

# **Bidgee Finance Ltd**

## **Annual Report**

**ABN 83 000 362 596**



**2008**

## TABLE OF CONTENTS

CHAIRMAN’S REPORT	2
MANAGING DIRECTOR’S REPORT	3
FIVE YEAR SUMMARY	8
DIRECTORS’ REPORT	9
AUDITOR’S INDEPENDENCE DECLARATION	20
CORPORATE GOVERNANCE STATEMENT	21
DIRECTORS’ DECLARATION	23
INDEPENDENT AUDIT REPORT	24
INCOME STATEMENT	26
BALANCE SHEET	27
STATEMENT OF CHANGES IN EQUITY	28
STATEMENT OF CASH FLOWS	39
NOTES TO THE FINANCIAL STATEMENTS	30

## CHAIRMAN'S REPORT

The directors of Bidgee Finance Ltd are pleased to announce the results of the Company for the year ended 30 June 2008.

The Company's profit before tax was \$2.6 million which represents a decrease of 18.6% on last year's after tax profit of \$3.2 million.

Challenging rural conditions in some sectors together with rising interest rates and the volatility in worldwide credit markets has impacted upon lending volumes and has also necessitated an increase in doubtful debt provisioning. The board expects provisions to return to more normal levels in the coming financial year.

Rising interest rates has had an impact on Bidgee's profitability. Although the Company has increased its rates to customers, the benefit of these increases is yet to take full effect as these increases took place predominantly in the second half of the financial year.

In response to these issues the board adopted a deliberately conservative debt reduction strategy in order to generate additional liquidity. Bank debt reduced from \$60 million mid way through the year to \$49 million at year end. This pre-emptive decision has put the Company in a sound position to take advantage of opportunities that will arise as credit markets return to more normal positions.

A fully franked final dividend of 4.0 cents per share (2007: 9.5 cents) will be recommended to shareholders at the upcoming annual general meeting. This will bring total fully franked dividends for the year to 10 cents (2007: 15.5 cents). The decision to reduce dividends was taken in light of the reduced profit and the need to preserve liquidity within the business.

The Company's dividend reinvestment plan ("DRP") continues to be well supported with over 60% participation. The DRP price has been set at \$1.15. The record date for entitlement to the final dividend will be 6 November 2008 and the dividend will be paid on 20 November 2008.

Bidgee's overall liquidity position remains strong with the Company and the National Australia Bank agreeing to a renewed facility of \$59 million until 31 October 2009. This facility provides the Company with sufficient liquidity to grow the business over the coming 12 months. The Company has maintained its debenture book at \$19.6 million which is comparable to the previous year.

During the year the board appointed Alan Fisher as a director of the Company. Alan is a successful businessman and a substantial shareholder of Bidgee Finance. As Alan was appointed during the year he will be standing for election at the upcoming AGM.

This year's AGM will be held in Mildura on 27 October 2008 and I invite all shareholders to attend.

The directors would like to thank the Company's shareholders and clients for their continued support in what is a challenging environment.

Finally, Bidgee's staff are to be congratulated and thanked for their enthusiasm and professionalism.



Lloyd Thomson  
Chairman

## MANAGING DIRECTOR'S REPORT

The year ended 30 June 2008 was one in which Bidgee was presented with several challenges due to a range of factors.

Credit markets were thrown into turmoil by the volatility in financial markets brought about by the sub-prime mortgage crisis. This reduced the availability of credit, led to an overall tightening throughout these markets and resulted in increased costs.

Due to these factors the Board took the view in 2007 that the Company needed to adopt a very conservative position in relation to debt levels and liquidity. The Company's maximum loan size was reduced and referrals from external finance brokers were suspended as the Company sought to reduce debt levels and create additional headroom in bank facilities. During the financial year bank debt reduced from \$60 million to \$49 million. Over this same period our level of debentures remained relatively constant at \$19.6 million.

The Company and its bankers, the National Australia Bank, have negotiated an extension of the Company's banking facility to 31 October 2009. At the date of this report the Company's commercial bill facility of \$63 million is currently drawn to \$46.5 million.

The Australian Securities and Investments Commission (ASIC) introduced Regulatory Guide 69 in October 2007 which requires some issuers of debentures to address eight benchmarks in their prospectuses. In accordance with this Guide the Company issued its thirteenth prospectus in January 2008.

Earlier in the financial year the Company was in discussions with other companies regarding strategic alliances. The turbulence in equity markets necessitated the cessation or postponement of these discussions. It is anticipated that the Company will be able to reinstate activities in this area in the new financial year.

The Company experienced very thin trading in its shares over the financial year with only 26 share trades occurring with all of these in the first half of the financial year. The Board will continue to explore options to improve liquidity in the Company's shares.

### 2007/08 Financial Highlights

Total revenue grew by 11% to \$15.8 million (2007: \$14.2 million)

Earnings before interest and tax (EBIT) increased 1% to \$7.6 million.

Net assets increased by 4% to \$21.5 million (2007: \$20.6 million)

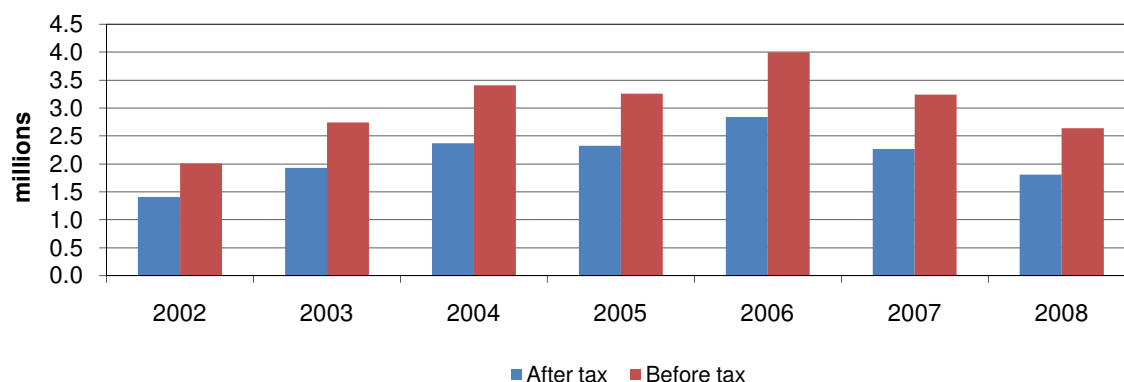
Total amount financed increased 19% to \$237 million (2007: \$199 million) with growth in all lending areas including equipment finance, commercial lending and home loans.

### Operating Profit

Operating profit after tax decreased 20.1% to \$1.81 million (2007: \$2.27 million). Profit before tax decreased 18.6% to \$2.64 million (2007: \$3.24 million).

## MANAGING DIRECTOR'S REPORT

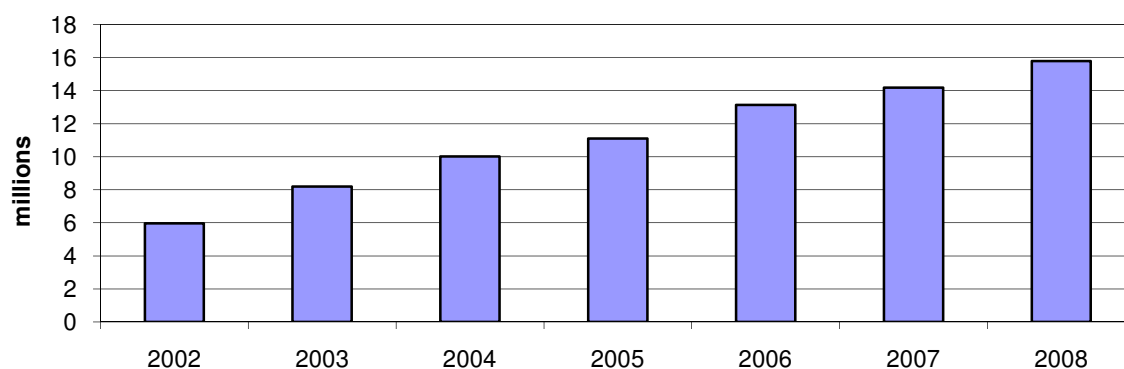
## Operating Profit



## Revenue

Total revenue increased by 11% to \$15.8 million in 2008 (2007: \$14.2 million). Interest revenue grew by 5.7% and non interest revenue increased by 27%. The significant increase in non-interest revenue was achieved by maximizing volume bonus incentives and increasing lending volumes.

## Total Revenue



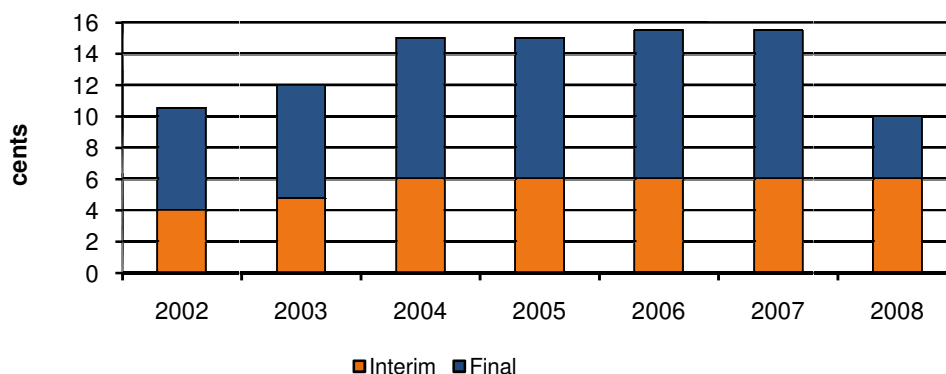
## Shareholder Returns

In response to the reduced profit and an increased need for liquidity the company has reduced the final dividend to 4 cents per share (2007: 9.5 cents) which will be fully franked at the company tax rate of 30%. The final dividend brings total fully franked dividends in respect of the year ended 30 June 2008 to 10.0 cents per share (2007: 15.5 cents).

Due to the high level of participation in the Company's dividend reinvestment plan, the cash dividend payout of 10.0 cents per share in respect of the year ended 30 June 2008 represents a payout ratio of 36% of after tax profits (2007: 37%).

## MANAGING DIRECTOR'S REPORT

### Dividends



### Lending

The Company was able to achieve growth in all facets of lending volumes as well as increases in the income from this lending.

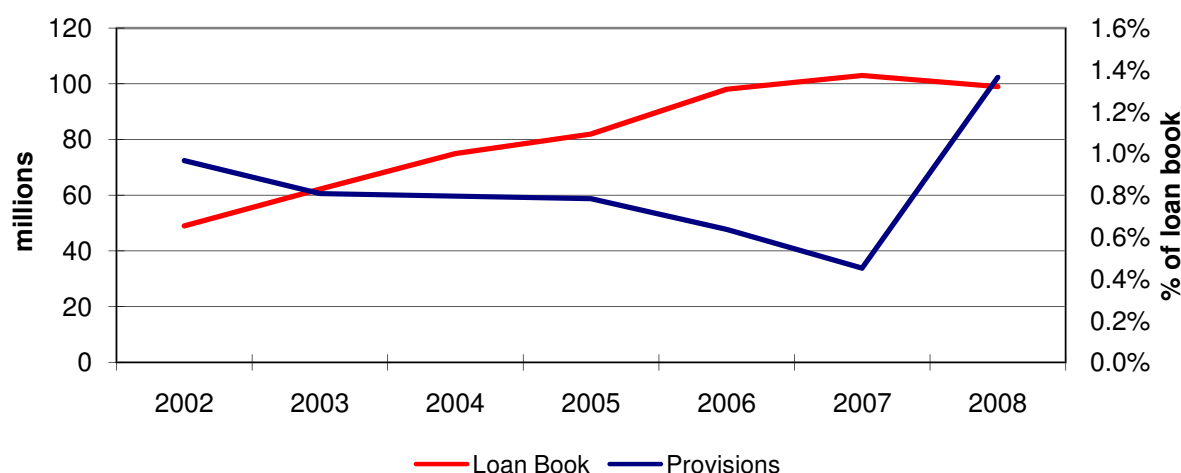
The lending of the Company's own funds was \$65.5 million at an average rate of 12.66% (2007: \$64.0 million at 11.84%) for the year, an increase of 2.3%.

Lending referred to other financial institutions increased 27% to \$171.5 million (2007: \$135.2 million). The increase in lending referred to other financial institutions was partly due to the decision to retire debt from the Company's own balance sheet which necessitated increasing referrals to achieve this.

### Provisioning

The specific provision for impaired loans increased from \$464 thousand in 2007 to \$1,354 thousand in 2008. Bad debts written off against the provision decreased from \$584 thousand in 2007 to \$163 thousand in 2008. The large increase in provisions reflects the uncertainty and difficulties faced by clients in the current economic climate. It is expected that the provisions for impaired loans will reduce in the coming financial year.

### Loan Book and Provisions



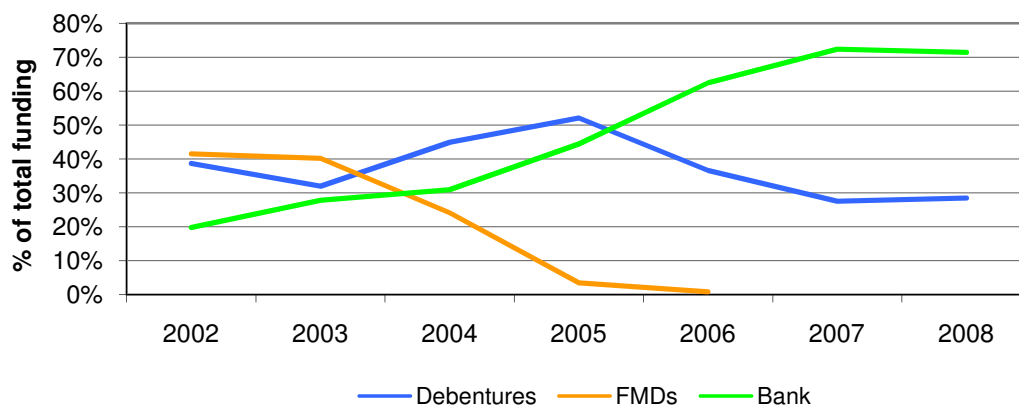
### Funding

Total debentures remained relatively constant through the financial year reducing only slightly to \$19.6 million compared to \$20.2 million in 2007. Over the same period bank borrowings reached a high of \$60 million during the year but were reduced to \$49 million by the end of the financial year.

## MANAGING DIRECTOR'S REPORT

Last year the Company indicated that it planned to reduce bank borrowings as a percentage of total borrowings. This has been achieved with the percentage falling from a mid year high of 75% to 71% at year end. The Company has developed strategies to reduce this percentage further through the 2009 financial year.

### Sources of Funding



### Expenses

Total expenses increased 20.2% to \$13.1 million (2007: 10.9 million).

Increases in finance costs and doubtful debt provisions accounted for the majority of this increase. Finance costs increased by \$837 thousand as interest rates increased and average debt levels increased. Although total debt had reduced by the end of the financial year, average debt increased by \$9.4 million resulting in a significant increase in interest expense as interest rates rose by 1.26%.

Indirect costs such as employee related costs, administration expenses and sales and marketing costs increased by 12.6%. Although staffing numbers remained comparable to the previous year, a tightening labour market put upward pressure on salaries and related employment costs. The Company increased its marketing and promotions spend in the face of increased competition.

### Misappropriation of Funds

The Company expects to receive restitution for some of the funds that were misappropriated prior to June 2006 during the 2008/09 financial year. The amount is unable to be determined at this stage however it is expected to be a significant amount.

### Cost of Funds

Bidgee's average cost of funds increased to 8.34% in 2008 (2007: 7.08%). The Company's cost of funds increased 1.26% during this same period.

### Earnings Per Share

Basic earnings per share decreased by 26% to 10.8 cents per share (2007: 14.5 cents per share). Diluted earnings per share also decreased by 26% to 10.8 cents per share (2007: 14.5).

### Branch Network

There have been no additions to the branch network during the financial year however the Company is continuing to explore acquisition opportunities that will diversify the Company's geographic footprint and product range.

## MANAGING DIRECTOR'S REPORT

### Staffing

The Company had 50 employees at the end of the financial year, the same number as at the end of the previous financial year. The ability to recruitment suitably qualified and experienced staff provided some challenges however staff retention rates remained good.

### Loan Purpose

Over the last 12 months the purpose of the Company's lending remained comparable to prior years. Lending for agricultural purposes remained the largest category at 30% followed by commercial mortgages at 26%, transport 16%, earthmoving 10% and motor vehicles 8%. Other categories such as fixtures and fittings and on site buildings made up the majority of the balance.

A handwritten signature in black ink, appearing to read 'M Hill', with a stylized flourish at the end.

Martin Hill  
Managing Director



## FIVE YEAR SUMMARY

	2007/08 AIFRS*	2006/07 AIFRS*	2005/06 AIFRS*	2004/05 AIFRS*	2003/04 GAAP**
<b>Financial results</b>					
Revenue (\$ '000)	15,788	14,186	13,139	10,986	10,009
Expenses (\$ '000)	13,151	10,946	9,145	7,728	6,600
Net profit before income tax (\$ '000)	2,637	3,240	3,994	3,258	3,409
Net profit after income tax (\$ '000)	1,810	2,265	2,816	2,326	2,371
Dividends per share (cents)	10.0	15.5	15.5	15.0	15.0
Basic earnings per share (cents)	10.8	14.5	19.2	17.0	19.0
<b>Other statistics at financial year end</b>					
Total assets (\$ '000)	91,820	94,985	87,834	74,121	67,893
Total liabilities (\$ '000)	70,337	74,347	69,043	59,185	54,303
Net assets (\$ '000)	21,483	20,638	18,791	14,936	13,590
Total amount financed (\$ millions)	237.0	198.6	182.8	139.4	129.6
Shares on issue ('000)	17,194	16,261	15,210	14,255	13,214
Share price (\$)	1.99	1.69	2.07	2.00	2.30
Share market capitalisation (\$ '000)	34,216	27,481	31,485	28,510	30,392
Number of shareholders	295	291	284	281	225
Number of employees	50	50	42	33	31

\*Australian equivalents to International Financial Reporting Standards

\*\* Generally Accepted Accounting Principles

## DIRECTORS' REPORT

Your directors submit herewith the financial report of Bidgee Finance Ltd ('the Company') for the financial year ended 30 June 2008.

## DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Lloyd John Thomson

John Hamilton Macknight (resigned 25 October 2007)

Gerard John Sullivan

Lester Matthew Wheatley

Alan Fisher (appointed 26 May 2008)

Martin John Hill

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year.

Wendy Lee Leake

Qualifications                      Certified Practising Accountant, Bachelor of Business (Accounting)

Experience                          Mrs. Leake has been employed by the Company since April 2002. She was appointed Company Secretary on 2 October 2003 and Financial Controller on 16 November 2005.

## PRINCIPAL ACTIVITY

The principal activities of the Company during the financial period were:

- Receiving funds on deposit
- Advancing loans for business purposes from the Company's own funds, and
- The referral of finance applications to other financial institutions.

There have been no significant changes in the nature of the Company's activities during the year ended 30 June 2008.

## OPERATING RESULTS

The amount of profit of the Company for the financial year, before providing for income tax, was \$2,637,412 (2007: \$3,240,132), a decrease of 18.6%.

## DIVIDENDS

Dividends paid, or recommended for payment, are as follows:	\$
Fully franked final dividend of 9.50 cents per fully paid ordinary share paid on 22 November 2007 as recommended in last year's report.	1,544,831
Fully franked interim dividend of 6.00 cents per fully paid ordinary share paid on 26 March 2008.	1,010,344
Fully franked final dividend of 4.00 cents per fully paid ordinary share as recommended by the directors.	687,749

**DIRECTORS' REPORT (continued)**

**REVIEW OF OPERATIONS**

The Company currently has six branches located in Mildura, Deniliquin, Horsham, Wagga Wagga, Albury and Adelaide.

Income growth across the Company was 11% with most of this growth coming from brokered lending as more applications were referred to other financial institutions as the Company reduced its own debt levels. Total expenses increased 20.1% to \$13.2 million. The major areas of increased expenditure were interest expense as a result of rising interest rates and employee costs.

Profit before tax decreased 18.6% to \$2.64 million. Profit after tax decreased 20.1% to \$1.81 million.

**FINANCIAL POSITION**

The net assets of the Company have increased by 4.1% to \$21,483,069 (2007: 20,638,415). This increase was largely as a result of a decrease in bank borrowings as the directors adopted a conservative liquidity policy which included a debt reduction strategy in response to ongoing issues in credit markets.

During the past five years the Company has opened new branches in Wagga Wagga, Albury and Adelaide. In these locations existing businesses have been acquired to compliment other operations or to commence a new branch.

The directors believe the Company is in a strong and stable financial position to expand and grow its operations.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company.

**AFTER BALANCE DATE EVENTS**

In September 2008 the Company entered into a new facility agreement with its bankers, National Australia Bank ('NAB'). This new facility agreement extends the Company's banking facilities until 31 October 2009. The quantum of the revised facilities is the same as the previous facility with the exception of the commercial bill portion, which will be reduced from \$63 million to \$59 million on 31 October 2008.

The reduction in the commercial bill facility is primarily as a result of the Company reducing bank debt during the second half of the last financial year. This reduction has enabled the Company to reduce its commercial bill facility and still have sufficient headroom remaining in the facility to meet forecast funding demands.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or will significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

To further improve the Company's profit and to maximise shareholder wealth, the Company will continue to investigate the acquisition of complementary businesses that will either be integrated into our existing branches or become new branches.

**DIRECTORS' REPORT (continued)**

These developments, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the Company's long-term goals and development of new business opportunities.

**ENVIRONMENTAL ISSUES**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**INFORMATION ON DIRECTORS**

The details of the directors in office during or since the end of the financial year, their qualifications, experience and responsibilities are as follows:

**Lloyd John Thomson**

Chairman (Non-executive)

Age 71

Qualifications

Fellow of CPA Australia

Experience

Appointed Chairman in 1999, board member since 1997. Mr. Thomson is a successful businessman with over 40 years experience in commerce, corporate and strategic management, across a range of industries including the finance industry. He was Commissioner of the Mildura Rural City Council from January 1995 to March 1997 and was awarded the title of 1997 North-West Victorian of the Year. In 2004, Mr. Thomson was awarded "Outstanding Contribution by an Individual" by the Mildura Chamber of Commerce. Mr. Thomson is currently serving as Chairman of the Mildura Airport Corporation.

Special responsibilities

Mr. Thomson is a member of the Audit Committee.

**John Hamilton Macknight**

Director (Non-executive)

Age 71

Experience

Board member since 1992. Mr. Macknight has been a commercial pilot for over 40 years and successfully commenced one of the first commuter airlines in Australia. Since 1964 he has been based in Deniliquin and has been farming in that area for many years. Prior to moving to Deniliquin he operated in a stock and station agency in North West NSW. Mr. Macknight has accumulated a wealth of practical business and farming experience and has an excellent knowledge of regional Australia.

Special responsibilities

Mr. Macknight is a member of the Audit Committee.

**DIRECTORS' REPORT (continued)**

**Gerard John Sullivan**

Age 58

Director (Non-executive)

Qualifications

Certified Practising Accountant, Bachelor of Business (Accounting),  
Registered Company Auditor

Experience

Board member since 1996. Mr. Sullivan has over 30 years experience in public accounting and taxation, business advising and business management, systems and control. He brings extensive financial and management experience to the Board, having served as an advisor to a number of major agribusiness developments. He has been a director of the ASX listed company WHK Group Limited since 1999 and is the Chief Executive of WHK Camerons, located in Armidale, NSW, a member firm of WHK Group Limited.

Special responsibilities

Mr. Sullivan is a member of the Audit Committee.

**Lester Matthew Wheatley**

Age 62

Director (Non-executive)

Qualifications

Diploma Associate of the Real Estate Institute of Australia

Experience

Board member since 2004. Mr. Wheatley has operated a successful real estate agency in Deniliquin since 1977 and is involved in a mixed irrigation primary production business. He is Chairman of the Murray Valley Community Action Group, which involves being a spokesman for water related State and Federal Government policy issues in the Murray Darling Basin. He has extensive knowledge of the issues facing regional and rural communities.

Special responsibilities

Mr. Wheatley is a member of the Audit Committee.

**Alan Fisher**

Age 42

Director (Non-executive)

Experience

Board member since 2008. Mr. Fisher is the Owner/ Managing Director of Fishers Stores Consolidated, operating 13 supermarkets in regional Victoria, NSW and South Australia. Mr. Fisher contributed as a director for 2 years for the development of Chaffey Aged Care in Merbein, Victoria and is currently serving as a director of the Mildura Airport Corporation. Mr. Fisher brings a wealth of practical business knowledge in risk management, strategic planning and change management.

Special responsibilities

Mr. Fisher is a member of the Audit Committee.

**DIRECTORS' REPORT (continued)**

**Martin John Hill**  
Age 43

Managing Director (Executive)

Qualifications

Fellow of CPA Australia, Bachelor of Business (Accounting), Member of the Australian Institute of Company Directors

Experience

Board member since 2003, employee since 1999. Mr. Hill was appointed General Manager in 2000 and Managing Director in 2003. Mr. Hill has 20 years of management and accounting experience in finance, banking, public accounting and manufacturing industries. He is a director of the Sunraysia Economic Development Board.

Special responsibilities

Operational responsibility for Bidgee Finance Ltd and a member of the Audit Committee.

**REMUNERATION REPORT**

This report details the nature and amount of remuneration for each director of Bidgee Finance Ltd, and for the other key management personnel.

**a) Remuneration Policy**

The Company does not have a separate remuneration committee as the full board deal with remuneration matters during regular board meetings.

The total remuneration of non-executive directors is determined at a general meeting. Any increase must be approved at a general meeting provided notice of any suggested increase has been given when the meeting was convened. Once total non-executive directors' fees have been determined at a general meeting, the directors determine the amount to be paid to each non-executive director. Executive directors are not entitled to receive directors' fees.

Superannuation guarantee contributions are paid by the Company to directors.

Any director who devotes special attention to the business of the Company, or who otherwise performs services, which in the opinion of other directors are outside the scope of ordinary duties, may be paid such extra remuneration as the directors may determine.

All directors are entitled to be reimbursed for any out-of-pocket expenses incurred by them whilst engaged on the business of the Company.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. No shares or options have been given to directors or executives during the financial year.

**b) Company Performance, Shareholder Wealth and Directors' and Executives Remuneration**

The Company's remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration with annual reviews. The annual reviews take into account key performance areas affecting the Company's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to manage the Company.

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and staff. This may include the issue of options to directors and staff to encourage the alignment of personal and shareholder interests.

**DIRECTORS' REPORT (continued)**

The Company's policy for determining the nature and amount of emoluments of board members is as follows:

The remuneration structure for executive directors and key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. Where contracts of service exist between the Company and specified directors, those contracts are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement directors are paid employee benefit entitlements accrued to date of retirement. Any options not exercised at time of termination lapse.

The Company seeks to emphasise payment for results through providing various rewards such as share options and bonuses. The objective of reward schemes is to reinforce the short and long-term goals of the Company and to provide a common interest between directors, staff and shareholders.

The following table sets out summary information about the Company's earnings and movements in shareholder wealth for the five years to June 2008.

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>AIFRS</b>	<b>AIFRS</b>	<b>AIFRS</b>	<b>AIFRS</b>	<b>GAAP</b>
Revenue (\$'000)	15,788	14,186	13,139	10,986	10,009
Net Profit before tax (\$'000)					
Net Profit after tax (\$'000)	1,810	2,265	2,816	2,326	2,371
Share price at end of year (\$)	1.99	1.69	2.07	2.00	2.30
Interim dividend (cents per share) <sup>1</sup>	6.0	6.0	6.0	6.0	6.0
Final dividend (cents per share) <sup>1</sup>	4.0 <sup>2</sup>	9.5	9.5	9.0	9.0
Basic earnings per share (cents per share)	10.8	14.5	19.2	17.0	19.0
Diluted earnings per share (cents per share)	10.8	14.5	18.5	16.7	18.5

<sup>1</sup> Fully franked at 30% corporate income tax rate.

<sup>2</sup> Declared after the balance date and not reflected in these financial statements.

**c) Names and Positions Held of Key Management Personnel in Office at any Time during the Financial Year are:**

Mr. L J Thomson	Chairman, non-executive
Mr. J H Macknight	Director, non-executive (resigned 25 October 2007)
Mr. G J Sullivan	Director, non-executive
Mr. A Fisher	Director, non-executive (appointed 26 May 2008)
Mr. L M Wheatley	Director, non-executive
Mr. M J Hill	Managing Director, executive
Mrs. W L Leake	Company Secretary, Financial Controller

**DIRECTORS' REPORT (continued)****d) Key Management Personnel Remuneration**

The remuneration for each director and executive officer of the Company was as follows:

	<b>Short-term Employee Benefits</b>		<b>Post-employment Benefits</b>	<b>Other Long-term Employment Benefits</b>	<b>Share-based Payment</b>		<b>% Consisting Options</b>
<b>\$</b>	<b>Salary &amp; Fees</b>	<b>Non-monetary</b>	<b>Super-annuation</b>		<b>Options &amp; Rights+</b>	<b>Total</b>	
<b>2008</b>							
Mr. L J Thomson	37,500	-	3,375	-	-	40,875	-
Mr. J H Macknight	6,359	-	572	-	-	6,931	-
Mr. G J Sullivan	27,500	-	2,475	-	-	29,975	-
Mr. L M Wheatley	28,463	-	2,600	-	-	31,063	-
Mr. A Fisher	2,935	-	264	-	-	3,199	-
Mr. M J Hill	227,314	2,739	13,129	6,493	3,459	253,134	1.4
Mrs. W L Leake	100,000	-	9,000	4,784	1,729	115,513	1.5
	430,071	2,739	31,415	11,277	5,188	480,690	-
<b>2007</b>							
Mr. L J Thomson	35,000	-	3,150	-	-	38,150	-
Mr. J H Macknight	20,000	-	1,800	-	-	21,800	-
Mr. G J Sullivan	25,000	-	2,250	-	-	27,250	-
Mr. L M Wheatley	20,000	-	1,800	-	-	21,800	-
Mr. M J Hill	227,314	2,682	12,686	10,323	9,114	262,119	3.5
Mrs. W L Leake	90,000	-	8,100	4,439	4,557	107,096	4.3
	417,314	2,682	29,786	14,762	13,671	478,215	-

+ Share options have been valued using the Trinomial American Call option pricing model which takes into account all the factors as specified AASB 2: *Share-based Payment*.

Non-monetary benefit relates to the personal use of motor vehicles.

Other long term employment benefits relates to provisions for long service leave.

No director or executive officer received any short-term employee benefits other than as stated above.

Key management personnel have not during or since the end of the financial year received any bonuses or post employment benefits other than statutory superannuation contributions nor have there been any share based termination benefits or equity settled share based payments.

**e) Service Contracts**

Mr. M J Hill is employed by the Company under a three year contract which expires on 30 June 2009. The period of notice required to terminate the contract is 3 months. There are no termination payments provided for under the contract. There are no other key management personnel under specific service contracts.



**DIRECTORS' REPORT (continued)****f) Share Options**

In order to provide an incentive to the directors, executives and employees of the Company, and to create identification with shareholder interests, an Executive & Employee Option Plan is in place. The incentive provided by the plan will be of material benefit to the Company in encouraging the commitment and continuity of service of the recipients. By providing directors, executives and employees with a personal financial interest in the Company, the Company will be able to attract and retain directors, key executives & employees in a highly competitive market. This is expected to result in future benefits accruing to the shareholders of the Company.

Directors are entitled to participate in the Executive and Employee Option Plan since each of the directors take part in the management of the Company and are therefore executive officers or senior managers for the purposes of the *Corporations Act 2001* and ASIC class order 04/899.

Directors, executives and employees with more than 12 months service with the Company may be granted options to purchase parcels of ordinary shares. Each employee share option converts to one ordinary share of the Company on exercise. The options carry neither rights to dividends nor voting rights. The holder of the option has no interest in the unissued share over which that option has been granted until that option is duly exercised. Options may be exercised any time from the date of vesting to the date of their expiry. The date of vesting is generally two years after the options are granted, unless the directors agree to a shorter vesting period. Date of expiry is two years after vesting date. All options expire on the earlier of their expiry date or the cessation of the employee or executive officer's employment.

Options provide a long term equity incentive by encouraging directors, executives and employees to contribute to the Company's activities in a way that should collectively lead to share price appreciation, which is a direct benefit to all shareholders. The Company issues options with an exercise price above the prevailing market price in order to provide an incentive for directors and employees to work towards increasing the share price.

Directors and employees may not enter into hedging arrangements over unvested options in the Company's Executive & Employee Option Plan.

No options have been issued to non executive directors since 2003.

During or since the end of the financial year, no share options were granted to directors, executives or employees of the Company as part of their remuneration.

Details of outstanding options to subscribe for an equivalent number of ordinary shares in the capital of the Company as at the date of this report are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number Under Option</b>
27/10/2005	30/06/2010	2.25	33,334
03/12/2005	30/06/2009	2.15	25,000
03/12/2005	30/06/2010	2.20	127,500
17/10/2006	30/06/2010	2.10	35,000
17/10/2006	30/06/2011	2.25	35,000
			<hr/> 255,834 <hr/>

During the year ended 30 June 2008, no ordinary shares in the capital of the Company were issued on the exercise of options granted under the Company's Executive and Employee Option Plan. No further shares have been issued since that date. There is only one class of shares being 'ordinary shares'.

A total of 110,000 options have been cancelled during the financial year pursuant to the terms and conditions of issue. None of these options were in relation to key management personnel.

**DIRECTORS' REPORT (continued)****g) Options Issued as Part of Remuneration for the Year Ended 30 June 2008**

No options were granted, exercised, or lapsed during or since the end of the financial year to the directors and executive officers.

**h) Options Holdings of Key Management Personnel whether Directly, Indirectly or Beneficially Held**

	<b>Balance</b>	<b>Options</b>	<b>Balance</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>1/07/07</b>	<b>Exercised</b>	<b>30/06/08</b>	<b>Vested</b>	<b>Exercis-</b>	<b>Unexercis-</b>
				<b>30/06/08</b>	<b>Able</b>	<b>Able</b>
					<b>30/06/08</b>	<b>30/06/08</b>
Mr. M J Hill	50,000	-	50,000	-	50,000	-
Mrs. W L Leake	25,000	-	25,000	-	25,000	-
	75,000	-	75,000	-	75,000	-

	<b>Balance</b>	<b>Options</b>	<b>Balance</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>1/07/06</b>	<b>Exercised</b>	<b>30/06/07</b>	<b>Vested</b>	<b>Exercis-</b>	<b>Unexercis-</b>
				<b>30/06/07</b>	<b>Able</b>	<b>Able</b>
					<b>30/06/07</b>	<b>30/06/07</b>
Mr. M J Hill	100,000	50,000	50,000	50,000	-	50,000
Mrs. W L Leake	50,000	25,000	25,000	25,000	-	25,000
	150,000	75,000	75,000	75,000	-	75,000

**MEETINGS OF DIRECTORS**

During the financial year, 13 meetings of directors were held. All directors are members of the Audit Committee. As the directors believe that the functions of an audit committee are of paramount importance in a finance company, audit committee functions are dealt with during the regular board meetings.

Attendances by each director during the year were as follows:

	<b>Directors /Audit Committee Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>
<b>Directors</b>		
Mr. L J Thomson	13	13
Mr. J H Macknight	4	4
Mr. G J Sullivan	13	12
Mr. L M Wheatley	13	13
Mr. A Fisher	1	1
Mr. M J Hill	13	13

**DIRECTORS' SHAREHOLDINGS**

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

	<b>Number of Fully Paid</b>		
<b>Directors</b>	<b>Ordinary Shares</b>	<b>Share Options</b>	<b>Debentures</b>
Mr. L J Thomson	3,575,909	-	2,491,101
Mr. G J Sullivan	482,433	-	856,457
Mr. L M Wheatley	245,098	-	57,434
Mr. A Fisher	2,046,275	-	-
Mr. M J Hill	324,921	50,000	16,688

**DIRECTORS' REPORT (continued)**

**PROCEEDINGS ON BEHALF OF COMPANY**

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.

In a separate matter 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.

Other than the above matters no person has applied for leave of Court to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

**NON-AUDIT SERVICES**

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence as the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

\$27,500 in fees for non-audit services were paid to the external auditors during the year ended 30 June 2008. These fees were in relation to consulting work.

In accordance with AASB 2008-4 key management personnel disclosures relating to names and positions held, compensation and remuneration practices are no longer reported in the notes to the financial statements. This information is now reported under the Corporations Act's Remuneration report within the Directors report.

**AUDITOR'S INDEPENDENCE DECLARATION**

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 21.

**EMPLOYEES**

As at 30 June 2008, the Company had 50 employees (2007: 50).

**ROUNDING OFF**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**DIRECTORS' REPORT (continued)****STATEMENT OF SHAREHOLDINGS AS AT THE DATE OF THIS REPORT****(a) Distribution of Shareholders**

Category (size of holding)	Number of Ordinary Shareholders
1 – 1,000	7
1,001 – 5,000	46
5,001 – 10,000	50
10,001 – 100,000	165
100,001 – and over	27
	<hr/> 295 <hr/>

**(b) Holdings Less than a Marketable Parcel**

There are three shareholdings of less than a marketable parcel.

**(c) 10 Largest Shareholders**

	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
LJ & K Thomson Pty Ltd <LJT & KT Superfund A/C>	2,355,197	13.70
Fishers Stores Consolidated Pty Ltd	1,337,350	7.78
LJ Thomson Pty Ltd	1,201,573	6.99
Fishers Stores Management Pty Ltd	708,925	4.12
JT Financial Services Pty Ltd <Superannuation Fund>	651,011	3.79
Acutt Holdings Pty Ltd	426,011	2.48
JH Macknight & JE Macknight	376,560	2.19
KR & BJ Woodward	329,686	1.92
JT Harvey	308,777	1.80
BL & EA Moras <Moras Superfund A/C>	292,459	1.70
	<hr/> 7,987,549 <hr/>	<hr/> 46.47 <hr/>

**OTHER MATTERS**

The Company has not, during or since the end of financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

Signed in accordance with a resolution of the directors.



L J Thomson  
Director



MJ Hill  
Director

26 September 2008

The Board of Directors  
Bidgee Finance Ltd  
113 Lime Avenue  
MILDURA VIC 3502

26 September 2008

Dear Board Members

## AUDITOR'S INDEPENDENCE DECLARATION TO BIDGEE FINANCE LTD

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Bidgee Finance Ltd.

As lead audit partner for the audit of the financial statements of Bidgee Finance Ltd for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Deloitte Touche Tohmatsu



Robert D D Collie  
Partner  
Chartered Accountants

## **CORPORATE GOVERNANCE STATEMENT**

### **BOARD COMPOSITION AND MEMBERSHIP**

The number of directors must consist of no fewer than three and no more than seven.

As at the date of this report the board consisted of four non-executive directors (L J Thomson, G J Sullivan, L M Wheatley and A Fisher) and one executive director (M J Hill – Managing Director). The directors have elected Mr. Thomson as Chairman. Individual details of directors, including their term in office, memberships, skills and experience, are set out in the Directors' Report.

At each annual general meeting at least one-third of directors (except the Managing Director) must retire from office. A retiring director shall be eligible for re-election.

Directors have the power to appoint a person to be a director. Any person so appointed shall hold office until the next annual general meeting and shall then be eligible for re-election.

### **DIRECTORS' ARRANGEMENTS**

The Company's constitution provides that a director may hold office in any other entity that the Company deals with, with the exception of acting in the capacity of external auditor. Each director must disclose their interests in any other entities with whom the Company deals.

It is the practice of the board that when a conflict of interest or a potential conflict of interest exists, the director concerned withdraws from that part of the meeting whilst the matter is being considered. At the discretion of the other board members and depending on the degree to which a conflict exists, the director concerned may be able to be present during discussions but cannot vote or exert influence over other members of the board.

### **REMUNERATION OF DIRECTORS**

The total remuneration of non-executive directors is determined at a general meeting. Any increase must be approved at a general meeting provided notice of any suggested increase has been given when the meeting was convened. Once total non-executive directors' fees have been determined at a general meeting, the directors determine the amount to be paid to each non-executive director. Executive directors are not entitled to receive directors' fees.

Any director who devotes special attention to the business of the Company, or who otherwise performs services, which in the opinion of other directors are outside the scope of ordinary duties, may be paid such extra remuneration as the directors may determine.

All directors are entitled to be reimbursed for any out-of-pocket expenses incurred by them whilst engaged on the business of the Company.

Further details regarding the Company's remuneration policy are dealt with in the Directors' Report.

### **SHARE TRADING POLICY**

The Company's share trading policy regulates dealings by the Company's directors, employees and personally related entities of directors and employees in any securities issued by the Company.

The purpose of the policy is to ensure that the Company's directors and employees are aware of the legal restrictions on trading any securities issued by the Company while such a person is in possession of unpublished price sensitive information. Additionally, the policy is intended to minimise the chance that misunderstandings or suspicions may arise if the Company's directors or employees are trading in securities while it is reasonable to assume that they may be in possession of price sensitive information. The policy recognises that it may be illegal to trade in the Company's securities while in possession of unpublished price sensitive information.

**CORPORATE GOVERNANCE STATEMENT**

**AUDIT COMMITTEE**

All directors are members of the Audit Committee. As the directors believe that the functions of an audit committee are of paramount importance in a finance company, audit committee functions are dealt with during the regular board meetings.

**RISK MANAGEMENT**

Bidgee Finance Ltd. operates in an environment where its core activities can only be efficient, effective and economically sustainable if its risk exposure is monitored and minimised.

The Company developed and adopted a formal Risk Management Policy, based on the general model of the Australian and New Zealand Standard for Risk Management (AS/NZS 4360: 2004).

In adopting this Policy, the board recognizes that risk management is an integral part of corporate governance, good management and to be most effective it should become part of the Bidgee organisational culture. It is now integrated into Bidgee's practices and plans and this is evidenced in a number of key policies, internal control procedures and within financial plans for the Company.

Following the risk analysis process, Bidgee developed a Risk Management Plan which identifies risks, evaluates them and recommends appropriate risk treatment. Where appropriate, further policy development work has been undertaken in order to mitigate against identified risks.

**AUDIT**

**External Auditor**

The board is responsible for the selection and appointment of the external auditor. To ensure the independence of the auditor, the Company will not use the services of the external auditor in a capacity that may jeopardise this independence.

**Internal Auditor**

The Company has appointed an internal auditor (independent of the external auditor) who reviews a selection of loans each month to ensure they comply with the Company's own credit policies and generally accepted principles of lending.

**CONTINUOUS DISCLOSURE AND REPORTING**

The Company is aware of its responsibilities in relation to continuous disclosure as required by the *Corporations Act 2001*.

Directors are also aware of their disclosure obligations at board meetings to keep the Company informed of any matters that are of a serious or significant nature that other directors should be aware of. The outcomes of discussions at board meeting are recorded in the Company's minutes.



L J Thomson  
Director



MJ Hill  
Director

26 September 2008

## DIRECTORS' DECLARATION

### The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 65 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors made pursuant to s. 295(5) of the *Corporations Act 2001*.

On behalf of the directors.



L J Thomson  
Director



MJ Hill  
Director

26 September 2008



## **Independent Auditor's Report to the Members of Bidgee Finance Ltd**

### **Report on the Financial Report**

We have audited the accompanying financial report of Bidgee Finance Ltd, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 23 and pages 26 to 65.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Auditor's Opinion*

- (a) the financial report of Bidgee Finance Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 13 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Auditor's Opinion*

In our opinion the Remuneration Report of Bidgee Finance Ltd for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



Deloitte Touche Tohmatsu



R D D Collie  
Partner  
Chartered Accountants

Melbourne, 26 September 2008.

**BIDGEE FINANCE LTD**

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	<b>Note</b>	<b>30 June 2008</b>	<b>30 June 2007</b>
		<b>\$'000</b>	<b>\$'000</b>
Interest revenue	3, 4	10,751	10,169
Finance costs	3	(5,626)	(4,789)
Net interest revenue		5,125	5,380
Other revenue from operations	4	5,037	4,017
Bad and doubtful debts expense	5, 11	(1,061)	(458)
Employee benefits expense		(4,267)	(3,830)
Occupancy expense		(287)	(257)
Depreciation and amortisation expenses	5	(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)
Profit before income tax	6	2,637	3,240
Income tax expense	6	(827)	(975)
Profit for the year		1,810	2,265
Basic earnings per share (cents per share)	7	10.8	14.5
Diluted earnings per share (cents per share)	7	10.8	14.5

The accompanying notes form part of these financial statements.

**BALANCE SHEET AS AT 30 JUNE 2008**

	<b>Note</b>	<b>30 June 2008 \$'000</b>	<b>30 June 2007 \$'000</b>
<b>Assets</b>			
Cash and cash equivalents		2,967	1,022
Trade and other receivables	8	334	390
Other financial assets	9	1,016	673
Other assets	10	601	481
Loans and advances to customers	11	83,241	88,813
Current tax assets	6	-	394
Deferred tax assets	6	43	-
Property plant and equipment	13	1,114	1,118
Goodwill	14, 26	2,424	2,094
Other intangible assets	15	80	-
<b>Total assets</b>		<b>91,820</b>	<b>94,985</b>
<b>Liabilities</b>			
Trade and other payables	16	1,107	699
Deposits and short term borrowings	17	19,591	20,181
Current tax liabilities	6	144	-
Deferred tax liabilities	6	-	29
Provisions	18	489	403
Other liabilities	19	6	35
Long term borrowings	20	49,000	53,000
<b>Total liabilities</b>		<b>70,337</b>	<b>74,347</b>
<b>Net assets</b>		<b>21,483</b>	<b>20,638</b>
<b>Equity</b>			
Share capital	21	18,485	16,904
Equity-settled employee benefits reserve		42	33
Retained earnings		2,956	3,701
<b>Total equity</b>		<b>21,483</b>	<b>20,638</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Note	Ordinary share capital \$'000	Reserves \$'000	Retained profits \$'000	Total \$'000
<b>Balance at 1 July 2006</b>		14,938	29	3,824	18,791
<b>Total recognised income and expense (profit)</b>				2,265	2,265
Issue of shares for business acquisitions	21(b)	75			75
Issue of shares under dividend reinvestment plan	21(b)	1,503			1,503
Issue of shares under share option plan	21(b)	318			318
Transfer from equity-settled employee benefits reserve	21(b)	70	(70)		-
Recognition of share based payments			74		74
Dividends paid or provided for	22			(2,388)	(2,388)
<b>Balance at 30 June 2007</b>	21	16,904	33	3,701	20,638
<b>Total recognised income and expense (profit)</b>				1,810	1,810
Issue of shares under dividend reinvestment plan	21(b)	1,581			1,581
Recognition of share based payments			9		9
Dividends paid or provided for	22			(2,555)	(2,555)
<b>Balance 30 June 2008</b>	21	18,485	42	2,956	21,483

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008**

	<b>Note</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
<b>Cash flows relating to operating activities</b>			
Payments to suppliers and employees		(5,960)	(5,852)
Interest received		10,751	10,169
Interest paid		(5,589)	(5,280)
Income taxes paid		(361)	(998)
Brokerage fees received		3,900	2,307
Other income		766	733
<b>Net cash provided by operating activities</b>	25(b)	<b>3,507</b>	<b>1,079</b>
<b>Cash flows relating to investing activities</b>			
Purchases of property, plant and equipment		(284)	(318)
Proceeds from sale of property, plant and equipment		56	11
Customer loans granted		(34,438)	(46,849)
Customer loans repaid		38,986	40,307
Purchases of intangible assets		(80)	-
Business acquisitions	26	(330)	(705)
<b>Net cash provided by (used in) investing activities</b>		<b>3,910</b>	<b>(7,554)</b>
<b>Cash flows from financing activities</b>			
Proceeds from (repayment of) borrowings		(4,000)	11,000
Repayment of hire purchase agreements		(32)	(49)
Dividends paid to shareholders		(974)	(885)
Net decrease in debentures		(466)	(3,944)
Proceeds from issue of shares		-	54
<b>Net cash provided by (used in) financing activities</b>		<b>(5,472)</b>	<b>6,176</b>
Net increase (decrease) in cash		1,945	(299)
Cash at beginning of period		1,022	1,321
Cash at end of period	25(a)	2,967	1,022

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

<b>Note</b>	<b>Contents</b>
1	Summary of significant accounting policies
2	Segment reporting
3	Interest income and finance costs
4	Revenue
5	Profit from operations
6	Income tax
7	Earnings per share (EPS)
8	Trade and other receivables
9	Other financial assets
10	Other assets
11	Loans and advances
12	Assets pledged as security
13	Property, plant and equipment
14	Goodwill
15	Other intangible assets
16	Trade and other payables
17	Short-term borrowings
18	Provisions
19	Other financial liabilities
20	Long-term borrowings
21	Share capital
22	Dividends and franking account
23	Key management personnel remuneration
24	Related party information
25	Cash flow information
26	Acquisition of businesses
27	Auditor's remuneration
28	Financial instruments
29	Adoption of new and revised accounting standards
30	Employee benefits
31	Debenture stock
32	Controlled entities
33	Subsequent events
34	Significant events
35	Lease commitments
36	Contingent assets
37	Contingent liabilities
38	Company details

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial report covers the economic entity of Bidgee Finance Ltd which is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by the Directors on the 26 September 2008.

**Basis of 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.



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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*****(i) 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.

***(ii) 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**(iii) 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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

is reviewed at the end of each annual reporting period, with any changes in these accounting estimated being accounted for on a prospective basis.

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

Computer software	4 years
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**(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.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

**NOTE 2. SEGMENT REPORTING****(a) Primary Reporting - Geographical Segments**

<b>2008</b>	<b>Mildura \$'000</b>	<b>Deniliquin \$'000</b>	<b>Horsham \$'000</b>	<b>Wagga Wagga \$'000</b>	<b>Albury \$'000</b>	<b>Adelaide \$'000</b>	<b>Consolidated \$'000</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							5,401
Total assets							91,820
<b>Liabilities</b>							
Segment liabilities	23,274	5,143	2,962	30,557	4,526	2,986	69,448
Unallocated liabilities							889
Total liabilities							70,337
Capital expenditure	69	-	26	57	118	257	
Depreciation	70	13	22	39	11	9	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 2. SEGMENT REPORTING (continued)**

	Mildura \$'000	Deniliquin \$'000	Horsham \$'000	Wagga Wagga \$'000	Albury \$'000	Adelaide \$'000	Consolidated \$'000
<b>2007</b>							
<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							3,270
Total assets							94,985
<b>Liabilities</b>							
Segment liabilities	25,121	7,911	3,804	31,056	4,248	1,819	73,959
Unallocated liabilities							388
Total liabilities							74,347
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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 2. SEGMENT REPORTING (continued)****(b) Secondary Reporting – Business Segments**

	Segment Revenue from External Customers		Carrying Amount of Segment Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Loans and advances</i>				
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
Total	10,640	10,103	84,595	89,277
Unallocated	5,148	4,083	7,225	5,708
Total as per financial statements	15,788	14,186	91,820	94,985

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:

Lease	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.

Note	2008 \$'000	2007 \$'000
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**NOTE 3. INTEREST INCOME AND FINANCE COSTS****Interest Revenue**

Deposits with other financial institutions	111	66
Loans and advances to customers	10,640	10,103
	10,751	10,169

**Finance Costs**

Deposits from other financial institutions	4,301	3,242
Amount owed to other depositors	1,325	1,547
	5,626	4,789
Net Interest Income	5,125	5,380



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 \$'000	2007 \$'000
<b><u>NOTE 4. REVENUE</u></b>			
<b>Operating Activities</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
		<u>15,437</u>	<u>13,855</u>
<b>Non-operating Activities</b>			
Fair value gains on derivatives	9	343	331
Gain on disposal of property, plant & equipment		8	-
		<u>351</u>	<u>331</u>
<b>Total Revenue</b>		<u>15,788</u>	<u>14,186</u>

**NOTE 5. PROFIT FROM OPERATIONS****Gains or Losses**

Profit before income tax expense has been determined after crediting /(charging) the following gains and losses:

Change in fair value of financial assets classified as held for trading		343	331
Gain on disposal of property, plant & equipment		8	-
(Loss) on disposal of property, plant & equipment		(27)	(5)
		<u>324</u>	<u>326</u>

**Other Expenses**

Profit for the year includes the following expenses:

Bad and doubtful debts	11(c)	1,061	458
Depreciation of assets	13(a)	213	180
Operating lease rental expenses		213	181
Share based payments		9	74
		<u>1,496</u>	<u>893</u>

**NOTE 6. INCOME TAX**

The components of tax expense comprise:

Current tax		883	672
Deferred tax		(72)	316
Under/ (over)provision in respect of prior years		16	(13)
		<u>827</u>	<u>975</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 6. INCOME TAX (continued)**

The prima facie tax on profit differs from the income tax provided in the financial statements as follows:

Total profit before income tax	2,637	3,240
At the statutory income tax rate of 30% (2007: 30%)	791	972

Tax effect of amounts which are not deductible in calculating taxable income:

Non deductible depreciation and amortisation	1	1
Entertainment	12	4
Options expense not deductible for tax purposes	3	6
Other non deductible/(assessable) expenses	4	5
Under/(over) provisions in prior years	16	(13)
<b>Income tax attributable to entity</b>	<b>827</b>	<b>975</b>

Deferred tax assets/ (liabilities) arise from the following:

<b>2008</b>		<b>Charged to</b>	
<b>\$'000</b>	<b>Opening Balance</b>	<b>Income</b>	<b>Closing Balance</b>
Lease receivables	(35)	(125)	(160)
Interest rate swaps	(202)	(103)	(305)
Past due interest	(79)	21	(58)
Capitalised takeover expenses	27	(14)	13
Provisions	121	26	147
Doubtful debts	139	267	406
	(29)	72	43

Presented in the balance sheet as follows:

Deferred tax assets	566
Deferred tax (liabilities)	(523)
<b>Net deferred tax assets</b>	<b>43</b>

<b>2007</b>		<b>Charged to</b>	
<b>\$'000</b>	<b>Opening Balance</b>	<b>Income</b>	<b>Closing Balance</b>
Lease receivables	148	(183)	(35)
Interest rate swaps	(102)	(100)	(202)
Past due interest	(68)	(11)	(79)
Capitalised takeover expenses	40	(13)	27
Provisions	83	38	121
Doubtful debts	187	(48)	139
	288	(317)	(29)

Presented in the balance sheet as follows:

Deferred tax assets	286
Deferred tax (liabilities)	(315)
<b>Net deferred tax liabilities</b>	<b>(29)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>NOTE 6. INCOME TAX (continued)</u></b>		
Current tax assets comprise:		
Income tax	-	394
Current tax liabilities comprise:		
Income tax	144	-
Deferred tax assets/(liabilities) comprise:		
Provisions	553	260
Capitalised take over expenses	13	26
Fair value gain adjustments	(305)	(202)
Other	(218)	(113)
	43	(29)

**NOTE 7. EARNINGS PER SHARE (EPS)****(a) 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:

Net profit	1,810	2,265
	<b>2008</b>	<b>2007</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for the purposes of basic EPS	16,706	15,603

**(b) Diluted earnings per share**

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

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Net profit	1,810	2,265
	<b>2008</b>	<b>2007</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for the purposes of basic EPS	16,706	15,603
Plus: incremental 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

<sup>1</sup>Options have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>

**NOTE 8. TRADE AND OTHER RECEIVABLES**

Trade receivables	334	390
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Trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment losses have been recognised by the Company in the current or prior financial year.

Included in the Company's trade receivable balance are volume bonuses which have been contracted on a monthly to quarterly payment plan and past due interest which is accrued based on the Company's best estimates of amounts that will be collected within the next twelve months.

**Aging of past due but not impaired**

Less than 30 days	20	7
Greater than 30 but no longer than 60 days	1	14
Greater than 60 but no longer than 120 days	-	-
Greater than 120 days	-	1
	21	22

**NOTE 9. OTHER FINANCIAL ASSETS**

Derivative financial assets	1,016	673
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Derivative financial assets comprise interest rate swaps. Gains and losses arising from change in fair value of interest rate swaps are recognised in the income statement in the period in which they arise.

**Valuation of interest rate swaps**

Fair value reflects the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value when an active market exists.

The Company uses the following assumptions to value interest rate swaps:

- Forward floating rates are valued using the 90 day bank bill rates as at reporting date
- Net present value is calculated using bond rates as at reporting date.

The Company's exposure to credit risks and impairment losses related to other financial assets are disclosed in note 28.

**NOTE 10. OTHER ASSETS**

Prepayments	601	481
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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$'000	2007 \$'000
<b>NOTE 11. LOANS AND ADVANCES</b>		
Leases	6,838	8,880
Hire purchase contracts	5,564	3,143
Mortgages	24,335	24,631
Goods mortgages	61,232	66,280
Insurance premium funding	188	158
Professional fee funding	248	58
	<hr/> 98,405	<hr/> 103,150
Unearned revenue	(13,810)	(13,873)
	<hr/> 84,595	<hr/> 89,277
Provision for impairment	(1,354)	(464)
Loans and advances (net)	<hr/> 83,241	<hr/> 88,813

Loan terms are for varying periods ranging from 2 months to 5 years.

- Chattel mortgages range from 3 months to 5 years
- Leases range from 1 to 5 years
- Hire purchase contracts range from 6 months to 5 years
- Mortgages range from 2 months to 5 years
- Professional fee funding contracts range from 7 months to 3 years
- Insurance premium funding contracts are 1 year in length

All loans and advances are secured.

In relation to the products and services provided, refer to note 2(b).

**(a) Maturity Analysis**

Not longer than 3 months	16,278	19,014
Longer than 3 and not longer than 12 months	29,223	29,858
Longer than 1 year and not longer than 5 years	39,094	40,405
	<hr/> 84,595	<hr/> 89,277

**(b) Concentration of Risk**

The Company has an exposure to groupings of individual loans that concentrate risk and create exposure to particular segments as follows:

Australian Capital Territory	34	24
New South Wales	41,286	44,274
Northern Territory	126	77
Queensland	1,143	1,019
South Australia	7,339	8,064
Tasmania	94	116
Victoria	31,467	34,372
Western Australia	3,106	1,331
	<hr/> 84,595	<hr/> 89,277

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$'000	\$'000

**NOTE 11. LOANS AND ADVANCES (continued)****(c) Provision for Impairment**

Specific provisions are recognised where impairment of individual loans are identified.

**(i) Specific Provision**

Balance at beginning of financial year	464	623
Provided for during the financial year	1,170	582
Loan assets written-off, previously provided for	(163)	(584)
Recovery of loans previously provided for	(117)	(157)
Total specific provisions	1,354	464

**(ii) Bad and Doubtful Debt Expense Comprises:**

Specific provision	1,052	425
Bad debts recognised directly	9	33
	1,061	458

**(d) Credit Quality**

There are no loans that are neither past due nor impaired that are high risk or viable but being monitored. Other than the loans that are past due or impaired, the Company believes all other loans are of acceptable credit quality.

**(e) Impairment of Loans and Advances****(i) Past due loans**

'Past-due loans' are loans where a contractual payment falls overdue by one or more days. Full recovery of both principal and interest is expected. When a loan is classified as past due, the arrears balance is disclosed in the past due analysis.

In the case of loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, provisions for impairment are recognised. Balances without a specific provision for impairment are believed to have adequate security to cover the outstanding balance of the loan. If an impairment provision is required, the loan is included in non-accrual loans. The factors taken into consideration when determining whether a loan is impaired are disclosed in note 1(e).

Past due balance	2,198	1,856
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**Aging of past due but not impaired**

Less than 30 days	127	107
Greater than 30 but no longer than 60 days	256	239
Greater than 60 but no longer than 120 days	260	345
Greater than 120 days	510	560
Total	1,153	1,251

**Aging of impaired loans and advances**

Less than 30 days	63	20
Greater than 30 but no longer than 60 days	36	26
Greater than 60 but no longer than 120 days	106	48
Greater than 120 days	840	511
Total	1,045	605

**NOTE 11. LOANS AND ADVANCES (continued)**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

***(ii) Assets acquired through the enforcement of security***

'Assets received as collateral' are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

During the year the Company took possession of assets with a carrying value of \$196,364 (2007: \$282,179) which were then sold by either public auction, tender, or through advertisements in newspapers, depending on the nature and location of the goods.

In addition, the Company is in possession of a number of other repossessed assets which it is in the process of selling. The Company has a policy of seeking one or more appraisals prior to selling the goods to enable a reserve price to be set. Appraisals are undertaken from independent valuers or referenced from published guides. All efforts are made to attain the best possible price for all assets acquired through the enforcement of security.

***(iii) Loans whose terms have been renegotiated***

Loans that would otherwise be past due or impaired whose terms have been renegotiated arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

There have been no loans whose terms have been renegotiated (2007: nil).

**NOTE 12. ASSETS PLEDGED AS SECURITY**

In accordance with the security arrangements of liabilities, as disclosed in note 25(d) to the financial statements, all assets of the Company have been pledged as security.

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>NOTE 13. PROPERTY, PLANT AND EQUIPMENT</u></b>		
Freehold land at cost	80	80
Buildings at cost	123	123
Less accumulated depreciation	(52)	(49)
Total property	<u>151</u>	<u>154</u>
Leasehold improvements at cost	551	537
Less accumulated depreciation	(118)	(78)
Total leasehold improvements	<u>433</u>	<u>459</u>
Plant and equipment at cost	1,319	1,292
Less accumulated depreciation	(789)	(787)
Total plant and equipment	<u>530</u>	<u>505</u>
Total property, plant and equipment	<u>1,114</u>	<u>1,118</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 13. PROPERTY, PLANT AND EQUIPMENT (continued)****(a) Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment:

	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>Balance 30 June 2006</b>	80	77	381	457	995
Disposals	-	-	(3)	(14)	(17)
Additions	-	-	113	184	297
Acquisitions through business combinations	-	-	-	23	23
Depreciation expense	-	(3)	(32)	(145)	(180)
<b>Carrying amount 30 June 2007</b>	80	74	459	505	1,118
Disposals	-	-	-	(88)	(88)
Additions	-	-	14	283	297
Depreciation expense	-	(3)	(40)	(170)	(213)
<b>Carrying amount 30 June 2008</b>	80	71	433	530	1,114

		2008 \$'000	2007 \$'000
	<b>Note</b>		

**NOTE 14. GOODWILL****(a) Gross Carrying Amount**

Balance at beginning of financial year		2,094	1,373
Additional amounts recognised from business combinations occurring during the period	26	330	721
Balance at end of financial year		2,424	2,094

**(b) Accumulated Impairment Losses**

There were no accumulated impairment losses in the current or prior financial year.

Goodwill has been allocated for impairment testing purposes to six cash-generating units ('CGU'), the Company branches. The recoverable amount of each CGU is determined based on value-in-use calculations.

The value-in use has been calculated by estimating the future cash inflows and outflows over from the continuing use of goodwill and from its ultimate disposal; and applying the appropriate discount rate to the future cash flows.

Cash flow projections have been calculated for a five year period from earnings before tax with the period extending beyond one year extrapolated using an estimated 3% growth rate. The cash flows also take into consideration anticipated capital expenditure.

The discount rate applied to cash flows is calculated separately for debt and equity components of the Company's balance sheet and averaged based on the debt to equity ratio. The cost of debt discount rate is calculated on the 90 day bank bill rate, plus a facility premium. The cost of equity discount rate is calculated on the 10 year government bond yield (risk free rate), plus an equity risk premium multiplied by beta (strength of the relationship between the price of shares and the market).

Directors are satisfied that based on estimated future cash flows, there are no impairment issues. Within the CGU future cash flows are adequate to meet the carrying value of goodwill.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$'000	\$'000

**NOTE 15. OTHER INTANGIBLE ASSETS****Gross Carrying Amount**

Additional amounts recognised – Software development and software licences

80	-
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**NOTE 16. TRADE AND OTHER PAYABLES**

Trade payables	561	207
Sundry payables and accrued expenses	546	492
	<u>1,107</u>	<u>699</u>

The average credit period on the purchases of certain goods is less than 30 days. No interest is charged on the trade payables. The Company has a policy of paying weekly on original tax invoices rather than monthly on statements.

**NOTE 17. SHORT-TERM BORROWINGS**

Debentures	<u>19,591</u>	<u>20,181</u>
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**Maturity Analysis**

The table below details the maturity distribution of debenture stock. Maturities represent the remaining contractual period from the balance date to the repayment date.

At call	3,143	3,888
Not longer than 3 months	2,712	5,281
Longer than 3 and not longer than 12 months	9,816	9,221
Longer than 1 and not longer than 5 years	3,920	1,791
	<u>19,591</u>	<u>20,181</u>

The Company offers a choice of terms from 30 days then at call to 48 months. Investors are protected by the Company's policy of only lending against the security of income producing assets. The Company does not lend for purposes it considers to be speculative.

The rate of interest is fixed and is dependent on the term of the Debenture Stock subscribed for. However, in relation to the '30 days then at call' series of Debenture Stock, interest rates are fixed for the first 30 days and may vary thereafter.

The interest rate of the Debenture Stock is fixed by the Directors of the Company and is subject to change from time to time. A variation in interest rates will not affect fixed term Debenture Stock already on issue (excluding the '30 days then at call' series of Debenture Stock after the expiry of the first 30 days).

The weighted average interest rate on debentures as at 30 June 2008 was 8.2%, ranging from 6.5% to 8.0% for those drawn prior to 30 June 2007 to between 6.5% & 9.3% for those drawn since 30 June 2007.

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 are fixed by the directors of the Company and is subject to change from time to time.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>

**NOTE 17. SHORT-TERM BORROWINGS (continued)**

All debenture stock will be redeemed by the Company on the relevant maturity date for the series of debenture stock held by the investor. The Company has an early termination policy whereby in the event of early withdrawal, the Company has the right to make an adjustment to the interest rate applicable to the debenture, so that the interest yield over the entire term until redemption is equivalent to the interest rate that would have applied at the date of issue of that debenture most closely related to the time in which the investor actually held the debenture.

For more information about the Company's exposure to interest rate and liquidity risk, see note 28.

**Concentration of Deposits**

Victoria	9,320	8,841
New South Wales	10,140	11,100
South Australia	131	205
Queensland	-	12
Northern Territory	-	10
Australian Capital Territory	-	13
Total deposits and short-term borrowings	<u>19,591</u>	<u>20,181</u>

**NOTE 18. PROVISIONS**

Employee entitlements	<u>489</u>	<u>403</u>
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The current provision for employee benefits includes \$272 thousand of annual leave and vested long service leave entitlements accrued but not expected to be taken within 12 months (2007: \$196 thousand).

**NOTE 19. OTHER FINANCIAL LIABILITIES**

Hire purchase and goods mortgage liabilities	3	35
Other payables	<u>3</u>	<u>-</u>
	<u>6</u>	<u>35</u>

Other payables relates to salaries and superannuation payable which was accrued in the June period, but paid in July 2008.

**NOTE 20. LONG-TERM BORROWINGS**

Commercial bills - secured	<u>49,000</u>	<u>53,000</u>
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**Summary of borrowing arrangements:**

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

In September 2008 the Company entered into a new facility agreement with its bankers, National Australia Bank ('NAB'). This new facility agreement extends the Company's banking facilities until 31 October 2009. The quantum of the revised facilities is the same as the previous facility with the exception of the commercial bill portion, which will be reduced from \$63 million to \$59 million on 31 October 2008.

The reduction in the commercial bill facility is primarily as a result of the Company reducing bank debt during the second half of the last financial year. This reduction has enabled the Company to reduce its commercial bill facility and still have sufficient headroom remaining in the facility to meet forecast funding demands.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 21. SHARE CAPITAL****(a) Issued Capital**

17,193,729 (2007: 16,261,384) fully paid ordinary shares	18,485	16,904
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	<b>2008</b>		<b>2007</b>	
	<b>No.</b>		<b>No.</b>	
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
<b>(b) Fully Paid Ordinary Shares</b>				
Balance at beginning of financial year	16,261	16,904	15,210	14,938
Issue of shares pursuant to the dividend reinvestment plan	933	1,581	779	1,503
Issue of shares under employee share option plan	-	-	236	318
Issue of share for business acquisitions	-	-	36	75
Transfer from equity-settled employee benefits reserve	-	-	-	70
Balance at end of financial year	17,194	18,485	16,261	16,904

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have par value.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Quotation has been granted for 16,178,853 ordinary shares in the Company on the Stock Exchange of Newcastle Ltd ('NSX').

A total of 1,014,876 ordinary shares are held as security by the Company in respect of loans taken out with the Company by individuals for the express purpose of acquiring these shares. These shares are not listed on the NSX. The Company maintains the share register for unlisted shares. Once these loans are repaid, the shares are transferred to the NSX.

	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
	<b>'000</b>	<b>'000</b>
Shares in the Company comprise:		
Shares listed on the NSX	16,179	15,221
Unlisted shares	1,015	1,040
	17,194	16,261

**(c) Equity-settled Employee Benefits Reserve**

The equity-settled employee benefits reserve arises on the grant of share options to executives and employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 30 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 22. DIVIDENDS AND FRANKING ACCOUNT****(a) Dividends**

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.

	<b>2008</b>		<b>2007</b>	
	<b>Cents per share</b>	<b>\$'000</b>	<b>Cents per share</b>	<b>\$'000</b>
<b>Recognised amounts</b>				
Interim dividend:				
Fully franked at a 30% tax rate	6.0	1,010	6.0	943
Final dividend				
Fully franked at a 30% tax rate	9.5	1,545	9.5	1,445
	<u>15.5</u>	<u>2,555</u>	<u>15.5</u>	<u>2,388</u>
<b>Unrecognised amounts</b>				
Final dividend				
Fully franked at a 30% tax rate	<u>4.0</u>	<u>688</u>	<u>9.5</u>	<u>1,545</u>

As a condition of the Company's banking covenants, the Company cannot, in respect of any period, declare or recommend any dividend where that part of the dividend that is payable in cash is in excess of 50% of net profit after tax for that period. This covenant has been in place since 1998 however as the number of shares participating in the dividend reinvestment plan has been in excess of, and currently remains in excess of, 50%, this banking covenant has had no impact on the Company's dividends.

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Franking account</b>		
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
Impact on franking account balance of dividends not recognised	<u>(295)</u>	<u>(662)</u>

**NOTE 23. KEY MANAGEMENT PERSONNEL REMUNERATION****(a) Key Management Personnel Compensation**

The aggregate compensation made to key management personnel of the Company is set out below:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	432,810	419,996
Post-employment benefits	31,415	29,786
Other long-term benefits	11,277	14,762
Share-based payment	5,188	13,671
	<u>480,690</u>	<u>478,215</u>

**NOTE 23. KEY MANAGEMENT PERSONNEL REMUNERATION (continued)****(b) Options Holdings of Key Management Personnel whether Directly, Indirectly or Beneficially Held**

	<b>Balance 1/07/07</b>	<b>Options Exercised</b>	<b>Balance 30/06/08</b>	<b>Total Vested 30/06/08</b>	<b>Total Exercis- Able 30/06/08</b>	<b>Total Unexercis- Able 30/06/08</b>
Mr. M J Hill	50,000	-	50,000	-	50,000	-
Mrs. W L Leake	25,000	-	25,000	-	25,000	-
	75,000	-	75,000	-	75,000	-

	<b>Balance 1/07/06</b>	<b>Options Exercised</b>	<b>Balance 30/06/07</b>	<b>Total Vested 30/06/07</b>	<b>Total Exercis- Able 30/06/07</b>	<b>Total Unexercis- Able 30/06/07</b>
Mr. M J Hill	100,000	50,000	50,000	50,000	-	50,000
Mrs. W L Leake	50,000	25,000	25,000	25,000	-	25,000
	150,000	75,000	75,000	75,000	-	75,000

**(c) Number of Shares Held Directly, Indirectly or Beneficially by Key Management Personnel**

	<b>Balance 1/7/07</b>	<b>Options Exercised</b>	<b>DRP+</b>	<b>Net Change Other*</b>	<b>Balance 30/6/08</b>
Mr. L J Thomson	3,270,481	-	305,428	-	3,575,909
Mr. J H Macknight	718,824	-	39,015	-	757,839
Mr. G J Sullivan	449,765	-	32,668	-	482,433
Mr. L M Wheatley	224,163	-	20,935	-	245,098
Mr. A Fisher	1,824,200	-	172,075	50,000	2,046,275
Mr. M J Hill	324,642	-	279	-	324,921
Mrs. W L Leake	48,726	-	-	-	48,726
Total	6,860,801	-	570,400	50,000	7,481,201

	<b>Balance 1/7/06</b>	<b>Options Exercised</b>	<b>DRP+</b>	<b>Net Change Other*</b>	<b>Balance 30/6/07</b>
Mr. L J Thomson	2,587,827	-	247,802	434,852	3,270,481
Mr. J H Macknight	670,637	-	48,187	-	718,824
Mr. G J Sullivan	302,464	-	26,506	120,795	449,765
Mr. L M Wheatley	167,178	-	16,985	40,000	224,163
Mr. M J Hill	274,414	50,000	228	-	324,642
Mrs. W L Leake	23,726	25,000	-	-	48,726
Total	4,026,246	75,000	339,708	595,647	5,036,601

\* Shares purchased or sold during the financial year.

+ Dividend Reinvestment Plan

Key management personnel have not directly, indirectly or beneficially been granted or exercised any options nor have they received any shares as compensation at any time during or since the end of the financial year,

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 23. KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

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.

**NOTE 24. RELATED PARTY INFORMATION**

The following loan balances are in respect of loans made to key management personnel of the Company or to their related entities.

Loans to key management personnel	Balance at beginning \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance at end \$	Number in Group
2008	2,568,414	235,632	-	-	2,441,640	8
2007	954,457	102,532	-	-	1,374,468	6

Key management personnel with loans above \$100,000 in the reporting period:

	Balance at beginning \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance at end \$	Highest in period \$
<b>2008</b>						
Mr. G J Sullivan	983,507	135,846	-	-	1,313,626	85,000
Mr. A Fisher	1,193,947	68,250	-	-	736,031	-
Mr. M J Hill	390,961	31,536	-	-	391,983	391,983
<b>2007</b>						
Mr. G J Sullivan	653,589	77,981	-	-	983,507	85,000
Mr. M J Hill	300,868	24,551	-	-	390,961	390,961

The following table shows the nature of the related party relationship as well as information about transactions and outstanding balances:

	Nature of relationship	Loans advanced during year	Loans repaid during year	Outstanding balance \$
<b>2008</b>				
<b>Directors</b>				
Mr. G J Sullivan	Self	85,000	92,290	85,000
Mr. M J Hill	Self	359,500	390,961	391,983
<b>Director related entities</b>				
Sunset Sultana Management Pty Ltd	Director <sup>1</sup>	286,000	105,092	56,717
Sunset Vineyard Management Pty Ltd	Director <sup>1</sup>	-	10,233	6,922
Sunset (JV) Pty Ltd	Director <sup>1</sup>	600,000	44,085	612,596
WHK Business Services Pty Ltd	Related entity <sup>2</sup>	72,135	198,207	530,758
Armitage Downie Services Pty Ltd	Related entity <sup>2</sup>	-	116,104	21,633
Fishers Stores Consolidated	Director <sup>3</sup>	301,565	877,809	736,031

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**Note 24. RELATED PARTY INFORMATION (continued)**

	Nature of relationship	Loans advanced during year	Loans repaid during year	Outstanding balance \$
<b>2007</b>				
<b>Directors</b>				
Mr. G J Sullivan	Self	85,000	92,097	85,000
Mr. M J Hill	Self	359,500	300,868	390,961
<b>Director related entities</b>				
Sunset Sultana Management Pty Ltd	Director <sup>1</sup>	8,090	73,439	107,230
Sunset Vineyard Management Pty Ltd	Director <sup>1</sup>	-	49,281	17,155
WHK Business Services Pty Ltd	Related entity <sup>2</sup>	509,632	141,955	636,385
Armitage Downie Services Pty Ltd	Related entity <sup>2</sup>	-	125,496	137,737

<sup>1</sup>Mr G J Sullivan is a director of Sunset Sultana Management Pty Ltd and Sunset Vineyard Management Pty Ltd.

<sup>2</sup>Related entities of WHK Group Limited of which Mr. G J Sullivan is a director.

<sup>3</sup> Mr. A Fisher is a director of Fishers Stores Consolidated.

Loans to directors were provided on commercial terms and conditions available to other borrowers. Loans are for a one-year term and may be rewritten at the end of each year with interest payable in advance. These amounts are the highest amount of indebtedness during the reporting period.

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated. Loans are provided for a maximum period of 60 months.

Mr. L J Thomson is related to Iain Thomson, employee principal of WHK Group Limited. During the year member firms of WHK Group Limited received income from the Company for the referral of business on arms length terms.

<b>2008</b>	<b>2007</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 25. CASH FLOW INFORMATION**

**(a) Cash at the End of the Financial Year as Shown in the Statement of Cash Flows is Reconciled to the Related Items in the Balance Sheet as follows:**

Cash and cash equivalents	2,967	1,022
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**(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit after Income Tax:**

Profit after income tax	1,810	2,265
Gain on disposal of non-current assets	(8)	-
Loss on sale of non-current assets	27	5
Depreciation	213	180
Bad debts written off	9	33
Increase/(decrease) in doubtful debts provision	889	(159)
Increase in employee benefits provision	95	129
(Increase)/decrease in other debtors	56	(155)
Increase in prepayments	(119)	(276)
Increase/(decrease) in accrued expenses/creditors	386	(374)
Increase/(decrease) in tax payable	538	(339)
Increase/(decrease) in accrued interest payable	26	(215)
Net movement in deferred tax asset/deferred tax liability	(72)	316
Increase in derivative asset	(343)	(331)
	<u>3,507</u>	<u>1,079</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 25. CASH FLOW INFORMATION (continued)****(c) Non Cash Financing and Investing Activities**

- 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.
- Investors transferred \$124,112 from debentures to make payments on finance contracts.
- No shares were issued as part consideration for a business acquisition.
- No loans were granted during the year to exercise options for directors and employees.

These transactions are not reflected in the Statement of Cash Flows.

**(d) Bank Facilities**

As at 30 June 2008 the Company had an unused overdraft facility of \$400,000 and a commercial bill facility of \$63,000,000 of which \$14,000,000 was unused. These facilities are secured by a fixed and floating charge over the assets of the Company.

**NOTE 26. ACQUISITION OF BUSINESSES**

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.

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Provisional accounts</b>		
Plant and equipment	-	23
Trade receivables	-	36
Goodwill arising on acquisition	330	721
	<u>330</u>	<u>780</u>
<b>Consideration</b>		
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.

**NOTE 27. AUDITOR'S REMUNERATION**

Amounts received or due and receivable by the auditors of the Company for:

Audit of the financial statements	39,139	49,409
Audit of the Trust Deed	10,000	10,000
Other audit services	5,541	9,237
	<u>54,680</u>	<u>68,646</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 28. FINANCIAL INSTRUMENTS****(a) Capital Risk Management**

The Company manages its capital to in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund it's operations and continue as a going concern.

In order to maintain the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or increase or decrease the value of new loans.

The Company's overall strategy remains unchanged from 2007. There have been no material changes in the management of the Company's capital from the previous period.

Throughout the financial year the Company complied with all externally imposed capital requirements. These requirements emanate predominantly from the Company's bankers who set financial covenants in relation to a range of financial measures that must be met as a condition of the facility.

On 31 October 2007, ASIC issued Regulatory Guide 69 which required issuers of unlisted and unrated debentures to address eight benchmarks on an "if not, why not" basis. Benchmark number 1 states that where only a minor part of the issuer's activities relates to property development, the issuer should maintain a minimum equity ratio (equity capital as a percentage of total debt and equity) of 8%. The Company's equity ratio at 30 June 2008 was 23%, substantially above the required minimum.

Equity capital is defined as the sum of contributed equity and retained earnings. Total debt is defined as total liabilities.

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Equity capital</b>		
Total liabilities	70,337	74,347
Total equity	21,483	20,638
Total debt plus equity capital	<u>91,820</u>	<u>94,985</u>
 Gearing	 23%	 22%

The Company maintains a Dividend Reinvestment Plan. 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%.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 28. FINANCIAL INSTRUMENTS (continued)****(b) Categories of Financial Instruments**

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised in the Balance Sheet are as follows:

	<b>Total carrying amount as per the Balance Sheet 2008 \$'000</b>	<b>Aggregate net fair value 2008 \$'000</b>	<b>Total carrying amount as per the Balance Sheet 2007 \$'000</b>	<b>Aggregate net fair value 2007 \$'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	2,967	2,967	1,022	1,022
Trade and other receivables	334	334	390	390
Financial assets at fair value through profit or loss	1,106	1,106	673	673
Loans and advances	83,241	82,894	88,813	89,864
<b>Total Financial Assets</b>	<b>87,648</b>	<b>87,301</b>	<b>90,898</b>	<b>91,949</b>
<b>Financial Liabilities</b>				
Deposits and short-term borrowings	19,591	19,591	20,181	20,181
Trade payables	1,107	1,107	699	699
Other financial liabilities	6	6	35	35
Bank borrowings	49,000	51,284	53,000	53,372
<b>Total Financial Liabilities</b>	<b>69,704</b>	<b>71,988</b>	<b>73,915</b>	<b>74,287</b>

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- The carrying amount of cash and liquid assets and trade receivables and payables are assumed to approximate their fair value because of their short-term to maturity or because they are receivable on demand.
- The fair values of loans receivable are calculated on the expected cash flow based on the contracted lending rate for each loan.
- The carrying amount of deposits and short term borrowings and hire purchase liabilities approximates fair value because of their short-term maturity.
- The fair values of bank borrowings are calculated on the expected cash flows.
- The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

**(c) Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans and advances, debentures, commercial bills, leases, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

**NOTE 28. FINANCIAL INSTRUMENTS (continued)**

The Company's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. It uses derivative financial instruments such as interest rate swaps to hedge the risk of rising interest rates. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity in the case of interest rate and other price risks and aging analysis for credit risk.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

**(d) Significant Accounting Policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

**(e) Risks and Exposures****(i) Market Risk**

The Company's activities expose it primarily to the financial risks of changes in interest rates. The Company's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company policy is to maintain a minimum of 50% of its bank borrowings at fixed rates using interest rate swaps to offset the risk to interest rate exposure.

Interest rate risk is managed with a mixture of fixed and floating rate debt. Interest rate swap transactions entered into by the Company exchange variable for fixed interest payment obligations to protect long term borrowings from the risk of increasing interest rates. Under the interest rate swaps, the Company agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Notional principal amounts represent the contract or face value of the swap. The notional amounts do not represent amounts exchanged by the parties to the contract.

At the reporting date the Company had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2008		30 June 2007	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	\$'000	%	\$'000
Bank overdrafts and bank loans	7.92	49,000	7.09	53,000
Interest rate swaps (notional principal amount)	6.41	30,000	5.96	20,000
Net exposure to cash flow interest rate risk		<u>19,000</u>		<u>33,000</u>

The Company also enters into forward start interest rate swaps in order to lock in a present interest rate on an agreed notional principal amount for a stated period of time commencing at a specific future date. Forward start interest rate swaps address interest rate exposure by allowing the Company to fix the effective rates for known future debt maturities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 28. FINANCIAL INSTRUMENTS (continued)**

The following table details the notional principal amounts and remaining terms of interest rate swap contracts and forward start interest rate swap contracts at balance date.

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2008	2007	2008	2007	2008	2007
	%	%	\$'000	\$'000	\$'000	\$'000
Less than 1 year	5.98	5.98	5,000	5,000	62	16
1 to 2 years	-	5.98	-	5,000	-	68
2 to 5 years	6.50	5.94	25,000	10,000	954	372
More than 5 years <sup>1</sup>	-	5.95	-	5,000	-	217
			30,000	25,000	1,016	673

<sup>1</sup>Forward start swap with an effective date of 20 May 2008 and a termination date of 20 May 2013.

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Australian BBR-BBSY. The Company will settle the difference between the fixed and floating interest rate on a net basis.

There has been no change in the Company's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

**Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reported date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

The table below represents the Company's net profit and retained earnings movement at reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant.

	Net profit movement		Retained earnings movement	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
50 basis points higher	96	89	96	89
50 basis points lower	98	89	98	89

The increase or decrease in net profit is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings. The Company's sensitivity to interest rates has increased during the current period mainly due to an 8% increase in average variable debt instruments.

**(ii) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's liquidity policies are approved by the board of directors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 28. FINANCIAL INSTRUMENTS (continued)**

The Company manages liquidity risk by monitoring forecast and actual cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The Company had access to the following undrawn borrowing facilities at the reporting date:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Floating rate</b>		
Bank overdraft and commercial bill facility	14,400	7,400

The bank overdraft facilities may be drawn at any time. The bill acceptance facility may be drawn at any time and is subject to annual review.

**Maturity of financial instruments**

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial instruments based on the earliest date on which the Company can be required to pay or receive funds. The table includes both interest and principal cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the reporting date.

	<b>Interest</b>	<b>Less</b>			<b>Greater</b>	
	<b>Rates</b>	<b>than</b>	<b>3</b>	<b>3 – 12</b>	<b>1-5</b>	<b>Total</b>
<b>2008</b>	<b>%</b>	<b>months</b>	<b>\$'000</b>	<b>months</b>	<b>years</b>	<b>\$'000</b>
<b>Financial Assets</b>						
Cash & cash equivalents	6.66		2,967		-	2,967
Other receivables	-		131	202	-	333
Net settled (interest rate swaps)	6.41		47	316	771	1,134
Loans and advances	12.44		16,779	36,264	46,021	99,064
<b>Total Financial Assets</b>			19,924	36,782	46,792	103,498
<b>Financial Liabilities</b>						
Deposits & short term borrowings	8.02		6,782	9,836	4,380	20,998
Trade payables	-		1,107	-	-	1,107
Other financial liabilities	-		6	1	-	7
Bank borrowings <sup>1</sup>	8.46		1,211	49,000	-	50,211
<b>Total Financial Liabilities</b>			9,106	58,837	4,380	72,323

<sup>1</sup>As at 30 June 2008, the Company and its bankers, the National Australia Bank ('NAB'), were reviewing bank facilities. In September 2008 the Company entered into a new facility agreement with NAB. This new facility agreement extends the Company's banking facilities until 31 October 2009.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 28. FINANCIAL INSTRUMENTS (continued)**

	Interest Rates %	Less than 3 months \$'000	3 – 12 months \$'000	1-5 years \$'000	Greater than 5 years \$'000	Total \$'000
<b>2007</b>						
<b>Financial Assets</b>						
Cash & cash equivalents	6.18	1,022	-	-	-	1,022
Other receivables	-	112	278	-	-	390
Net settled (interest rate swaps)	5.96	17	118	614	40	789
Loans and advances	11.89					
		20,097	35,950	47,570	-	103,617
<b>Total Financial Assets</b>		<b>21,248</b>	<b>36,346</b>	<b>48,184</b>	<b>40</b>	<b>105,818</b>
<b>Financial Liabilities</b>						
Deposits & short term borrowings	6.61	9,558	9,794	2,060	-	21,412
Trade payables	-	699	-	-	-	699
Other financial liabilities	-	11	23	6	-	40
Bank borrowings	7.26	918	55,736	-	-	56,654
<b>Total Financial Liabilities</b>		<b>11,186</b>	<b>65,553</b>	<b>2,066</b>	<b>-</b>	<b>78,805</b>

**(iii) Credit Risk**

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables, derivative instruments, and loans and advances.

Credit risk is the risk of financial loss to the Company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date, to recognised financial assets is the carrying amount net of any provisions, as disclosed in the balance sheet and notes to the financial statements.

The Company minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers in a diverse range of industries and geographic regions. All customers are located in Australia.

Credit risk in loans is managed by conducting a risk assessment analysis for all customers prior to the advancement of any monies and by monitoring a customer's performance throughout the life of the loan. For customers with larger exposures, periodic reviews are conducted.

Bidgee's policies to control credit risk include avoidance of unacceptable concentrations of risk either to any economic sector or to an individual counterparty. Policies are in place to regulate large exposures to single counterparties or groups of counterparties.

The success and quality of the Company's loan book is built on the ability to create and maintain personal relationships with clients and professional referral sources.

The Company has a comprehensive Lending Policy and Procedure ('Policy') that is regularly updated and formally reviewed every 12 months. This Policy details how the Company mitigates credit risk and covers all matters relating to an application for finance.

The Policy details those circumstances where risk mitigation is unlikely and therefore an application could not be approved.

**NOTE 28. FINANCIAL INSTRUMENTS (continued)**

The function of the Credit Management Cell ('Credit') is independent from the sales function to avoid any conflict of interest.

Credit's delegated approval authority structure requires that senior management approve loans that are deemed by the Company to be of higher risk due either to circumstance or amount. The Company has imposed mandatory requirements to ensure Credit has sufficient information to assess the client's history, their net worth, the ability to service their commitments and the value of the security being provided.

The Policy stipulates which specific loan valuation ratio applies and details when a formal independent valuation is required.

Credit is responsible for ensuring that approval and documentary conditions have been met prior to authorising settlement and undertaking periodic client financial reviews.

The Company's security interest is registered with external authorities.

An Internal Auditor, independent of both Credit and the External Auditor, reviews a selection of loans settled each month to confirm compliance with the Policy. The findings of the internal audit are reviewed by the Board.

The Company engages independent legal personnel to provide advice, prepare complex security documents and to regularly review loan documents together with the associated terms and conditions.

**Loan Impairment Review**

Loan assets are subject to recurring review and assessment for possible impairment. Specific provisions are recognised where specific impairment is identified.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

**NOTE 29. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

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.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements (revised)*
- AASB 123 *Borrowing Costs (revised)*
- AASB 3 *Business Combinations (revised)* AASB 127 *Consolidated and Separate Financial Statements (revised)*
- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations*
- AASB 2008-3 *Amendments to Australian Accounting Standard arising from AASB 3 and AASB 127*  
Interpretation 4 *Determining whether an Arrangement contains a Lease (revised)*

The above standards are effective for annual reporting periods beginning on or after 1 January 2009.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

**NOTE 29. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS (continued)**

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company.

The application of AASB 101 (revised), AASB 8, AASB 123, AASB 3, AASB 127, and AASB 2008-1 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the Company's financial instruments. The titles of financial statements will also change.

These Standards and Interpretations have been or will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

**NOTE 30. EMPLOYEE BENEFITS****(a) Employees' Share Option Arrangements**

No options were granted, exercised, or lapsed during and since the end of the financial year to directors and executives.

**(b) Movement in the Number of Share Options Held by Employees Including Executive Directors are as Follows:**

	Weighted Average Exercise Price 2008 \$	Number of Options 2008	Weighted Average Exercise Price 2007 \$	Number of Options 2007
Opening balance	2.18	365,834	2.18	451,667
Granted during the year	-	-	2.18	170,000
Exercised during the year	-	-	1.35	(235,833)
Lapsed during the year	2.18	(110,000)	2.18	(20,000)
Closing balance	2.18	255,834	2.18	365,834

The options outstanding at 30 June 2008 have an exercise price in the range of \$2.10 and \$2.25 and a weighted average contractual life of 4.29 years.

No employees have been granted or exercised options since the end of the financial year to the date of this report.

During the year ended 30 June 2008, no ordinary shares in the capital of the Company were issued on the exercise of options granted under the Company's Executive and Employee Option Plan. No further shares have been issued since that date.

**(c) Valuation of Options**

Options are valued using a Trinomial American Call option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation were as follows:

Grant Date	Last Exercise Date	Number of Options	Share Price at Grant Date \$	Exercise Price \$	Expected Volatility %	Dividend Yield %	Risk Free Rate	Fair Value per Option
27/10/2005	30/06/2010	33,334	2.15	2.25	17.3	6.98	5.65	0.1897
03/12/2005	30/06/2009	25,000	2.10	2.15	17.3	7.14	5.63	0.1791
03/12/2005	30/06/2010	127,500	2.10	2.20	17.3	7.14	5.63	0.1787
17/10/2006	30/06/2010	35,000	2.00	2.10	17.7	7.75	6.30	0.1615
17/10/2006	30/06/2011	35,000	2.00	2.25	17.7	7.75	6.30	0.1395
		255,834						



**NOTE 30. EMPLOYEE BENEFITS (continued)**

(d) The following share based payment arrangements were in existence during the current and comparative reporting periods:

Option Series	Number	First Exercise Date	Date of Expiry	Exercise Price \$
Issued 27 October 2005	33,334	30/06/2008	30/06/2010	2.25
Issued 3 December 2005	25,000	30/06/2007	30/06/2009	2.15
Issued 3 December 2005	127,500	30/06/2008	30/06/2010	2.20
Issued 17 October 2006	35,000	30/06/2008	30/06/2010	2.10
Issued 17 October 2006	35,000	30/06/2009	30/06/2011	2.25

In accordance with the terms of the share-based arrangement, all options vest at the first exercise date. All options expire on the earlier of their expiry date or termination of the employee or executive officer's employment.

**NOTE 31. DEBENTURE STOCK**

Debenture stock is secured by a second ranking charge in favour of Permanent Nominees (Aust.) Limited as the appointed trustee for the holders of debenture stock, over the whole of the assets and undertakings of the Company.

**NOTE 32. CONTROLLED ENTITIES**

The Company does not have any controlled entities.

**NOTE 33. SUBSEQUENT EVENTS**

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.

**NOTE 34. SIGNIFICANT EVENTS**

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.

**NOTE 35. LEASE COMMITMENTS**

Non-cancellable operating lease payments:

	2008 \$'000	2007 \$'000
Not longer than a year	189	238
Longer than 1 year and not longer than 5 years	187	367
	<u>376</u>	<u>605</u>

Lease payments may be subject to an annual increase with upward movements in the Consumer Price Index and/or Market Review.

The initial period of office accommodation leases are still current and the majority may be renewed for up to 10 years at the Company's option.

**NOTE 36. 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008****NOTE 37. 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.

**NOTE 38. COMPANY DETAILS**

The registered office of the Company is:

Bidgee Finance Ltd

113 Lime Avenue

Mildura, Victoria 3502

## COMPANY PARTICULARS

### DIRECTORS

L J Thomson – Chairman  
G J Sullivan  
L M Wheatley  
A Fisher  
M J Hill – Managing Director

### COMPANY SECRETARY

W L Leake

### REGISTERED OFFICE AND HEAD OFFICE

Bidgee Finance Ltd  
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Mildura, Victoria 3500  
Telephone: (03) 5021 1722  
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Postal Address:  
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### COMPANY WEBSITE

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### COMPANY EMAIL

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### COMPANY NUMBERS

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ABN 83 000 362 596

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### AUDITORS

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Mildura, Victoria 3500

### SOLICITORS

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Adelaide, SA 5000

Glowreys  
PO Box 755  
Deniliquin, NSW 2710

Whittens Lawyers and Consultants  
Level 30, Piccadilly Tower  
Castlereagh St  
Sydney, NSW 2000

### STOCK EXCHANGE LISTING

Bidgee Finance Ltd shares are listed on the National Stock Exchange of Australia

NSX Code: BFI

### SHARE/SECURITY REGISTERS

Link Market Services Ltd  
Locked Bag A14  
Sydney South, NSW 1235

Telephone: 1300 554 474