



wide bay australia ltd »

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2004 - 2005 half yearly report »

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at a glance summary

WIDE BAY AUSTRALIA LTD SIX MONTHS ENDED 31 DECEMBER 2004

Profit after tax

\$5,668,587

19.25 per cent increase over previous corresponding period

Interim dividend

19 cents per share (payable 18 March 2005)

Assets and loans under management

\$1,435,727,384

Lending for six months

\$222 million

Closing share price

\$7.00 (18 February 2005)

your directors' report

The Board of Directors are pleased to report another period of strong growth for the six months to 31 December 2004.

The principal highlights for this period were:

- After tax profit for the group increased to \$5.669 million - an increase of 19.25% over the corresponding period of last year.
- Outstanding loans and loans under management as at 31 December 2004, totalled \$1.239 billion which reflects a growth for the six months of 6.3%. It is also anticipated that this level of growth of the loans book will be able to be maintained for the remainder of the year, which should result in an overall growth of 12% to 14%. The society's move into New South Wales and expansion into Victoria of our lending operations is now showing an improving level of loan approvals for those areas.

This reinsurance will provide additional strength to the captive and ensure its exposure is restricted for future year activities. It is expected that the captive will continue a similar level of profitability for the remainder of 2004/2005, having experienced very little demand in respect of claims.

The Reinsurance Agreement will now have an impact on the capital requirements from the parent company in future years, with our projections, that no immediate further capital contributions will be required by the captive.

- At 31 December 2004, the society's capital adequacy was 16.12% and this increase was a result of the society completing an off-balance sheet securitisation program in October 2004 for \$300 million bringing the total public issues completed by the society since 1997 to \$1.287 billion. This securitisation program being off-balance sheet released a significant amount of capital, with the current capital available, surplus to the society's needs.

- Loan approvals for the period were \$222 million, which is consistent with the first six months of 2003/2004 and despite the decline in housing, by holding these figures reflects the impact of the society's expansions of its lending activities particularly in New South Wales and Victoria.

- Consistent with the advices in our report for the year ended 30 June 2004, the society's captive mortgage insurer, Mortgage Risk Management Pty Ltd has shown an after tax surplus of \$1.228 million, a substantial contribution to the overall operations.

During the past period we have had several discussions with various options for reinsurers and have now completed, for business written from 1 January 2005, a new Reinsurance Agreement for 4½ years, with Radian Insurance Inc. - an S&P "AA" rated reinsurance company based in the United States.

After tax profit has improved despite tightening margins as a result of the large amount of wholesale funding used, the cost of which fluctuates with market expectations. It does not include any Cashcard sale surplus as this was bought to account in total in the second half of 2003/2004 as per our report and in accordance with our Auditor's advice.

Our cost to income ratio for the period was 61.22% compared with 61.5% for 2003/2004.



your board of directors



John Pressler
OAM FAICD FIFS
Chairman



Ron Hancock
FCA FAICD FIFS
Managing
Director



John Fell
FCA FAICD FIFS
Director



Peter Sawyer
FCA FAICD FIFS
Director



Frances McLeod
AIFS
Executive Director

your directors' report continued

We are continuing with the installation of our electronic loans processing system and have completed the in-house mortgage documentation process. The bulk of our mortgages are now being completed in-house which has provided substantial cost savings.

We have maintained our policy of expensing our loan origination cost at the time of processing rather than amortising these costs over an extended period.

We are currently reviewing our south-east Queensland, Gold Coast and Melbourne operations with a view to expanding our representation in those areas, which are predicted to provide strong future growth.

Our Management Team continue to monitor the market to ensure the products and facilities that we offer remain competitive and are meeting the needs of our borrowers and investors. We are continually looking at opportunities to develop further products and provide enhancement to our existing range.

Our Internet Banking facilities are showing strong growth, as are Telephone Banking and electronic payments such as BPAY.

Your Board and Management are forecasting similar trends for the remainder of this financial year.

John Pressler
Chairman

Ron Hancock
Managing Director

17 February 2005
Bundaberg

condensed statement of financial performance

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Consolidated	
	6 months to 31/12/2004	6 months to 31/12/2003
Note	\$000's	\$000's
Interest revenue	46,337	38,685
Borrowing costs	32,286	25,463
Net interest revenue	14,051	13,222
Non interest revenues	6,196	5,361
Total operating income	20,247	18,583
Bad and doubtful debts expense	24	29
Other expenses	12,193	11,866
Profit from ordinary activities before income tax expense	8,030	6,688
Income tax expense relating to ordinary activities	2,384	1,969
Profit from ordinary activities after related income tax expense	5,646	4,719
Outside equity interest in net profit	(23)	(35)
Net profit attributable to members of the parent company	5,669	4,754
Retained profits at the beginning of the financial year	10,964	10,201
Total available for appropriation	16,633	14,955
Transfer from asset revaluation reserve	308	-
Dividends provided for or paid - Ordinary shares	(3,560)	(3,241)
Dividends provided for or paid - Resetting Convertible Preference shares	(1,327)	(1,207)
Retained profits at the end of the half year	12,054	10,507
Basic earnings per share (cents per share)	21.32	17.49
Diluted earnings per share (cents per share)	21.85	18.34

condensed statement of financial position

AS AT 31 DECEMBER 2004

	Note	Consolidated		
		as at 31/12/2004 \$000's	as at 30/06/2004 \$000's	as at 31/12/2003 \$000's
Assets				
Cash and liquid assets		48,118	29,993	36,712
Due from other financial institutions		1,906	1,906	1,906
Accrued receivables		5,574	12,345	2,617
Investment securities		122,552	142,407	170,366
Loans and advances	5	676,451	638,912	594,502
Other investments		142	142	3,021
Property, plant and equipment		11,501	11,300	11,281
Deferred tax assets		597	567	502
Other assets		3,476	4,321	7,354
Total assets		870,317	841,893	828,261
Liabilities				
Deposits and short term borrowings		692,436	655,032	654,860
Due to other financial institutions		65,093	64,267	64,553
Payables and other liabilities		11,791	23,887	10,241
Tax liabilities		1,658	1,596	1,204
Provisions		8,201	7,305	8,030
Subordinated capital notes		10,000	10,000	10,000
Total liabilities		789,179	762,087	748,888
Net assets		81,138	79,806	79,373
Equity				
Parent entity interest in equity				
Contributed equity	6	57,918	57,346	57,346
Reserves		11,607	11,915	11,915
Retained profits		12,054	10,964	10,507
Total parent entity interest in equity		81,579	80,225	79,768
Outside equity interest in controlled entities				
Contributed equity		7	7	7
Retained profits		(448)	(426)	(402)
Total outside equity interest		(441)	(419)	(395)
Total equity		81,138	79,806	79,373

condensed statement of cash flows

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Note	Consolidated	
		6 months to 31/12/2004 \$000's	6 months to 31/12/2003 \$000's
Cash flows from operating activities			
Interest received		46,121	38,088
Dividends received		-	16
Borrowing costs		(30,657)	(24,947)
Other non interest income received		10,425	9,022
Cash paid to suppliers and employees		(12,387)	(14,118)
Income tax paid		(3,232)	(2,009)
Net cash flows from operating activities		10,270	6,052
Cash flows from investing activities			
Net increase in investment securities		17,117	14,999
Net increase in amounts due from other financial institutions		2,738	310
Net increase in loans	5	153,499	(113,284)
Purchase of non current assets		(741)	(615)
Proceeds from sale of investments, property, plant and equipment		-	76
Net cash used in investing activities		172,613	(98,514)
Cash flows from financing activities			
Net increase in deposits and other borrowings		41,143	64,921
Purchase of subordinated capital notes		-	5,000
Net increase in amounts due to other financial institutions and other liabilities	5	(201,328)	31,565
Proceeds from share issue		313	(1,020)
Dividends paid		(4,886)	(4,448)
Net cash flows from financing activities		(164,758)	96,018
Net increase in cash held		18,125	3,556
Cash at beginning of financial year		29,993	33,156
Cash at end of half year		48,118	36,712

notes to the financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

1 Basis of preparation

These general purpose half year consolidated accounts have been prepared in accordance with the applicable Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views.

The accounting policies adopted are consistent with those adopted in the preparation of the financial statements for the year ended 30 June 2004.

We recommend that this report should be read in conjunction with the 2004 Annual Report, which contains notes of the type not included in this interim financial report. This report should also be read in conjunction with the public announcements made by Wide Bay Australia Ltd during the half year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

2 Profit from Ordinary Activities

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

Profit relating to mortgage insurance activities	6 months to 31/12/2004 \$000's	6 months to 31/12/2003 \$000's
Premium revenue	1,451	1,066
Reinsurance expense	-	509
Net earned premium revenue	1,451	557

During the 2003/2004 financial year a wholly owned subsidiary, Mortgage Risk Management Pty Ltd, terminated a reinsurance agreement as a result of the downgrading of the rating of the reinsurer.

3 International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

The transition to IFRS reporting is being managed by regular dialogue between management, the accounting department and audit staff.

There have been no major developments in implementation of IFRS which will affect the preparation of the financial accounts for the year ended 30 June 2005. We recommend this note be read in conjunction with note 1 (M) of the financial statements in the 2004 Annual Report.

4 Dividends provided for or paid

The Board declared a dividend of 19.0 cents per ordinary share (\$3.883 million), for the six months to 31 December, 2004, payable on 18 March, 2005.

5 Assets under Management

The society has continued to fund its loan activities by use of securitisation of the society's mortgages. These loans have been precluded from the assets of the consolidated group, having been sold into the securitisation programs but at the same time managed by the society.

6 Contributed Equity

	as at 31/12/2004 \$000's	Consolidated as at 30/06/2004 \$000's	as at 31/12/2003 \$000's
Fully paid ordinary shares			
Balance at beginning of period	25,602	25,083	25,083
Issued during the period - staff share plan	572	519	519
Balance at end of period	26,174	25,602	25,602
Resetting Convertible Preference Shares			
Balance at beginning of period	31,744	33,087	33,087
Share buy-back and buy-back costs	-	1,343	1,343
Balance at end of period	31,744	31,744	31,744
Total Contributed Equity	57,918	57,346	57,346

On 20 December, 2002, the company announced its intention to buy back a maximum number of 70,000 Resetting Convertible Preference shares. A total of 14,089 preference shares were repurchased, and the Final Share Buy-back Notice was issued on 28 October 2003, cancelling further buy-backs.

7 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.

8 Contingent Liabilities

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



director's declaration

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

- a) The consolidated financial statements and notes for the financial period ending 31 December 2004 have been prepared in accordance with accounting standards applicable under the Corporations Act 2001;
- b) The consolidated financial statements and notes for the financial period ending 31 December 2004 present a true and fair view of the financial position and performance of the consolidated entity; and
- c) As at the date of this statement there are reasonable grounds to believe that Wide Bay Australia Ltd will be able to pay its debts as and when they become due and payable.

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

Ron Hancock 17 February 2005
Director Bundaberg

independent review report TO THE MEMBERS OF WIDE BAY AUSTRALIA LTD

Scope

We have reviewed the financial report of Wide Bay Australia Ltd for the half-year ended 31 December 2004 consisting of the Condensed Statement of Financial Performance, Condensed Statement of Financial Position, Condensed Statement of Cash Flows, Notes to the Financial Statements and the Directors' Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising the society and the entities it controlled at the end of the half-year or from time to time during the half-year. The society's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the society's financial position and performance as represented by the results of its operations and its cash flows and in order for the society to lodge the financial report with the relevant regulatory authorities.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the society's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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

- a) the Corporations Act 2001 including:
 - i) giving a true and fair view of the society's financial position as at 31 December 2004 and of its performance for the half-year ended on that date;
 - ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

Bentleys MRI
Chartered Accountants

by R J Forbes
Partner

17 February 2005
Brisbane

director's statutory report

FOR THE HALF YEAR ENDED 31 DECEMBER 2004

The Directors present this report on the society's accounts and consolidated accounts for the six months period ended 31 December, 2004 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 H Fell FCA, FAICD, FIFS

Mr Fell was a director and secretary of the Gympie and North Coast Building Society from 1976 until merger with the society in 1981. He is Chairman of Mortgage Risk Management Pty Ltd and was a practising Chartered Accountant for many years. He is a member of the Institute of Chartered Accountants.

Mr Ronald E Hancock FCA, FAICD, FIFS

Mr Hancock is the Managing Director of the society. He was a foundation director and manager of the Burnett Permanent Building Society formed in 1966, which in 1979 amalgamated with the Maryborough Permanent Building Society to form Wide Bay Capricorn Building Society, which in 2003 changed its name to Wide Bay Australia Ltd.

Mr Hancock was a practising Chartered Accountant for 32 years and is a member of the Institute of Chartered Accountants and a director of Fincom Pty Ltd, Mortgage Risk Management Pty Ltd and Wide Bay Australia Financial Planning Services Pty Ltd. He is the Chairman of Wide Bay Australia Mini Lease Pty Ltd.

Mr John F Pressler OAM, FAICD, FIFS

Mr Pressler is Chairman. He was appointed to the Board in 1988. He is a prominent figure in Emerald's agricultural and horticultural industries and is Chairman of Lindsay Australia Ltd. He is a director of Mortgage Risk Management Pty Ltd.

Mr Peter J Sawyer FCA, FAICD, FIFS

Mr Sawyer has been a director of the society since 1987. He is a partner of the firm Ulton, Chartered Accountants of Bundaberg, Maryborough and Hervey Bay. He is involved in a wide range of business activities. Mr Sawyer is the Chairman of the Audit Committee.

Mrs Frances M McLeod AIFS

Mrs McLeod was appointed to the Board on 14 October 2003. She is currently Wide Bay Australia's Executive Manager and has a wide range of experience based on her involvement with the society for over 30 years. She is a director of Mortgage Risk Management Pty Ltd and Wide Bay Australia Financial Planning Services Pty Ltd.

All directors are members of the Audit Committee.

The society 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.

In accordance with section 307C of the Corporations Act 2001, Bentleys MRI advise that to the best of the lead auditor's knowledge and belief there have been:

- no contraventions of the auditor independence requirements of that Act in relation to the review for the half-year ended 31 December 2004; and
- no contraventions of any applicable code of professional conduct in relation to the review for the half-year ended 31 December 2004.

Review of Operations

The activities of the society remained unchanged during the six month period. These activities include the provision of financial facilities satisfying our customers' savings and investment needs. Funds generated are used to provide finance for residential accommodation and related purposes and for home equity lending secured by registered mortgage over freehold or perpetual leasehold properties.

During the six months, the society insured all new mortgage loans approved with the society's wholly owned subsidiary, Mortgage Risk Management Pty Ltd, a registered lenders mortgage insurer.

The consolidated net operating profit after income tax for the six months ended 31 December 2004 was \$5.669 million. Total assets and loans under management as at 31 December 2004 stood at \$1.239 billion. Loans approved during the half year amounted to \$222 million.

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

Ron Hancock 17 February 2005
Director Bundaberg