dividend paid during the year				
Fully franked dividend on ordinary shares	**30.0**	33.0	**30.0**	33.0
Final dividend paid for the previous year				
Fully franked dividend on ordinary shares	**33.0**	30.0	**33.0**	30.0

note 6

CASH AND CASH EQUIVALENTS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Cash on hand and at banks	**32,927,200**	25,010,247	**32,886,332**	24,970,903
Deposits on call	**45,245,876**	47,350,000	**33,400,000**	30,500,000
	78,173,076	72,360,247	**66,286,332**	55,470,903

note 7

DUE FROM OTHER FINANCIAL INSTITUTIONS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Bank term deposits	**24,204,625**	8,646,940	**24,204,625**	8,646,940
Deposits with SSP's	**3,997,062**	3,537,513	**3,997,062**	3,537,513
Subordinated loans	**124,585**	124,585	**124,585**	124,585
	28,326,272	12,309,038	**28,326,272**	12,309,038
Maturity analysis				
Up to 3 months	**13,855,400**	8,625,082	**13,855,400**	8,625,082
From 3 to 12 months	**10,349,225**	21,858	**10,349,225**	21,858
From 1 to 5 years	**-**	-	**-**	-
No maturity specified	**4,121,647**	3,662,098	**4,121,647**	3,662,098
	28,326,272	12,309,038	**28,326,272**	12,309,038

note 8

ACCRUED RECEIVABLES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Interest receivable	**1,526,769**	2,205,052	**1,526,769**	1,872,173
Securitisation receivables	**14,432,265**	10,555,289	**14,432,265**	10,555,289
Other	**7,188,253**	611,762	**938,703**	512,266
	23,147,287	13,372,103	**16,897,737**	12,939,728

note 9

FINANCIAL ASSETS AVAILABLE FOR SALE

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Bills of exchange and promissory notes	**107,684,306**	75,500,837	**107,684,306**	75,500,837
Certificates of deposit	**9,096,789**	8,151,166	**9,096,789**	8,151,166
Notes - Securitisation program & other	**9,790,109**	14,719,939	**9,790,109**	12,917,684
	126,571,204	98,371,942	**126,571,204**	96,569,687
Maturity analysis				
Up to 3 months	**105,492,618**	83,652,002	**105,492,618**	83,652,002
from 3 to 12 months	**11,288,477**	-	**11,288,477**	-
Later than 5 years	**9,790,109**	14,719,940	**9,790,109**	12,917,685
	126,571,204	98,371,942	**126,571,204**	96,569,687

note 10

LOANS AND ADVANCES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Term loans	**1,621,405,241**	1,578,097,740	**1,621,405,241**	1,578,097,740
Loan to controlled entity	**-**	-	**4,418,611**	5,338,254
Other commercial loan	**-**	-	**-**	-
Continuing credit loans	**517,795,281**	415,729,610	**517,795,281**	415,729,610
Leases receivable	**1,066,630**	2,337,669	**-**	-
	2,140,267,152	1,999,165,019	**2,143,619,133**	1,999,165,604
Provision for impairment	**(124,776)**	(195,051)	**(34,672)**	(80,136)
Total loans	**2,140,142,376**	1,995,969,968	**2,143,584,461**	1,999,085,468
Provision for impairment				
Specific provision				
Opening balance	**(195,051)**	(32,715)	**(80,136)**	(9.516)
Bad and doubtful debts provided for during the year	**70,275**	(162,336)	**45,464**	(70,620)
Total provision for impairment	**(124,776)**	(195,051)	**(34,672)**	(80,136)
Charge to profit and loss for bad and doubtful debts comprises:				
Specific provision	**70,275**	(162,336)	**45,464**	(70,620)
Bad debts recognised directly	**(68,808)**	90,070	**(42,721)**	18,777
	1,467	(72,266)	**2,743**	(51,843)
Maturity analysis				
Up to 3 months	**1,738,533**	368,062	**1,696,941**	291,890
From 3 to 12 months	**796,403**	3,320,478	**556,569**	3,039,702
From 1 to 5 years	**40,173,176**	44,848,717	**39,387,852**	42,881,497
Later than 5 years	**2,097,434,264**	1,947,432,711	**2,101,943,099**	1,952,872,379
	2,140,142,376	1,995,969,968	**2,143,584,461**	1,999,085,468

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 $790.456 million (30 June 2008 - $947.998 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 $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Unlisted shares - at Directors' valuation	**351,504**	350,158	**351,384**	376,065
Controlled entities - at cost	**-**	-	**15,921,164**	11,421,164
Investment in associate	**7,115,078**	6,944,511	**7,115,078**	6,944,511
Interest in joint venture - at cost	**15,000**	15,000	**15,000**	15,000
	7,481,582	7,309,669	**23,402,626**	18,756,740

Investment in controlled entities comprises:

Name	Country of incorporation	June 2009 %	June 2008 %	Contribution to consolidated operating profit after income tax 2009	Contribution to consolidated operating profit after income tax 2008	Investment carrying value 2009	Investment carrying value 2008
Chief entity							
Wide Bay Australia Ltd	Australia			**18,768,002**	14,611,201		
Controlled entities							
Mortgage Risk Management Pty Ltd	Australia	**100**	100	**(2,377,505)**	2,413,131	**15,920,000**	11,420,000
Wide Bay Australia Mini Lease Pty Ltd	Australia	**51**	51	**17,881**	(61,789)	**1,041**	1,041
Mackay Permanent Building Society Ltd	Australia	**100**	100	**-**	-	**-**	-
MPBS Insurance Pty Ltd	Australia	**100**	100	**(1,103)**	33,857	**2**	2
MPBS Holdings Pty Ltd	Australia	**100**	100	**(96,514)**	(34,319)	**1**	1
F.I. Software Solutions Pty Ltd	Australia	**100**	100	**-**	-	**120**	120
				(2,457,241)	2,350,880	**15,921,164**	11,421,164
Investment in associate comprises:							
Financial Technology Securities Pty Ltd	Australia	**25**	25	**742,000**	1,197,519	**7,115,078**	6,944,511
				17,052,761	18,159,600	**23,036,242**	18,365,675

The carrying amounts of unlisted shares were reassessed by the Directors as at 30 June 2009 with the reassessments being based on the projections of the current market values of the shares.

note 11 continued

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.

MRM has been restructured in light of the deterioration in credit ratings of MRM's reinsurer, Radian Guaranty Inc ("Radian") and the unavailability of a suitable alternative. Until a suitable reinsurer can be retained, the company will use Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders' Mortgage Insurance Limited as the society's preferred mortgage insurers for the bulk of future lending.

MRM has now commuted its reinsurance arrangements with Radian in return for a one-off payment of $5,472,466, which includes a refund of premiums representing unearned reinsurance premiums and a refund of a proportion of earned premiums due to no claims being made during the term of the contract.

On termination of the reinsurance agreement the unearned reinsurance expense of $4,411,756 was written off.

While restructuring MRM's operations the directors have reviewed the financial instruments which are held to maturity and held at fair value. Two actuarial experts were retained to determine the fair value of the investments. As a result, MRM has made a provision for impairment losses of $4,866,000, and in addition has incurred a realised loss of $803,415 on the sale of NAB Income Securities.

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 is no longer actively trading.

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:

	$ 2009	$ 2008
Share of associate's balance sheet:		
Current Assets	**554,494**	452,179
Non-current assets	**716,429**	661,325
Current Liabilities	**(589,330)**	(275,415)
Non-current liabilities	**-**	(98,848)
Net Assets	**681,593**	739,241
Share of associate's revenue and profit:		
Revenue	**2,948,769**	3,723,610
Profit before income tax	**837,134**	1,790,443
Adjustment of accrual	**205,417**	(84,112)
Income tax	**(300,551)**	(508,812)
Profit after income tax	**742,000**	1,197,519

note 12

PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Freehold land and buildings				
At independent valuation - June 2009	**12,655,000**	12,065,000	**12,655,000**	12,065,000
Provision for depreciation	**-**	490,850	**-**	490,850
Land and buildings - 73 Victoria St Mackay	**3,870,000**	3,909,376	**-**	-
At independent valuation - July 2009				
Provision for depreciation	**-**	156,356	**-**	-
	16,525,000	15,327,170	**12,655,000**	11,574,150
Movement in carrying amount				
Carrying amount at beginning of year	**15,327,170**	11,819,575	**11,574,150**	11,819,575
Additions	**220,572**	-	**-**	-
Revaluation increment (net)	**1,303,297**	3,792,233	**1,326,275**	-
Depreciation	**326,039**	284,638	**245,425**	245,425
Carrying amount at end of year	**16,525,000**	15,327,170	**12,655,000**	11,574,150
Plant and equipment				
At cost	**23,146,656**	22,302,768	**23,146,656**	22,302,768
Provision for depreciation	**17,494,705**	15,738,094	**17,494,705**	15,738,094
	5,651,951	6,564,674	**5,651,951**	6,564,674
Movement in carrying amount				
Carrying amount at beginning of year	**6,564,674**	5,513,953	**6,564,674**	5,508,929
Additions	**1,378,734**	1,644,293	**1,378,734**	1,677,046
Additions due to business combinations	**-**	1,433,460	**-**	1,444,078
Disposals	**449,671**	2	**449,671**	-
Depreciation	**1,841,786**	2,027,030	**1,841,786**	2,065,379
Carrying amount at end of year	**5,651,951**	6,564,674	**5,651,951**	6,564,674
	22,176,951	21,891,844	**18,306,951**	18,138,824

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 29 July 2009 by certified practising valuer, Barry Deacon AAPI of Herron Todd White.

All other land and buildings were revalued as at 30 April 2009 by independent registered valuers Jim Webb AAPI and Brad Hooper AAPI of Propell National Valuers.

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 $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Deferred income tax assets are attributable to:				
Employee leave provisions	**687,000**	608,100	**687,000**	608,100
Other provisions	**37,433**	58,516	**10,402**	24,041
Property, plant & equipment	**460,273**	467,101	**224,151**	37,137
Takeover expenses	**36,333**	54,499	**36,333**	54,499
Unrealised losses on investments	**1,459,800**	-	**-**	-
MPBS project costs	**377,834**	1,331,161	**377,834**	1,331,161
Other items	**85,640**	11,612	**35,502**	11,612
	3,144,313	2,530,989	**1,371,222**	2,066,550

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

note 14

OTHER ASSETS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Prepayments	**6,875,599**	12,280,177	**5,878,390**	6,194,486
	6,875,599	12,280,177	**5,878,390**	6,194,486

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 financial accounting for this business combination was 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 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
	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
	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
Provisional goodwill - balance at 30 June 2008	41,309,710	42,568,612

Change in the carrying amount of goodwill:
The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. During finalisation of the taxation

note 15 continued

	CONSOLIDATED $	CHIEF ENTITY $
calculations for the year ended 30 June 2008 the company identified pre-acquisition taxation underprovisions to the value of $747,400. The taxation underprovisions have been adjusted against the carrying value of goodwill on consolidation.	747,400	747,400
Goodwill - balance at 30 June 2009	42,057,110	43,316,012

Impairment testing

The cash-generating unit selected for impairment testing of goodwill was the Wide Bay Australia Ltd chief entity, as it is impractical to separate the MPBS consolidated entity from the whole economic entity.

The goodwill disclosed in the Balance Sheet at 30 June 2009 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:

i) the trading results for the financial year ending 30 June 2009 represents the cash-generating potential of the consolidated entity;
ii) 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 8%;
iii) the net present value discount rate used in the impairment testing was 4.93% which represents the cost of funds to the consolidated group at 30 June 2009.

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 9.35% over the previous 5 years.

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

note 16

DEPOSITS AND SHORT TERM BORROWINGS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Call deposits	**422,707,879**	415,475,611	**430,608,350**	417,289,972
Term deposits	**824,927,398**	711,565,220	**824,927,398**	711,565,220
	1,247,635,277	1,127,040,831	**1,255,535,748**	1,128,855,192
Maturity analysis				
On call	**422,707,879**	415,475,611	**430,608,350**	417,289,972
Up to 3 months	**317,841,462**	473,295,630	**317,841,462**	473,295,630
From 3 to 12 months	**473,662,125**	231,556,716	**473,662,125**	231,556,716
From 1 to 5 years	**33,423,811**	6,712,874	**33,423,811**	6,712,874
	1,247,635,277	1,127,040,831	**1,255,535,748**	1,128,855,192

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 $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Secured loans	**214,763,918**	389,486	**214,686,528**	-
Maturity analysis				
From 3 to 12 months	**214,763,918**	-	**214,686,528**	-
From 1 to 5 years	**-**	389,486	**-**	-
	214,763,918	389,486	**214,686,528**	-

The loans to the chief entity are secured by charges held over internally securitised registered mortgage documents. The carrying amount of these mortgages is $242,800,000.

note 18

PAYABLES AND OTHER LIABILITIES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Trade creditors	**5,327,155**	6,792,795	**5,327,155**	6,792,795
Accrued interest payable	**13,699,077**	12,323,757	**13,699,077**	12,323,757
Other creditors	**13,911,754**	10,877,826	**9,210,278**	5,918,510
	32,937,986	29,994,378	**28,236,510**	25,035,062
Maturity analysis				
Up to 3 months	**24,670,556**	25,832,535	**19,969,080**	20,873,219
From 3 to 12 months	**7,692,793**	4,048,249	**7,692,793**	4,048,249
From 1 to 5 years	**574,637**	113,594	**574,637**	113,594
	32,937,986	29,994,378	**28,236,510**	25,035,062

note 19

DEFERRED INCOME TAX LIABILITIES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Provision for taxation	**2,179,745**	(1,020,949)	**2,085,549**	(1,216,741)
Deferred income tax liabilities are attributable to:				
Asset revaluation reserve	**2,622,912**	1,731,962	**2,129,844**	1,731,962
Prepayments	**426,103**	298,317	**426,103**	298,317
Equity accounting revenue	**222,600**	188,230	**222,600**	188,230
Accrued interest	**217,569**	182,114	**217,569**	182,114
Land and buildings	**-**	493,068	**-**	-
Goodwill on acquisition adjustment	**-**	20,270	**-**	20,270
	3,489,184	2,913,961	**2,996,116**	2,420,893
	5,668,929	1,893,012	**5,081,665**	1,204,152

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

note 20

PROVISIONS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Employee entitlements				
Balance at beginning of year	**2,027,000**	1,649,949	**2,027,000**	1,649,949
Annual leave and long service leave provided for during the year	**263,000**	377,051	**263,000**	377,051
Balance at end of year	**2,290,000**	2,027,000	**2,290,000**	2,027,000
Unearned direct premiums and outstanding claims				
Balance at beginning of year	**7,771,253**	7,655,692	**-**	-
Transfers to the provision during the year	**4,510,471**	4,226,431	**-**	-
Payments from the provision during the year	**4,013,855**	4,110,870	**-**	-
Balance at end of year	**8,267,869**	7,771,253	**-**	-

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.

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Other provisions	**97,855**	563,940	**97,855**	563,940
Total provisions	**10,655,724**	10,362,193	**2,387,855**	2,590,940

note 21

SUBORDINATED CAPITAL NOTES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Inscribed debenture stock	**25,000,000**	20,000,000	**25,000,000**	20,000,000
Maturity analysis				
Up to 3 months	**25,000,000**	20,000,000	**25,000,000**	20,000,000

note 22

CONTRIBUTED EQUITY

	SHARES JUNE 2009 No.	SHARES JUNE 2009 $	SHARES JUNE 2008 No.	SHARES JUNE 2008 $
Fully paid ordinary shares				
All ordinary shares have equal voting, dividend and capital repayment rights.				
Balance at beginning of year	**29,305,155**	**105,930,517**	24,997,798	59,620,618
Issued during the year				
Staff share plan	**124,957**	**904,689**	100,645	1,104,076
Dividend reinvestment plan	**545,839**	**3,459,233**	-	-
Non-renounceable rights issue	**1,265,996**	**7,912,475**	-	-
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	**-**	**(392,855)**	-	(32,945)
Balance at end of year	**31,241,947**	**117,814,059**	29,305,155	105,930,517

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

11 December 2008 - 124,957 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 Securities 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.

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
The total number of shares issued to employees since the inception of the staff share plan was	**2,150,355**	2,025,398	**2,150,355**	2,025,398
The total number of shares issued to employees during the financial year was	**124,957**	100,645	**124,957**	100,645
The total market value at date of issue, 11 December 2008 (03 December 2007) was	**862,203**	1,258,063	**862,203**	1,258,063
The total amount paid or payable for the shares at that date was	**904,689**	1,104,076	**904,689**	1,104,076

note 22 continued

Dividend Reinvestment Plan (DRP)

09 October 2008 - 166,622 ordinary shares were issued.

23 March 2009 - 379,217 ordinary shares were issued.

The Directors reintroduced the DRP during the financial year.

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

The shares issued under the DRP on 09 October 2008 and 23 March 2009 were issued at a discount of 2.5% and 7.5% respectively on the weighted sale price of the company's shares sold during the five trading days immediately following the Record Date.

Non-renounceable Rights Issue

31 December 2008 - 1,265,996 ordinary shares were issued.

The company undertook a non-underwritten non-renounceable rights issue of 1 new ordinary share for every 12 existing fully paid ordinary shares.

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

The shares were issued under the Rights Issue at a price of $6.25 which represented a discount of 10.7% to the closing price of the shares on 26 November 2008.

note 23

RESERVES

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Movements in reserves				
Asset revaluation reserve				
Balance at beginning of year	**4,041,244**	4,041,244	**4,041,244**	4,041,244
Increase due to revaluation increment on land and buildings	**1,326,275**	-	**1,326,275**	-
Deferred tax liability adjustment on revaluation increment on land and buildings	**(397,883)**	-	**(397,883)**	-
Balance at end of year	**4,969,636**	4,041,244	**4,969,636**	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.

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
note 23 continued				
Doubtful debts reserve				
Balance at beginning of year	**2,387,810**	1,929,283	**2,387,810**	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**	2,387,810	**2,387,810**	2,387,810
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	**15,867,456**	14,939,064	**15,867,456**	14,939,064

note 24

OUTSIDE EQUITY INTEREST

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008
Reconciliation of outside equity interest in controlled entities:		
Opening balance	**(453,528)**	(393,915)
Share of operating (profit)/loss	**17,179**	(59,613)
Closing balance	**(436,349)**	(453,528)

note 25

CASH FLOW STATEMENT

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

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Profit after tax from continuing operations	**17,069,940**	18,099,730	**20,260,002**	18,408,719
Depreciation & amortisation	**2,087,211**	2,311,668	**2,087,211**	2,310,804
Bad debts exense	**(1,467)**	72,266	**(2,743)**	(51,843)
(Profit)/Loss on disposal of non-current assets	**(5,210)**	(2,432)	**(5,210)**	(2,432)
(Increase)/Decrease in Assets				
Accrued interest on investments	**189,826**	(538,698)	**189,826**	(797,383)
Prepayments	**316,764**	(2,601,905)	**316,764**	(1,215,401)
Inventories	**25,719**	(33,924)	**25,719**	-
Sundry debtors	**(1,326,916)**	(155,059)	**1,119,389**	(165,843)
Future income tax benefit	**(613,323)**	(111,433)	**695,329**	(92,860)
note 24 continued				
Increase/(Decrease) in Liabilities				
Increase in creditors & accruals	**820,901**	703,823	**(6,296,349)**	187,344
Increase in deferred tax payable	**575,223**	568,793	**575,223**	75,725
Increase in income tax payable	**3,029,826**	(3,695,852)	**3,427,559**	(2,868,483)
Increase in employee entitlement provisions	**263,000**	113,291	**263,000**	113,291
Net cash flows from operating activities	**22,431,494**	14,730,268	**22,655,720**	15,901,638

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

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Capital expenditure commitment				
Capital expenditure contracted for within one year	**129,433**	183,594	**129,433**	183,594
Lease expenditure commitments				
Non cancellable operating leases				
Up to 1 year	**2,061,071**	2,642,436	**2,061,071**	2,642,436
From 1 to 2 years	**1,624,557**	2,265,453	**1,624,557**	2,265,453
From 2 to 5 years	**1,978,237**	3,370,682	**1,978,237**	3,370,682
Later than 5 years	**67,748**	284,637	**67,748**	284,637
Total lease expenditure	**5,731,613**	8,563,208	**5,731,613**	8,563,208

note 27

EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Employee entitlements				
The aggregate employment entitlement liability is comprised of:				
Provisions - (note 20)	**2,290,000**	2,027,000	**2,290,000**	2,027,000

	CONSOLIDATED		CHIEF ENTITY	
	$ 2009	$ 2008	$ 2009	$ 2008

note 28

CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

	$ 2009	$ 2008	$ 2009	$ 2008
Approved but undrawn loans	**78,892,808**	68,115,977	**78,892,808**	68,115,977
Approved but undrawn credit limits	**122,004,205**	95,875,476	**122,004,205**	95,875,476
	200,897,013	163,991,453	**200,897,013**	163,991,453

note 29

EARNINGS PER SHARE

	$ 2009	$ 2008
Basic earnings per share (cents per share)	**56.41**	68.02
Diluted earnings per share (cents per share)	**56.41**	68.02

Information relating to the calculation of the earnings per share is as follows:	BASIC $ 2009	BASIC $ 2008	DILUTED $ 2009	DILUTED $ 2008
Calculation of numerator				
Net profit attributable to shareholders	**17,052,761**	18,159,600	**17,052,761**	18,159,600
Less dividends paid on preference shares	**-**	-	**-**	-
Numerator	**17,052,761**	18,159,600	**17,052,761**	18,159,600
Weighted average number of shares				
Ordinary shares	**30,230,440**	26,695,797	**30,230,440**	26,695,797
Potential ordinary shares	**-**	-	**-**	-
Total weighted average ordinary shares	**30,230,440**	26,695,797	**30,230,440**	26,695,797

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:

i) Directors

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

note 30 continued

ii) Executives

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

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.

b) Key management personnel compensation

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
Remuneration for the year ended 30 June 2009				
Short term benefits				
Cash salary and fees	**2,276,873**	1,988,376	**2,276,873**	1,988,376
Cash bonus	**-**	-	**-**	-
Non-monetary	**68,212**	79,809	**68,212**	79,809
Post employment benefits				
Superannuation	**512,264**	497,664	**512,264**	497,664
Retirement benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share based payments	**-**	-	**-**	-
Other long term benefits	**-**	-	**-**	-
	2,857,349	2,565,849	**2,857,349**	2,565,849

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 into account in this note.

note 30 continued

Loans for the year ended **30 June 2009**	$ Balance 01 July 2008	$ Interest Charged	$ Write-off	**$ Balance 30 June 2009**	Number in Group 30 June 2009
Directors	(2,050,727)	68,225	-	**(2,089,791)**	3
Executives	(1,942,840)	117,720	-	**(2,003,196)**	5
Total: Key management personnel	(3,993,567)	185,945	-	**(4,092,987)**	8

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

Individuals with loans above $100,000 in reporting period	$ Balance 01 July 2008	$ Interest* Charged	$ Write-off	**$ Balance 30 June 2009**	$ Highest in period
Directors					
RE Hancock	(506,372)	-	-	**(539,549)**	(654,913)
JH Fell	(1,268,606)	53,837	-	**(1,264,712)**	(1,269,244)
FM McLeod	(275,749)	14,388	-	**(285,530)**	(300,847)
Executives					
IR Pokarier	(190,197)	7,306	-	**(470,865)**	(477,380)
WR Schafer	(685,677)	37,065	-	**(426,516)**	(677,088)
DA Hancock	(530,858)	34,103	-	**(544,102)**	(542,877)
SV Butler	(536,108)	39,246	-	**(561,713)**	(557,033)

* 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 2008	Received as Remuneration	Options Exercised	Net Change Other	**Balance 30 June 2009**
Directors					
JF Pressler	-	-	-	-	**-**
RE Hancock	1,734,075	-	-	228,668	**1,962,743**
JH Fell	405,626	-	-	11,400	**417,026**
PJ Sawyer	451,656	-	-	102,222	**553,878**
FM McLeod	103,021	-	-	8,437	**111,458**
JS Humphrey	-	-	-	30,000	**30,000**
Executives					
IR Pokarier	280,559	-	-	39,091	**319,650**
WR Schafer	17,306	-	-	(125)	**17,181**
DA Hancock	56,200	-	-	13,807	**70,007**
SV Butler	3,750	-	-	1,000	**4,750**
AR Ashton	10,187	-	-	-	**10,187**
Total	3,062,380	-	-	434,500	**3,496,880**

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 308,543 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.

	CONSOLIDATED		CHIEF ENTITY	
	$ 2009	$ 2008	**$ 2009**	$ 2008
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 non-renounceable rights issue and corporate advice (2008 - acquisition of MPBS) totalling:	**95,897**	304,147	**95,897**	304,147

note 31

REMUNERATION OF AUDITORS

	CONSOLIDATED $ 2009	CONSOLIDATED $ 2008	CHIEF ENTITY $ 2009	CHIEF ENTITY $ 2008
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	**107,316**	94,743	**107,316**	94,743
Additional costs relating to audit or review of the financial statements of the economic entity for the 2008 year	**54,644**	-	**54,644**	-
Services provided in connection with the acquisition of MPBS	**-**	49,959	**-**	49,959
Tax return subsidiaries	**4,601**	4,568	**4,601**	3,068
Tax advice	**39,440**	6,189	**39,440**	6,189
	206,001	155,459	**206,001**	153,959
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	**24,500**	23,500	**-**	-
Other services	**27,500**	9,000	**-**	-
	52,000	32,500	**-**	-
	258,001	187,959	**206,001**	153,959

note 32

EVENTS SUBSEQUENT TO BALANCE DATE

The financial statements were authorised for 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 operates principally 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.

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 2009 and 2008 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 2009 and 30 June 2008 have been prepared in accordance with the revised prudential standards incorporating the Basel II principles.

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 specific 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 specific 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 $ June 2009	CONSOLIDATED $ June 2008	CHIEF ENTITY $ June 2009	CHIEF ENTITY $ June 2008
Total risk weighted assets	**778,589,658**	687,562,493	**778,054,463**	690,587,174
Capital base	**95,109,544**	88,322,282	**95,311,786**	88,500,731
Risk-based capital ratio	**12.22%**	12.85%	**12.25%**	12.82%

note 35 continued

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 $104,237 or increase by $104,237 (2008: decrease by $2,059,085 or increase by $2,059,085). 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 42 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.

note 35 continued

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 2009	$ June 2008	**$ June 2009**	$ June 2008
Less than 30 days	**54,417,111**	48,667,207	**54,360,037**	48,579,604
30 days and less than 60 days	**20,792,313**	21,809,411	**20,790,732**	21,778,652
60 days and less than 90 days	**8,559,640**	4,628,955	**8,541,911**	4,588,319
90 days and less than 182 days	**5,411,288**	5,236,064	**5,399,733**	5,157,002
182 days and less than 273 days	**2,619,129**	1,313,644	**2,614,086**	1,269,969
273 days and less than 365 days	**173,012**	330,281	**157,124**	248,887
365 days and over	**1,828,595**	550,594	**1,758,849**	500,341
	93,801,088	82,536,156	**93,622,472**	82,122,774

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 Instruments	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 4.96% (2008 - 7.36%)
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 5.61% (2008 - 7.69%)
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 5.51% (2008 - 8.10%)
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 5.30% (2008 - 9.05%)
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 2009 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:

	$ 2009	$ 2008
WB Trust No.3	**5,993,239**	154,213
WB Trust 2008-1	**2,079,691**	-
WB Trust 2006-1	**992,466**	99,713
WB Trust 2005-1	**682,932**	148,297
WB Trust 2004-1	**559,860**	94,922
WB Trust 2003-1	**-**	22,141

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 1 year or less		Fixed interest rate maturing in from 1 to 5 years		Non interest bearing		Total carrying amount per balance sheet		Weighted average effective interest rate	
	$ 2009	$ 2008	$ 2009	$ 2008	$ 2009	$ 2008	$ 2009	$ 2008	$ 2009	$ 2008	% 2009	% 2008
Financial assets												
Cash and cash equivalents	**70,460,569**	66,842,826	**-**	-	**-**	-	**7,712,507**	5,517,421	**78,173,076**	72,360,247	4.98	7.40
Due from other financial institutions	**4,026,647**	3,567,098	**24,204,625**	8,646,940	**-**	-	**95,000**	95,000	**28,326,272**	12,309,038	4.56	6.74
Accrued receivables	**-**	-	**-**	-	**-**	-	**23,103,149**	13,301,322	**23,103,149**	13,301,322	-	-
Investment securities	**8,790,109**	10,917,685	**116,781,095**	83,652,002	**1,000,000**	3,802,255	**-**	-	**126,571,204**	98,371,942	5.53	7.64
Loans and advances	**1,715,988,676**	1,368,218,000	**220,171,200**	160,518,102	**204,107,276**	467,428,917	**-**	-	**2,140,267,152**	1,996,165,019	7.45	8.72
Other investments	**-**	-	**-**	-	**-**	-	**6,247,364**	6,075,450	**6,247,364**	6,075,450	-	-
Other assets	**-**	-	**-**	-	**-**	-	**5,877,722**	6,194,486	**5,877,722**	6,194,486	-	-
Total financial assets	**1,799,266,001**	1,449,545,609	**361,156,920**	252,817,044	**205,107,276**	471,231,172	**43,035,742**	31,183,679	**2,408,565,939**	2,204,777,504		
Financial liabilities												
Deposits and short term borrowings	**420,747,975**	414,637,266	**793,463,491**	705,690,691	**33,423,811**	6,712,874	**-**	-	**1,247,635,277**	1,127,040,831	4.99	5.38
Due to other financial institutions	**-**	-	**144,191,795**	-	**77,391**	389,486	**-**	-	**144,269,186**	389,486	4.74	6.58
Payables and other liabilities	**-**	-	**-**	-	**-**	-	**32,937,986**	29,994,378	**32,937,986**	29,994,378	-	-
Securitised loans	**633,758,785**	649,779,773	**81,314,891**	76,231,577	**75,382,070**	221,986,449	**-**	-	**790,455,746**	947,997,799	5.92	7.45
Provisions	**-**	-	**-**	-	**-**	-	**10,655,724**	10,362,193	**10,655,724**	10,362,193	-	-
Subordinated capital notes	**-**	-	**25,000,000**	20,000,000	**-**	-	**-**	-	**25,000,000**	20,000,000	6.94	8.81
Total financial liabilities	**1,054,506,760**	1,064,417,039	**1,043,970,177**	801,922,268	**108,883,272**	229,088,809	**43,593,710**	40,356,571	**2,250,953,919**	2,135,784,687		

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	
	$ 2009	$ 2008	**$ 2009**	$ 2008
Financial assets				
Cash and cash equivalents	**78,173,076**	72,360,247	**78,173,076**	72,360,247
Due from other financial institutions	**28,326,272**	12,309,038	**28,417,039**	12,341,464
Accrued receivables	**23,103,149**	13,301,322	**23,103,149**	13,301,322
Investment securities	**126,571,204**	98,371,942	**127,890,109**	99,719,939
Loans and advances	**2,140,267,152**	1,996,165,019	**2,144,919,806**	2,005,531,254
Other investments	**6,247,364**	6,075,450	**6,247,364**	6,075,450
Other assets	**5,877,722**	6,194,486	**5,877,722**	6,194,486
Total financial assets	**2,408,565,939**	2,204,777,504	**2,414,628,265**	2,215,524,162
Financial liabilities				
Deposits and short term borrowings	**1,247,635,277**	1,127,040,831	**1,244,033,092**	1,124,268,625
Due to other financial institutions	**144,269,186**	389,486	**143,727,015**	382,183
Payables and other liabilities	**32,937,986**	29,994,378	**32,937,986**	29,994,378
Securitised loans	**790,455,746**	947,997,799	**792,174,091**	952,445,913
Provisions	**10,655,724**	10,362,193	**10,655,724**	10,362,193
Subordinated capital notes	**25,000,000**	20,000,000	**25,000,000**	20,000,000
Total financial liabilities	**2,250,953,919**	2,135,784,687	**2,248,527,908**	2,137,453,292

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.

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:

b) i) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2009 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) 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 2009.

Signed in accordance with a resolution of the Directors.

R E Hancock AM
Managing Director

J F Pressler OAM
Director

1 September 2009
Bundaberg

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

for the year ended 30 June 2009

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 2009, 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 31 August 2009, would be in the same terms if provided to the Directors as at the date of this Auditor's 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 2009 and of their performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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 51 to 54 for the financial year ended 30 June 2009.

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

Auditor's Opinion

In our opinion the Remuneration Report of Wide Bay Australia Ltd for the financial year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

Bentleys | Martin Power

Bentleys
Brisbane Partnership

P M Power
Partner

7 September 2009
Brisbane

directors' statutory report

Review and Results of Operations

The consolidated net profit after income tax for the year was $17,052,761. This compares with a figure of $18,159,600 from last year. Total assets and funds under management now total $2,478,095,770 representing an increase of 8.79%. Loans approved for the year totalled $531,485,852.

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.

During 2008/2009, the society continued 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, ("MRM") a registered lenders' mortgage insurer.

As a result of restructuring MRM, due to the unavailability of an acceptable reinsurer, the society will in future retain Genworth Financial Mortgage Insurance Pty Limited and QBE Lenders' Mortgage Insurance Limited to insure the bulk of new loans, with MRM continuing to operate at a reduced level.

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

The number of full time equivalent employees at 30 June 2009 was 232.

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 2009 was 12.22%.

Likely Developments

The society is forecasting a strong result for 2009/2010 with a profit increase in the range of 15% to 20%.

Business Strategies & Prospects for Future Financial Years

The society continues to focus on residential lending primarily through its own branches, and to a limited extent, broker introduced loans.

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 30 cents per ordinary share was paid on 23 March 2009 (20 March 2008 - 33 cents).
- A final fully franked dividend of 30 cents per ordinary share has been declared by the Directors and will be paid on 2 October 2009 (3 October 2008 - 33 cents).

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. Mr Fell is an independent Director and is aged 59.

Mr Ronald E Hancock AM, 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 Director of Mortgage Risk Management Pty Ltd and Financial Technology Securities Pty Ltd. Mr Hancock is an executive Director and is aged 67.

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 54.

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. Mrs McLeod is an executive Director and is aged 51.

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 and Gladstone. 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 59.

The abovenamed Directors held office during the whole of the financial year.

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, 17 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	17	16	6	6	1	1
JH Fell	17	16	6	6	n/a	n/a
RE Hancock	17	16	6	6*	1	1
JS Humphrey	17	16	6	6	n/a	n/a
FM McLeod	17	17	6	6*	n/a	n/a
PJ Sawyer	17	16	6	6	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
JH Fell	417,026
RE Hancock	1,962,743
JS Humphrey	30,000
FM McLeod	111,458
PJ Sawyer	553,878

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 308,543 shares. Mr Pressler does not have a controlling interest in Hestearn Pty Ltd.

Related Party Disclosure

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 conditions no more favourable than those available to other suppliers.

	$ 2009	$ 2008
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 non-renounceable rights issue and corporate advice (2008 - acquisition of MPBS) totalling:	**95,897**	304,147

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.

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	2008/09	1,014,798		19,800	100,000					1,134,598
Managing Director	2007/08	893,495		21,041	100,000					1,014,536
McLeod, FM	2008/09	237,192		4,879	54,706					296,777
Director & Chief Operating Officer	2007/08	202,999		6,017	50,000					259,016
Pressler, JF	2008/09	66,312			40,000					106,312
Chairman (non-exec)	2007/08	66,700			34,550					101,250
Sawyer, PJ	2008/09				78,750					78,750
Director (non-exec)	2007/08				75,000					75,000
Fell, JH	2008/09	20,000			58,750					78,750
Director (non-exec)	2007/08	20,000			55,000					75,000
Humphrey, JS	2008/09	63,000			15,750					78,750
Director (non-exec)	2007/08	21,863			5,466					27,329
Total Remuneration - Specified Directors										
	2008/09	1,401,302		24,679	347,956					1,773,937
	2007/08	1,205,057		27,058	320,016					1,552,131

Remuneration Report continued

		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		
		$	$	$	$	$	$	$	$	$
Other Key Management Personnel										
Pokarier, IR	2008/09	219,008		4,849	91,952					315,809
Operations Manager	2007/08	179,444		6,077	105,555					291,076
Schafer, WR	2008/09	256,819		9,464	13,744					280,027
Chief Financial Officer	2007/08	231,336		15,152	14,629					261,117
Butler, SV	2008/09	146,306		12,405	13,744					172,455
Loans Manager	2006/07	138,863		14,655	13,541					167,059
Hancock, DA	2008/09	150,076		16,815	13,744					180,635
Manager - Structured Finance, Products and Interstate Operations	2007/08	133,513		16,867	13,087					163,467
Ashton, AR	2008/09	103,362			31,124					134,486
Internal Auditor	2007/08	100,163			30,836					130,999
Total Remuneration - Specified Executives										
	2008/09	875,571		43,533	164,308					1,083,412
	2007/08	783,319		52,751	177,648					1,013,718

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.

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 2009, 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 Ethical Standards 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:

	$ 2009	$ 2008
Services provided in connection with the acquisition of MPBS	-	49,959
Tax Return Subsidiaries	**4,601**	4,568
Tax Advice	**39,440**	6,189
Total	**44,041**	60,716

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 2009 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

Bentleys
Brisbane Partnership

31 August 2009
Brisbane

Martin Power

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 AM
Managing Director

1 September 2009
Bundaberg

J F Pressler OAM
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 Securities 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	28 years in office
John Humphrey	1 year and 6 months in office
John Pressler	21 years in office
Peter Sawyer	22 years in office

The majority of independent non-executive Directors have many years of service and with their 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	30 years in office
Frances McLeod	6 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 Securities Exchange under the code "WBB". The securities are permanent ordinary shares and at the date of this Report there were 31,241,947 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

14 September 2009	No. of Shares	% of Total
Hancock, R E	1,962,743	6.28
Drenwood Pty Ltd / Skipglen Pty Ltd (associated entities & associates)	1,276,910	4.09

Distribution of Shareholders

Permanent Ordinary Shares

14 September 2009

Range	No. of Shareholders
1 - 1,000	1,324
1,001 - 5,000	1,953
5,001 - 10,000	490
10,001 - 100,000	453
100,001 - over	52
Total number of shareholders	4,271

43 shareholders held less than a marketable parcel.

List of Top 20 Permanent Shareholders

Permanent Ordinary Shares

14 September 2009

	Name	No. of Shares	%
1	Hancock, RE	992,385	3.18
2	Hancock, RE & LP	927,723	2.97
3	Drenwood Pty Ltd	517,972	1.66
4	Skipglen Pty Ltd	499,953	1.60
5	Sawyer, K	462,719	1.48
6	RBC Dexia Investor Services Australia Nominees Pty Limited (BKCust A/c)	413,573	1.32
7	Sprake, BR & CL ATF RG Sprake & Co Super A/c	400,116	1.28
8	Sawyer, PJ ATF P Sawyer Family A/c	381,851	1.22
9	Olsen, RC	330,520	1.06
10	Wealthcoach Pty Ltd (Sunrise A/c)	310,000	0.99
11	McBride, KG & PA	309,712	0.99
12	Hestearn Pty Ltd	308,543	0.99
13	Mertan Pty Ltd	308,236	0.99
14	Milton Corporation Limited	305,425	0.98
15	Cran, D	264,074	0.85
16	Drenwood Pty Ltd (Protection A/c)	258,985	0.83
17	Cockerill, GD & DM ATF Graham Cockerill Super Fund A/c	255,386	0.82
18	Emmerton DR & CA ATF Warambul Superannuation A/c	225,322	0.72
19	Kennedy, JW & GJ	222,853	0.71
20	Messer, GF & SU ATF G Messer Super Fund A/c	217,344	0.70
	Top 20 Permanent Shareholders	**7,912,692**	**25.34**

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 register of holders of Permanent Ordinary shares is 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.

our corporate directory

Directors

John F Pressler OAM FAICD FIFS (Chairman)
Ronald E (Ron) Hancock AM 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 Securities 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) 3237 2152
email brisbane.services@computershare.com.au

branch directory

QUEENSLAND

Bundaberg & Burnett

- **Head Office**
  Wide Bay Australia House
  16-20 Barolin Street, **Bundaberg CBD** Q 4670
  PO box 1063, Bundaberg Q 4670
  phone (07) 4150 4000 fax (07) 4152 3499
- 124 Bourbong Street, **Bundaberg CBD** Q 4670
  phone (07) 4150 4220 fax (07) 4151 0701
- shop 63 Hinkler Central
  Maryborough Street, **Bundaberg CBD** Q 4670
  phone (07) 4150 4900 fax (07) 4152 0823
- shop 321 Sugarland Shoppingtown
  Takalvan Street, **Bundaberg West** Q 4670
  phone (07) 4150 4800 fax (07) 4151 3892
- shop 3 Bargara Beach Plaza
  See Street, **Bargara** Q 4670
  PO box 8110, Bargara Q 4670
  phone (07) 4158 9400 fax (07) 4159 0288
- Mellors P/L ***full service agency***
  28 Capper Street, **Gayndah** Q 4625
  phone (07) 4161 1738
- Monto Retravision ***full service agency***
  54 Newton Street, **Monto** Q 4630
  phone (07) 4166 1436 fax (07) 4166 1263

Cairns

- shop 122 Stockland Cairns
  537 Mulgrave Road, **Earlville** Q 4870
  PO box 51, Earlville Q 4870
  phone (07) 4032 8500 fax (07) 4054 7082
- shop 16B Redlynch Central Shopping Centre
  cnr Larsen & Redlynch Connector Road,
  Redlynch Q 4870
  PO box 244, Redlynch Q 4870
  phone (07) 4032 8800 fax (07) 4039 4601

Townsville

- shop 1A Centro Townsville
  cnr Nathan Street & Ross River Road,
  Cranbrook Q 4814
  PO box 610, Aitkenvale BC Q 4814
  phone (07) 4755 7001 fax (07) 4775 6244

Whitsundays

- shop 1 Deicke Arcade
  Main Street, **Proserpine** Q 4800
  PO box 426, Proserpine Q 4800
  phone (07) 4964 6500 fax (07) 4945 2138

Central Highlands & Coalfields

- McDonnell Hume Partners ***full service agency***
  Wide Bay Australia House
  50 Borilla Street, **Emerald** Q 4720
  PO box 787, Emerald Qld 4720
  phone (07) 4987 8200 fax (07) 4987 7284
- Moranbah Fair Shopping Centre
  St Francis Drive, **Moranbah** Q 4744
  PO box 237, Moranbah Q 4744
  phone (07) 4967 9500 fax (07) 4941 7378

Mackay & Sarina

- Wide Bay Australia House
  73 Victoria Street, **Mackay CBD** Q 4740
  PO box 508, Mackay Q 4740
  phone (07) 4953 7600 fax (07) 4953 2467
- shop 2127 Caneland Central
  cnr Victoria Street & Mangrove Road,
  Mackay CBD Q 4740
  phone (07) 4953 7200 fax (07) 4951 1958
- Macrossan & Amiet Solicitors ***full service agency***
  55 Gordon Street, **Mackay CBD** Q 4740
  phone (07) 4953 2666 fax (07) 4944 2082
  Hoss Pty Ltd acts as Wide Bay Australia's Agent under Corporate Authorised Representative No. 310799
- shop 146B
  Mt Pleasant Greenfields Shopping Centre
  cnr Phillip Street & Bucasia Road,
  Mt Pleasant Q 4740
  phone (07) 4965 4500 fax (07) 4942 0188
- Fourways Plaza
  Nebo Road, **West Mackay** Q 4740
  PO box 6080, West Mackay Q 4740
  phone (07) 4953 7800 fax (07) 4951 4581
- shop 4 Sarina Beach Road Shopping Centre
  Sarina Beach Road, **Sarina** Q 4737
  phone (07) 4967 8900 fax (07) 4943 1409
- Calen Electrical Sales & Service ***agency***
  new accounts, deposits and withdrawals only
  18 McIntyre Street, **Calen** Q 4798
  phone (07) 4958 8400

Rockhampton & Capricorn Coast

- shop 24 Allenstown Plaza
  Canning Street, **Allenstown** Q 4700
  PO box 8439, Allenstown Q 4700
  phone (07) 4999 4600 fax (07) 4922 8566
- shop 83 Stockland Rockhampton
  Yaamba Road, **North Rockhampton** Q 4701
  PO box 3201, North Rockhampton Q 4701
  phone (07) 4923 4400 fax (07) 4928 1050
- 6 James Street, **Yeppoon** Q 4703
  PO box 758, Yeppoon Q 4703
  phone (07) 4925 5000 fax (07) 4939 1077

Gladstone & Tannum Sands

- 78 Goondoon Street, **Gladstone CBD** Q 4680
  PO box 518, Gladstone Q 4680
  phone (07) 4977 8000 fax (07) 4972 2130
- shop 19 Stockland Gladstone
  Phillip Street, **Kin Kora** Q 4680
  phone (07) 4977 9000 fax (07) 4978 6974
- shop 7 Tannum Central
  101 Hampton Drive, **Tannum Sands** Q 4680
  PO box 3003, Tannum Sands Q 4680
  phone (07) 4971 9100 fax (07) 4973 7072

Fraser Coast

- 230 Adelaide Street, **Maryborough** Q 4650
  PO box 147, Maryborough Q 4650
  phone (07) 4122 7300 fax (07) 4123 3526
- shop 33 Station Square Shopping Plaza
  cnr Alice & Lennox Street,
  Maryborough Q 4650
  phone (07) 4122 7100 fax (07) 4121 0882
- 5 Torquay Road, **Pialba** Q 4655
  phone (07) 4197 3000 fax (07) 4124 6182
- Urangan Central Shop 2A
  cnr Boat Harbour Drive & Elizabeth Street,
  Urangan Q 4655
  phone (07) 4197 2100 fax (07) 4125 5678

Gympie

- 102 Mary Street, **Gympie** Q 4570
  PO box 393, Gympie Q 4570
  phone (07) 5489 6100 fax (07) 5482 1835
- shop 38 Centro Gympie
  Bruce Highway, **Gympie** Q 4570
  phone (07) 5489 6300 fax (07) 5482 4008
- shop 14 Goldfields Plaza
  Monklands Street, **Gympie** Q 4570
  phone (07) 5489 6200 fax (07) 5482 7122

Sunshine Coast

- shop 1/1 Emerald Street, **Cooroy** Q 4563
  phone (07) 5454 9300 fax (07) 5447 7822
- 94 Poinciana Avenue, **Tewantin** Q 4565
  PO box 998, Tewantin Q 4565
  phone (07) 5440 6400 fax (07) 5474 3133
- shop 1064 Noosa Civic Mall
  28 Eenie Creek Road, **Noosaville** Q 4566
  phone (07) 5473 3300 fax (07) 5449 2430
- shop 12 Nambour Central Mall
  Lowe Street, **Nambour** Q 4560
  phone (07) 5459 2000 fax (07) 5476 2699
- shop 2 Ryan's Plaza
  cnr Ocean Street & Horton Parade,
  Maroochydore Q 4558
  PO box 592, Maroochydore Q 4558
  phone (07) 5409 3100 fax (07) 5443 9225
- shop 1 Caloundra City Centre
  cnr Bulcock & Minchinton Streets,
  Caloundra Q 4551
  PO box 781, Caloundra Q 4551
  phone (07) 5413 3200 fax (07) 5491 7827

South East

- suite 1, 156 Morayfield Road,
  Morayfield, Caboolture Q 4506
  PO box 25, Morayfield Q 4506
  phone (07) 5431 8100 fax (07) 5495 3801
- Home Loan & Investment Centre
  shop 3 Wide Bay Australia House
  1957-1961 Logan Road,
  Upper Mount Gravatt Q 4122
  PO box 6042, Upper Mount Gravatt Q 4122
  phone (07) 3828 7700 fax (07) 3349 2253
- tenancy L509, level 4
  Robina Town Centre Drive,
  Robina Town Centre, Gold Coast Q 4230
  PO box 4845, Robina Town Centre Q 4230
  phone (07) 5656 5200 fax (07) 5580 9785

NEW SOUTH WALES

- Home Loan & Investment Centre
  1/3 Horwood Place,
  Parramatta, Sydney NSW 2124
  PO box 1077, Parramatta NSW 2124
  phone (02) 8841 2200 fax (02) 9635 9855

VICTORIA

- Home Loan & Investment Centre
  3/1414 Toorak Road, **Camberwell**,
  Melbourne VIC 3124
  PO box 564, Burwood VIC 3125
  phone (03) 8855 4700 fax (03) 9809 4055

SOUTH AUSTRALIA *loans only*

- Pioneer Court
  cnr Main North Road & the Grove Way,
  Salisbury Heights, Adelaide SA 5109
  phone (08) 8283 0699 fax (08) 8283 0799

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Citibank Pty Limited ABN 88 004 325 080 AFSL 238098 + Australian Postal Corporation ABN 28 864 970 579 + BPAY Pty Ltd ABN 69 079 137 518
Financial Technology Securities Pty Ltd ABN 48 097 317 069 AFSL 300219

wide bay
AUSTRALIA LTD
banking your way

ABN 40 087 652 060 AFSLN 239686

Head Office / Wide Bay Australia House / 16-20 Barolin Street
PO Box 1063 / Bundaberg / Queensland 4670

telephone 07 4150 4000 / facsimile 07 4152 3499
email widebay@widebayaust.com.au

click www.widebayaust.com.au

call 1300 wide bay
business hours 9 4 3 3 2 2

real people
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real strength!