



ABN 19 096 725 218

ANNUAL REPORT

30 JUNE 2011

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DIRECTORS' REPORT
For the year ended 30 June 2011

The directors of Westlawn Finance Limited (referred to hereafter as "Westlawn" or the "Company") present their report, together with the financial statements of the Group, being Westlawn and its controlled entities, for the financial year ended 30 June 2011.

1. Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated: -

<u>Name</u>	<u>Qualifications and experience</u>
Michael James Dougherty	Finance Accountant – 17 years experience Financier – more than 40 years experience Hotelier – more than 20 years experience Holder of Australian Financial Services Licence
James William Dougherty	Bachelor of Economics Diploma of Financial Management Chartered Accountant Licensed Real Estate Agent
Mark Charles Dougherty	Bachelor of Business Company Accountant – 9 years experience
Geoffrey Dean Scofield	Diploma in Financial Services Banking & Finance – more than 25 years experience Mortgage Industry Accredited
Geoffrey Richard Hodgkinson	Bachelor of Economics Fellow of CPA Australia Banking & Finance – more than 25 years experience
Mr Andrew Harry Hayes (appointed 27/10/2010)	Bachelor of Business Chartered Accountant Registered Company Auditor Registered Tax Agent Graduate Diploma in Financial Planning
Mr Robert Charles Avery (appointed 2/3/2011)	Fellow of Australian Institute of Banking and Finance Professional financier – more than 33 years experience Director of The Financiers' Association of Australia Limited

Directors holding special responsibilities are: -

Michael Dougherty	Executive Chairman
Geoff Scofield	General Manager – Finance
Andrew Hayes	Chief Financial Officer and Company Secretary
Robert Avery	Managing Director of North State Finance Limited

Westlawn Finance Limited is a 100% owned subsidiary of Westlawn Holdings Pty Ltd. The Westlawn Group is referred to as Westlawn Holdings Pty Ltd, its predecessor organisations and its subsidiaries.

2. Company secretary

The position of company secretary was held by Andrew Harry Hayes at the end of the financial year. Refer to section 1 above for full details of qualifications and experience.

3. Principal activities and significant changes in nature of activities

The principal activities of the consolidated group during the year were Financier and Insurance Broker.

There were no significant changes in the nature of the activities of the consolidated group during the year.

DIRECTORS' REPORT
For the year ended 30 June 2011

4. Operating results

The profit before tax for the consolidated group for the year amounted to \$2,181,216 (2010: profit \$2,352,241).

After deduction of income tax expense of \$616,495 (2010: tax expense \$671,928), the operating profit after income tax for the consolidated group for the year was \$1,564,721 (2010: profit \$1,680,313).

5. Dividends

Dividends paid or declared for payment during the financial year were as follows;

Redeemable preference dividend paid on 27 October 2010	\$100,000
Interim ordinary dividend paid on 24 November 2010	\$500,000
Final ordinary dividend paid on 26 May 2011	\$400,000

There were no further dividends paid or recommended for payment during the financial year.

6. Review of operations

Finance

The finance business contributed a profit before tax of \$1,773,388 for the year. Management continues to closely monitor margins whilst reviewing costs and maintaining higher than normal levels of liquidity.

Insurance

The insurance broking business continues to make a positive contribution to the group, reporting a net profit before tax of \$407,828 for the year.

7. Significant changes in the state of affairs

On 1 March 2011, the company acquired all the issued shares in North State Finance Limited ("NSF"), a Coffs Harbour based financier, for cash consideration of \$7,704,779. On 1 March 2011, the company was issued with a further 1,160,000 shares in NSF at \$1.71 per share paid for in cash (totalling \$1,983,600). As a result of these two transactions, the company's investment in NSF is \$9,688,379 and consequently NSF is a 100% owned subsidiary of the company.

Other than the aforementioned, there were no significant changes in the state of affairs of the consolidated group during the financial period.

8. Directors' meetings

The number of directors' meetings held in the period each director held office during the year and the number of meetings attended by each director was: -

Director	Board of Directors Meetings	
	Number Held	Number Attended
Michael James Dougherty	13	13
James William Dougherty	13	11
Mark Charles Dougherty	13	13
Geoffrey Richard Hodgkinson	13	12
Geoffrey Dean Scofield	13	13
Andrew Harry Hayes (appointed 27/10/2010)	10	10
Robert Charles Avery (appointed 2/3/2011)	4	4

DIRECTORS' REPORT
For the year ended 30 June 2011

9. Events subsequent to balance date

Since the end of the financial year, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or consolidated accounts that have affected or may significantly affect:

- (a) the operations of the consolidated group;
- (b) the result of those operations; or
- (c) the state of affairs of the consolidated group, in future financial years.

10. Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

11. Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

12. Options

During the financial year, and to the date of this report, no option has been granted or is held by any person over any unissued shares of the Company.

13. Directors' benefits

No director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by the Company or a related body corporate with the director, a firm of which the director is a member or a Company in which the director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the Company's accounts, or the fixed salary of a full time employee of the Company, controlled entity or related body corporate.

14. Directors' interests in contracts

The Directors hold, directly and indirectly, interest in various contracts or proposed contracts with the Company. Further details are provided in Note 25 and 26 of the financial statements.

15. Indemnification and insurance of officers

During the financial period the Company entered into agreements and paid premiums totalling \$40,554 under a policy of insurance to indemnify all directors of the Company named in this report and current officers of the Company against all liabilities to persons (other than the Company), which arise out of the performance of their normal duties as director, or officer.

16. Indemnification and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

17. Proceedings on behalf of Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave 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 part of those proceedings.

DIRECTORS' REPORT
For the year ended 30 June 2011

18. ASIC – Regulatory Guide 69

In October 2007, the Australian Securities & Investments Commission ("ASIC") released Regulatory Guide 69 "Debentures – Improving Disclosure for Retail Investors" ("RG69"). It sets out guidelines for improved disclosure to retail investors to help them understand and assess these debentures, while maintaining the flexibility of the public fundraising process.

ASIC has developed 8 benchmarks that can help investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them. Issuers of unlisted debentures are required to address the benchmarks in their disclosures on an 'if not, why not' basis and ensure that their advertising is consistent with these disclosures.

For further information on Westlawn's disclosures with respect to RG69, refer to Note 36 of the financial statements.

19. Auditors' independence declaration

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed on behalf of the Board of Directors:



Michael James Dougherty
Chairman

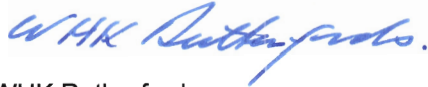
28 September 2011
Grafton NSW

**WESTLAWN FINANCE LIMITED ABN 19 096 725 218
AND CONTROLLED ENTITES**

**AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF WESTLAWN FINANCE LIMITED
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been;

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit



WHK Rutherfords



Kenneth Neil Rushforth
Audit Partner
Registered Company Auditor (ASIC Number 4367)
24 Queen Street
GRAFTON NSW 2460

Dated 30 September 2011

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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

	Note	2011 \$	Consolidated 2010 \$	2011 \$	Parent Entity 2010 \$
Interest revenue	2	17,289,457	14,670,372	15,715,842	14,629,951
Other operating revenue	2	4,218,249	3,868,811	1,620,090	1,590,902
Total revenue	2	21,507,706	18,539,183	17,335,932	16,220,853
Interest expense		(10,968,217)	(8,328,036)	(10,188,548)	(8,328,036)
Depreciation and amortisation expense		(399,075)	(407,681)	(322,794)	(332,845)
Employee benefits expense		(4,578,359)	(4,149,847)	(2,991,538)	(2,981,900)
Impairment of assets		(53,415)	-	-	-
Other expenses		(3,327,424)	(3,301,378)	(2,383,666)	(2,531,953)
Total expenses	2	(19,326,490)	(16,186,942)	(15,886,546)	(14,174,734)
Profit before income tax		2,181,216	2,352,241	1,449,386	2,046,119
Income tax expense	4	(616,495)	(671,928)	(341,753)	(579,968)
Profit for the year		1,564,721	1,680,313	1,107,633	1,466,151
Other comprehensive income:					
Net gain on the revaluation of financial assets		9,821	67,904	9,821	67,904
Net gain on the revaluation of land & buildings		-	370,314	-	370,314
Other comprehensive income for the period, net of tax		9,821	438,218	9,821	438,218
Total comprehensive income for the period		1,574,542	2,118,531	1,117,454	1,904,369
Profit for the year is attributable to:					
Members of the parent entity		1,560,624	1,679,510	1,107,633	1,466,151
Non-controlling interest		4,097	803	-	-
		1,564,721	1,680,313	1,107,633	1,466,151
Total comprehensive income for the year is attributable to:					
Owners of Westlawn Finance Limited		1,570,445	2,117,728	1,117,454	1,904,369
Non-controlling interest		4,097	803	-	-
		1,574,542	2,118,531	1,117,454	1,904,369

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	Consolidated		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	5	33,649,902	24,702,157	28,706,657	22,654,722
Financial assets	6	4,582,189	6,368,142	4,500,000	6,367,142
Trade and other receivables	7	511,838	277,366	278,493	163,313
Current tax assets	12	-	85,995	-	82,665
Investments in controlled entities	8	-	-	9,779,859	1
Loans and advances	9	168,507,825	129,787,342	129,265,220	130,102,865
Property, plant and equipment	11	5,873,007	4,454,048	5,240,625	4,281,501
Deferred tax assets	12	934,117	1,068,798	868,463	991,997
Intangible assets	13	6,468,821	2,920,069	2,175,510	1,388,149
Total assets		220,527,699	169,663,917	180,814,827	166,032,355
Liabilities					
Trade & other payables	14	4,748,110	3,066,780	1,863,742	1,133,102
Interest bearing liabilities	15	198,197,141	150,256,330	163,898,116	150,256,330
Current tax liabilities	16	306,505	-	218,219	-
Deferred tax liabilities	17	361,624	261,435	265,644	261,435
Provisions	18	942,686	698,343	596,241	526,077
Total liabilities		204,556,066	154,282,888	166,841,962	152,176,944
Net assets		15,971,633	15,381,029	13,972,865	13,855,411
Equity					
Issued capital	23	11,144,643	11,144,643	11,144,643	11,144,643
Reserves	24	687,409	687,409	687,409	687,409
Retained earnings		4,072,549	3,502,104	2,140,813	2,023,359
Total parent entity interest		15,904,601	15,334,156	13,972,865	13,855,411
Minority equity interest		67,032	46,873	-	-
Total equity		15,971,633	15,381,029	13,972,865	13,855,411
Contingent liabilities	29				

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	\$	\$	\$	\$	\$
Note	Share capital	Asset revaluation reserve	Retained earnings	Minority equity interests	Total
Consolidated					
Balance at 1 July 2009	11,144,643	317,095	1,854,690	46,070	13,362,498
Shares issued during the year	-	-	-	-	-
Profit attributable to members of the parent entity	-	-	1,679,510	-	1,679,510
Profit attributable to minority shareholders	-	-	-	803	803
Revaluation increment	-	370,314	67,904	-	438,218
Sub-total	11,144,643	687,409	3,602,104	46,873	15,481,029
Dividends provided for or paid	-	-	(100,000)	-	(100,000)
Balance at 30 June 2010	11,144,643	687,409	3,502,104	46,873	15,381,029
Balance at 1 July 2010	11,144,643	687,409	3,502,104	46,873	15,381,029
Shares issued during the year	-	-	-	16,062	16,062
Profit attributable to members of the parent entity	-	-	1,560,624	-	1,560,624
Profit attributable to minority shareholders	-	-	-	4,097	4,097
Revaluation increment	-	-	9,821	-	9,821
Sub-total	11,144,643	687,409	5,072,549	67,032	16,971,633
Dividends provided for or paid	-	-	(1,000,000)	-	(1,000,000)
Balance at 30 June 2011	11,144,643	687,409	4,072,549	67,032	15,971,633
Parent Entity					
Balance at 1 July 2009	11,144,643	317,095	589,304	-	12,051,042
Shares issued during the year	-	-	-	-	-
Profit attributable to members of the parent entity	-	-	1,466,151	-	1,466,151
Revaluation increment	-	370,314	67,904	-	438,218
Sub-total	11,144,643	687,409	2,123,359	-	13,955,411
Dividends provided for or paid	-	-	(100,000)	-	(100,000)
Balance at 30 June 2010	11,144,643	687,409	2,023,359	-	13,855,411
Balance at 1 July 2010	11,144,643	687,409	2,023,359	-	13,855,411
Profit attributable to members of the parent entity	-	-	1,107,633	-	1,107,633
Revaluation increment	-	-	9,821	-	9,821
Sub-total	11,144,643	687,409	3,140,813	-	14,972,865
Dividends provided for or paid	-	-	(1,000,000)	-	(1,000,000)
Balance at 30 June 2011	11,144,643	687,409	2,140,813	-	13,972,865

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

Note	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash flows from operating activities				
Interest & rent received from external investments	20,359,294	14,717,472	15,779,215	14,699,251
Other receipts	4,003,357	3,722,016	1,112,225	1,318,771
Payments to suppliers & employees	(8,172,645)	(6,140,649)	(4,919,873)	(5,443,971)
Interest paid	(12,077,691)	(8,368,728)	(10,066,942)	(8,368,728)
Income taxes paid	(456,363)	22,135	82,665	96,487
Net cash provided by (used in) Operating activities	3,655,952	3,952,246	1,987,290	2,301,810
Cash flows from investing activities				
Net loans (advanced) repaid	(5,902,543)	(3,497,138)	379,013	(3,406,410)
Proceeds from sale of plant & equipment	77,584	314,012	66,284	308,103
Proceeds from sale of investments	1,912,284	5,232	1,912,284	5,232
Dividends received	315,853	89,056	309,593	89,056
Payment for land & buildings, licences & goodwill	(1,987,961)	9,623	(1,976,882)	-
Payment for plant & equipment, & leasehold improvements	(254,270)	(302,009)	(180,017)	(286,515)
Payment for investments	(9,779,859)	(5,500,000)	(9,779,859)	(5,500,000)
Net cash provided by (used in) investing activities	(15,618,912)	(8,881,224)	(9,269,584)	(8,790,534)
Cash flows from financing activities				
Proceeds from issue of shares	1,999,663	-	-	-
Net increase in unsecured notes	18,984,415	4,306,798	14,334,229	4,306,798
Dividend paid	(1,000,000)	(100,000)	(1,000,000)	(100,000)
Net cash provided by (used in) financing activities	19,984,078	4,206,798	13,334,229	4,206,798
Net increase (decrease) in cash held	8,021,118	(722,180)	6,051,935	(2,281,926)
Cash acquired with subsidiary	926,627	-	-	-
Cash at the beginning of financial year	24,702,157	25,424,337	22,654,722	24,936,648
Cash at the end of the financial year	33,649,902	24,702,157	28,706,657	22,654,722

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

1. Summary of significant accounting policies

This financial report includes the consolidated financial statements and notes of Westlawn Finance Limited ("Westlawn" or the "Company") and controlled entities ("Consolidated Group" or "Group"), and the separate financial statements and notes of Westlawn Finance Limited as an individual parent entity ("Parent Entity").

Westlawn is a financial institution, incorporated and domiciled in Australia having its registered office located at the Westlawn Building, 22 Queen Street, Grafton NSW. The ultimate parent entity is Westlawn Holdings Pty Ltd, which owns 100% of the issued capital in Westlawn Finance Limited.

This financial report should be read in conjunction with Westlawn's Prospectus No. 11 dated 29 November 2010 and Supplementary Prospectus' dated 17 January 2011 and 15 March 2011, together with any announcements made by the Company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Classification of assets and liabilities

Westlawn is a financial institution and the assets and liabilities disclosed in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Westlawn at the end of the reporting period. A controlled entity is any entity over which Westlawn has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date. A controlled entity is any entity over which Westlawn has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

(c) Taxation

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Property, plant & equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis (or diminishing value basis in the case of plant & equipment) over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Buildings	2.5%
Plant & equipment	7.5% to 50%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and advances (finance receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Refer to policy (f) below for detailed information on the accounting policy relating to this asset class.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities including unsecured notes (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. 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) Loans and advances (finance receivables)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

Loans and advances include loans to customers. These include finance leases, hire-purchase loans, insurance premium funding, business loans, consumer loans, consumer & business mortgages, advances, and floor plan receivables. They are carried at the recoverable amount represented by the gross value of the outstanding balance less the provision for bad and doubtful debts.

Provision for bad and doubtful debts

The following policy has been adopted in determining the provision for doubtful debts in respect of finance receivables: -

Specific provisions

- i) Loans that have not been operated within their key terms for 42 days or more are specifically provided for considering the loan balance and security held to arrive at a specific provision for each loan.
- ii) All loans with balances outstanding greater than the following thresholds will be reviewed to determine if a provision is required: -
 - Consumer secured loans - \$20,000
 - Consumer unsecured loans - \$10,000
 - Business secured loans - \$50,000
 - Consumer business mortgage loans - \$50,000
 - Leases - \$50,000
 - Insurance premium fund loans - \$5,000
 - Advances - \$50,000
- iii) Valuations of security held are determined as follows: -
 - Real estate security at 80% of valuation or market value whichever is less
 - Motor vehicles at 75% of wholesale value
 - Plant & equipment at 15% of market value
 - Debtors etc at 50% of book value
- iv) Further specific provisions will be provided for as deemed necessary by the directors

If there is objective evidence that an impairment loss on loans, advances and other receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. Short-term balances are not discounted.

The provision for doubtful debts in respect of trade and other debtors is based on a review of all outstanding amounts at balance date.

Bad debts are written off in the year in which their collectability is determined to be unlikely and after all avenues of recovery have been exhausted based on normal commercial decisions.

Credit risk exposures

The credit risk on financial assets of the consolidated entity that have been recognised in the financial

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

statements, other than trading securities, is generally the carrying amount, net of any provisions for doubtful debts – refer to Notes 9, 10 and 34 for specific details.

Interest rate risk exposures

Exposures predominantly arise from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity. Refer to Note 34 and 35 for specific disclosures regarding interest rate risk.

(g) Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

(h) Investments in associates

Associate companies are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the relation to the Group's investment in the associate.

(i) Intangibles

Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest,

over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the aforementioned non-controlling interest. The Group can elect to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). The Group determines which method to adopt for each acquisition.

Under the full goodwill method, the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

(j) 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.

Liabilities for other employee benefits, which are not expected to be paid or settled within 12 months of balance date, are accrued in respect of all employees with service in excess of 5 years at current wage and salary rates. This estimation technique is expected to result in similar accruals to the present value of estimated future cash outflows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred. The entity has no legal obligation to provide benefits to employees on retirement.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(l) Cash and cash equivalents

Cash and cash equivalents include 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.

(m) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

(n) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(p) Financial liabilities

Unsecured Notes

Unsecured notes comprise at call and term investments from customers. Interest paid is taken to the profit and loss account when incurred.

Borrowings

Borrowings include loans, commercial paper, debentures, bills payable and certificates of deposit issued. The carrying amount of borrowings represents the amount of principal outstanding.

(q) Payables

Trade creditors and other accruals

Trade creditors and other accruals represent liabilities for goods and services provided to the consolidated group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Critical Accounting Estimates and Judgments

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 group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments — Provision for impairment of loans and advances

Included in loans and advances receivable at 30 June 2011 are amounts due from various customers totalling \$169,709,877. The directors believe that not all of these loans are fully recoverable and accordingly a provision for impairment totalling \$1,202,052 has been made at 30 June 2011. Refer to section (f) above for the detailed accounting policy on the provision for impaired assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

(s) Adoption of new and revised accounting standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any impact on the financial performance or position of the consolidated entity.

(t) Date of authorisation for issue

The financial report was authorised for issue on 28 September 2011 by the board of directors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
2. Operating revenue and expenses				
Operating profit before tax comprises: -				
Interest revenue				
Cash at bank	566,441	472,920	467,216	409,356
Deposits at call & cash equivalent assets	1,219,405	653,198	1,146,212	653,198
Controlled entities	-	-	-	23,143
Loans and advances	15,503,611	13,544,254	14,102,414	13,544,254
	17,289,457	14,670,372	15,715,842	14,629,951
Other operating revenue				
Dividends received	315,852	89,056	309,593	89,056
Bad debts recovered	52,337	3,564	52,337	3,564
Rental income	95,687	115,396	167,161	183,044
Profit on sale of financial assets	31,112	32	31,112	32
Administration fees	603,777	266,157	177,579	288,357
Fee and commission revenue	3,048,050	3,333,862	883,567	1,010,083
Other sundry revenue	71,434	60,744	(1,259)	16,766
	4,218,249	3,868,811	1,620,090	1,590,902
Total operating revenue	21,507,706	18,539,183	17,335,932	16,220,853
Operating expenses				
Interest and finance charges paid	10,968,217	8,328,036	10,188,548	8,328,036
Depreciation	366,985	393,161	290,704	318,325
Amortisation				
Leasehold improvements	13,073	14,520	13,073	14,520
Software	19,017	-	19,017	-
Provisions for employee entitlements				
Annual leave	64,023	10,087	33,298	(3,970)
Long service leave	56,217	(48,501)	36,866	(58,284)
Other employee benefit expenses	4,458,119	4,188,261	2,921,374	3,044,154
Impairment of financial assets	53,415	-	-	-
Auditors' remuneration				
Auditing or reviewing the financial report	76,258	74,561	64,992	67,707
Other services	-	-	-	-
Bad debts written off	575,066	1,090,551	565,171	1,090,551
Impairment of loans and advances	(10,954)	(591,184)	(2,751)	(591,184)
Fees and commissions paid	120,143	81,237	76,363	52,884
Loss on sale of plant & equipment	27,158	53,309	21,338	52,463
Other operating expenses	2,539,753	2,592,904	1,658,553	1,859,532
Total operating expenses	19,326,490	16,186,942	15,886,546	14,174,734

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

3. Interest revenue and expense

The following tables show the major categories of interest earning assets and interest bearing liabilities of the group together with the respective interest earned and paid and the average interest rates. Averages used are predominantly month-end averages provided they are representative of the entity's operations during the period.

Consolidated

	Average Balance	Interest	Rate
	\$	\$	%
<i>Interest revenue 2011</i>			
Cash at bank	11,216,653	566,441	5.1
Cash equivalents assets	20,459,815	1,219,405	6.0
Loans and advances	142,365,574	15,503,611	10.9
	174,042,043	17,289,457	9.9
 <i>Interest expense 2011</i>			
Unsecured notes	170,578,802	10,968,217	6.4
 <i>Interest revenue 2010</i>			
Cash at bank	12,095,141	472,920	3.9
Cash equivalents assets	12,280,419	653,198	5.3
Loans and advances	127,535,348	13,544,254	10.6
	151,910,908	14,670,372	9.7
 <i>Interest expense 2010</i>			
Unsecured notes	143,971,525	8,328,036	5.8

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
4. Income tax				
Numerical reconciliation of income tax expense to prima facie tax payable:				
Tax at the Australian tax rate of 30%	654,365	705,672	434,816	613,836
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses	1,605	1,845	1,154	1,722
Depreciation of buildings	19,125	16,526	19,125	16,526
Gross-up of dividend income	39,458	9,379	39,458	9,379
Other sundry items	9,594	363	-	363
Depreciation deductible on buildings	(7,456)	(7,456)	(7,456)	(7,456)
Imputation credits from dividend income	(131,526)	(31,262)	(131,526)	(31,262)
Other sundry items	(9,334)	-	(9,334)	-
	575,831	695,067	346,237	603,108
Add/(less):				
Utilised tax losses of prior year	-	(20,304)	-	(20,305)
Adjustment on acquisition of controlled entity	45,148	-	-	-
Over provision in prior year	(4,484)	(2,835)	(4,484)	(2,835)
	40,664	(23,139)	(4,484)	(23,140)
Total income tax expense	616,495	671,928	341,753	579,968
The components of tax expense comprise:				
Current year tax	586,018	94,464	218,219	-
Current year tax on pre-acquisition profits	(172,462)	-	-	-
Deferred tax asset	202,939	580,299	123,534	582,803
Over provision in prior year	-	(2,835)	-	(2,835)
	616,495	671,928	341,753	579,968

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
5. Cash and cash equivalents				
Cash on hand	36,300	34,950	34,450	33,600
Cash at bank	13,645,971	17,104,700	10,345,151	15,058,615
Deposits at call & cash-equivalent assets	19,967,631	7,562,507	18,327,056	7,562,507
	33,649,902	24,702,157	28,706,657	22,654,722
6. Financial assets				
Available-for-sale financial assets				
Shares in listed companies	-	666,737	-	666,737
Shares in unlisted companies	2,001,000	3,001,000	2,000,000	3,000,000
Units in listed unit trusts	73,885	200,405	-	200,405
Units in unlisted unit trusts	2,500,000	2,500,000	2,500,000	2,500,000
Other financial assets	7,304	-	-	-
	4,582,189	6,368,142	4,500,000	6,367,142
7. Trade and other receivables				
Trade debtors	206,361	104,476	-	-
Other debtors and prepayments	305,477	172,890	278,493	163,313
	511,838	277,366	278,493	163,313
8. Investments in controlled entities				
Shares in controlled entities – at cost	-	-	9,779,859	1
	-	-	9,779,859	1
9. Loans and advances				
Loans and advances	169,709,877	130,992,145	130,467,272	131,307,668
Less: -				
Provisions for impairment	(1,202,052)	(1,204,803)	(1,202,052)	(1,204,803)
Net loans and advances	168,507,825	129,787,342	129,265,220	130,102,865
10. Provisions for impairment				
Opening balance	1,204,803	1,842,152	1,204,803	1,842,152
Bad debts written off directly against the provision	-	(46,165)	-	(46,165)
Charge/(credit) against profit and loss account	(10,954)	(591,184)	(2,751)	(591,184)
Adjustment on acquisition of subsidiary	8,203	-	-	-
Closing balance	1,202,052	1,204,803	1,202,052	1,204,803
Bad and doubtful debts expense				
Provisions for impairment	(10,954)	(591,184)	(2,751)	(591,184)
Bad debts written off	575,066	1,090,551	565,171	1,090,551
	564,112	499,367	562,420	499,367

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
11. Property, plant & equipment				
Freehold land				
- At valuation 1	880,000	880,000	880,000	880,000
- At cost	1,183,254	-	1,183,254	-
	<u>2,063,254</u>	<u>880,000</u>	<u>2,063,254</u>	<u>880,000</u>
Buildings				
- At valuation 1	2,550,000	2,550,000	2,550,000	2,550,000
- At valuation 2	422,645	-	-	-
- At cost	-	-	-	-
Less: - accumulated depreciation	(76,013)	-	(63,750)	-
	<u>2,896,632</u>	<u>2,550,000</u>	<u>2,486,250</u>	<u>2,550,000</u>
Leasehold improvements				
- At cost	151,125	220,562	151,125	220,562
Less: - accumulated amortisation	(98,092)	(154,457)	(98,092)	(154,457)
	<u>53,033</u>	<u>66,105</u>	<u>53,033</u>	<u>66,105</u>
Plant & equipment				
- At cost	2,680,513	3,019,240	1,992,740	2,548,486
Less: - accumulated depreciation	(1,820,425)	(2,061,297)	(1,354,652)	(1,763,090)
	<u>860,088</u>	<u>957,943</u>	<u>638,088</u>	<u>785,396</u>
Total property, plant & equipment	<u>5,873,007</u>	<u>4,454,048</u>	<u>5,240,625</u>	<u>4,281,501</u>

¹ Valuations of freehold land and buildings were performed by independent registered valuers as at 30 June 2010. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

² Valuations of freehold land and buildings were performed by independent registered valuers as at 30 June 2009. Valuations were made on the basis of open market value.

Reconciliation of property, plant & equipment movements

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Consolidated entity	Land	Freehold	Leasehold	Plant &	Total
	\$	Buildings	improve- ments	Equipment	
	\$	\$	\$	\$	\$
Carrying amount at 1 July 2010	880,000	2,550,000	66,105	957,943	4,454,048
Additions	1,183,254	-	-	237,383	1,420,637
Disposals	-	-	-	(105,505)	(105,505)
Depreciation/amortisation	-	(66,059)	(13,072)	(311,784)	(390,915)
Assets acquired with subsidiary	-	412,691	-	82,051	494,742
Fair value adjustments	-	-	-	-	-
Carrying amount at 30 June 2010	<u>2,063,254</u>	<u>2,896,632</u>	<u>53,033</u>	<u>860,088</u>	<u>5,873,007</u>

Refer to Note 27 for details of the carrying amount of assets pledged as security.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
12. Tax assets				
Current tax assets				
Income tax receivable	-	85,995	-	82,665
Deferred tax assets				
Deferred tax assets	934,117	1,068,798	868,463	991,997

13. Intangible assets

Goodwill - at cost	5,647,462	2,920,069	1,431,777	1,388,149
Less: - accumulated impairment losses	(43,383)	-	-	-
	5,604,079	2,920,069	1,431,777	1,388,149
Software - at cost	946,020	-	762,750	-
Less: - accumulated amortisation	(81,278)	-	(19,017)	-
	864,742	-	743,733	-
Total intangibles	6,468,821	2,920,069	2,175,510	1,388,149

Goodwill is regarded as having an indefinite life whilst ever the underlying businesses continue to operate as going concerns.

Reconciliation of goodwill				
Balance at the beginning of the year	2,920,069	2,929,693	1,388,149	1,388,149
Additions	2,515,327	-	43,628	-
Disposals	-	(9,624)	-	-
Net goodwill acquired with subsidiary	168,683	-	-	-
Closing carrying value at the end of the year	5,604,079	2,920,069	1,431,777	1,388,149

Refer to Note 27 for details of the carrying amount of assets pledged as security.

14. Trade and other payables

Trade creditors and accruals	4,748,110	3,066,780	1,863,742	1,133,102
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15. Interest bearing liabilities

At call unsecured notes	20,893,926	20,783,721	18,838,731	20,783,721
Term unsecured notes	160,676,930	129,472,609	145,059,385	129,472,609
Debentures	16,626,285	-	-	-
	198,197,141	150,256,330	163,898,116	150,256,330

The Trust Deed dated 1 June 2001 between the Company and the Trustee, governs the terms and conditions on which the Notes are created and issued. The Notes rank for payment in the event of the winding up of the Company equally with all other unsecured creditors of the Company. Any debenture notes issued by the Company will have priority given by the registration of a charge. The Notes are issued subject to the conditions in Schedule 1 of the Trust Deed.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
16. Current tax liabilities				
Income tax payable	306,505	-	218,219	-
17. Deferred tax liabilities				
Deferred income tax	361,624	261,435	265,644	261,435
18. Provisions				
Dividends	-	-	-	-
Employee entitlements				
Annual leave	474,105	380,563	325,026	291,728
Long service leave	468,581	317,780	271,215	234,349
	942,686	698,343	596,241	526,077
Aggregate number of employees as at the reporting date	90	72	54	53

Reconciliation of provision movements

Reconciliations of the carrying amounts of provision at the beginning and end of the current financial year are set out below.

Consolidated entity	Dividends	Annual Leave	Long service Leave	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2010	-	380,563	317,780	698,343
Additional provisions raised	-	64,023	56,217	120,240
Amounts used	-	-	-	-
Adjustments on acquisition of subsidiary	-	29,519	94,584	124,103
Carrying amount at 30 June 2011	-	474,105	468,581	942,686
Parent entity				
	Dividends	Annual Leave	Long service Leave	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2010	-	291,728	234,349	526,077
Additional provisions raised	-	33,298	36,866	70,164
Amounts used	-	-	-	-
Carrying amount at 30 June 2011	-	325,026	271,215	596,241

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
19. Notes to the statement of cash flows				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows: -				
Cash on hand	36,300	34,950	34,450	33,600
Cash at bank	13,645,971	17,104,700	10,345,151	15,058,615
Deposits at call & cash equivalents	19,967,631	7,562,507	18,327,056	7,562,507
Bank overdraft	-	-	-	-
	33,649,902	24,702,157	28,706,657	22,654,722
Reconciliation of cash flow from operations with profit after tax				
Profit after income tax	1,564,721	1,680,313	1,107,633	1,466,151
Pre-acquisition profit of subsidiaries	552,906	-	-	-
Non-cash flows in profit: -				
Net loss on sale of non-current assets	(3,191)	53,278	(9,774)	52,432
Amortisation and depreciation	425,144	407,680	322,793	332,844
Bad debts written off	565,171	1,090,551	565,171	1,090,551
Amounts provided (written back) for doubtful debts	(2,751)	(591,184)	(2,751)	(591,184)
Amounts provided (written back) for employee entitlements	101,786	(38,415)	70,164	(62,254)
Impairment of financial assets	53,415	-	-	-
Add/(less) items classified as investing/financing activities: -				
Dividends received	(286,334)	(89,056)	(309,593)	(89,056)
Changes in assets & liabilities: -				
Decrease (increase) in trade debtors	(88,958)	35,488	-	-
Decrease (increase) in other receivables	159,487	263,527	(115,180)	236,763
Decrease (increase) in accrued income	(101,733)	(113,745)	(103,788)	(113,745)
Increase (decrease) in accrued interest pay	384,948	(40,691)	121,606	(40,691)
Increase (decrease) in sundry creditors	(3,366)	600,437	(83,409)	(656,455)
Increase (decrease) in provision for tax	131,768	113,764	300,884	93,651
Increase (decrease) in deferred taxes payal	202,939	580,299	123,534	582,803
Net cash provided by operating activities	3,655,952	3,952,246	1,987,290	2,301,810

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

20. Investments in controlled entities

a) Directly controlled by Westlawn Finance Limited

Name	% owned		Investment at cost	
	2011	2010	2011	2010
North State Finance Limited	100%	0%	9,779,858	-
Westlawn Insurance Brokers Pty Ltd	100%	100%	1	1
Westlawn Insurance Brokers (Coffs) Pty Ltd	90%	90%	620,705	492,377

All of the entities named above are incorporated in Australia.

b) The consolidated group's net profit after tax is made up of: -

	2011	2010
	\$	\$
Westlawn Finance Limited	1,107,633	1,466,151
North State Finance Limited	172,059	-
Westlawn Insurance Brokers Pty Ltd	244,063	206,133
Westlawn Insurance Brokers (Coffs) Pty Ltd	40,966	8,029
	<u>1,564,721</u>	<u>1,680,313</u>

c) Business combinations

On 1 March 2011, Westlawn Finance Limited acquired 100% of the ordinary shares of North State Finance Limited for the total cash consideration of \$7,704,779. The acquisition was part of the Group's strategy of increasing its presence in the finance industry in Northern NSW. The acquisition resulted in Westlawn Finance Limited obtaining 100% control of North State Finance Limited.

Details of the acquisition are as follows:

	Acquiree's carrying amount \$	Fair value \$
Cash and cash equivalents	3,267,540	3,267,540
Financial assets	127,302	127,302
Trade and other receivables	25,051	25,051
Loans and advances	34,070,464	34,070,464
Property, plant and equipment	489,836	489,836
Intangible assets	303,460	303,460
Trade & other payables	(825,678)	(825,678)
Interest bearing liabilities	(31,930,922)	(31,930,922)
Current tax liabilities	(34,957)	(34,957)
Deferred tax liabilities	(43,433)	(43,433)
Provisions	(124,103)	(124,103)
Net assets acquired	<u>5,324,560</u>	<u>5,324,560</u>
Goodwill		<u>2,380,219</u>
Acquisition-date value fair value of the total consideration		<u><u>7,704,779</u></u>
Representing:		
Cash paid to the vendor		<u><u>7,704,779</u></u>
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred		7,704,779
Less: cash equivalents		<u>(3,267,540)</u>
Net cash used		<u><u>4,437,239</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

- i. The consideration paid to acquire North State Finance Limited consisted of cash only.
- ii. The directors believe the loans and advances are fully recoverable and no provision for impairment is required.
- iii. Immediately following settlement of the acquisition, Westlawn subscribed for additional shares for a total subscription price of \$1,983,600 in order to recapitalise North State Finance Limited.
- iv. The goodwill is attributable to the high profitability of the acquired business and the synergies that are expected to ultimately arise after the acquisition.
- v. No amount of the goodwill is deductible for tax purposes.

Revenue of North State Finance Limited included in the consolidated revenue of the Group since the acquisition date of 1 March 2011 amounted to \$1,663,723. Profit of North State Finance Limited included in the consolidated profit of the Group since the acquisition date amounted to \$324,004.

Had the results of North State Finance Limited been consolidated since 1 July 2010, revenue of the consolidated group would have been \$24,509,861 and consolidated profit would have been \$2,906,584 for the year ended 30 June 2011.

21. Key management personnel compensation

(a) Names and positions held of key management personnel in office at any time during the financial year are:

Parent entity directors

Mr M J Dougherty	Chairman – Executive
Mr J W Dougherty	Director – Executive
Mr M C Dougherty	Director – Executive
Mr G D Scofield	Director & General Manager – Finance
Mr A H Hayes	Director, Company Secretary, & Chief Financial Officer
Mr R C Avery	Director & Managing Director – North State Finance Limited
Mr G R Hodgkinson	Director – Non-Executive

Other key management

Mr C J Dougherty	General Manager – Westlawn Insurance Brokers
Ms E A Maroney	General Manager – Westlawn Financial Planning
Mr B L Smith	Group Credit Manager

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity				
	2011	2010	2011	2010	2011	2010	
	\$	\$	\$	\$	\$	\$	
(b) Key management remuneration							
	2011	Salary, fees & commissions	Super-annuation contributions	Cash bonus	Termination benefits	Non-cash benefits	Total
Mr M J Dougherty		107,064	9,635	-	-	12,388	129,087
Mr J W Dougherty		85,997	7,571	-	-	15,322	108,890
Mr M C Dougherty		46,732	4,500	-	-	20,912	72,144
Mr G D Scofield		140,689	28,176	42,390	-	3,313	214,568
Mr A H Hayes		149,647	20,590	-	-	5,195	175,432
Mr R C Avery		107,363	47,246	20,900	-	4,168	179,677
Mr G R Hodgkinson		25,000	45,849	-	-	-	70,849
		<u>662,492</u>	<u>163,567</u>	<u>63,290</u>	<u>-</u>	<u>61,298</u>	<u>950,647</u>
Mr C J Dougherty		109,450	14,293	38,710	-	9,656	172,109
Ms E A Maroney		91,877	10,688	28,762	-	5,060	136,387
Mr B L Smith		72,480	13,887	-	-	5,793	92,160
		<u>273,807</u>	<u>38,868</u>	<u>67,472</u>	<u>-</u>	<u>20,509</u>	<u>400,656</u>
		<u>936,299</u>	<u>202,435</u>	<u>130,762</u>	<u>-</u>	<u>81,807</u>	<u>1,351,303</u>
	2010	Salary, fees & commissions	Super-annuation contributions	Cash bonus	Termination benefits	Non-cash benefits	Total
Mr M J Dougherty		90,884	9,517	-	-	8,737	109,138
Mr J W Dougherty		84,581	7,571	-	-	10,290	102,442
Mr M C Dougherty		48,716	4,736	-	-	20,774	74,226
Mr G D Scofield		154,878	22,086	-	-	-	176,964
Mr G R Hodgkinson		21,218	45,510	-	-	-	66,728
		<u>400,277</u>	<u>89,420</u>	<u>-</u>	<u>-</u>	<u>39,801</u>	<u>529,498</u>
Mr A H Hayes		144,609	14,672	-	-	6,499	165,780
Mr C J Dougherty		103,609	10,877	26,759	-	12,249	153,494
Ms E A Maroney		81,368	9,581	25,688	-	5,089	121,726
Mr B L Smith		78,540	6,975	-	-	6,516	92,031
		<u>408,126</u>	<u>42,105</u>	<u>52,447</u>	<u>-</u>	<u>30,353</u>	<u>533,031</u>
		<u>808,403</u>	<u>131,525</u>	<u>52,447</u>	<u>-</u>	<u>70,154</u>	<u>1,062,529</u>

The Company does not provide any form of post-employment benefits, equity compensation or other compensation benefits other than those disclosed above.

(c) Remuneration options

The Company has not granted any options as remuneration during the current or any previous financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

(d) Shareholdings

Number of shares held by parent entity directors

Westlawn Finance Limited is a 100% owned subsidiary of Westlawn Holdings Pty Ltd. The Directors indirectly have an interest in the whole of the issued capital of the Company due to their ownership of shares in the parent entity, Westlawn Holdings Pty Ltd as detailed in the table below.

	Balance 1.7.2010	Received as remuneration	Options exercised	Net change other	Balance 30.6.2011
Mr M J Dougherty					
- MJ & RF Dougherty	3,100	-	-	-	3,100
Mr J W Dougherty					
- Billdo Pty Ltd	3,100	-	-	-	3,100
Mr M C Dougherty					
- Snowpine Pty Ltd	2,600	-	-	-	2,600
- T L Dougherty	500	-	-	-	500
	<u>9,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,300</u>

(e) Remuneration practices

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

The remuneration structure for executive officers, including executive directors, is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and directors and other key management are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and executives are paid employee benefit entitlements accrued to date of retirement.

The Company seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the achievement of business profitability. Bonuses included above are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the Company and to provide a common interest between management and shareholders. Bonuses are paid monthly, quarterly, and annually to both directors and key management. There has been no alteration to the terms of the bonuses paid since grant date.

22. Dividends

Ordinary shares

Fully franked dividend of 8.92 cents
per share (2010: Nil) franked
at the rate of 30% (2010: 30%)

900,000 - 900,000 -

Redeemable preference shares

Fully franked dividend of 9.52 cents
per share (2010: 9.52c) franked
at the rate of 30% (2010: 30%)

100,000 100,000 100,000 100,000

Total dividends provided for or paid

1,000,000 100,000 1,000,000 100,000

Franking credits available for the
subsequent financial year (at 30%)

2,560,312 2,302,344 1,603,401 1,639,372

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

The above amounts represent the balances of the franking accounts as at the end of the financial year adjusted for:

- a) franking credits that will arise from the payment of income tax payable as at the end of the year
- b) franking debits that will arise from the payment of dividends proposed as at the end of the year, and
- c) franking credits that may be prevented from being distributed in the subsequent year.

23. Issued capital

10,094,643 fully paid ordinary shares	10,094,643	10,094,643	10,094,643	10,094,643
1,050,000 redeemable preference shares	1,050,000	1,050,000	1,050,000	1,050,000
	11,144,643	11,144,643	11,144,643	11,144,643

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Ordinary shares carry the right to cast one vote per share held at the shareholders meeting. All shares are owned by Westlawn Holdings Pty Ltd – refer section 21(d).

Redeemable preference shares have the right to receive a cumulative dividend calculated as the Company's average monthly cost of funds plus a margin of 2% per annum payable annually out of the profits of the Company. Preference shares rank ahead of ordinary shares for the payment of any dividend and for a return of capital (not exceeding, as regards return of capital, the amount of the issue price) on a winding up of the Company. Preference shares can only be redeemed at the absolute discretion of the Company, with the prior written consent of the Trustee and subject to maintenance of capital ratio and other conditions. A holder of a preference shares has no entitlement to vote at any meeting of the holders of ordinary shares.

The Company has no authorised share capital and shares have no par value.

Refer to the statement of changes in equity on page 9 for detail on the movement in issued capital.

24. Reserves

Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets. Refer to the statement of changes in equity on page 9 for detail on the movements in reserves.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
25. Related party information				
Transactions with directors				
During the year the Company advanced and repaid loans, received and repaid deposits with directors, spouses of directors, close family members and other director-related entities. These dealings with the Company were on normal commercial terms and conditions.				
The aggregate amounts brought to account in respect of loans to directors are disclosed in Note 33 to the accounts. Included in the aggregate amount of loans to directors are loans made to M J Dougherty and related parties of M J Dougherty, J W Dougherty, and M C Dougherty.				
Loans advanced to				
Directors and related parties	1,026,295	2,782,687	1,026,295	2,782,687
Loans repaid by				
Directors and related parties	3,014,354	2,993,972	3,014,354	2,993,972
Interest revenue on loans included in operating profit before income tax				
	289,901	354,939	289,901	354,939

The aggregate amounts brought to account in respect of amounts payable to directors and relatives are disclosed in Note 33 to the accounts.

Transactions with controlled entities

Westlawn Finance Limited is the parent company in the group comprising the Company and its controlled entities.

The Company advanced and repaid loans, received loans and provided accounting and administrative assistance to other entities in the group during the current financial year. All of these transactions have been eliminated on consolidation and therefore do not appear in the accounts of the consolidated group.

Transactions with ultimate parent entity and subsidiaries

Westlawn Holdings Pty Ltd is the ultimate parent entity in the Westlawn Group. Details of companies controlled by Westlawn Holdings Pty Ltd, directly or indirectly, are as follows:

Name	Country of incorporation	% owned		Investment at cost	
		2011	2010	2011	2010
Westlawn Finance Limited	Australia	100%	100%	10,094,643	10,094,643
North State Finance Limited	Australia	100%	0%	9,779,858	-
Westlawn Insurance Brokers P/L	Australia	100%	100%	1	1
Westlawn Insurance Brokers (Coffs) P/L	Australia	90%	90%	620,705	492,377
Aidar Investments Pty Ltd	Australia	100%	100%	16,002	16,002
Westlawn Properties Pty Ltd	Australia	100%	100%	1	1
Westlawn Developments P/L	Australia	100%	100%	2	2
Westlawn Investment Services P/L	Australia	100%	100%	100	100
Westlawn Financial Planning P/L	Australia	100%	100%	1	1
Westlawn Financial Planning Coffs Harbour P/L	Australia	100%	100%	1	1
Pelican Waters Resort Pty Ltd	Australia	50%	50%	50	50
North Coast Projects Pty Ltd	Australia	50%	50%	1	1
Clarence Property Corporation Ltd	Australia	32%	32%	819,500	819,500

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Loans advanced to				
Westlawn Holdings Pty Ltd	476,683	2,912,412	476,683	2,912,412
Subsidiaries of Westlawn Holdings Pty Ltd	295,006	246,785	295,006	246,785
Associates of Westlawn Holdings Pty Ltd	-	500,000	-	500,000
Total loans advanced	771,689	3,659,197	771,689	3,659,197
Loans repaid by				
Westlawn Holdings Pty Ltd	2,417,553	1,440,500	2,417,553	1,440,500
Subsidiaries of Westlawn Holdings Pty Ltd	318,500	3,076,658	318,500	3,076,658
Associates of Westlawn Holdings Pty Ltd	52,980	-	52,980	-
Total loans repaid	2,789,033	4,517,158	2,789,033	4,517,158
Interest revenue on loans included in profit before income tax paid by				
Westlawn Holdings Pty Ltd	787,984	628,014	787,984	628,014
Subsidiaries of Westlawn Holdings Pty Ltd	161,696	213,526	161,696	213,526
Associates of Westlawn Holdings Pty Ltd	52,977	6,926	52,977	6,926
Total interest revenue	1,002,657	848,466	1,002,657	848,466

The aggregate amount recognised as at the reporting date due from Westlawn Holdings Pty Ltd and subsidiaries of Westlawn Holdings Pty Ltd is disclosed in Note 33 to the accounts.

26. Loan disclosures

During the financial year the Company advanced and repaid loans with Directors and related parties of directors and other key management personnel. With the exception of employee loans that are generally granted an interest rate discount of 0.50%, these dealings are on normal commercial terms and conditions.

The general terms and conditions of related party loans are as follows:

Loans to the parent entity, Westlawn Holdings Pty Ltd and subsidiaries of this entity, are made at variable rates of interest (currently 10.5% to 11.5% pa as at 30/6/2011). Interest on these loans is capitalised monthly and paid at least annually. Various kinds of security are held for all of these loans.

Loans to related parties of Directors are at interest rates of between 10.25% pa and 13.5% pa. Interest on these loans is capitalised and paid monthly. Whilst some security is held for these loans, they should be considered predominately unsecured.

Employees of Westlawn Finance receive loans currently at the rate of 10.25% pa, which is approximately 0.50% below the relevant rate offered to the general public. In all other respects these loans are on usual commercial terms.

The Company has a Related Parties Transaction Policies & Procedures Manual that governs lending to related parties.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity			
	2011	2010	2011		2010	
	\$	\$	\$		\$	\$
	Balance 1/7 \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance 30/6 \$	Number in group 30/6
Year ended 30/6/2011						
Directors & related parties	3,764,824	289,901	7,127	-	2,066,665	25
Other key management	-	-	-	-	-	-
Total	3,764,824	289,901	7,127	-	2,066,665	25
Year ended 30/6/2010						
Directors & related parties	3,535,445	354,939	8,498	-	3,679,099	21
Other key management	150,013	8,713	447	-	85,725	1
Total	3,685,458	363,652	8,945	-	3,764,824	22

Loans above \$100,000 in reporting period

	Balance 1/7 \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance 30/6 \$	Highest in period
Directors & related parties						
A G Dougherty	152,200	15,996	755	-	152,200	152,245
Valla Beach Estate Pty Ltd	1,039,307	136,079	-	-	1,030,756	1,090,418
Dougherty Bros Pty Ltd	-	2,219	-	-	-	216,746
Abmarla Pty Ltd	510,161	50,856	2,399	-	482,914	510,161
Palisma Pty Ltd	187,706	4,539	228	-	-	187,706
Doufield Pty Ltd	99,745	10,149	520	-	98,893	106,263
Farlmat Pty Ltd	250,024	8,968	427	-	-	338,915
P & A Commerford	299,826	13,380	679	-	48,784	299,826
Coastal Homesites Pty Ltd	139,567	2,345	120	-	-	150,721
M T Dougherty	765,015	4,462	218	-	-	1,998,529
Other key management						
Nil						
Westlawn Holdings Pty Ltd						
Westlawn Holdings Pty Ltd	2,834,749	304,929	-	-	2,834,705	2,988,144
Westlawn Holdings Pty Ltd	1,662,116	124,694	-	-	836,810	1,721,713
Westlawn Holdings Pty Ltd	975,367	106,703	-	-	627,637	1,429,673
Westlawn Holdings Pty Ltd	2,389,586	25,658	-	-	2,409,779	2,410,459
Subsidiaries of Westlawn Holdings Pty Ltd						
Westlawn Financial Planning Pty Ltd	143,150	15,538	-	-	190,927	200,927
Westlawn Financial Planning Coffs Harbour Pty Ltd	1,354,657	146,158	-	-	1,445,082	1,445,082
Associates of Westlawn Holdings Pty Ltd						
Clarence Property Corporation Ltd	506,926	52,977	-	-	506,923	511,657

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

27. Standby arrangements and credit facilities

The consolidated group has the following unused borrowing facilities as at the reporting date:

Standby liquidity facility ¹	-	8,000,000	-	8,000,000
Standby liquidity facility ²	2,500,000	-	-	-
Standby line of credit ³	500,000	-	-	-
Bank overdraft ³	500,000	-	-	-
	3,500,000	8,000,000	-	8,000,000

¹ This facility was cancelled by the Company on 15 December 2010.

² This facility is held by a subsidiary, North State Finance Ltd and are due to terminate on 30 November 2011 with a 90 day period of notice.

³ These facilities are held by a subsidiary, North State Finance Ltd, and are subject to annual review with the next review date being 31 August 2012

The facilities held by North State Finance Limited for a total of \$3.5m are secured by Security Stock, which rank pari passu with other Debentures pursuant to a Trust Deed dated 26 May 1993

The carrying amount of assets pledged as security are:

	-	169,663,918	-	166,032,355
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28. Lease commitments receivable

The aggregate amount of finance leases receivable are due as follows :

The aggregate amount of finance leases receivable are due as follows :

Receivable no later than 3 months	5,278,293	1,982,107	1,290,440	1,982,107
Receivable later than 3 months, not later than 12 months	11,728,632	2,772,613	1,528,146	2,772,613
Receivable later than 1 year, not later than five years	22,033,319	3,334,817	2,995,695	3,334,817
Receivable later than five years	58,260	-	-	-
Total Receivable	39,098,505	8,089,537	5,814,282	8,089,537
Future Finance Charges	(5,867,925)	(817,980)	(732,128)	(817,980)
Net Receivable	33,230,580	7,271,557	5,082,154	7,271,557

29. Contingent liabilities

Details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the accounts) arising in respect of:

The Company

The Company has provided guarantees for the performance of various works contracts. These guarantees were

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

	Consolidated		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$

predominantly granted to Local Councils to ensure the satisfactory performance of capital works on subdivision projects, in respect of: -

	2011	2010
	\$	\$
The Company	-	-
Related parties	413,831	504,764
External parties	318,472	330,851
Total guarantees	732,303	835,615

30. Superannuation commitments

The Company and its subsidiaries participate in a number of superannuation funds. These funds provide employees with benefits upon retirements, resignation, disability or death. All of the funds are accumulation funds.

Contributions, as specified in the rules of each fund, are made by Westlawn or its subsidiaries and employees.

Group corporations contribute to the funds on the basis of industry award requirements and employee contributions.

31. Capital & other expenditure commitments

Total capital expenditure contracted for at balance date but not recognised in the financial statements: -

Payable within 12 months	1,080,000	-	1,080,000	-
Payable later than 1 year, not later than five years	-	-	-	-
Total payable	1,080,000	-	1,080,000	-

Other expenditure commitments contracted for but not recognised in the financial statements :

Payable within 12 months	65,040	238,780	65,040	238,780
Payable later than 1 year, not later than five years	81,300	146,340	81,300	146,340
Total payable	146,340	385,120	146,340	385,120

32. Segment information

a) Segments

The consolidated group operates predominately in one business and geographical segment being the financial services industry in New South Wales.

b) Geographic

The group derives income from its activities as a Financier and Insurance Broker predominately in Northern New South Wales, Australia with its operations being centred in the Clarence Valley.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

33. Maturity analysis

The maturity profile as at **30 June 2011** of certain assets and liabilities is based on contractual terms and may be analysed as follows: -

Consolidated

	At call \$	0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Not specified \$	Total \$
Assets							
Cash & cash equivalents	13,682,271	19,967,631	-	-	-	-	33,649,902
Financial assets	-	-	-	-	-	4,582,189	4,582,189
Trade & other debtors	-	511,838	-	-	-	-	511,838
Loans and advances	-	32,675,949	55,333,910	81,189,681	510,337	-	169,709,877
	<u>13,682,271</u>	<u>53,155,418</u>	<u>55,333,910</u>	<u>81,189,681</u>	<u>510,337</u>	<u>4,582,189</u>	<u>208,453,806</u>
Liabilities							
Trade & other payables	-	4,748,110	-	-	-	-	4,748,110
Unsecured notes	20,893,927	61,476,303	78,878,445	36,947,402	1,064	-	198,197,141
	<u>20,893,927</u>	<u>66,224,413</u>	<u>78,878,445</u>	<u>36,947,402</u>	<u>1,064</u>	<u>-</u>	<u>202,945,251</u>

Note 9 outlines the range of financial instruments used by Westlawn in the provision of finance to its customers.

Funds are lent to a well diversified range of customers and there is no exposure to a single borrower or economic industry that represents more than 10% of total assets as at balance date.

Funds are raised from a wide range of customers predominately based in the Clarence Valley region of Northern NSW in the form of unsecured notes as identified in Note 15. Similarly, there are no material concentrations in these categories and there is no single noteholder that represents more than 10% of total liabilities as at balance date.

Included above are amounts receivable from related parties as follows: -

	At call \$	0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Not specified \$	Total \$
Loans and advances							
Ultimate parent entity ¹	-	836,810	5,872,121	-	-	-	6,708,931
Subsidiaries of the ultimate parent entity	-	-	1,636,009	-	-	-	1,636,009
Associates of the ultimate parent entity	-	-	506,923	-	-	-	506,923
Directors & related parties	-	53,191	720,233	1,293,242	-	-	2,066,666
	<u>-</u>	<u>890,001</u>	<u>8,735,286</u>	<u>1,293,242</u>	<u>-</u>	<u>-</u>	<u>10,918,529</u>

Note 1 – Westlawn Holdings Pty Ltd is the ultimate parent entity in the wholly-owned group.

Included in the above liabilities are amounts payable to related parties as follows: -

	At call \$	0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	Not specified \$	Total \$
Unsecured notes							
Directors & related parties	4,665,840	515,524	3,038,168	100,000	-	-	8,319,532
Subsidiaries of the Ultimate parent entity	-	-	-	-	-	-	-
	<u>4,665,840</u>	<u>515,524</u>	<u>3,038,168</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>8,319,532</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

The maturity profile as at **30 June 2010** of certain assets and liabilities is based on contractual terms and may be analysed as follows: -

Consolidated

	At call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash & cash equivalents	24,702,157	-	-	-	-	-	24,702,157
Financial assets	-	-	-	-	-	6,368,142	6,368,142
Trade & other debtors	-	277,366	-	-	-	-	277,366
Loans and advances	-	17,402,505	42,560,799	63,671,504	286,565	7,070,772	130,992,145
	<u>24,702,157</u>	<u>17,679,871</u>	<u>42,560,799</u>	<u>63,671,504</u>	<u>286,565</u>	<u>13,438,914</u>	<u>162,339,810</u>
Liabilities							
Trade creditors & other accruals	-	-	3,066,780	-	-	-	3,066,780
Unsecured notes	19,953,608	35,927,110	67,185,692	27,189,920	-	-	150,256,330
	<u>19,953,608</u>	<u>35,927,110</u>	<u>70,252,472</u>	<u>27,189,920</u>	<u>-</u>	<u>-</u>	<u>153,323,110</u>

Included above are amounts receivable from related parties as follows: -

	At call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	Total
	\$	\$	\$	\$	\$	\$	\$
Loans and advances							
Ultimate parent entity 1	-	-	2,637,483	5,224,334	-	-	7,861,817
Subsidiaries of the ultimate parent entity	-	-	-	1,497,807	-	-	1,497,807
Associates of the ultimate parent entity	-	-	-	506,926	-	-	506,926
Directors & related parties	-	1,352,404	1,410,144	1,002,276	-	-	3,764,824
	<u>-</u>	<u>1,352,404</u>	<u>4,047,627</u>	<u>8,231,343</u>	<u>-</u>	<u>-</u>	<u>13,631,374</u>

Note 1 – Westlawn Holdings Pty Ltd is the ultimate parent entity in the wholly-owned group.

Included in the above liabilities are amounts payable to related parties as follows: -

	At call	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Not specified	Total
	\$	\$	\$	\$	\$	\$	\$
Unsecured notes							
Directors & related parties	4,606,360	-	1,127,362	-	-	-	5,733,722
Subsidiaries of the Ultimate parent entity	-	-	-	-	-	-	-
	<u>4,606,360</u>	<u>-</u>	<u>1,127,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,733,722</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

34. Financial risk management

The group's financial instruments consist mainly of cash & deposits with banks, loans and advances, accounts payable and unsecured notes.

The Company has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Interest rate risk

i) Credit risk

Credit risk arises from lending activities, the provision of guarantees including commitments to lend and other associated activities. Credit risk is the potential loss arising from the possibility that borrowers or counterparties fail to meet contractual obligations to the Company as they fall due.

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements (refer in particular to Note 10).

The Board has implemented a structured framework of systems and controls to monitor and manage credit risk comprising:

- Documented credit risk management principles that are adhered to by all staff involved in the lending process
- A process for approving risk based on tiered delegated lending approvals, with the largest exposures assessed and approved by the Board
- A financial capacity approval assessment for the Company's retail lending of personal loans

ii) Liquidity risk

Liquidity risk is the risk that Westlawn is unable to meet its financial obligations as they fall due, due to the maturity mismatch in its cash flows. Principally the need to meet the right of noteholders to redeem their funds as required.

Westlawn maintains a liquidity risk management policy that establishes sound practices to manage this mismatch under a range of market conditions. Liquidity management is the responsibility of Westlawn's board and executive.

Westlawn models liquidity scenarios over a rolling 12 month timeframe including the stress testing of rollover rates of noteholders. The objective of this modelling is to determine Westlawn's capacity for asset growth whilst meeting all repayment obligations over the next 12 months. The stress testing includes scenarios significantly more severe than any conditions that have prevailed since the establishment of the business more than 40 years ago.

The liquidity policy requires Westlawn to, where practicable, maintain a minimum holding of 9% of its total liabilities in liquid assets.

iii) Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate lending, together with unsecured notes issued at call (variable rate) and on a fixed term basis. At 30 June 2011 approximately 55% of group lending is on a fixed basis. For further details on interest rate risk disclosures, refer to Note 35 below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

35. Interest rate risk

The consolidated entity's exposure to interest rate risk showing the contractual dates for classes of assets and liabilities is shown below:

Consolidated 2011	Weighted average rate %	Floating interest rate \$	Fixed interest rate				No maturity specified \$	Non-interest bearing \$	Total \$
			0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$			
Assets									
Cash & cash equivalents	5.95	33,649,902	-	-	-	-	-	-	33,649,902
Financial assets	-	-	-	-	-	-	-	4,582,189	4,582,189
Trade & other receivables	-	-	-	-	-	-	-	511,838	511,838
Current tax assets	-	-	-	-	-	-	-	-	-
Loans & advances	11.20	77,029,458	17,934,318	21,549,778	52,989,765	206,558	-	(1,202,052)	168,507,825
Property, plant & equipment	-	-	-	-	-	-	-	5,873,007	5,873,007
Deferred tax assets	-	-	-	-	-	-	-	934,117	934,117
Intangible assets	-	-	-	-	-	-	-	6,468,821	6,468,821
Total Assets		110,679,360	17,934,318	21,549,778	52,989,765	206,558	-	17,167,920	220,527,699
Liabilities									
Trade & other payables	-	-	-	-	-	-	-	4,748,110	4,748,110
Interest bearing liabilities	6.69	20,893,927	61,476,303	78,878,445	36,947,402	1,064	-	-	198,197,141
Current tax liabilities	-	-	-	-	-	-	-	306,505	306,505
Deferred tax liabilities	-	-	-	-	-	-	-	361,624	361,624
Provisions	-	-	-	-	-	-	-	942,686	942,686
Total Liabilities		20,893,927	61,476,303	78,878,445	36,947,402	1,064	-	6,358,925	204,556,066
Total Equity									15,971,633
Net Mismatch		89,785,433	(43,541,985)	(57,328,667)	16,042,363	205,494	-	10,808,995	15,971,633
Cumulative Mismatch		89,785,433	46,243,448	(11,085,219)	4,957,144	5,162,638	5,162,638	15,971,633	

Consolidated 2010	Weighted average rate %	Floating interest rate \$	Fixed interest rate				No maturity specified \$	Non-interest bearing \$	Total \$
			0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$			
Assets									
Cash & cash equivalents	3.96	24,702,157	-	-	-	-	-	-	24,702,157
Financial assets	-	-	-	-	-	-	-	6,368,142	6,368,142
Trade & other receivables	-	-	-	-	-	-	-	277,366	277,366
Current tax assets	-	-	-	-	-	-	-	85,995	85,995
Loans & advances	11.16	76,028,481	4,029,786	12,969,435	30,845,047	48,624	7,070,772	(1,204,803)	129,787,342
Property, plant & equipment	-	-	-	-	-	-	-	4,454,048	4,454,048
Deferred tax assets	-	-	-	-	-	-	-	1,068,798	1,068,798
Intangible assets	-	-	-	-	-	-	-	2,920,069	2,920,069
Total Assets		100,730,638	4,029,786	12,969,435	30,845,047	48,624	7,070,772	13,969,615	169,663,917
Liabilities									
Trade & other payables	-	-	-	-	-	-	-	3,066,780	3,066,780
Interest bearing liabilities	6.11	19,953,608	35,927,110	67,185,692	27,189,920	-	-	-	150,256,330
Current tax liabilities	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	261,435	261,435
Provisions	-	-	-	-	-	-	-	698,343	698,343
Total Liabilities		19,953,608	35,927,110	67,185,692	27,189,920	-	-	4,026,558	154,282,888
Total Equity									15,381,029
Net Mismatch		80,777,030	(31,897,324)	(54,216,257)	3,655,127	48,624	7,070,772	9,943,057	15,381,029
Cumulative Mismatch		80,777,030	48,879,706	(5,336,551)	(1,681,424)	(1,632,800)	5,437,972	15,381,029	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Sensitivity Analysis

Interest rate risk

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest rate sensitivity analysis:

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Group		Parent	
	2011	2010	2011	2010
Change in net profit after tax				
Increase in interest rate by 1%	211,316	227,750	180,316	188,750
Decrease in interest rate by 1%	(211,316)	(227,750)	(180,316)	(188,750)
Change in equity				
Increase in interest rate by 1%	211,316	227,750	180,316	188,750
Decrease in interest rate by 1%	(211,316)	(227,750)	(180,316)	(188,750)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

36. ASIC – Regulatory Guide 69

In October 2007, the Australian Securities & Investments Commission (“ASIC”) released Regulatory Guide 69 “Debtentures – Improving Disclosure for Retail Investors” (“RG69”). It sets out guidelines for improved disclosure to retail investors to help them understand and assess these debtentures, while maintaining the flexibility of the public fundraising process.

ASIC has developed 8 benchmarks that can help investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them. Issuers of unlisted debtentures are required to address the benchmarks in their disclosures on an ‘if not, why not’ basis and ensure that their advertising is consistent with these disclosures.

The 8 benchmarks as detailed in the latest version of RG69 (issued by ASIC on 25 June 2010) are summarised as follows:

i) Equity ratio

RG 69.33 – Where more than a minor part of the issuer’s activities (eg 10% of debtentures on issue) is property development or lending funds directly or indirectly for property development – the issuer should maintain a minimum equity ratio of 20%. In all other cases – the issuer should maintain a minimum equity ratio of 8%.

Westlawn’s property development related loans total \$17.229m and represent 8.69% of total unsecured notes on issue as at 30 June 2011.

As at 30 June 2011, the Company had an equity ratio of 7.24% (2010: 9.07%). Whilst the Company’s equity ratio has fallen below the ASIC benchmark of 8%, this occurred as a direct consequence of the acquisition of North State Finance Limited. This successful acquisition has made a positive contribution to the strength, growth and profits of the Westlawn Group which in turn will assist in the restoration of the equity ratio to 8%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

ii) Liquidity

RG 69.37 – All issuers should have cash flow estimates for the next 3 months and ensure that at all times they have cash or cash equivalents sufficient to meet their projected cash needs over the next 3 months.

Westlawn performs quarterly cash flow estimates on a monthly rolling basis that demonstrate that it has sufficient liquid assets on hand to meet its projected cash needs over that period.

Refer to Note 34 for more information on Westlawn's liquidity risk management policy.

iii) Rollovers

RG 69.45 – All issuers should clearly disclose their approach to rollovers, including whether the 'default' is that debenture investments with them are automatically rolled-over.

On the maturity date, noteholders may choose to have their notes repaid or reinvested in further unsecured notes. Westlawn contacts investors by phone or letter at least 14 days prior to the end of the term, setting out the options and seeking instructions.

If investors do not provide instructions by the maturity date, unsecured notes are automatically reinvested for the same term at the then prevailing interest rate for that term.

iv) Debt maturity

RG 69.49 – All issuers should disclose an analysis of the maturity profile of interest-bearing liabilities by term and value, the interest rates, or average interest rates applicable to their debts.

Refer to Notes 3, 33, 34 and 35 for more information regarding debt maturity analysis and average interest rates.

v) Loan portfolio

RG 69.52 – Issuers who directly on-lend funds or indirectly on-lend funds through a related party should disclose the current nature of their (or the related party's) loan portfolio.

Through its branch network located in the Northern area of New South Wales, Westlawn currently provides business and consumer finance for periods of up to 5 years. Details in regard to the loan portfolio as at 30 June 2011 are provided throughout the financial statements in Notes 9 and 10, together with the Company's credit risk policy in Note 34.

vi) Related party transactions

RG 69.62 - Issuers who on-lend funds should disclose their approach to related party transactions.

Westlawn makes loans to related parties in accordance with the terms and conditions set out in its Related Party Transaction Policy and Procedures Manual.

Loans to Related Parties are subject to approval by either:-

- 1) Westlawn Holdings Pty Ltd (as sole shareholder of Westlawn Finance) or
- 2) The Related Party Transaction Approval Committee, where the transaction is on arms length commercial terms.

Further disclosures regarding related party loans can be found in the financial statements at Note 25 and 26.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

vii) Valuations

RG 69.66 – Where the issuer is involved in or (directly or indirectly) lends money for property-related activities, they should disclose their approach to valuations.

Westlawn makes loans for property related activities in accordance with the terms & conditions as set out in its Lending Policy & Procedures Manual and the Related Party Transactions Policies & Procedures Manual.

Real property assets which are taken as security for loans are valued on an “as is” basis and for development property on an “as is complete” basis. Valuations on an “as is” basis mean the property is valued as it currently exists with regard to current market conditions. Valuations on an “as if complete” basis means the property is valued as if the proposed development has been completed with regard to current market conditions.

Valuations are taken for any new loans where property is taken as security and these valuations are updated every two years. Valuations cannot be more than one year old when a new loan is made.

Westlawn has a panel of valuers who provide valuations. Where the security property is in a regional area the choices of an appropriately qualified and experienced valuer are limited, however where possible Westlawn ensures that no one valuer conducts more than 33% of valuation work.

viii) Lending principles – Loan-to-valuation ratios

RG 69.72 – Where an issuer (directly or indirectly) on-lends money in relation to property-related activities, it should maintain the following loan-to-valuation ratios:

- (a) where the loan relates to property development – 70% on the basis of the latest ‘as if complete’ valuation; and*
- (b) in all other cases – 80% on the basis of the latest market valuation.*

Westlawn Finance provides loans for property related activities and maintains the following loan to valuation ratios (LVR's) in accordance with its Lending Policy & Procedures Manual.

- 1) Where the loan relates to property development – 70% on the basis of the latest “as if complete” valuation and
- 2) For all other loans where real estate assets are taken as security – 80% on the basis of the latest market valuation.

Higher loan to valuation ratios exist in some cases where it is deemed that the customer possesses appropriate asset backing which can be used as additional security. Funds for property development are only provided in stages based on external evidence of work done in relation to the development.

37. Company details

The registered office and principal place of business of the Company is:
22 Queen Street
Grafton NSW 2460

DIRECTORS' DECLARATION
For the year ended 30 June 2011

The directors of Westlawn Finance Limited declare that:

1. the attached financial statements and notes thereto, as set out on pages 6 to 44;
 - (a) comply with the Corporations Act 2001, Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
 - (c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company and consolidated group;
2. 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 and is signed for and on behalf of the directors by:



Michael James Dougherty
Chairman

28 September 2011
Grafton NSW

**WESTLAWN FINANCE LIMITED ABN 19 096 725 218
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTLAWN FINANCE
LIMITED AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of Westlawn Finance Limited ("the company") and Westlawn Finance Limited and Controlled Entities ("the consolidated entity"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit 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 judgment, 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.

Administration Address
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PO Box 523
Lismore NSW 2480
Tel (02) 6621 9222
Fax (02) 6621 9385
Email lismore@whkrutherfords.com.au

**WESTLAWN FINANCE LIMITED ABN 19 096 725 218
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WESTLAWN FINANCE
LIMITED AND CONTROLLED ENTITIES**

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Westlawn Finance Limited and Controlled Entities on 30 September 2011 would be in the same terms if provided to the directors as at the date of this auditor's report.

In our opinion:

- a. the financial report of Westlawn Finance Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - (i.) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their 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



WHK Rutherfords



Kenneth Neil Rushforth
Audit Partner
Registered Company Auditor (ASIC Number 4367)
24 Queen Street
GRAFTON NSW 2460

Dated 30 September 2011

Administration Address
53 Carrington Street
PO Box 523
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