

# FORM: Half yearly/preliminary final report

Name of issuer

Bidgee Finance Ltd

ACN or ARBN

000 362 596

Half yearly  
(tick)

Preliminary  
final (tick)

√

Half year/financial year ended  
('Current period')

30 June 2008

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A,000
Revenue (item 1.1)	up	11%	to	15,788
Profit (loss) for the period (item 1.9)	down	20%	to	1,810
Profit (loss) for the period attributable to members of the parent (item 1.11)	down	20%	to	1,810
<b>Dividends</b>				
Franking rate applicable:				
<b>Final dividend</b> (preliminary final report only)(item 10.13-10.14)				
Amount per security		9.5 cents		9.5 cents
Franked amount per security		100%		100%
<b>Interim dividend</b> (Half yearly report only) (item 10.11 – 10.12)				
Amount per security		6.0 cents		6.0 cents
Franked amount per security		100%		100%
<p>On 11 September 2008, the directors declared a fully franked final dividend of 4.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.</p>				
<p>Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:</p> <p>N/A</p>				

**Consolidated income statement** *(The figures are not equity accounted)**(see note 3)**(as per paragraphs 81-85 and 88-94 of AASB 101: Presentation of Financial Statements)*

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Revenues <i>(item 7.1)</i>	15,788	14,186
1.2 Expenses, excluding finance costs <i>(item 7.2)</i>	(7,525)	(6,157)
1.3 Finance costs	(5,626)	(4,789)
1.4 Share of net profits (losses) of associates and joint ventures <i>(item 15.7)</i>	-	-
<b>1.5 Profit (loss) before income tax</b>	<b>2,637</b>	<b>3,240</b>
1.6 Income tax expense <i>(see note 4)</i>	(827)	(975)
1.7 Profit (loss) from continuing operations	1,810	2,265
1.8 Profit (loss) from discontinued operations <i>(item 13.3)</i>	-	-
<b>1.9 Profit (loss) for the period</b>	<b>1,810</b>	<b>2,265</b>
1.10 Profit (loss) attributable to minority interests	-	-
<b>1.11 Profit (loss) attributable to members of the parent</b>	<b>1,810</b>	<b>2,265</b>
1.12 Basic earnings per share (cents per share) <i>(item 9.1)</i>	10.8	14.5
1.13 Diluted earnings per share (cents per share) <i>(item 9.1)</i>	10.8	14.5
1.14 Dividends per security <i>(item 9.1)</i>	15.5	15.5

**Comparison of half-year profits***(Preliminary final statement only)*

	Current period - \$A'000	Previous corresponding period - \$A'000
2.1 Consolidated profit (loss) after tax attributable to members reported for the 1st half year <i>(item 1.11 in the half yearly statement)</i>	1,152	960
2.2 Consolidated profit (loss) after tax attributable to members for the 2nd half year	658	1,305

## Consolidated balance sheet

(See note 5)

(as per paragraphs 68-69 of AASB 101: Financial Statement Presentation)

<b>Assets</b>		Current period - \$A'000	Previous corresponding period - \$A'000
3.1	Cash and cash equivalents	2,967	1,022
3.2	Trade and other receivables	334	390
3.3	Other financial assets	1,016	673
3.4	Other assets	601	481
3.5	Loans and advances to customers	83,241	88,813
3.6	Current tax assets	-	394
3.7	Deferred tax assets	43	-
3.8	Property plant and equipment	1,114	1,118
3.9	Goodwill	2,424	2,094
3.10	Other intangible assets	80	-
3.11	<b>Total assets</b>	<b>91,820</b>	<b>94,985</b>
<b>Liabilities</b>			
3.12	Trade and other payables	1,107	699
3.13	Deposits and short term borrowings	19,591	20,181
3.14	Current tax liabilities	144	-
3.15	Deferred tax liabilities	-	29
3.16	Provisions	489	403
3.17	Other liabilities	6	35
3.18	Long term borrowings	49,000	53,000
3.19	<b>Total liabilities</b>	<b>70,337</b>	<b>74,347</b>
3.20	<b>Net assets</b>	<b>21,483</b>	<b>20,638</b>
3.21			
3.22	<b>Equity</b>		
3.23	Share capital	18,485	16,904
3.24	Equity-settled employee benefits reserve	42	33
	Retained earnings	2,956	3,701
3.25	<b>Total equity</b>	<b>21,483</b>	<b>20,638</b>

## Consolidated statement of changes in equity

(as per paragraphs 96-97 of AASB 101: Presentation of Financial Statements)

	Current period – A\$'000	Previous corresponding period – A\$'000
Revenues recognised directly in equity:		
Expenses recognised directly in equity:		
4.1 <b>Net income recognised directly in equity</b>	-	-
4.2 <b>Profit for the period</b>	<b>1,810</b>	<b>2,265</b>
4.3 <b>Total recognised income and expense for the period</b>	<b>1,810</b>	<b>2,265</b>
Attributable to:		
4.4 Members of the parent	1,810	2,265
4.5 Minority interest	-	-
Effect of changes in accounting policy (as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors):		
4.6 Members of the parent entity		
4.7 Minority interest		

# **Consolidated statement of cash flows**

(See note 6)

(as per AASB 107: Cash Flow Statements)

		Current period - \$A'000	Previous corresponding period - \$A'000
	<b>Cash flows related to operating activities</b>		
5.1	Payments to suppliers and employees	(5,960)	(5,852)
5.2	Interest received	10,751	10,169
5.3	Interest paid	(5,589)	(5,280)
5.4	Income taxes paid	(361)	(998)
5.5	Brokerage fees received	3,900	2,307
5.6	Other income	766	733
5.7	<b>Net cash used in operating activities</b>	<b>3,507</b>	<b>1,079</b>
	<b>Cash flows related to investing activities</b>		
5.8	Purchases of property, plant and equipment	(284)	(318)
5.9	Proceeds from sale of property, plant and equipment	56	11
5.10	Customer loans granted	(34,438)	(46,849)
5.11	Customer loans repaid	38,986	40,307
5.12	Purchases of intangible assets	(80)	-
5.13	Business acquisitions	(330)	(705)
5.14	<b>Net cash used in investing activities</b>	<b>3,910</b>	<b>(7,554)</b>
	<b>Cash flows related to financing activities</b>		
5.15	Proceeds from (repayment of) borrowings	(4,000)	11,000
5.16	Repayment of hire purchase agreements	(32)	(49)
5.17	Dividends paid to shareholders	(974)	(885)
5.18	Net decrease in debentures	(466)	(3,944)
5.19	Proceeds from issue of shares	-	54
5.20	<b>Net cash used in financing activities</b>	<b>(5,472)</b>	<b>6,176</b>
	<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,945</b>	<b>(299)</b>
5.21	Cash at beginning of period (see Reconciliations of cash)	1,022	1,321
5.22	Exchange rate adjustments to item 5.23	-	-
5.23	<b>Cash at end of period</b> (see Reconciliation of cash)	<b>2,967</b>	<b>1,022</b>

## Reconciliation of cash provided by operating activities to profit or loss

(as per paragraph Aus20.1 of AASB 107: Cash Flow Statements)

	Current period \$A'000	Previous corresponding period \$A'000
6.1 <b>Profit</b> ( <i>item 1.9</i> )	<b>1,810</b>	<b>2,265</b>
6.2 Gain on disposal of non-current assets	(8)	-
6.3 Loss on sale of non-current assets	27	5
6.4 Depreciation	213	180
6.5 Bad debts written off	9	33
6.6 Increase/(decrease) in doubtful debts provision	889	(159)
6.7 Increase in employee benefits provision	95	129
6.8 (Increase)/decrease in other debtors	56	(155)
6.9 Decrease in prepayments	(119)	(276)
6.10 Increase/(decrease) in accrued expenses/creditors	386	(374)
6.11 Increase/(decrease) in tax payable	538	(339)
6.12 Increase/(decrease) in accrued interest payable	26	(215)
6.13 Net movement in deferred tax asset/deferred tax liability	(72)	316
6.14 Increase in derivative asset	(343)	(331)
6.15 <b>Net cash from operating activities</b> ( <i>item 5.6</i> )	<b>3,507</b>	<b>1,079</b>

## **Notes to the financial statements**

### **Details of revenues and expenses**

(see note 16)

(Where items of income and expense are material, disclose nature and amount below in accordance with paragraphs 86-87 of AASB 101: Presentation of Financial Statements)

	Current period - \$A'000	Previous corresponding period - \$A'000
<b>Revenue</b>		
<b><i>Operating Activities</i></b>		
Interest income earned on financial assets that are not at fair value through profit or loss	10,751	10,169
Fees and commissions	3,920	2,953
Other revenue	766	733
	15,437	13,855
<b><i>Non-operating Activities</i></b>		
Fair value gains on derivatives	343	331
Gain on disposal of property, plant & equipment	8	-
	351	331
<b>7.1 Total Revenue</b>	<b>15,788</b>	<b>14,186</b>
<b>Expenses</b>		
Finance costs	5,626	4,789
Bad and doubtful debts expense	1,061	458
Employee benefits expense	4,267	3,830
Occupancy expense	287	257
Depreciation and amortisation expenses	213	180
Fee and commission expense	284	195
General administrative expenses	393	381
Advertising expenses	316	247
Telephone expenses	160	139
Vehicle expenses	162	153
Other expenses from operations	382	317
<b>7.2 Total Expenses</b>	<b>13,151</b>	<b>10,946</b>
<b>Profit before tax</b>	<b>2,637</b>	<b>3,240</b>

Ratios		Current period	Previous corresponding period
<b>Profit before tax / revenue</b>			
8.1	Consolidated profit (loss) before tax ( <i>item 1.5</i> ) as a percentage of revenue ( <i>item 1.1</i> )	16.7%	22.8%
<b>Profit after tax / equity interests</b>			
8.2	Consolidated profit (loss) after tax attributable to members ( <i>item 1.11</i> ) as a percentage of equity (similarly attributable) at the end of the period ( <i>item 3.37</i> )	8.4%	11.0%

### Earnings per Security

- 9.1 Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

#### Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	Current period \$A'000	Previous corresponding period \$A'000
Net profit	1,810	2,265
	Current period Thousands	Previous corresponding period Thousands
Weighted average number of ordinary shares for the purposes of basic EPS	16,706	15,603

#### Diluted earnings per share

The earnings used in the calculation of diluted earnings per share is as follows:

	Current period \$A'000	Previous corresponding period \$A'000
Net profit	1,810	2,265
	Current period Thousands	Previous corresponding period Thousands
Weighted average number of ordinary shares for the purposes of basic EPS	16,706	15,603
Plus: incremental I shares from assumed conversions in respect of employee options <sup>1</sup>	-	-
Weighted average number of ordinary shares used in the calculation of diluted EPS	16,706	15,603



## Dividends

10.1	Date the dividend is payable	20 November 2008
10.2	Record date to determine entitlements to the dividend (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)	6 November 2008
10.3	If it is a final dividend, has it been declared?	

On 11 September 2008, the directors declared a fully franked final dividend of 4.00 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2008. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$687,749.

10.4 The *dividend or distribution plans* shown below are in operation.

The Company maintains a Dividend Reinvestment Plan ('DRP'). This plan enables the Company to convert dividends that would have otherwise been paid in cash into equity at a discount to the weighted average price of the Company's shares in the period leading up to the payment of the dividend. The dividend reinvestment plan has been well supported by shareholders for many years with participation currently in excess of 60%.

Eligible shareholders may apply to participate in the DRP with respect to all or part of their holding. Shareholders who wish to partially participate in the DRP may nominate a specific number of shares in which they wish the DRP to apply.

The last date(s) for receipt of election notices to the *dividend or distribution plans*

6 November 2008

## Dividends paid or provided for on all securities

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

	Current period - \$A'000	Previous corresponding period - \$A'000	Franking rate applicable
<b>Dividends paid or provided for during the reporting period</b>			
10.6 Current year interim			
10.7 Franked dividends	1,010	943	100%
10.8 Previous year final			
10.9 Franked dividends	1,545	1,445	100%
<b>Dividends proposed and not recognised as a liability</b>			
10.10 Franked dividends	688	1,545	100%

**Dividends per security***(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)*

	Current year	Previous year	Franking rate applicable
<b>Dividends paid or provided for during the reporting period</b>			
10.11 Current year interim			
10.12 Franked dividends – cents per share	6.0	6.0	100%
10.13 Previous year final			
10.14 Franked dividends – cents per share	9.5	9.5	100%
<b>Dividends proposed and not recognised as a liability</b>			
10.15 Franked dividends – cents per share	4.0	9.5	100%

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

	Current period \$A'000	Previous corresponding period \$A'000
11.1 <b>(b) Franking account</b>		
11.2 Balance of franking account at year-end using the tax paid basis, adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking credits arising from payment of proposed dividends and franking credits that may be prevented from distribution in the subsequent financial year.	1,843	2,577
11.3 Impact on franking account balance of dividends not recognised	(295)	(662)

## Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

	Ordinary share capital \$'A'000	Reserves \$'A'000	Retained profits \$'A'000	Total \$'A'000
<b>Balance at 1 July 2006</b>	<b>14,938</b>	<b>29</b>	<b>3,824</b>	<b>18,791</b>
<b>Total recognised income and expense (profit)</b>			2,265	2,265
Issue of shares for business acquisitions	75			75
Issue of shares under dividend reinvestment plan	1,503			1,503
Issue of shares under share option plan	318			318
Transfer from equity-settled employee benefits reserve	70	(70)		-
Recognition of share based payments		74		74
Dividends paid or provided for			(2,388)	(2,388)
<b>Balance at 30 June 2007</b>	<b>16,904</b>	<b>33</b>	<b>3,701</b>	<b>20,638</b>
<b>Total recognised income and expense (profit)</b>			1,810	1,810
Issue of shares under dividend reinvestment plan	1,581			1,581
Recognition of share based payments		9		9
Dividends paid or provided for			(2,555)	(2,555)
<b>Balance 30 June 2008</b>	<b>18,485</b>	<b>42</b>	<b>2,956</b>	<b>21,483</b>

## Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 114: Segment Reporting. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 114 and indicates which amount should agree with items included elsewhere in this statement.

### Primary Reporting - Geographical Segments

	Mildura \$'000	Deniliquin \$'000	Horsham \$'000	Wagga Wagga \$'000	Albury \$'000	Adelaide \$'000	Consolidated \$'000
<b>2008</b>							
<b>Revenue</b>							
Total sales revenue	4,825	1,044	1,116	5,965	1,454	893	15,297
Unallocated revenue							491
Total revenue							15,788
<b>Result</b>							
Segment result	1,511	16	474	1,456	312	224	3,993
Unallocated expenses net of unallocated revenue							(1,465)
Operating profit							2,528
Interest income							111
Interest expense							(2)
Income tax expense							(827)
Profit after income tax							1,810
<b>Assets</b>							
Segment assets	28,419	6,102	3,627	37,280	6,474	4,517	86,419
Unallocated assets							5,924
Total assets							92,343
<b>Liabilities</b>							
Segment liabilities	23,274	5,143	2,962	30,557	4,526	2,986	69,448
Unallocated liabilities							1,412
Total liabilities							70,860
Capital expenditure	69	-	26	57	118	257	
Depreciation	70	13	22	39	11	9	

## Primary Reporting - Geographical Segments

<b>2007</b>	Mildura \$'000	Deniliquin \$'000	Horsham \$'000	Wagga Wagga \$'000	Albury \$'000	Adelaide \$'000	Consolidated \$'000
<b>Revenue</b>							
Total sales revenue	4,351	1,396	1,001	5,301	1,397	304	13,750
Unallocated revenue							436
Total revenue							14,186
<b>Result</b>							
Segment result	1,593	453	391	1,844	202	67	4,550
Unallocated expenses net of unallocated revenue							(1,373)
Operating profit							3,177
Interest income							66
Interest expense							(3)
Income tax expense							(975)
Profit after income tax							2,265
<b>Assets</b>							
Segment assets	30,570	9,597	4,626	38,049	6,040	2,833	91,715
Unallocated assets							3,556
Total assets							95,271
<b>Liabilities</b>							
Segment liabilities	25,121	7,911	3,804	31,056	4,248	1,819	73,959
Unallocated liabilities							674
Total liabilities							74,633
Capital expenditure	152	2	15	12	102	670	
Depreciation	23	20	45	48	17	7	

The Company reports its primary segment information on a branch location basis. Each branch segment finances a broad range of loans and advances. Financial reporting via geographical areas can be described as:

*Segment revenue and expense:* All interest income, contract fees and volume incentives are allocated to branch segments. Other income including interest from investments, bank fees and valuation gains are categorised as unallocated revenue. All interest expense, employee, occupancy and selling expenses are allocated to branch segments. Expenses specific to the administration of Mildura head office and unable to be allocated to a branch are listed under unallocated expenses.

*Segment assets and liabilities:* Segment assets include all operating assets used by a segment and consist principally of receivables, plant & equipment and goodwill. Unallocated assets include operating cash, sundry debtors, prepaid expenses, unidentified goodwill, deferred tax and derivative assets. While some liabilities can be directly attributable to individual segments, the carrying amount of customer deposits, accrued interest and commercial bills have been allocated to segments in proportion to the branch loans and advances. Unallocated segment liabilities include payables and other accrued expenses and tax liabilities.

## Secondary Reporting – Business Segments

	Segment Revenue from External Customers		Carrying Amount of Segment Assets	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Loans and advances</b>				
Leases	725	826	5,836	7,471
Hire purchase	488	344	4,753	2,905
Mortgage	3,018	2,119	21,904	22,438
Goods mortgage	6,360	6,777	51,684	56,254
Insurance funding	32	35	182	154
Professional fee funding	17	2	236	55
<b>Total</b>	<b>10,640</b>	<b>10,103</b>	<b>84,595</b>	<b>89,277</b>
Unallocated	5,148	4,083	7,748	5,994
<b>Total as per financial statements</b>	<b>15,788</b>	<b>14,186</b>	<b>92,343</b>	<b>95,271</b>

The Company's six branches are managed and reported on individually. They provide finance in six different loan types and refer loans to external financiers. Revenue from sources not identifiable to the Company's core lending services has not been listed under the business segments.

The principal products are as follows:

Leases	A rental agreement where the Company owns the equipment and leases it to the lessee for an agreed term and rental amount. The lessee indemnifies the Company for the residual value at the end of the lease term.
Hire purchase	A contract where the Company allows the hirer the right to possess and use an asset in return for regular payments. When the final payment is made, the title of the goods is transferred to the hirer.
Mortgage	A loan using real estate as security
Goods mortgage	A mortgage using movable property rather than real estate as security.
Insurance premium funding	A loan to pay an insurance premium which is repaid over an agreed number of monthly instalments to ease the pressure on cash flows.
Professional fee funding	A loan to pay for professional fees which is repaid over an agreed number of monthly instalments to ease the pressure on cash flows.

## NTA Backing

(see note 7)

20.1	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$1.10	\$1.14

The Company's debenture stock is secured by a second ranking charge over the Company's assets (which consist primarily of loan receivables). Interest rates payable on debenture stock is fixed by the directors of the Company and is subject to change from time to time.

The commercial bills are secured by a first ranking fixed and floating charge over the assets of the Company.

## Non-cash financing and investing activities

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.*

21.1	<p>(i) 932,345 fully paid ordinary shares were issued to shareholders of the Company during the year pursuant to the Dividend Reinvestment Plan in satisfaction of dividends payable of \$1,581,057.</p> <p>(ii) Investors transferred \$124,112 from debentures to make payments on finance contracts.</p> <p>(iii) No shares were issued as part consideration for a business acquisition.</p> <p>(iv) No loans were granted during the year to exercise options for directors and employees.</p> <p>These transactions are not reflected in the Statement of Cash Flows.</p>
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## International Financial Reporting Standards

*Under paragraph 39 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.*

22.1	N/A
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*Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.*

22.2

N/A

### **Comments by directors**

*Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 134: Interim Financial Reporting. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) but may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.*

### **Basis of accounts preparation**

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange of assets. All amounts are presented in Australian dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### **Accounting policies**

#### **(a) Principles of Consolidation**

The financial statements comprise the accounts of Bidgee Finance Ltd. There are no controlled entities.

#### **(b) Recognition of Revenue**

Finance leases are recognised in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income. Finance income is recognised over the lease term on a systematic and rational basis based on a constant periodic return on the Company's net investment in the finance lease.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Fee and commission income from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

#### **(c) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in liabilities on the balance sheet.

#### **(d) Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The depreciable amount of all fixed assets, including buildings but excluding freehold land is depreciated on a straight-line basis or reducing balance method over their effective lives commencing from the time the asset is 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 carrying amount of plant and equipment is reviewed annually 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.

The useful lives of each class of assets are:

Buildings	40 years
Leasehold improvements	Up to 15 years
Plant & equipment	2 to 20 years

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.

### **(e) Financial Instruments**

#### *Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Subsequent to initial recognition these instruments are measured as set out below.

#### *Financial assets*

Financial assets are classified into the following specified categories: Financial assets 'at fair value through profit or loss' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

#### 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 and within the requirements of AASB 139: *Recognition and Measurement of Financial Instruments*. Derivatives are also categorised as held for trading unless they are designated as hedges. 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 less impairment. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

#### Impairment of financial assets

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest will be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans. The carrying amount of loans is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases the previously recognised impairment loss is reversed through profit or loss.

Bad debts are written off against the allowance where an allowance exists, or to the profit and loss account when identified and no allowance exists.

#### Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. These include debentures and commercial bills.

#### Financial liabilities at fair value through profit or loss

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.

#### Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate risk using interest rate swaps. The interest rate swaps are not designated as hedging instruments.

Derivative instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives not designated into an effective hedge relationship are classified as an asset or a liability.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### Impairment of financial liabilities

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### Derecognition of financial liabilities

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### **(f) Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing for goodwill and intangible assets with indefinite lives is performed annually or more frequently where indicators of impairment exist.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(g) Business Combinations**

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method.

The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3: *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill acquired in a business combination is recorded initially at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill is not amortised but is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is 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) Intangible Assets**

##### *Intangible assets acquired separately*

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation:

Computer software

4 years

#### **(i) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. 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.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

*Equity-settled compensation*

The Company operates an employee share option plan. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using a Trinomial American Call option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**(j) Income Tax**

*(i) Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

*(ii) Deferred tax*

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 Company will derive future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

**(k) Leases**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**(l) Provisions**

Provisions are recognised when the Company 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.

**(m) Borrowings**

Borrowings include short and long-term borrowings. Short-term borrowings include bank overdrafts and debentures. Long-term borrowings include commercial bills.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

**(n) Earnings per Share**

Basic earnings per share is determined by dividing net profit after income tax attributable to the members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of potential shares assumed to have been issued which would dilute the number of ordinary shares.

**(o) Fees and Commissions**

Fees and commissions earned in respect of services provided are brought to account as work is completed.

Fees and commissions in relation to services provided to the Company are expensed as incurred.

**(p) Comparative Figures**

Where required by accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**(q) Goods and Services Tax (GST)**

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, payables and lease receivables in the balance sheet are shown exclusive of GST.

**(r) Rounding of Amounts**

The Company 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.

**(s) Critical Judgements and Key Sources of Estimation Uncertainty**

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 Company.

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of goodwill in the year ended 30 June 2008.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible). In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations (as per paragraphs 16(b), 16(b) and Aus 16.1 of AASB 134: Interim Financial Reporting)

No subsequent events have occurred since the balance date, which would impact on the financial position of the Company at 30 June 2008 and the results for the year ended on that date.

Any other factors which have affected the results in the period, or which are likely to affect results in the future, including those where the effect could not be quantified.

No significant events have occurred since the balance date, which would impact on the financial position of the Company at 30 June 2008 and the results for the year ended on that date.

Changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

*(Disclose changes in the half yearly statement in accordance with paragraph 16(a) of AASB 134: Interim Financial Reporting. Disclose changes in the preliminary final statement in accordance with paragraphs 28-29 of 108: Accounting Policies, Changes in Accounting Estimates and Errors.)*

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies.

An issuer shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)

NIL

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (as per paragraph 16(d) of AASB 134: Interim Financial Reporting)

NIL

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report (as per paragraph 16(j) of AASB 134: Interim Financial Reporting)

#### **Contingent Assets**

In 2006 the Company discovered that a previous employee had defrauded the Company. This employee has since been convicted of several criminal offences. Subsequent to the end of the financial year, the Company successfully applied to be joined to the restitution proceedings in relation to this matter. It is expected that a restitution order will be made in favour of the Company before the next reporting date. It is not possible to quantify the amount of restitution that will be ordered.

#### **Contingent Liabilities**

A client had joined the Company to a dispute between that client and a third party. The client was claiming damages in the amount of \$40,000 from the Company. No provision had been recognised as the Company believed that the claim was without merit and was defending the action.

The matter was settled on 2 September 2008 with the other party agreeing to drop its claim against the Company.

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence (as per paragraph 16(c) of AASB 134: Interim Financial Reporting)

NIL

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations (as per paragraph 16(i) of AASB 134: Interim Financial Reporting)

During the year the Company paid amounts owed from previous years for business unit acquisitions. The principal activity of all business acquisitions was finance.

The Company paid amounts owed from prior years to both Lovetts Finance Brokers and Delta Finance Corporation Pty Ltd. The total cost of acquisition for the year ended 30 June 2008 was \$330 thousand.

In the year ended 30 June 2007, the Company acquired Delta Finance Corporation Pty Ltd on 1 February 2007 and also paid amounts owed from prior years to Lovetts Finance Brokers, which was acquired on 1 November 2005. The total costs of acquisitions for the year were \$780 thousand.

#### **Provisional accounts**

Plant and equipment	-	23
Trade receivables	-	36
Goodwill arising on acquisition	330	721
	<u>330</u>	<u>780</u>

#### **Consideration**

Cash	330	705
Equity in the Company	-	75
Total net consideration	<u>330</u>	<u>780</u>

Goodwill on acquisition of a business combination is the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**Annual meeting***(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Mildura Grand Hotel

Date

Monday, 27 October 2008

Time

2:00 pm

Approximate date the annual report will be available

Tuesday, 30 September 2008

**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- ☐ The financial statements have been audited. ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☒ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
6. The *issuer* has a formally constituted audit committee.

Sign here:

  
 (~~Director~~/Company secretary)

Print name: Wendy Leake

Date: 12 September 2008