



**ALLIANCE FINANCE CORPORATION LIMITED**  
**ABN 72 052 507 507**

**Appendix 4E**  
**Preliminary Final Report**

Reporting period:  
**Year Ended 30 June 2004**

Previous corresponding period:  
**Year Ended 30 June 2003**



**RESULTS FOR ANNOUNCEMENT TO THE MARKET  
FOR THE YEAR ENDED 30 JUNE 2004**

<b>Financial Performance</b>		
Revenues from ordinary activities	up 62.9%	to \$11,422,238
Profit (loss) from ordinary activities after tax attributable to members	up 62.5%	to \$2,164,124
Profit (loss) from extraordinary items after tax attributable to members		\$Nil
Net profit (loss) for the period attributable to members	up 62.5%	to \$2,164,124
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Interim dividend	1.5 cents	1.5 cents
Final dividend	1.6 cents	1.6 cents
Total dividend for the year ended 30 June 2004	3.1 cents	3.1 cents
Previous corresponding period	2.5 cents	2.5 cents
Record date for determining entitlements to the final dividend.	28 October 2004	
Payment date for final dividend	12 November 2004	
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:		
Refer to commentary on results on Page 3.		
This Report is based on accounts which are in the process of being audited.		



## COMMENTARY ON RESULTS FOR THE YEAR ENDED 30 JUNE 2004

### Financial Highlights

▪ New Lending	\$209 million	(+67%)
▪ Total Revenue	\$11.4 million	(+63%)
▪ EBIT	\$5.6 million	(+67%)
▪ Profit after Tax	\$2.2 million	(+63%)
▪ Earnings per Share	5.74 cents	(+62%)

After reporting strong growth in the first half, I am pleased to report that Alliance Finance Corporation has completed the year with record new lending of \$209 million which is almost equal to the entire amount written in the previous two financial years.

Net profit after tax of \$2.16 million represents an increase of 63% on the previous year, and total revenues also increased 63% to \$11.4 million.

The Directors have declared a final dividend of 1.6 cents per share fully franked taking the total dividend for the year to 3.1 cents fully franked, as compared to 2.5 cents for the previous financial year.

The Company is now reaping the benefit of improved processing efficiencies and is confident of accommodating future growth without any significant increase in overheads.

It is also notable that Alliance is taking deferred interest revenue of over \$3.2 million into the 2004-2005 financial year. This is income which is yet to mature and relates to business the Company already has on its books, the majority of which will be recognised as income in the new financial year.

### Other Products

Excellent growth was achieved in the funding of fees of professional service providers such as accountants and lawyers and we expect further market share to be gained this financial year as the product becomes more accepted by the market place.

We have written a record level of leasing business on balance sheet and our computer laptop strike rates also improved on the previous year. As a consequence of falling technology prices, there was a marked drop in the value financed per individual unit, but higher margins allowed us to increase total net returns albeit on a lower overall volume of business.

### Outlook

The outlook for Alliance continues to be positive. Business and profit levels are expected to show an improvement in 2004-05 with representation now firmly established in Queensland, New South Wales and Victoria. Some insurance premiums have softened a little, but asset values and wages continue to rise and are expected to maintain the value of insurance premiums being funded.

### Business Growth Initiatives

We are anticipating continued growth across our lending portfolio, however we do not expect to see the same level of growth as that experienced in 2003-04.

The roll out of our latest internet based broker log-in technology has now been completed. This means that it is now easier for our clients to do business with us and it creates a mutually efficient and time saving environment in which to operate.

We have now established a wholly owned subsidiary in Hong Kong and have put in place appropriate funding lines to service that market. We will shortly be ready to transact business in



Hong Kong and it is important to note that all expenses incurred to date on this venture have already been brought to account. The Hong Kong market is in its infancy and offers good growth prospects.

We are continuing to investigate a number of other new business opportunities in order to broaden the income base, improve scalability and maximise profitability for shareholders.

Funding lines were reviewed, refined and increased during the year to accommodate increased business levels forecast for the 2005 financial year.

Martin Kane  
Managing Director



**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	30 June 2004 \$	30 June 2003 \$
<b>Revenues from ordinary activities</b>			
Interest revenue	2(a)	10,651,605	6,298,724
Non interest revenue	2(b)	<u>770,633</u>	<u>711,511</u>
<b>Total revenue</b>		11,422,238	7,010,235
Borrowing expenses	3(a)	(2,564,024)	(1,521,100)
Commission expenses		(2,703,758)	(1,544,943)
Other general and administration expenses	3(b)	<u>(3,112,477)</u>	<u>(2,097,918)</u>
<b>Profit from ordinary activities before income tax expense</b>		3,041,979	1,846,274
Income tax expense		<u>(877,855)</u>	<u>(514,982)</u>
<b>Profit from ordinary activities after income tax expense</b>		<u>2,164,124</u>	<u>1,331,292</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to the members</b>		<u>2,164,124</u>	<u>1,331,292</u>
		Cents	Cents
Earnings per share (Basic)		5.74	3.54
Earnings per share (Diluted)		5.74	3.54
		Number	Number
Weighted average shares on issue		37,700,000	37,600,000

The Statement of Financial Performance is to be read in conjunction with the notes to the financial statements included in pages 8 to 12.



**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2004**

	Notes	30 June 2004 \$	30 June 2003 \$
<b>ASSETS</b>			
Cash assets		794,760	534,667
Receivables		57,315,451	38,808,366
Other financial assets		3,000	15,000
Other assets		636,569	1,069,228
Deferred tax assets		69,620	2,360
Plant and equipment		<u>354,808</u>	<u>400,767</u>
<b>TOTAL ASSETS</b>		<u><u>59,174,208</u></u>	<u><u>40,830,388</u></u>
<b>LIABILITIES</b>			
Payables		9,694,928	7,760,834
Interest bearing liabilities		36,476,352	21,303,707
Tax liabilities		202,503	230,844
Provisions		<u>146,349</u>	<u>102,551</u>
<b>TOTAL LIABILITIES</b>		<u><u>46,520,132</u></u>	<u><u>29,397,936</u></u>
<b>NET ASSETS</b>		<u><u>12,654,076</u></u>	<u><u>11,432,452</u></u>
<b>EQUITY</b>			
Contributed equity	4	8,464,480	8,464,480
Retained earnings	5	<u>4,189,596</u>	<u>2,967,972</u>
<b>TOTAL EQUITY</b>		<u><u>12,654,076</u></u>	<u><u>11,432,452</u></u>

The Statement of Financial Position is to be read in conjunction with the attached notes to the financial statements included in pages 8 to 12.



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Notes	30 June 2004 \$	30 June 2003 \$
<b>Cash Flows from Operating Activities</b>			
Interest received		10,651,605	6,298,724
Fees and other income received		1,808,552	711,511
Personnel and other operating expenses paid		(5,516,162)	(4,007,281)
Borrowing costs paid		(2,564,024)	(1,521,100)
Income tax paid		<u>(966,910)</u>	<u>(768,432)</u>
<b>Net Cash Provided by Operating Activities</b>	8(b)	<u>3,413,061</u>	<u>713,422</u>
<b>Cash Flows From Investing Activities</b>			
Net increase in loan funds advanced		(18,908,835)	(12,565,394)
Net increase in amounts due to brokers		1,636,607	2,428,740
Proceeds from disposal of assets		13,500	1,440
Purchases of plant and equipment		<u>(124,385)</u>	<u>(243,683)</u>
<b>Net Cash Used in Investing Activities</b>		<u>(17,383,113)</u>	<u>(10,378,897)</u>
<b>Cash Flows from Financing Activities</b>			
Increase (decrease) in bank loans		14,865,900	15,153,777
Net increase (decrease) in other loans		-	(1,647,517)
Lease payments		(4,877)	(3,408)
Proceeds from issue of securities		-	89,071
Dividends paid		<u>(942,500)</u>	<u>(565,500)</u>
<b>Net cash provided by financing activities</b>		<u>13,918,523</u>	<u>13,026,423</u>
<b>Net increase/(decrease) in cash held</b>		(51,529)	3,360,948
Cash at the beginning of the financial period		<u>394,469</u>	<u>(2,966,479)</u>
<b>Cash at the end of the financial period</b>	8(a)	<u>342,940</u>	<u>394,469</u>

The Statement of Cash Flows is to be read in conjunction with the attached notes to the financial statements included in pages 8 to 12.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**1. BASIS OF PREPARATION OF THE APPENDIX 4E REPORT**

The 4E Financial Report is made out in accordance with the Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements (Urgent Issues Group Consensus Views). The Report has been prepared in accordance with the historical cost convention.

The accounting policies adopted for the 4E Report ending 30 June 2004 are consistent with the accounting policies adopted for the annual financial report ending 30 June 2003.

	<b>30 June 2004 \$</b>	<b>30 June 2003 \$</b>
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>(a) Interest Revenue</b>		
Insurance premium finance	10,130,554	6,062,211
Finance leases	494,723	220,191
Other	<u>26,328</u>	<u>16,322</u>
	<u>10,651,605</u>	<u>6,298,724</u>
<b>(b) Non Interest Revenue</b>		
Fees – equipment leasing	236,527	378,237
Fees – insurance premium finance	520,606	333,274
Proceeds from disposal of non current assets	<u>13,500</u>	<u>-</u>
	<u>770,633</u>	<u>711,511</u>
	<u>11,422,238</u>	<u>7,010,235</u>
<b>3. EXPENSES AND OTHER GAINS/LOSSES</b>		
<b>(a) Borrowing Costs</b>		
Bank fees	216,826	394,281
Bank interest	2,347,198	1,013,992
Interest – deposits	<u>-</u>	<u>112,827</u>
	<u>2,564,024</u>	<u>1,521,100</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	30 June 2004 \$	30 June 2003 \$
<b>(b) Other General and Administrative Expenses</b>		
Depreciation of plant and equipment	153,566	58,093
Cost of non current assets sold	11,565	8,977
Bad debts written off	132,425	187,960
Provisions for doubtful debts	399,677	71,691
Provision for employee entitlements	44,358	39,771
Personnel costs	1,349,959	1,019,321
Other	<u>1,020,927</u>	<u>712,105</u>
	<u>3,112,477</u>	<u>2,097,918</u>
 <b>4. CONTRIBUTED EQUITY</b>		
<b>Paid Up Capital</b>		
37,700,000 (2003: 37,700,000) ordinary shares each fully paid	<u>8,464,480</u>	<u>8,464,480</u>
<b>Movements in Contributed Equity</b>		
On issue at start of year	8,464,480	8,375,409
Issued during the year (2003: 200,000 shares)	<u>-</u>	<u>89,071</u>
On issue at end of year	<u>8,464,480</u>	<u>8,464,480</u>
 <b>5. RETAINED EARNINGS</b>		
Opening balance	2,967,972	2,202,180
Net profit for the year	2,164,124	1,331,292
Dividends provided for or paid	<u>(942,500)</u>	<u>(565,500)</u>
Closing balance	<u>4,189,596</u>	<u>2,967,972</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<b>30 June 2004 \$</b>	<b>30 June 2003 \$</b>
<b>6. DIVIDENDS</b>		
The following fully franked dividends were provided for or paid:		
Final dividend for previous year of 1 cent per share	377,000	-
Interim dividend of 1.5 cents (2003: 1.5 cents) per share	<u>565,500</u>	<u>565,500</u>
Total dividends payable	<u>942,500</u>	<u>565,500</u>

The 2003 final dividend was paid on 20 November 2003

The interim dividend was paid on 20 April 2004.

The Company's Dividend Reinvestment Plan is not currently in operation.

**7. NET TANGIBLE ASSETS PER SHARE**

	<b>Cents</b>	<b>Cents</b>
Net tangible assets per ordinary share	33.56	30.32

**8. NOTES TO STATEMENT OF CASH FLOWS**

**a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	794,760	534,667
Bank overdraft	<u>(451,820)</u>	<u>(140,198)</u>
	<u>342,940</u>	<u>394,469</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<b>30 June 2004 \$</b>	<b>30 June 2003 \$</b>
<b>b) Reconciliation of Net Profit After Tax to Net Cash Provided by Operating Activities</b>		
Net profit after income tax	2,164,124	1,331,292
<b>Adjustment for non-cash items:</b>		
Depreciation of plant & equipment	153,566	58,093
Loss on sale/diminution in value of assets	3,276	8,977
Increase/(decrease) in provisions for;		
- Employee entitlements	44,358	39,771
- Provision for diminution in investments	12,000	-
- Doubtful debts	401,754	71,691
- Tax	(32,941)	(274,949)
<b>Changes in Assets and Liabilities:</b>		
(Increase)/decrease in assets		
- Other debtors and prepayments	382,559	(769,738)
- Deferred tax assets	(56,114)	21,499
(Decrease)/increase in liabilities		
- Sundry creditors and accruals	340,479	246,786
- Deferred income	-	(20,000)
Net cash from operating activities	<u>3,413,061</u>	<u>713,422</u>

**c) Non- Cash Financing and Investing Activities**

During the financial period there were no non-cash financing or investing transactions not reflected in the Statement of Cash Flows.

**9. INTERESTS IN SUBSIDIARIES**

Name	Country of Incorporation	Percentage Interest	Investment 2004	2003
Alliance Finance Corporation (Hong Kong) Limited	Hong Kong	100%	-	-

Alliance Finance Corporation (Hong Kong) Limited was incorporated on 21 January 2004. Alliance Finance Corporation (Hong Kong) Limited has not traded and has no material matters to disclose.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**10. SEGMENT INFORMATION**

*Business Segments*

Alliance Finance Corporation Limited operates in the business of providing lending services throughout Australia.

**11. COMPLIANCE STATEMENT**

This report is based on accounts that are in the process of being audited.