wide bay
AUSTRALIA LTD
banking your way

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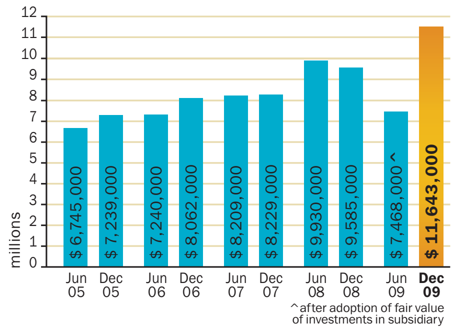
wide bay australia LTD
2009 » 2010 half yearly report

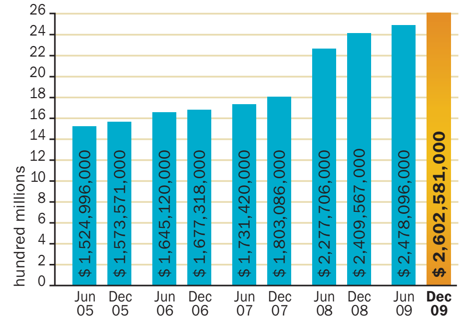
local people, local solutions!

six monthly after-tax profit

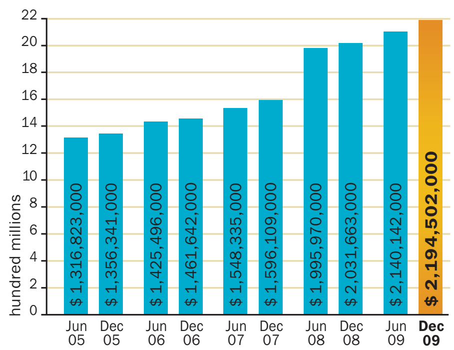


^after adoption of fair value of investments in subsidiary

assets + loans under management

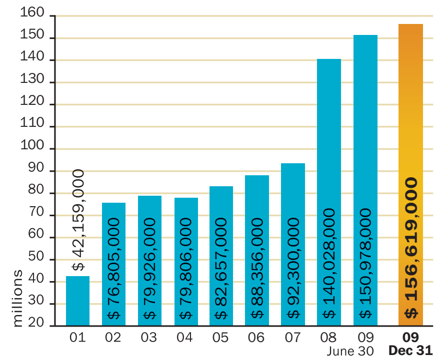


loans portfolio



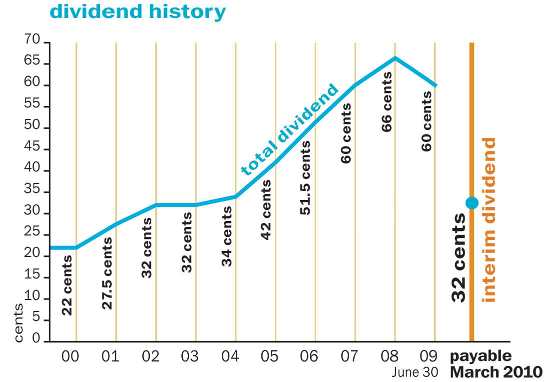
shareholders' equity

share capital and accumulated reserves



share price history

dividend history



directors' report

for the half year ended 31 December 2009

We are pleased to report that the past six months have seen Wide Bay Australia Ltd achieve a strong performance with a consolidated after-tax profit of $11.643 million - an increase of 21.47% over the corresponding period of last year.

This result is in keeping with profit guidance and represents an annualised return of 14.87% on equity and 0.92% on average assets. Assets increased by 5.02% to $2.603 billion since June 30, 2009.

Capital as at 31 December 2009 was 11.96% with tier 1 at 9.57%.

The operating margin at 31 December 2009 was 2.29%.

Our lending for the half-year was consistent with the corresponding period of last year at $200 million compared with $209 million. Outstanding loans grew by 2.5% for the six months to $2.195 billion. With the reduction of the First Home Owner Grant Boost in September and complete withdrawal in December, lending slowed in the last quarter however we are now experiencing an upward trend. Over the coming months Wide Bay Australia will supplement our lending program by expanding the use of brokers where we do not have retail presence.

Included in the bad and doubtful debts expense of $425,000 is a write-off and provisioning of $398,075 which relates directly to a company which provided general leasing services in which Wide Bay Australia holds a 51% interest. This company is currently being wound down and is expected to be fully wound-up within two years.

Wide Bay, the Chief Entity, had a provision for bad and doubtful debts expense of $25,813.

Apart from some personal loans that were acquired with the acquisition of Mackay Permanent Building Society Limited, Wide Bay Australia does not actively participate in unsecured commercial loans or personal loans and has never been involved in sub-prime or low-doc lending, with all residential loans being mortgage insured.

A feature of our performance over the past six months has been the cost-to-income ratio which has significantly improved to 53.2% from 58.1% for the corresponding period in 2008/2009.

Mortgage Risk Management Pty Ltd (MRM), Wide Bay Australia's wholly owned captive mortgage insurer has contributed significantly to the operations, producing an after-tax profit for the six month period of $1.627 million. MRM results include a write-back of a previous provision for fair-value of investments of $113,925.

Arrears at 31 December 2009 were at a strong position with the loan book performing well and Wide Bay Australia's management playing an active role in arrears collections.

Wide Bay Australia continues to maintain its "BBB- stable" rating with Standard and Poors. »

at a glance summary

six months ended 31 December 2009

- **» profit after tax**
  $11,643,000
  21.47 per cent increase over previous corresponding period
- **» interim dividend**
  32 cents per share
  (to be paid 26 March 2010)
- **» assets + loans under management**
  $2,602,581,000
- **» lending for six months**
  $200,346,000
- **» closing share price**
  $11.25 (17 February 2009)

During the year funding has been provided for the operations from both growth in retail deposits and also wholesale funding. Wide Bay Australia successfully completed a A$433 million Public RMBS securitisation program in July which incorporated a cornerstone investment from the Australian Office of Financial Management (AOFM), as well as strong support from money market investors.

We continue to have in place a structure for the use of the Reserve Bank's 'Repo' facility. Funding from this facility has not been increased during the period.

Wide Bay Australia's branch and agency network of 42 branches in Queensland, one in Melbourne and one in Sydney, continues to contribute to our success both through retail deposits and lending. The Queensland branches are located in strategic locations along the Queensland coast and are well positioned to participate in the strong growth of the Queensland resource sector.

Your Board is confident of the continued performance of Wide Bay Australia for the 2010 financial year and has issued profit guidance to the ASX that, barring unforeseen circumstances, the overall profit after tax for the 2010 financial year is expected to show an increase of approximately 30% over that achieved in the 2009 financial year.

We have declared a fully franked interim dividend of 32 cents a share, which will be paid on 26 March 2010. Your Directors have resolved to retain the discount on the Dividend Reinvestment Plan at 7.5% for this dividend.

With the increase in interest rates and the withdrawal of the First Home Owner Grant Boost, we anticipate increasing competition in the market for both retail deposits and residential lending, but are confident of a successful year ahead.

The Board of Directors extends our appreciation, particularly to the Management team and to all of our staff for their contribution throughout the period and to Wide Bay Australia's customers and shareholders for your continued support.

John Humphrey
Chairman

Ron Hancock AM
Managing Director

19 February 2010 - Bundaberg

your board

John Humphrey
LLB
Chairman

Ron Hancock AM
FCA FAICD FIFS
Managing Director

John Fell
FCA FAICD FIFS
Director

Frances McLeod
MAICD FIFS
Executive Director

John Pressler OAM
FAICD FIFS
Director

Peter Sawyer
FCA FAICD FIFS
Director

condensed consolidated statement of comprehensive income

for the six months ended 31 December 2009

	Consolidated	
	6 months to 31/12/2009 $000's	6 months to 31/12/2008 $000's
Interest revenue	**74,962**	93,479
Finance costs	**48,071**	68,692
Net interest revenue	**26,891**	24,787
Non interest revenue	**8,439**	8,130
Total operating income	**35,330**	32,917
Bad and doubtful debts expense	**425**	(41)
Other expenses	**18,370**	19,161
Profit before income tax	**16,535**	13,797
Income tax expense	**4,905**	4,230
Profit from continuing operations	**11,630**	9,567
Profit attributable to non-controlling interest	**13**	(18)
Profit attributable to owners of the company	**11,643**	9,585
Basic earnings per share (cents per share)	**37.08**	32.60
Diluted earnings per share (cents per share)	**37.08**	32.60

condensed consolidated statement of financial position

as at 31 December 2009

	Consolidated	
	as at 31/12/2009 $000's	as at 30/06/2009 $000's
Assets		
Cash and cash equivalents	**98,334**	78,173
Due from other financial institutions	**72,406**	28,326
Accrued receivables	**5,453**	23,147
Financial assets available for sale	**153,039**	126,571
Loans and advances	**2,194,502**	2,140,143
Other investments	**7,544**	7,482
Property, plant and equipment	**21,319**	22,177
Deferred income tax assets	**3,085**	3,144
Other assets	**4,842**	6,876
Goodwill	**42,057**	42,057
Total assets	**2,602,581**	2,478,096
Liabilities		
Deposits and short term borrowings	**1,283,709**	1,247,635
Due to other financial institutions	**291,713**	214,764
Payables and other liabilities	**17,411**	32,938
Securitised loans	**810,870**	790,456
Income tax payable	**3,260**	2,180
Deferred income tax liabilities	**3,515**	3,489
Provisions	**10,484**	10,656
Subordinated capital notes	**25,000**	25,000
Total liabilities	**2,445,962**	2,327,118
Net assets	**156,619**	150,978
Equity		
Parent entity interest in equity		
Contributed equity	**121,203**	117,814
Reserves	**15,867**	15,867
Retained profits	**19,998**	17,733
Total parent entity interest in equity	**157,068**	151,414
Non-controlling equity interest		
Contributed equity	**1**	1
Retained profits	**(450)**	(437)
Total outside equity interest	**(449)**	(436)
Total equity	**156,619**	150,978

condensed consolidated statement of cash flows

for the six months ended 31 December 2009

	Consolidated	
	6 months to 31/12/2009 $000's	6 months to 31/12/2008 $000's
Cash flows from operating activities		
Interest received	**74,293**	93,083
Borrowing costs	**(49,302)**	(63,029)
Other non interest income received	**13,939**	7,291
Cash paid to suppliers and employees	**(6,706)**	(10,291)
Income tax paid	**(3,871)**	(4,424)
Net cash flows from operating activities	**28,353**	22,630
Cash flows from investing activities		
Net increase in investment securities	**(16,669)**	(77,472)
Net increase in amounts due from other financial institutions	**(53,879)**	8,022
Net increase in loans	**(57,965)**	(42,704)
Net increase in other investments	**-**	3
Purchase of non current assets	**(300)**	(458)
Proceeds from sale of property, plant and equipment	**-**	12
Net cash used in investing activities	**(128,813)**	(112,597)
Cash flows from financing activities		
Net increase in deposits and other borrowings	**34,747**	64,253
Purchase (redemption) of subordinated capital notes	**-**	(10,000)
Net increase in amounts due to other financial institutions and other liabilities	**92,056**	63,680
Proceeds from share issue	**503**	8,346
Dividends paid	**(6,685)**	(8,270)
Net cash flows from financing activities	**120,621**	118,009
Net increase/(decrease) in cash held	**20,161**	28,042
Cash at beginning of financial year	**78,173**	72,360
Cash at end of half year	**98,334**	100,402

condensed consolidated statement of changes in equity

for the six months ended 31 December 2009

Consolidated	Share Capital Ordinary $000's	Retained Profits $000's	Asset Revaluation Reserve $000's	General Reserve $000's	Statutory Reserve $000's	Doubtful Debts Reserve $000's	Non-controlling Interests $000's	Total $000's
	Attributable to equity holders of the company							
Balance at 01 July 2008	105,931	19,612	4,041	5,834	2,676	2,388	(453)	140,029
Profit attributable to members of parent entity	-	9,585	-	-	-	-	-	9,585
Profit attributable to non-controlling shareholders	-	-	-	-	-	-	(19)	(19)
Subtotal	105,931	29,197	4,041	5,834	2,676	2,388	(472)	149,595
Issue of share capital	10,213	-	-	-	-	-	-	10,213
Dividends provided for or paid - ordinary shares	-	(9,671)	-	-	-	-	-	(9,671)
Balance at 31 December 2008	**116,144**	**19,526**	**4,041**	**5,834**	**2,676**	**2,388**	**(472)**	**150,137**
Balance at 01 July 2009	117,814	17,733	4,969	5,834	2,676	2,388	(436)	150,978
Profit attributable to members of parent entity	-	11,643	-	-	-	-	-	11,643
Profit attributable to non-controlling shareholders	-	-	-	-	-	-	(13)	(13)
Subtotal	117,814	29,376	4,969	5,834	2,676	2,388	(449)	162,608
Issue of share capital	3,389	-	-	-	-	-	-	3,389
Dividends provided for or paid - ordinary shares	-	(9,378)	-	-	-	-	-	(9,378)
Balance at 31 December 2009	**121,203**	**19,998**	**4,969**	**5,834**	**2,676**	**2,388**	**(449)**	**156,619**

notes to the condensed consolidated interim financial statements

for the six months ended 31 December 2009

1 BASIS OF PREPARATION

The half year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB134: Interim Financial Reporting and other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Accounting Interpretations.

The half year report does not include full disclosures of the type normally included in the annual report. It is therefore recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Wide Bay Australia Ltd and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;

  other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2008. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.

  The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be re-measured to fair value at the date that control is lost.

Revenue Recognition

Dividends received from a subsidiary, joint venture or associate shall be recognised as dividend revenue in the profit or loss irrespective of whether such dividends may have been paid out of pre-acquisition profits. Previously, such dividends were treated as a return of capital invested. Such dividends may be an indicator of impairment where the carrying amount of the investment exceeds the consolidated net assets relating to that investment or where the dividend exceeds the total comprehensive income of the respective investee in the period the dividend is declared.

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.

Non-controlling 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. Wide Bay Australia Ltd is the head entity in the tax consolidation group, and as a consequence recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

The tax consolidated group has not entered into a tax sharing agreement.

c) Property, Plant & Equipment

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

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

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

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

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

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

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

Depreciation

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

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

Buildings - 40 years
Plant and equipment - 4 to 6 years
Leasehold improvements - 4 to 6 years or the term of the lease, whichever is the lesser

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

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

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

d) Leases

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

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

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

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

e) Financial Instruments

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

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

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

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

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

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

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

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

f) Investments in Associates

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

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

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

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

g) Goodwill

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

h) Intangibles

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date.

Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

j) Provisions

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

k) Cash and Cash Equivalents

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

l) Goods and Services Tax

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

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

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 continues to insure the majority of new mortgage loans approved, in particular in excess of 75% LVR, with the society's wholly owned subsidiary, Mortgage Risk Management Pty Ltd, a registered lender's mortgage insurer, or with Genworth Financial Mortgage Insurance Pty Ltd.

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

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

o) **Comparative Figures**

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

p) **Rounding of Amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

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.

2 DIVIDENDS PROVIDED FOR OR PAID

The Board declared a dividend of 32.0 cents per ordinary share ($10.125 million), for the six months to 31 December, 2009, payable on 26 March, 2010.

3 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.

4 CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

5 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date of a nature which require reporting.

independent auditor's review report

to the members of Wide Bay Australia Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report ("financial report") of Wide Bay Australia Ltd, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity, condensed statement of cash flows for the half-year ended on that date, accompanying explanatory notes to the financial statements including a statement of significant accounting policies and the directors' declaration of the Wide Bay Australia Ltd consolidated entity ("the consolidated entity"). The consolidated entity comprises Wide Bay Australia Ltd ("the company") and the entities it controlled during the half-year period and at the half-year's end.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *"Review of an Interim Financial Report Performed by the Independent Auditor of the Entity"*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *"Interim Financial Reporting* and the *Corporations Regulations 2001"*. As the auditor of Wide Bay Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Wide Bay Australia Ltd on 16 February 2010, would be in the same terms if provided to the directors as at the date of this auditors' review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wide Bay Australia Ltd is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

b) complying with Australian Accounting Standard AASB 134 *"Interim Financial Reporting and the Corporations Regulations 2001"*.

Bentleys — Martin Power

Bentleys Brisbane Partnership	**P M Power**
Chartered Accountants	**Partner**

19 February 2010 - Brisbane

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 half-year ended 31 December 2009 there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Bentleys — Martin Power

Bentleys Brisbane Partnership	**P M Power**
Chartered Accountants	**Partner**

16 February 2010 - Brisbane

directors' statutory report

for the six months ended 31 December 2009

The Directors present this report on the society's accounts and consolidated accounts for the six months period ended 31 December, 2009 in accordance with the provisions of the Corporations Act 2001.

The Directors in office during or since the end of the half-year period are -

Mr John S Humphrey LL.B

Mr Humphrey was appointed to the Board on 19 February 2008 and was appointed Chairman following the November 2009 Annual General Meeting. 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 and a member of the Audit Committee.

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.

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.

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.

Mr John F Pressler OAM, FAICD, FIFS

Mr Pressler was appointed to the Board in 1988. After 12 years as Chairman he stepped down at the meeting following the November 2009 Annual General Meeting. He is a prominent figure in Emerald's agricultural and horticultural industries and is the Chairman of the listed Lindsay Australia Limited. He is a director of Mortgage Risk Management Pty Ltd and a member of the Audit Committee. Mr Pressler remains on the Board as an independent director.

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 and is an independent director.

The company continues to comply with the ASX Corporate Governance Recommendations.

The independent non-executive directors each have many years of service and it is considered with their diverse backgrounds and years of experience they continue to make an integral contribution to the ongoing development of the company.

The Auditor's Independence Declaration for the half year ended 31 December 2009 has been received and been included in this financial report.

Review of Operations

The activities of the company remained unchanged during the six month period. These activities include the provision of financial facilities satisfying customers' savings and investment needs. Funds generated are used to provide finance for residential accommodation and related purposes, for home equity lending secured by registered mortgage over freehold or perpetual leasehold properties and limited secured commercial lending. The company has a restricted margin loan for managed funds only, which is primarily used in conjunction with our associated financial planning company.

The company in September 2009 restructured Mortgage Risk Management Pty Ltd ("MRM"), its wholly owned Lenders Mortgage Insurance captive having regard to the available reinsurance market and now uses either MRM or Genworth Financial Mortgage Insurance Pty Ltd to insure the majority of loans and in particular all loans in excess of 75% LVR.

The company continues to raise a portion of its funding for loans through wholesale funding.

The consolidated net operating profit after income tax for the six months ended 31 December 2009 was $11.643 million. Total assets as at 31 December 2009 stood at $2.603 billion. Loans approved during the half year amounted to $200.345 million with loans slowing since the withdrawal of the First Home Owner Grant Boost.

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

Peter Sawyer
Director
19 February 2010 - Bundaberg

directors' declaration

In the opinion of the Directors of Wide Bay Australia Ltd:

a) The consolidated financial statements and notes for the financial period ended 31 December 2009 have been prepared in accordance with accounting standards applicable under the Corporations Act 2001;

b) The consolidated financial statements and notes for the financial period ended 31 December 2009 present a true and fair view of the financial position and performance of the consolidated entity; and

c) As at the date of this statement there are reasonable grounds to believe that Wide Bay Australia Ltd will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board of Directors of Wide Bay Australia Ltd, in accordance with a Resolution of the Board.

Peter Sawyer
Director
19 February 2010 - Bundaberg