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wide bay australia LTD

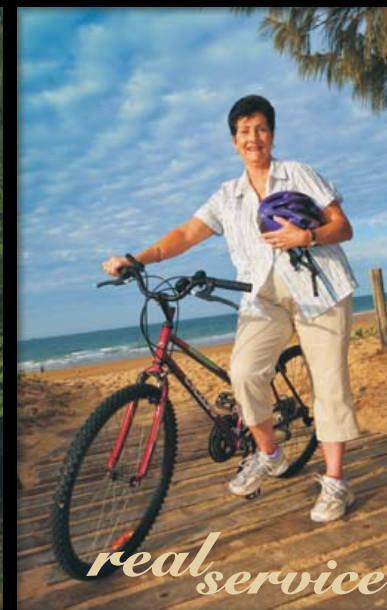
2010 » 2011 half yearly report



real people



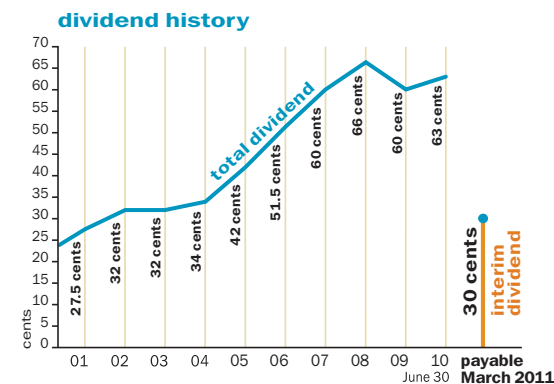
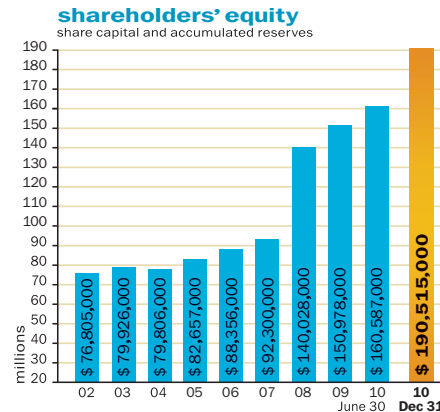
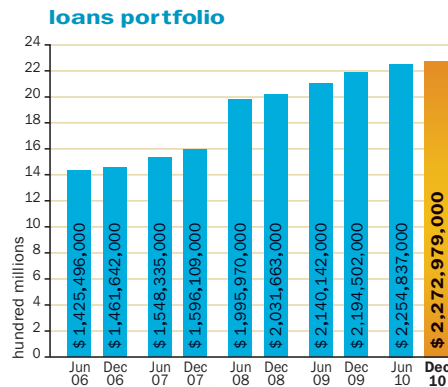
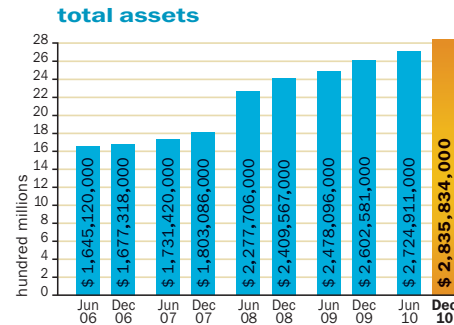
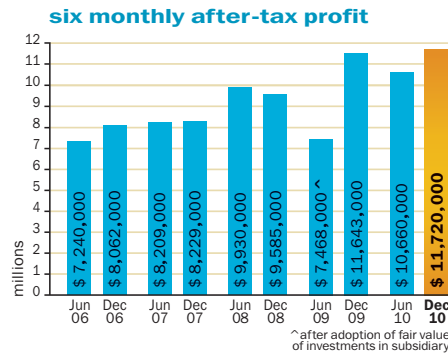
real smiles



real service

Directors' Report

for the half year ended 31 December 2010



During the six months ended 31 December 2010, Wide Bay Australia Ltd ("Wide Bay") achieved a strong performance with a consolidated after tax profit of \$11.72 million, which compares with \$11.64 million for the same period to December 2009 and is in keeping with previous profit guidance.

Capital as at 31 December 2010 was 13.03% with tier 1 at 11.50%. The operating margin as at 31 December 2010 was 2.09%. Cost-to-income ratio showed a marginal improvement for the Chief Entity at 54.70% as compared to 55.39% for 2009/2010. Assets increased by 4.07% for the period. The society also maintained its 'BBB- stable' investment grade rating with Standard and Poor's.

In line with the Board's forecast and expectations, loan approvals were down for the six months to \$167 million. The loan book grew only marginally as a result of the slowing in the housing market. Wide Bay Australia does not expect to see any major improvement in the residential market until late 2011, particularly given the disasters that have struck Queensland over recent months.

Support for retail deposits was strong for the period, showing an increase of \$104 million - a growth of 7.95%. We believe that to some extent this growth may reflect the slowdown of the housing market and the general caution in the market. Throughout the six months we have gradually cleared our Repo facility with the Reserve Bank with the remainder to be cleared within the next four months.

Wide Bay will be introducing a commercial loan product in the near future and will also consider developing a funding program through the use of Negotiable Certificates of Deposit's ("NCD's").

In December 2010, Wide Bay placed a \$250 million RMBS transaction, with all notes being taken up by investors.

Mortgage Risk Management Pty Ltd ("MRM"), Wide Bay's wholly owned captive mortgage insurer, produced an after tax profit for the six months of \$1.596 million.

Wide Bay was not affected by the recent flooding or cyclones to any major extent, however loan arrears are expected to increase marginally over coming months as a flow-on effect. The society's Loan Payments Department is ready to work with flood victims to help them through any financial stress that these events may have caused.

The society has 42 Queensland branches which provide coverage throughout regional Queensland from the Gold Coast to Cairns, one branch in Melbourne, one in Sydney and a lending outlet in Adelaide. These branches are strategic to Wide Bay Australia's operations and fortunately, apart from some short term closures through lack of access, they did not experience any damage.

At a Glance Summary

six months ended 31 December 2010

- » profit after tax **\$11,720,277**
- » total assets **\$2,835,833,757**
- » total loans **\$2,272,979,302**
- » interim dividend **30 cents per share (to be paid 30 March 2011)**
- » closing share price **\$10.45 (10 February 2011)**
- » 0.67 per cent increase over previous corresponding period



Chairman
John Humphrey LLB



Managing Director
Ron Hancock AM FCA FAICD FIFs



Executive Director
Frances McLeod MAICD FIFs



John Pressler OAM FAICD FIFs
Director



Peter Sawyer FCA FAICD FIFs
Director



John Fell FCA FIFs
Director
retired on 14 December 2010

It is very difficult at present to forecast future results given the disasters that have occurred and the slowing in the housing market however the Board is retaining its forecast from the Annual General Meeting of an overall increase in consolidated profit in the range of 10% for the financial year.

Late last year, Wide Bay raised additional capital through the issue of a further 2,557,350 shares through a Share Placement and a Share Purchase Plan, which raised approximately \$25 million. This placement occurred in October 2010 and has had a dilutionary effect on the six month dividend, as while these shares qualified for a dividend, the company did not have the benefit of the income from that capital for the full six months.

The Board has however declared a fully franked dividend of 30 cents per share, compared to 31 cents for the final dividend for 2009/2010. The dividend will be paid on 30 March 2011. The Directors have resolved to retain the discount on the Dividend Reinvestment Plan at 7.5% for this dividend.

The Board of Directors extends their appreciation to the Management Team, staff and the Wide Bay customers and shareholders for your on-going support.

John Humphrey
Chairman

21 February 2011 - Bundaberg

Ron Hancock AM
Managing Director

condensed consolidated statement of
Comprehensive Income

for the six months ended 31 December 2010

	Consolidated	
	6 months to 31/12/2010 \$000's	6 months to 31/12/2009 \$000's
Interest revenue	95,271	74,962
Borrowing costs	65,301	48,071
Net interest revenue	29,970	26,891
Non interest revenue	7,802	8,439
Total operating income	37,772	35,330
Bad and doubtful debts expense	29	425
Other expenses	20,695	18,370
Profit before income tax	17,048	16,535
Income tax expense	5,338	4,905
Profit from continuing operations	11,710	11,630
Other comprehensive income:		
Gain/(loss) on revaluation of available-for-sale financial assets	(113)	-
Other comprehensive income for the period	11,597	-
Total comprehensive income for the period	11,597	11,630
Profit attributable to:		
Owners of the parent entity	11,720	11,643
Non-controlling interests	(10)	(13)
	11,710	11,630
Total comprehensive income attributable to:		
Owners of the parent entity	11,607	11,643
Non-controlling interests	(10)	(13)
	11,597	11,630
Basic earnings per share (cents per share)	35.32	37.08
Diluted earnings per share (cents per share)	35.32	37.08

condensed consolidated statement of
Financial Position

as at 31 December 2010

	Consolidated	
	as at 31/12/2010	as at 30/06/2010
	\$000's	\$000's
Assets		
Cash and cash equivalents	121,105	89,170
Due from other financial institutions	61,648	82,900
Accrued receivables	103,792	20,711
Financial assets available for sale	198,344	195,176
Loans and advances	2,272,979	2,254,837
Other investments	7,969	7,832
Property, plant and equipment	20,100	20,510
Deferred income tax assets	2,704	2,995
Other assets	5,136	8,723
Goodwill	42,057	42,057
Total assets	2,835,834	2,724,911
Liabilities		
Deposits and short term borrowings	1,413,600	1,309,887
Due to other financial institutions	130,505	275,835
Payables and other liabilities	23,587	31,783
Securitised loans	1,036,118	903,601
Income tax payable	2,516	4,172
Deferred income tax liabilities	4,012	3,842
Provisions	9,981	10,204
Subordinated capital notes	25,000	25,000
Total liabilities	2,645,319	2,564,324
Net assets	190,515	160,587
Equity		
Parent entity interest in equity		
Contributed equity	152,899	124,648
Reserves	15,754	15,867
Retained profits	22,342	20,542
Total parent entity interest in equity	190,995	161,057
Non-controlling equity interest		
Contributed equity	1	1
Retained profits	(481)	(471)
Total outside equity interest	(480)	(470)
Total equity	190,515	160,587

condensed consolidated statement of
Cash Flows

for the six months ended 31 December 2010

	Consolidated	
	6 months to 31/12/2010	6 months to 31/12/2009
	\$000's	\$000's
Cash flows from operating activities		
Interest received	93,159	74,293
Borrowing costs	(59,080)	(49,302)
Other non interest income received	5,070	13,939
Cash paid to suppliers and employees	(4,060)	(6,706)
Income tax paid	(6,848)	(3,871)
Net cash flows from operating activities	28,241	28,353
Cash flows from investing activities		
Net increase in investment securities	3,437	(16,669)
Net increase in amounts due from other financial institutions	14,879	(53,879)
Net increase in loans	(21,741)	(57,965)
Net increase in other investments	-	-
Purchase of non current assets	(538)	(300)
Proceeds from sale of property, plant and equipment	-	-
Net cash used in investing activities	(3,963)	(128,813)
Cash flows from financing activities		
Net increase in deposits and other borrowings	102,200	34,747
Purchase (redemption) of subordinated capital notes	-	-
Net increase in amounts due to other financial institutions and other liabilities	(112,427)	92,056
Proceeds from share issue	24,775	503
Dividends paid	(6,891)	(6,685)
Net cash flows from financing activities	7,657	120,621
Net increase/(decrease) in cash held	31,935	20,161
Cash at beginning of financial year	89,170	78,173
Cash at end of half year	121,105	98,334

condensed consolidated statement of
Changes in Equity
for the six months ended 31 December 2010

	Attributable to equity holders of the company							Total \$000's	
	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	Special Reserve \$000's		Non- controlling Interests \$000's
Consolidated									
Balance at 01 July 2009	117,814	17,733	4,969	5,834	2,676	2,388	-	(436)	150,978
Total comprehensive income for year:									
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
Balance at 01 July 2010	124,648	20,542	4,969	5,834	2,676	2,388	-	(470)	160,587
Total comprehensive income for year:									
Profit attributable to members of parent entity	-	11,720	-	-	-	-	-	-	11,720
Profit attributable to non-controlling shareholders	-	-	-	-	-	-	-	(10)	(10)
Gain/(loss) on revaluation of available-for-sale financial assets	-	-	-	-	-	-	(113)	-	(113)
Subtotal	124,648	32,262	4,969	5,834	2,676	2,388	(113)	(480)	172,184
Issue of share capital	28,251	-	-	-	-	-	-	-	28,251
Dividends provided for or paid - ordinary shares	-	(9,920)	-	-	-	-	-	-	(9,920)
Balance at 31 December 2010	152,899	22,342	4,969	5,834	2,676	2,388	(113)	(480)	190,515

Notes to the condensed consolidated
interim financial statements
for the six months ended 31 December 2010

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 2010 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*.

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 consistency 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 (non-controlling 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 statement of comprehensive income 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 financial year ended 30 June 2008. Wide Bay Australia Ltd is the head entity in the tax consolidation group, and as a consequence recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

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

c) Property, Plant & Equipment

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

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

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

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

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

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

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 statement of comprehensive income. 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.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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 statement of comprehensive income 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, less any impairment losses.

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, less any impairment losses.

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.

Share capital - Ordinary shares - Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

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 statement of comprehensive income.

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 statement of financial position 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 statement of comprehensive income 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 statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows 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 extended its lending to incorporate limited fully secured commercial lending. It continued and will continue to insure the majority of new residential mortgage loans approved, in particular existing MRM insured borrowers and new loans less than 75% LVR, with the society's wholly owned subsidiary, Mortgage Risk Management Pty Ltd, a registered lender's mortgage insurer.

The society's general policy is to insure the majority of all other residential mortgage loans 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 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) Adoption of New and Revised Accounting Standards

The group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions (AASB 2) effective 1 January 2010;
- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139) effective 1 January 2010;
- AASB 3 Business Combinations (revised 2008) effective 1 July 2009;
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009;
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009;
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1 & AASB 5) effective 1 July 2009; and
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009.

There was no material impact on the Financial Accounts as a result of these changes.

In May 2009 and June 2010 the AASB issued a collection of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. Amendments to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 5 Non-current Assets Held for Sale and Discontinued Operations;
- AASB 8 Operating Segments;
- AASB 107 Statement of Cash Flows;
- AASB 136 Impairment of Assets;
- AASB Interpretation 17 Distribution of Non-cash Assets to Owners;
- AASB 2 Share-based Payment;
- AASB 101 Presentation of Financial Statements;
- AASB 117 Leases;
- AASB 134 Interim Financial Reporting;
- AASB 138 Intangible Assets;
- AASB 139 Financial Instruments: Recognition and Measurement;
- AASB Interpretation 9 Reassessment of Embedded Derivatives; and
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation.

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.

2 DIVIDENDS PROVIDED FOR OR PAID

The Board declared a dividend of 30.0 cents per ordinary share (\$10.494 million), for the six months to 31 December 2010, payable on 30 March 2011.

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 2010, 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*, and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the 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, anything has come to our attention that causes us to 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 2010 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 2011, 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, nothing has come to our attention that causes us to 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 2010 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

Bentleys Brisbane Partnership
Chartered Accountants

21 February 2011 - Brisbane

Martin Power

P M Power
Partner

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 2010 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

Bentleys Brisbane Partnership
Chartered Accountants

16 February 2011 - Brisbane

Martin Power

P M Power
Partner

Directors' Statutory Report

for the six months ended 31 December 2010

The Directors present this report on the society's consolidated accounts for the six months period ended 31 December 2010, 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, a member of the Audit Committee and a member of the Group Board Remuneration Committee. He is aged 55.

Mr John H Fell FCA, 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 was a practising Chartered Accountant for many years. Mr Fell was Chairman of Mortgage Risk Management Pty Ltd, an independent director, a member of the Audit Committee and a member of the Group Board Remuneration Committee. He retired from the Board on 14 December 2010.

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 69.

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 36 years. She is a director of Mortgage Risk Management Pty Ltd. Mrs McLeod is an executive director and is aged 52.

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 the Chairman of Mortgage Risk Management Pty Ltd, having been appointed on 21 January 2011, following the retirement of Mr Fell. He is also a member of the Audit Committee is an independent director and Chairman of the Group Board Remuneration Committee. He is aged 68.

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 a member of the Group Board Remuneration Committee. He was appointed as a Director of Mortgage Risk Management Pty Ltd on 21 January 2011. He is aged 60.

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 society.

The Auditor's Independence Declaration for the half year ended 31 December 2010 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 product for managed funds only, which is primarily used in conjunction with our associated financial planning company.

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 2010 was \$11.72 million. Total assets as at 31 December 2010 stood at \$2.8 billion. Loans approved during the half year amounted to \$167 million.

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

21 February 2011 - Bundaberg

Directors' Declaration

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

- The condensed consolidated financial statements and notes for the financial period ended 31 December 2010 have been prepared in accordance with accounting standards applicable under the Corporations Act 2001;
- The condensed consolidated financial statements and notes for the financial period ended 31 December 2010 present a true and fair view of the financial position and performance of the consolidated entity; and
- 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

21 February 2011 - Bundaberg

the
'everyday' Australian's
friendly alternative
to the 'big banks'!

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

Full details of the products and services we offer (including terms, conditions, fees and charges) available on application.

