



Wide Bay Australia Ltd  
ABN 40 087 652 060  
AFSL No. 239686  
*formerly Wide Bay Capricorn  
Building Society Ltd*

Wide Bay Australia House  
16-20 Barolin Street  
PO Box 1063  
Bundaberg Qld 4670  
Australia

Telephone (07) 4153 7777  
General Facsimile (07) 4153 7714  
Loans Facsimile (07) 4153 7711  
Email [widebay@widebayaust.com.au](mailto:widebay@widebayaust.com.au)  
[www.widebayaust.com.au](http://www.widebayaust.com.au)

18 February 2008

## RELEASE TO THE AUSTRALIAN STOCK EXCHANGE LTD

The Board of Directors of Wide Bay Australia Ltd (WBB) is pleased to advise a solid trading result for the six months ended 31/12/2007. Despite challenging trading conditions, the Company has delivered an after tax profit of \$8.23m (2006: \$8.06m). This result is in accordance with forecasts and expectations.

Lending was strong at \$266m compared to \$226m for the previous corresponding period, an increase of 17.7%. Demand for loans was steady over the period and this trend is continuing with January 2008 recording a strong result when compared to prior years. The branches in Sydney and Melbourne, in particular, have demonstrated increased growth.

New margin loans, which are secured by managed funds and are offered as part of the company's financial planning structure, are beginning to receive support and solid growth in this area is anticipated over the second half of the 2008 financial year.

The cost to income ratio increased from 53.6% in 2006/07 to 55.3% for the period under review which is as a result of the increased cost of wholesale funding which occurred from August 2007 onwards.

In July 2007, WBB proceeded with a bid to acquire Mackay Permanent Building Society Ltd (MPBS). The initial offer was rejected in favour of an increased offer by the Bank of Queensland. On October 29, WBB increased its offer to \$9.40 cash or 0.8 of a WBB share plus \$1.00 cash for each MPBS share. This offer was recommended by MPBS directors and on January 10, 2008, Wide Bay Australia effectively took control of MPBS (with WBB directors appointed as an interim Board of MPBS). At the date of the offer closing, January 21, 2008, 91.09% of MPBS shareholders had accepted the share offer. The Company is currently proceeding to compulsory acquisition of the remaining shares. The acceptance level was an outstanding result and reflects the confidence of the MPBS shareholders in WBB operations and also the level of support the Company anticipates, particularly from the Mackay region.

**MORE**



The Company expects that approximately 4.35m shares will be issued in respect of this transaction increasing the number of shares on issue to 29.35m and the Board warmly welcomes MPBS shareholders who accepted the share offer, as shareholders of Wide Bay Australia Ltd.

The merger process is proceeding smoothly and the management team have identified synergies over and above those previously estimated. For the current financial year, the acquisition will be earnings positive and the Company is forecasting MPBS profits and synergies impact in the 2008/09 financial year in the range of \$5m-\$6m after tax. We expect the full integration to be completed during the current financial year.

MPBS funded all of its operations from retail deposits and were not subject to the rate movements in the wholesale market.

Additional benefits of the acquisition include a greater branch and agency presence. This includes 2 branches in Cairns, 3 branches in Townsville as well as branches in Proserpine, Sarina and Moranbah – all areas where the Company had no previous branch representation. The Queensland network will now extend from Robina on the Gold Coast along the whole Queensland coast to Cairns and inland to Emerald and the Central Highlands.

Duplication of branches resulting from the merger will be addressed this calendar year with 2 leases in Mackay and 1 in Rockhampton due for renewal prior to November 2008.

Current forecasts are that profits for 2008/09 (including the merged entity) will achieve earnings per share in the range of 80-84cps.

The Board has resolved to retain the forecast dividend and pay 33cps dividend on March 21, 2008. At this stage, the Board also intends to pay a final dividend of 33cps, providing a fully franked dividend of 66cps for the 2008 financial year (2007 – 60 cps).

The high acceptance of the share offer has ensured that the Company has maintained a strong capital adequacy position and substantially greater than the minimum requirements of the Australian Prudential Regulation Authority (APRA).

We enjoy a harmonious relationship with the ANZ Investment Bank and their Structured Finance Department. Our \$600 million funding arrangement was reviewed in January 2008 and has been extended for a further 12 months on attractive commercial terms. This ensures that Wide Bay Australia will not have any major issues in relation to the provision of wholesale funding during that period.

**MORE**

During the year, Standard and Poors, as part of their normal approach during takeovers, placed the Company on a 'Credit Watch negative'. Now that the MPBS acquisition has settled, Standard and Poors have affirmed the Company's rating of BBB-.

The focus for the next few months will be to continue the strong lending program and growth of the loan book. The Company policy of non-involvement with higher risk 'low doc' sub prime loans or reverse mortgages has proven to be a correct decision by the directors. Almost all, of the WBB loan book (comprised of approximately 98.3% residential loans) carries full mortgage insurance.

During the 6 months to 31/12/2007, our captive mortgage insurer Mortgage Risk Management Pty Ltd (MRM) achieved strong results with an after tax surplus of \$1.48m.

The Company continues to monitor loans arrears and actively assists borrowers who experience difficulties by working with them through any issues. Increases in interest rates, both announced and forecast, will put pressure on arrears occurrences however the Company will apply the necessary resources to ensure appropriate management of these issues.

As has been stated many times, the strength of Wide Bay Australia, apart from its committed Board of directors, is the long serving management team who work cohesively to maintain the integrity of the Company's business. Company performance during this recent trading period is a testament to their efforts.

The next 18 months will be a challenging period but with the Company's present structure and the focus on achieving strong business results and the integration and extraction of synergies from the MPBS merger, the Board is confident that the steady growth will continue.

Yours faithfully



**Ron Hancock**  
**Managing Director**

Phone 07 4150 4001 or Mobile 0408 781 154  
Email [rhancock@wideayaust.com.au](mailto:rhancock@wideayaust.com.au)

**ENDS**

## Appendix 4D

### Half year report

### Period ending 31 December 2007

|  |                              |
|--|------------------------------|
| <b>Name of Entity</b>                          | Wide Bay Australia Ltd       |
| <b>ABN</b>                                     | 40 087 652 060               |
| <b>Half Year Ended</b>                         | 31 December 2007             |
| <b>Previous Corresponding Reporting Period</b> | 6 months to 31 December 2006 |

#### Results for announcement to the market

\$A'000

|  |    |        |                            |                                    |
|--|----|--------|----------------------------|------------------------------------|
| <b>Revenue from ordinary activities</b>                                  | Up | 12.83% | to                         | 76,447                             |
| <b>Profit from ordinary activities after tax attributable to members</b> | Up | 2.08%  | to                         | 8,229                              |
| <b>Net profit for the period attributable to members</b>                 | Up | 2.08%  | to                         | 8,229                              |
| <b>Dividends (distributions) - Ordinary shares</b>                       |    |        | <b>Amount per security</b> | <b>Franked amount per security</b> |
| <b>Final dividend (30 June 2007) - paid 14 September 2007</b>            |    |        | 30.0c                      | 30.0c                              |
| <b>Interim dividend (31 December 2007)</b>                               |    |        | 33.0c                      | 33.0c                              |
| <b>The record date for determining entitlements to the dividends</b>     |    |        | <b>07 March 2008</b>       |                                    |

#### Net tangible assets per security

|  | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| <b>Net tangible asset backing per ordinary share</b> | \$ 3.76        | \$ 3.37                       |

#### 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                           | 1,475  | 1,241                         |
| Wide Bay Australia Mini Lease Pty Ltd | Australia                | 51             | 51                            | (68)   | 1                             |

## Dividends

| Amount per security |               | Amount per security | Franked amount per security | Amount per security of foreign source dividend |
|---------------------|---------------|---------------------|-----------------------------|--|
| Interim dividend    | Current year  | 33.0c               | 33.0c                       | Nil  |
|                     | Previous year | 30.0c               | 30.0c                       | Nil  |

| Interim dividends on all securities  |  | Current period<br>\$A'000 | Previous corresponding period<br>\$A'000 |
|--|--|---------------------------|--|
| <b>Ordinary securities</b>   |  |                           |  |
| Interim dividend payable 21 March 2008 - previous period paid 19 December 2006         |  | 9,625                     | 6,189                                    |
| <b>Preference securities</b>   |  |                           |  |
| Preference securities converted December 2006 - previous period paid 20 September 2006 |  | -                         | 709                                      |
| Preference securities converted December 2006 - previous period paid 20 December 2006  |  | -                         | 722                                      |
| <b>Total</b>   |  | 9,625                     | 7,620                                    |

**WIDE BAY AUSTRALIA LTD - ABN 40 087 652 060**  
**CONDENSED INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  | <b>CONSOLIDATED</b>                           |   |
|--|---|---|
|  | <b>6 MONTHS TO<br/>31/12/2007<br/>\$000's</b> | <b>6 MONTHS TO<br/>31/12/2006<br/>\$000's</b> |
| Interest revenue   | 69,223  | 60,446  |
| Finance costs  | 51,350  | 43,030  |
|  | 17,873  | 17,416  |
| Net interest revenue                                     |   |   |
| Non interest revenue                                     | 7,224   | 7,310   |
|  | 25,097  | 24,726  |
| Total operating income                                   |   |   |
| Bad and doubtful debts expense                           | 65  | 19  |
| Other expenses   | 13,809  | 13,355  |
|  | 11,223  | 11,352  |
| Profit before income tax                                 |   |   |
| Income tax expense                                       | 3,060   | 3,289   |
|  | 8,163   | 8,063   |
| Profit after tax from continuing operations              |   |   |
| Profit attributable to minority interest                 | (66)  | 1   |
|  | 8,229   | 8,062   |
| Net profit attributable to members of the parent company |   |   |
| Basic earnings per share (cents per share)               | 32.90   | 31.81   |
| Diluted earnings per share (cents per share)             | 32.90   | 31.81   |

**WIDE BAY AUSTRALIA LTD**  
**CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2007**

|  | NOTE | CONSOLIDATED                   |                                |
|--|------|--------------------------------|--------------------------------|
|  |      | AS AT<br>31/12/2007<br>\$000's | AS AT<br>30/06/2007<br>\$000's |
| <b>ASSETS</b>                                  |      |                                |                                |
| Cash and cash equivalents                      |      | 56,405                         | 50,073                         |
| Due from other financial institutions          |      | 2,284                          | 2,284                          |
| Accrued receivables                            |      | 3,894                          | 11,298                         |
| Financial assets available for sale            |      | 110,718                        | 84,341                         |
| Loans and advances                             |      | 1,596,110                      | 1,548,335                      |
| Other investments                              |      | 8,321                          | 7,065                          |
| Property, plant & equipment                    |      | 16,927                         | 17,333                         |
| Deferred income tax assets                     |      | 1,068                          | 1,013                          |
| Other assets                                   |      | 7,359                          | 9,678                          |
|  |      | <hr/>                          | <hr/>                          |
| <b>TOTAL ASSETS</b>                            |      | <b>1,803,086</b>               | <b>1,731,420</b>               |
|  |      | <hr/>                          | <hr/>                          |
| <b>LIABILITIES</b>                             |      |                                |                                |
| Deposits and short term borrowings             |      | 860,540                        | 830,995                        |
| Due to other financial institutions            |      | 703                            | 1,306                          |
| Payables and other liabilities                 |      | 17,447                         | 23,866                         |
| Securitised loans                              |      | 807,059                        | 758,389                        |
| Deferred income tax liabilities                |      | 3,894                          | 5,020                          |
| Provisions                                     |      | 9,158                          | 9,327                          |
| Subordinated capital notes                     |      | 10,000                         | 10,000                         |
|  |      | <hr/>                          | <hr/>                          |
| <b>TOTAL LIABILITIES</b>                       |      | <b>1,708,801</b>               | <b>1,638,903</b>               |
|  |      | <hr/>                          | <hr/>                          |
| <b>NET ASSETS</b>                              |      | <b>94,285</b>                  | <b>92,517</b>                  |
|  |      | <hr/>                          | <hr/>                          |
| <b>EQUITY</b>                                  |      |                                |                                |
| Parent entity interest in equity               |      |                                |                                |
| Contributed equity                             | 2    | 60,725                         | 59,621                         |
| Reserves                                       |      | 14,480                         | 14,480                         |
| Retained profits                               |      | 19,540                         | 18,810                         |
|  |      | <hr/>                          | <hr/>                          |
| <b>Total parent entity interest in equity</b>  |      | <b>94,745</b>                  | <b>92,911</b>                  |
|  |      | <hr/>                          | <hr/>                          |
| Outside equity interest in controlled entities |      |                                |                                |
| Contributed equity                             |      | 1                              | 1                              |
| Retained profits                               |      | (461)                          | (395)                          |
|  |      | <hr/>                          | <hr/>                          |
| <b>Total outside equity interest</b>           |      | <b>(460)</b>                   | <b>(394)</b>                   |
|  |      | <hr/>                          | <hr/>                          |
| <b>TOTAL EQUITY</b>                            |      | <b>94,285</b>                  | <b>92,517</b>                  |
|  |      | <hr/>                          | <hr/>                          |

**WIDE BAY AUSTRALIA LTD**  
**CONDENSED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|   | NOTE | CONSOLIDATED<br>6 MONTHS TO<br>31/12/2007<br>\$000's | CONSOLIDATED<br>6 MONTHS TO<br>31/12/2006<br>\$000's |
|---|------|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |      |  |  |
| Interest received   |      | 68,711   | 60,137   |
| Borrowing costs   |      | (49,504)   | (40,960)   |
| Other non interest income received  |      | 8,802  | 8,427  |
| Cash paid to suppliers & employees  |      | (6,222)  | (13,798)   |
| Income tax paid   |      | (4,496)  | (3,362)  |
|   |      | <hr/>  | <hr/>  |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                   |      | <b>17,291</b>  | <b>10,444</b>  |
|   |      | <hr/>  | <hr/>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |      |  |  |
| Net increase in investment securities   |      | (29,131)   | (10,722)   |
| Net increase in amounts due from other financial institutions                     |      | 2,753  | (2,556)  |
| Net increase in loans   |      | (47,214)   | (39,346)   |
| Net increase in other investments   |      | (643)  | (141)  |
| Purchase of non current assets  |      | (524)  | (829)  |
|   |      | <hr/>  | <hr/>  |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                                      |      | <b>(74,759)</b>                                      | <b>(53,594)</b>                                      |
|   |      | <hr/>  | <hr/>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |      |  |  |
| Net increase in deposits and other borrowings                                     |      | 28,425   | 33,786   |
| Net increase in amounts due to other financial institutions and other liabilities |      | 42,436   | 8,268  |
| Proceeds from share issue   |      | 438  | 363  |
| Dividends paid  | 3    | (7,499)  | (13,063)   |
|   |      | <hr/>  | <hr/>  |
| <b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>                                   |      | <b>63,800</b>  | <b>29,354</b>  |
|   |      | <hr/>  | <hr/>  |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>                                       |      | <b>6,332</b>   | <b>(13,796)</b>                                      |
| Cash at beginning of financial year   |      | 50,073   | 60,473   |
|   |      | <hr/>  | <hr/>  |
| <b>CASH AT END OF HALF YEAR</b>   |      | <b>56,405</b>  | <b>46,677</b>  |
|   |      | <hr/>  | <hr/>  |

**WIDE BAY AUSTRALIA LTD**  
**CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

| <b>CONSOLIDATED</b>  | <b>Share<br/>Capital<br/>Ordinary</b> | <b>Perpetual<br/>Resetting<br/>Convertible<br/>Preference<br/>Shares</b> | <b>Retained<br/>Profits</b> | <b>Asset<br/>Revaluation<br/>Reserve</b> | <b>General<br/>Reserve</b> | <b>Statutory<br/>Reserve</b> | <b>Doubtful<br/>Debts<br/>Reserve</b> | <b>Minority<br/>Interests</b> | <b>Total</b>   |
|--|---------------------------------------|--|-----------------------------|--|----------------------------|------------------------------|---------------------------------------|-------------------------------|----------------|
|  | <b>\$000's</b>                        | <b>\$000's</b>   | <b>\$000's</b>              | <b>\$000's</b>                           | <b>\$000's</b>             | <b>\$000's</b>               | <b>\$000's</b>                        | <b>\$000's</b>                | <b>\$000's</b> |
| <b>Balance at 01 July 2006</b>   | 26,952                                | 31,744   | 15,602                      | 4,041                                    | 5,834                      | 2,676                        | 1,929                                 | (422)                         | 88,356         |
| Profit attributable to members of parent entity                                    | -                                     | -  | 8,062                       | -  | -                          | -                            | -                                     | -                             | 8,062          |
| Profit attributable to minority shareholders                                       | -                                     | -  | -                           | -  | -                          | -                            | -                                     | 1                             | 1              |
| <b>Sub-total</b>   | <b>26,952</b>                         | <b>31,744</b>  | <b>23,664</b>               | <b>4,041</b>                             | <b>5,834</b>               | <b>2,676</b>                 | <b>1,929</b>                          | <b>(421)</b>                  | <b>96,419</b>  |
| Issue of share capital   | 925                                   | -  | -                           | -  | -                          | -                            | -                                     | -                             | 925            |
| Conversion of perpetual resetting convertible preference shares to ordinary shares | 31,744                                | (31,744)   | -                           | -  | -                          | -                            | -                                     | -                             | -              |
| Dividends provided for or paid - ordinary shares                                   | -                                     | -  | (11,632)                    | -  | -                          | -                            | -                                     | -                             | (11,632)       |
| Dividends provided for or paid - perpetual resetting convertible preference shares | -                                     | -  | (1,431)                     | -  | -                          | -                            | -                                     | -                             | (1,431)        |
| <b>Balance at 31 December 2006</b>   | <b>59,621</b>                         | <b>-</b>   | <b>10,601</b>               | <b>4,041</b>                             | <b>5,834</b>               | <b>2,676</b>                 | <b>1,929</b>                          | <b>(421)</b>                  | <b>84,281</b>  |
| <b>Balance at 01 July 2007</b>   | <b>59,621</b>                         | <b>-</b>   | <b>18,810</b>               | <b>4,041</b>                             | <b>5,834</b>               | <b>2,676</b>                 | <b>1,929</b>                          | <b>(394)</b>                  | <b>92,517</b>  |
| Profit attributable to members of parent entity                                    | -                                     | -  | 8,229                       | -  | -                          | -                            | -                                     | -                             | 8,229          |
| Profit attributable to minority shareholders                                       | -                                     | -  | -                           | -  | -                          | -                            | -                                     | (66)                          | (66)           |
| <b>Sub-total</b>   | <b>59,621</b>                         | <b>-</b>   | <b>27,039</b>               | <b>4,041</b>                             | <b>5,834</b>               | <b>2,676</b>                 | <b>1,929</b>                          | <b>(460)</b>                  | <b>100,680</b> |
| Issue of share capital   | 1,104                                 | -  | -                           | -  | -                          | -                            | -                                     | -                             | 1,104          |
| Dividends provided for or paid - ordinary shares                                   | -                                     | -  | (7,499)                     | -  | -                          | -                            | -                                     | -                             | (7,499)        |
| <b>Balance at 31 December 2007</b>   | <b>60,725</b>                         | <b>-</b>   | <b>19,540</b>               | <b>4,041</b>                             | <b>5,834</b>               | <b>2,676</b>                 | <b>1,929</b>                          | <b>(460)</b>                  | <b>94,285</b>  |

**WIDE BAY AUSTRALIA LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

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.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 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*.

Except as described below, the accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2007.

The half year report does not include full disclosures of the type normally included in an annual financial report.

a) PRINCIPLES OF CONSOLIDATION

A controlled entity is any entity Wide Bay Australia Ltd has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent company.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b) INCOME TAX

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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) 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.

### h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) LOANS AND ADVANCES - DOUBTFUL DEBTS

The society has extended its lending to incorporate limited fully secured commercial lending and 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.

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

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

n) COMPARATIVE FIGURES

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

o) 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.

**WIDE BAY AUSTRALIA LTD**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

2. PERPETUAL RESETTING CONVERTIBLE PREFERENCE SHARES

The Perpetual Resetting Convertible Preference Shares (RCP's) were converted to Ordinary Shares on 20 December 2006. Under the relative terms and conditions, and the price of Ordinary Shares at the time of conversion, the RCP's converted to 4,366,843 shares, bringing the total number of Ordinary Shares to 24,905,397. This figure subsequently increased to 24,997,798 on 21 November 2006, with the issue of 92,401 shares under the staff share scheme, with a total issue price of \$924,934.

3. DIVIDENDS PROVIDED FOR OR PAID

The Board declared a dividend of 33.0 cents per ordinary share (\$9.625 million), for the six months to 31 December, 2007, payable on 21 March, 2008.

4. 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 within the States of Queensland, New South Wales, Victoria and South Australia.

5. CONTINGENT LIABILITIES

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

6. ACQUISITION OF MACKAY PERMANENT BUILDING SOCIETY LTD

On 15 November 2007 Wide Bay Australia Ltd (Wide Bay) lodged a second replacement bidder's statement with ASIC which included an offer dated 21 November 2007 to acquire 100% of shares in Mackay Permanent Building Society Ltd (Mackay Permanent).

The consideration offered by Wide Bay was either 0.80 Wide Bay Shares plus \$1.00 cash, or \$9.40 cash for every one Mackay Permanent Share (subject to Wide Bay deducting the amount of any dividend paid by Mackay Permanent).

On 10 January 2008 Wide Bay issued a "Notice to free offer from conditions" declaring the offer and any takeover contract arising from acceptance of the offer free from the conditions set out in the bidder's statement.

On 23 January 2008 Wide Bay confirmed that it had received acceptances in respect of the takeover of Mackay Permanent for 94.79% of Mackay Permanent shares.

On 4 February 2008 Wide Bay issued a "Notice of compulsory acquisition following takeover bid" advising that Wide Bay is entitled and bound to acquire the remaining shares in Mackay Permanent on the terms that applied under the takeover bid.