

Appendix 4D

Half year report

Period ending 31 December 2012

| | |
|--|------------------------------|
| Name of Entity | Wide Bay Australia Ltd |
| ABN | 40 087 652 060 |
| Half Year Ended | 31 December 2012 |
| Previous Corresponding Reporting Period | 6 months to 31 December 2011 |

Results for announcement to the market

\$A'000

\$A 000

| | | | | |
|---|------|--------|---------------------|-----------------------------|
| Revenue from ordinary activities | Down | 15.19% | to | 86,098 |
| Profit from ordinary activities after tax attributable to members | Down | 36.37% | to | 5,557 |
| Net profit for the period attributable to members | Down | 36.37% | to | 5,557 |
| Dividends (distributions) - Ordinary shares | | | Amount per security | Franked amount per security |
| Final dividend (30 June 2012) - paid 25 September 2012 | | | 25.0c | 25.0c |
| Interim dividend (31 December 2012) | | | 13.0c | 13.0c |
| The record date for determining entitlements to the dividends | | | 08 March 2013 | |

Net tangible assets per security

| | | |
|--|-----------------------|--------------------------------------|
| | Current period | Previous corresponding period |
| Net tangible asset backing per ordinary share | \$ 4.20 | \$ 4.29 |

Details of associates and joint venture entities

| Controlled entities | Country of incorporation | % Holding | | Contribution to consolidated operating profit after income tax | |
|---------------------------------------|--------------------------|----------------|-------------------------------|--|-------------------------------|
| | | Current period | Previous corresponding period | Current period | Previous corresponding period |
| | | | | \$A'000 | \$A'000 |
| Mortgage Risk Management Pty Ltd | Australia | 100 | 100 | (994) | 67 |
| Wide Bay Australia Mini Lease Pty Ltd | Australia | 51 | 51 | 13 | 41 |
| Mackay Permanent Building Society Ltd | Australia | 100 | 100 | - | - |
| MPBS Insurance Pty Ltd | Australia | 100 | 100 | - | - |
| MPBS Holdings Pty Ltd | Australia | 100 | 100 | 97 | 95 |
| F.I. Software Solutions Pty Ltd | Australia | 100 | 100 | - | - |

Dividends

| Amount per security | | Amount per security | Franked amount per security | Amount per security of foreign source dividend |
|---------------------|---------------|---------------------|-----------------------------|--|
| Interim dividend | Current year | 13.0c | 13.0c | Nil |
| | Previous year | 22.5c | 22.5c | Nil |

| Interim dividends on all securities | Current period \$A'000 | Previous corresponding period \$A'000 |
|---|---------------------------|--|
| Ordinary securities Interim dividend payable 28 March 2013 - previous period paid 30 March 2012 | 4,711 | 8,065 |
| Total | 4,711 | 8,065 |

DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan is currently suspended.

DIRECTORS' REPORT **FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

Wide Bay Australia has reported a consolidated profit for the six months to the 31 December 2012 of \$5.557 million. The consolidated results comprise an after tax profit from Wide Bay Australia Ltd, the chief entity, of \$6.447 million (2011 \$8.490 million) and the loss from Mortgage Risk Management Pty Ltd (MRM) of \$0.994 million (2011 \$0.067 million surplus). Also affecting this result for Wide Bay Australia Ltd were one off amounts of approximately \$700,000 in relation to acquisition and adviser costs during the six months as the company was actively trying to grow the business through merger or acquisition.

During the past six months, the chief entity's loan book has decreased by \$33.2 million. Lending volumes generally have shown a slight increase, with approvals increasing from \$132 million for the six months to 31 December 2011 to \$160 million to 31 December 2012. Core lending through branches has improved with a decrease coming from originators.

Mortgage Risk Management Pty Ltd (MRM) which showed a loss of \$0.994 million is being wound down with the bulk of the insurance previously covered by MRM now transferred to QBE. MRM has recently been reviewed and currently carries an investment grade credit rating of BBB-. Wide Bay, the chief entity, has \$20.4 million invested in capital in MRM and as it continues to wind down, subject to actuarial calculations and regulatory approval, it is expected that there will be a gradual return of that capital, increasing the chief entity's overall capital position.

The increased loss for the period from MRM has been as a result of the wind down and the actuarial calculations of provisions required to be made and, in particular, the hardship cases currently presenting to Wide Bay. With no new business being written, it is expected that MRM will generate small losses as it continues in wind down mode.

Throughout the year, we have been able to maintain our operating margin in the 2% range with the margin currently standing at 1.986%.

Wide Bay continues to maintain its credit rating of BBB/A2 with a stable outlook.

Throughout the six months, we have seen steady growth in deposits which has resulted in a reduced usage of securitisation and wholesale funding, providing capacity for the future. Wide Bay Australia has a self funding ratio of 73.8% which is strong as measured against the industry.

The Board has declared a fully franked dividend of \$0.13 per share which will be payable on the 28 March 2013 and has decided to withhold the Dividend Reinvestment Plan in respect of this dividend.

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The Board and Management expect that the housing market will be very competitive going forward, however the company is introducing many initiatives to address these issues to ensure an improved result going forward. The Board appointed a new Chief Executive Officer (CEO), who commenced on 4 February 2013. The new CEO has already moved to make the necessary changes and improvements to the company and is currently developing the new Strategic Plan for Wide Bay Australia Ltd. The Board and Management are optimistic about the period ahead.

The Board of Directors and Management extend their appreciation to our shareholders and customers for their continued ongoing support.



John Humphrey
Chairman



Martin Barrett
Chief Executive Officer

22 February 2013
Bundaberg

WIDE BAY AUSTRALIA LTD - ABN 40 087 652 060
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | 6 MONTHS TO 31/12/2012 \$000's | 6 MONTHS TO 31/12/2011 \$000's |
|--|---|---|
| Interest revenue | 80,591 | 94,957 |
| Borrowing costs | 55,040 | 67,539 |
| | <hr/> | <hr/> |
| Net interest revenue | 25,551 | 27,418 |
| Non interest revenue | 5,507 | 6,558 |
| | <hr/> | <hr/> |
| Total operating income | 31,058 | 33,976 |
| Bad and doubtful debts expense | 33 | 175 |
| Other expenses | 23,104 | 21,360 |
| | <hr/> | <hr/> |
| Profit before income tax | 7,921 | 12,441 |
| Income tax expense | 2,357 | 3,668 |
| | <hr/> | <hr/> |
| Profit from continuing operations | 5,564 | 8,773 |
| Other comprehensive income | | |
| Revaluation of RMBS investments to fair value | 100 | (106) |
| Less deferred tax relating to comprehensive income | (30) | 32 |
| | <hr/> | <hr/> |
| Other comprehensive income for the period | 5,634 | 8,699 |
| | <hr/> | <hr/> |
| Total comprehensive income for the period | 5,634 | 8,699 |
| | <hr/> | <hr/> |
| Profit attributable to: | | |
| Owners of the parent entity | 5,557 | 8,733 |
| Non-controlling interests | 7 | 40 |
| | <hr/> | <hr/> |
| | 5,564 | 8,773 |
| | <hr/> | <hr/> |
| Total comprehensive income attributable to: | | |
| Owners of the parent entity | 5,627 | 8,660 |
| Non-controlling interests | 7 | 39 |
| | <hr/> | <hr/> |
| | 5,634 | 8,699 |
| | <hr/> | <hr/> |
| Basic earnings per share (cents per share) | 15.37 | 24.57 |
| Diluted earnings per share (cents per share) | 15.37 | 24.57 |

WIDE BAY AUSTRALIA LTD
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

| | AS AT 31/12/2012 \$000's | AS AT 30/06/2012 \$000's |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents | 79,205 | 76,042 |
| Due from other financial institutions | 12,687 | 11,449 |
| Accrued receivables | 12,585 | 7,326 |
| Financial assets available for sale | 260,522 | 289,128 |
| Loans and advances | 2,197,546 | 2,229,448 |
| Other investments | 8,305 | 8,156 |
| Property, plant & equipment | 17,063 | 17,170 |
| Deferred income tax assets | 4,245 | 2,895 |
| Other assets | 10,135 | 13,648 |
| Goodwill | 42,057 | 42,057 |
| | <hr/> | <hr/> |
| TOTAL ASSETS | 2,644,350 | 2,697,319 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Deposits and short term borrowings | 1,677,991 | 1,625,630 |
| Payables and other liabilities | 22,710 | 35,437 |
| Securitised loans | 708,060 | 798,597 |
| Income tax payable | 678 | 978 |
| Deferred income tax liabilities | 2,967 | 2,993 |
| Provisions | 9,617 | 8,523 |
| Subordinated capital notes | 28,000 | 28,000 |
| | <hr/> | <hr/> |
| TOTAL LIABILITIES | 2,450,023 | 2,500,158 |
| | <hr/> | <hr/> |
| NET ASSETS | 194,327 | 197,161 |
| | <hr/> | <hr/> |
| EQUITY | | |
| Parent entity interest in equity | | |
| Contributed equity | 162,377 | 161,810 |
| Reserves | 14,514 | 14,444 |
| Retained profits | 17,929 | 21,406 |
| | <hr/> | <hr/> |
| Total parent entity interest in equity | 194,820 | 197,660 |
| | <hr/> | <hr/> |
| Non-controlling equity interest | | |
| Contributed equity | 1 | 1 |
| Retained profits | (494) | (500) |
| | <hr/> | <hr/> |
| Total outside equity interest | (493) | (499) |
| | <hr/> | <hr/> |
| TOTAL EQUITY | 194,327 | 197,161 |
| | <hr/> | <hr/> |

WIDE BAY AUSTRALIA LTD
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

| | 6 MONTHS TO 31/12/2012 \$000's | 6 MONTHS TO 31/12/2011 \$000's |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Interest received | 80,131 | 90,769 |
| Borrowing costs | (56,714) | (62,863) |
| Other non interest income received | 4,681 | 4,336 |
| Cash paid to suppliers & employees | (19,186) | (19,209) |
| Income tax paid | (3,578) | (5,409) |
| | <hr/> | <hr/> |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 5,334 | 7,624 |
| | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net increase in investment securities | 38,778 | (29,988) |
| Net increase in amounts due from other financial institutions | (9,996) | 1,432 |
| Net increase in loans | 29,429 | 44,483 |
| Net increase in other investments | (1,287) | (6,874) |
| Purchase of non current assets | (662) | (750) |
| | <hr/> | <hr/> |
| NET CASH USED IN INVESTING ACTIVITIES | 56,262 | 8,303 |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net increase in deposits and other borrowings | 51,610 | 108,432 |
| Purchase (redemption) of subordinated capital notes | - | (10,000) |
| Net increase in amounts due to other financial institutions and other liabilities | (101,454) | (101,771) |
| Proceeds from share issue | 445 | 479 |
| Dividends paid | (9,034) | (7,952) |
| | <hr/> | <hr/> |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (58,433) | (10,812) |
| | <hr/> | <hr/> |
| NET INCREASE/(DECREASE) IN CASH HELD | 3,163 | 5,115 |
| Cash at beginning of financial year | 76,042 | 88,666 |
| | <hr/> | <hr/> |
| CASH AT END OF HALF YEAR | 79,205 | 93,781 |
| | <hr/> | <hr/> |

WIDE BAY AUSTRALIA LTD
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

Attributable to equity holders of the company

| Note | Share Capital Ordinary | Retained Profits | Asset Revaluation Reserve | General Reserve | Statutory Reserve | Doubtful Debts Reserve | Available for Sale Reserve | Non- Controlling Interests | Total |
|--|------------------------------|---------------------|---------------------------------|--------------------|----------------------|------------------------------|----------------------------------|----------------------------------|----------|
| | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's | \$000's |
| Balance at 01 July 2011 | 156,384 | 22,802 | 4,969 | 5,834 | 2,676 | 2,388 | 167 | (524) | 194,696 |
| Profit attributable to members of parent company | - | 8,733 | - | - | - | - | - | - | 8,733 |
| Profit attributable to minority shareholders | - | - | - | - | - | - | - | 39 | 39 |
| Prior period adjustment | - | (303) | - | - | - | - | - | - | (303) |
| Decrease due to revaluation decrement on RMBS investments | - | - | - | - | - | - | (106) | - | (106) |
| Deferred tax liability adjustment on revaluation decrement on RMBS investments | - | - | - | - | - | - | 32 | - | 32 |
| Sub-total | 156,384 | 31,232 | 4,969 | 5,834 | 2,676 | 2,388 | 93 | (485) | 203,091 |
| Issue of share capital | 3,483 | - | - | - | - | - | - | - | 3,483 |
| Dividends provided for or paid - ordinary shares | - | (10,604) | - | - | - | - | - | - | (10,604) |
| Balance at 31 December 2011 | 159,867 | 20,628 | 4,969 | 5,834 | 2,676 | 2,388 | 93 | (485) | 195,970 |
| Balance at 01 July 2012 | 161,810 | 22,868 | 3,418 | 5,834 | 2,676 | 2,388 | 127 | (499) | 198,622 |
| Prior period error adjustment | - | (1,462) | - | - | - | - | - | - | (1,462) |
| Adjusted Balance at 01 July 2012 | 161,810 | 21,406 | 3,418 | 5,834 | 2,676 | 2,388 | 127 | (499) | 197,160 |
| Profit attributable to members of parent company | - | 5,557 | - | - | - | - | - | - | 5,557 |
| Profit attributable to minority shareholders | - | - | - | - | - | - | - | 7 | 7 |
| Increase due to revaluation increment on RMBS investments | - | - | - | - | - | - | 100 | - | 100 |
| Deferred tax liability adjustment on revaluation increment on RMBS investments | - | - | - | - | - | - | (30) | - | (30) |
| Sub-total | 161,810 | 26,963 | 3,418 | 5,834 | 2,676 | 2,388 | 197 | (492) | 202,794 |
| Issue of share capital | 567 | - | - | - | - | - | - | - | 567 |
| Dividends provided for or paid - ordinary shares | - | (9,034) | - | - | - | - | - | - | (9,034) |
| Balance at 31 December 2012 | 162,377 | 17,929 | 3,418 | 5,834 | 2,676 | 2,388 | 197 | (492) | 194,327 |

WIDE BAY AUSTRALIA LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 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 AASB 134: 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 2012 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 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 (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 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 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 disclose 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 Taxation 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

During the 2011/12 financial year the insurance for a significant portion of loans was transferred from MRM to QBE. MRM will continue to insure the remaining portfolio not transferred, with all new loans in excess of 80% LVR being insured with QBE going forward.

As at 31 December 2012 there were four loans on which interest was not being accrued due to hardship concessions.

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, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

p) PRIOR PERIOD ACCOUNTING ERROR

Subsequent to the 30 June 2012 balance date a review of the systems, procedures and policies adopted for loans managed under the National Consumer Credit Hardship and Account Management Obligations was conducted. The review included the process for assessing loans qualifying for management under hardship obligations, the reporting of the arrears on this portfolio and the amount set aside in the Outstanding Claims Liabilities (other expenses - other underwriting expenses) in the wholly owned insurance captive Mortgage Risk Management Pty Ltd (MRM).

As a result of the review of reports and statistics relating to the 'hardships' loan portfolio, the Board of Directors, in conjunction with the actuarial advisors to MRM, determined that a provision for doubtful debts should have been set aside at 30 June 2012 to allow for potential future losses. As a result, a prior period error has been recognised in the financial accounts in accordance with the Accounting Standards.

The Board has determined, in conjunction with the actuaries, that the provision for doubtful debts at 30 June 2012 was understated by an amount \$1.46m net of tax. Accordingly a prior period adjustment has been disclosed in the financial reports at 31 December 2012.

The balance sheet for 1 July 2011 has not been restated in the financial accounts as the prior period adjustment had nil effect on the carried forward balances for the 2011/12 financial year. The aggregate effect of the prior period error in the financial statements for the year ended 30 June 2012 is as follows:

| Previous disclosure | Adjustment | Revised disclosure |
|---------------------|------------|--------------------|
| \$ | \$ | \$ |
| \$000's | \$000's | \$000's |

STATEMENT OF FINANCIAL POSITION

| | | | |
|-----------------------------------|--------|---------|--------|
| Deferred income tax assets | 2,269 | 626 | 2,895 |
| Other assets | 13,551 | 97 | 13,648 |
| Provisions | 6,337 | 2,186 | 8,523 |
| Retained profits | 22,868 | (1,462) | 21,406 |
| Statement of comprehensive income | | | |

There is no change to the comparative figures in the Statement of Comprehensive Income as the prior period adjustment had nil effect on the financial accounts for the six months to 31 December 2011.

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.

WIDE BAY AUSTRALIA LTD
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

2. DIVIDENDS PROVIDED FOR OR PAID

The Board declared a dividend of 13.0 cents per ordinary share (\$4.711 million), for the six months to 31 December 2012, payable on 28 March 2013.

3. SEGMENT INFORMATION

The company operates predominantly in one industry. The principal activities of the company are confined to the raising of funds and the provision of finance for housing. The company 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

At the end of January 2013 the east coast of Queensland was affected by a severe weather event arising from Tropical Cyclone Oswald and its aftermath. The Wide Bay area, in which the company writes a significant part of its business, was affected by a severe flood event.

It has not been possible in the period of time between the event and preparing this report to quantify the financial impact on the company. However, there is an expectation that the financial results will be impacted by:

- i) damage to property securing residential mortgage loans, including circumstances where affected properties are not covered by flood insurance;
- ii) loss of income from unemployment and business closures resulting in additional hardship applications and provisions for doubtful debts; and
- iii) long term impact upon valuations of properties within flood affected areas.

The Directors are evaluating financial data as it becomes available and will monitor the effects on the financial accounts of the company.

Other than set out above, 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 2012, 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 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 2012 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*.

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 2012 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

Stewart Douglas

Stewart Douglas
Partner

22 February 2013

WIDE BAY AUSTRALIA LTD

**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 2012 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



Stewart Douglas
Partner

Brisbane
22 February 2013

DIRECTORS' STATUTORY REPORT **FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

The Directors present this report on the company's consolidated accounts for the six months period ended 31 December 2012 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:-

Professor John S Humphrey LL.B

Professor Humphrey was appointed to the Board on 19 February 2008 and was appointed Chairman following the November 2009 Annual General Meeting. He was a senior partner in the Brisbane office of international law firm, King & Wood Mallesons, where he specialised in commercial law and corporate mergers and acquisitions. He is now Executive Dean of the Faculty of Law at Queensland University of Technology. He is currently a non-executive director of Horizon Oil Limited and Downer-EDI Limited and is a member of the Australian Government Takeovers Panel, Australia's peak body for resolving disputes over takeover bids. Professor Humphrey is an independent director, a member of the Audit Committee and a member of the Group Board Remuneration Committee. He is aged 57.

Mr Barry Dangerfield

Mr Dangerfield was appointed to the Board on 22 November 2011. He has had 38 years experience in the banking industry, having held senior positions in commercial, retail and agribusiness. Mr Dangerfield is a non-executive Director and is aged 57.

Mr Ronald E Hancock AM FCA, FAICD, FIFS

Mr Hancock was the Managing Director of Wide Bay Australia Ltd until his retirement on 4 February 2013. 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 was an executive director until his retirement on 4 February 2013 and is aged 71.

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 37 years. She is a director of Mortgage Risk Management Pty Ltd. Mrs McLeod is an executive director and is aged 54.

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. He is also a member of the Audit Committee, is an independent director and Chairman of the Group Board Remuneration Committee. He is aged 70.

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 with offices in Bundaberg, Hervey Bay, Maryborough and Gladstone. Mr Sawyer is Chairman of The Bundaberg Friendly Society Medical Institute which operates the Friendly Society Private Hospital and Pharmacies in Bundaberg. Mr Sawyer is the Chairman of the Audit Committee, an independent director and a member of the Group Board Remuneration Committee. Mr Sawyer was appointed as a Director of Mortgage Risk Management Pty Ltd on 21 January 2011. He is aged 62.

The company continues to comply with the Australian Securities Exchange 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 2012 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 2012 was \$5.557 million. Total assets as at 31 December 2012 stood at \$2.644 billion. Loans approved during the half year amounted to \$160 million.

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


John Humphrey
Director

22 February 2013
Bundaberg

DIRECTORS' DECLARATION

The Directors of Wide Bay Australia Ltd declare that:

1. The condensed consolidated financial statements and notes for the financial period ended 31 December 2012 have been prepared in accordance with the Corporations Act 2001 including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



John Humphrey
Director

22 February 2013
Bundaberg