



**HALF-YEAR FINANCIAL STATEMENTS**

**For the period ended**  
**31 December 2009**



22 Queen Street  
GRAFTON NSW 2460

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**DIRECTORS' REPORT (continued)**  
For the half-year ended 31 December 2009

The directors of Westlawn Finance Limited ("Westlawn") submit the financial report of the consolidated group for the half-year ended 31 December 2009.

**1. Directors**

The names of directors who held office during or since the end of the half-year are as follows:

Michael James Dougherty  
James William Dougherty  
Mark Charles Dougherty  
Geoffrey Dean Scofield  
Geoffrey Richard Hodgkinson

Directors holding special responsibilities are: -

Michael James Dougherty is Chairman of the Company and Geoffrey Dean Scofield is General Manager Finance.

**2. Principal activities and significant changes in nature of activities**

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

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

**3. Operating results**

The operating profit before tax for the consolidated group for the half-year amounted to \$1,200,881 (half-year loss to 31 December 2008: \$456,664).

After deduction of income tax expense of \$337,557 (income tax benefit to 31 December 2008 \$135,949) the operating profit after income tax for the consolidated group for the half-year amounted to \$863,324 (half-year loss to 31 December 2008: \$320,715).

**4. Dividends**

There were no dividends paid during the period and no recommendation has been made by the directors as to the payment of a dividend in respect of the current period.

**5. Review of operations**

**Finance**

The finance business contributed a net profit before tax of \$1,000,316 for the half-year. This return to profitability was primarily due to an improvement in gross margins and the level of bad and doubtful debts. 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 \$200,566 for the half-year.

**6. Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the consolidated group during the financial period.

**7. Events subsequent to balance date**

Since the end of the financial period, 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.

**DIRECTORS' REPORT (continued)**  
**For the half-year ended 31 December 2009**

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**8. Environmental issues**

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

**9. Options**

During the financial period, 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.

**10. 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.

**11. Directors' interests in contracts**

The Directors hold, directly and indirectly, interest in various contracts or proposed contracts with the company. Some of these dealings with the company were outside normal commercial terms and conditions.

**12. Indemnification and insurance of officers**

During the financial period the Company entered into agreements and paid premiums 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.

**13. Proceedings on behalf of company**

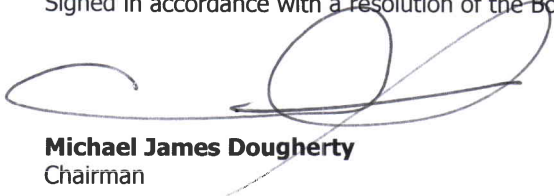
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**14. 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 5.

Signed in accordance with a resolution of the Board of Directors:



**Michael James Dougherty**  
Chairman

Grafton, 24 February 2010



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

**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 half year ended 31 December 2009 there have been:

- (i) no contraventions of the auditors' 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  
24 Queen Street  
GRAFTON NSW 2460

K N Rushforth  
Registered Company Auditor (ASIC RAN 4367)

Dated 16 March 2010

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the half-year ended 31 December 2009

	Note	6 months December 2009 \$	12 months June 2009 \$	6 months December 2008 \$
Interest revenue	2	<b>7,389,787</b>	15,736,453	8,151,278
Other operating revenue	2	<b>1,977,387</b>	4,153,285	2,054,793
<b>Total revenue</b>	2	<b>9,367,174</b>	19,889,738	10,206,071
Interest expense		<b>(4,216,937)</b>	(10,420,430)	(5,340,217)
Depreciation and amortisation expense		<b>(201,458)</b>	(545,752)	(269,926)
Employee benefits expense		<b>(2,125,627)</b>	(4,893,492)	(2,519,559)
Other expenses		<b>(1,622,271)</b>	(4,694,500)	(2,533,033)
<b>Total expenses</b>	2	<b>(8,166,293)</b>	(20,554,174)	(10,662,735)
<b>Profit/(loss) before income tax</b>		<b>1,200,881</b>	(664,436)	(456,664)
Income tax (expense) benefit	3	<b>(337,557)</b>	41,135	135,949
<b>Profit/(loss) after income tax</b>		<b>863,324</b>	(623,301)	(320,715)
Net (profit) loss attributable to minority equity interest		<b>(1,527)</b>	6,835	4,171
<b>Net profit (loss) attributable to members of Westlawn Finance Limited</b>		<b>861,797</b>	(616,466)	(316,544)
Basic earnings per share (cents per share)		8.6	(6.1)	(3.1)
Diluted earnings per share (cents per share)		8.6	(6.1)	(3.1)

*The accompanying notes form part of these financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2009

	Note	December 2009 \$	June 2009 \$	December 2008 \$
<b>Assets</b>				
Cash and cash equivalents	4	<b>26,091,395</b>	25,424,337	12,890,232
Financial assets	5	<b>3,458,468</b>	776,336	773,783
Trade and other receivables	6	<b>561,164</b>	576,381	600,828
Loans and advances	7	<b>122,565,126</b>	126,675,824	134,459,706
Current tax assets	8	<b>216,559</b>	199,759	105,569
Property, plant and equipment	9	<b>4,221,269</b>	4,439,042	4,685,717
Deferred tax assets	10	<b>1,363,996</b>	1,649,097	1,760,035
Intangibles	11	<b>2,884,149</b>	2,929,693	4,080,824
<b>Total Assets</b>		<b><u>161,362,126</u></b>	<u>162,670,469</u>	<u>159,356,694</u>
<b>Liabilities</b>				
Trade & other payables	12	<b>3,064,056</b>	2,466,342	3,868,207
Interest bearing liabilities	13	<b>143,113,972</b>	145,990,222	141,963,233
Current tax liabilities	14	-	-	-
Deferred tax liabilities	15	<b>170,845</b>	114,646	113,880
Provisions	16	<b>656,299</b>	736,761	798,077
<b>Total Liabilities</b>		<b><u>147,005,172</u></b>	<u>149,307,971</u>	<u>146,743,397</u>
<b>Net Assets</b>		<b><u>14,356,954</u></b>	<u>13,362,498</u>	<u>12,613,297</u>
<b>Equity</b>				
Issued capital	17	<b>11,144,643</b>	11,144,643	10,094,643
Reserves		<b>317,095</b>	317,095	317,095
Retained earnings		<b>2,847,619</b>	1,854,690	2,152,825
<b>Total parent entity interest</b>		<b><u>14,309,357</u></b>	<u>13,316,428</u>	<u>12,564,563</u>
Minority equity interest		<b>47,597</b>	46,070	48,734
<b>Total equity</b>		<b><u>14,356,954</u></b>	<u>13,362,498</u>	<u>12,613,297</u>
Contingent liabilities	22			

*The accompanying notes form part of these financial statements.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the half-year ended 31 December 2009

	\$	\$	\$	\$	\$
Note	Share Capital	Revaluation Asset Reserve	Retained Earnings	Minority Equity Interests	Total
<b>Balance at 1 July 2008</b>	10,094,643	317,095	2,706,700	-	13,118,438
Shares issued during the year	-	-	-	52,905	52,905
Profit attributable to members of the parent entity	-	-	(316,544)	-	(316,544)
Profit attributable to minority shareholders	-	-	-	(4,171)	(4,171)
Revaluation decrement	-	-	(237,331)	-	(237,331)
Sub-total	10,094,643	317,095	2,152,825	48,734	12,613,297
Dividends provided for or paid	-	-	-	-	-
<b>Balance at 31 December 2008</b>	10,094,643	317,095	2,152,825	48,734	12,613,297
<b>Balance at 1 July 2008</b>	10,094,643	317,095	2,706,700	-	13,118,438
Shares issued during the year	1,050,000	-	-	52,905	1,102,905
Loss attributable to members of the parent entity	-	-	(616,466)	-	(616,466)
Loss attributable to minority shareholders	-	-	-	(6,835)	(6,835)
Revaluation decrement	-	-	(235,544)	-	(235,544)
Sub-total	11,144,643	317,095	1,854,690	46,070	13,362,498
Dividends provided for or paid	-	-	-	-	-
<b>Balance at 30 June 2009</b>	11,144,643	317,095	1,854,690	46,070	13,362,498
<b>Balance at 1 July 2009</b>	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	-	-	861,797	-	861,797
Profit attributable to minority shareholders	-	-	-	1,527	1,527
Revaluation increment	-	-	131,132	-	131,132
Sub-total	11,144,643	317,095	2,847,619	47,597	14,356,954
Dividends provided for or paid	-	-	-	-	-
<b>Balance at 31 December 2009</b>	11,144,643	317,095	2,847,619	47,597	14,356,954

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the half-year ended 31 December 2009

Note	6 months December 2009 \$	12 months June 2009 \$	6 months December 2008 \$
<b>Cash flows from operating activities</b>			
Interest & rent received from external investments	7,451,328	15,872,624	8,232,272
Other receipts	1,935,061	4,054,183	2,057,459
Payments to suppliers & employees	(2,983,256)	(9,962,407)	(4,624,726)
Interest paid	(4,325,647)	(10,472,364)	(5,304,923)
Income taxes paid	(69,258)	198,725	299,121
<b>Net cash provided by (used in) Operating activities</b>	<b>2,008,228</b>	<b>(309,239)</b>	<b>659,203</b>
<b>Cash flows from investing activities</b>			
Net loans (advanced) repaid	3,864,734	11,521,777	2,949,436
Proceeds from sale of plant & equipment	143,124	89,468	43,707
Proceeds from sale of investments	5,200	-	-
Dividends received	35,627	74,417	55,331
Payment for land & buildings, licences & goodwill	45,543	(653,328)	(621,704)
Payment for plant & equipment, & leasehold improvements	(167,856)	(549,246)	(354,225)
Payment for investments	(2,500,000)	(4,930)	(3,930)
<b>Net cash provided by (used in) investing activities</b>	<b>1,426,372</b>	<b>10,478,158</b>	<b>2,068,615</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	-	1,102,905	52,905
Net increase (decrease) in savings & fixed deposits	(2,767,542)	3,725,615	(390,484)
Dividend paid	-	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>(2,767,542)</b>	<b>4,828,520</b>	<b>(337,579)</b>
<b>Net increase (decrease) in cash held</b>	<b>667,058</b>	<b>14,997,439</b>	<b>2,390,239</b>
Cash disposed of with subsidiary	-	(71,213)	-
Cash at the beginning of financial year	25,424,337	10,498,111	10,498,111
<b>Cash at the end of the financial period</b>	<b>26,091,395</b>	<b>25,424,337</b>	<b>12,888,350</b>

*The accompanying notes form part of these financial statements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the half-year ended 31 December 2009

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**1. Summary of significant accounting policies**

**(a) Basis of preparation of half-yearly financial statements**

These general purpose financial statements for the interim half-year period ended 31 December 2009 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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 interim financial report is intended to provide users with an update on the latest annual financial statements of Westlawn Finance Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, the company's Prospectus No. 10 dated 20 November 2009, together with any public announcements made during the half-year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the most recent annual financial statements report unless otherwise stated.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

*Reporting Basis and Conventions*

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**(b) 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.

**(c) Principles of consolidation**

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.

A list of controlled entities is contained in Note 20 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the group, are shown separately within the Equity section of the consolidated statement of financial position and in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the half-year ended 31 December 2009

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**(d) 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.

**(e) 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 reserve 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 THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

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**Plant and equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Buildings	2.5%
Plant & equipment	7.5% to 50%

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 reserve relating to that asset are transferred to retained earnings.

**(f) Financial Instruments**

**Recognition and Initial Measurement**

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

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

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

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**Classification and Subsequent Measurement**

**(i) Financial assets at fair value**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or 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. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

**(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 (g) 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 using the effective interest rate method.

**(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

**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.

**(g) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

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- 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 statements, other than trading securities, is generally the carrying amount, net of any provisions for doubtful debts.

***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.

**(h) Impairment of Assets**

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

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

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.

**(i) Investments in associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post-acquisition reserves of its associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the half-year ended 31 December 2009

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**(j) Intangibles**

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(k) 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.

**(l) 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.

**(m) 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.

**(n) 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).

**(o) 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

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part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position 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.

**(p) Comparative figures**

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

**(q) 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.

**(r) 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.

**(s) 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 31 December 2009 are amounts due from various customers totalling \$124,185,278. The directors believe that not all of these loans are fully recoverable and accordingly a provision for impairment totalling \$1,620,152 has been made at 31 December 2009. Refer to section (g) above for the detailed accounting policy on the provision for impaired assets.

**(t) Date of authorisation for issue**

The financial report was authorised for issue on 24 February 2010 by the board of directors.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

	December 2009	June 2009	December 2008
	\$	\$	\$
<b>2. Operating revenue</b>			
Operating profit before abnormal items and income tax comprises: -			
<b>Interest revenue</b>			
Cash at bank	242,724	363,183	89,443
Deposits at call and cash equivalent assets	247,665	482,478	360,654
Loans and advances	6,899,398	14,890,792	7,701,181
	<u>7,389,787</u>	<u>15,736,453</u>	<u>8,151,278</u>
<b>Other operating revenue</b>			
Dividends received	35,627	74,417	55,331
Bad debts recovered	1,160	9,901	8,578
Rental income	63,748	59,364	9,174
Profit on sale of property, plant and equipment	-	304	-
Administration fees	128,514	512,722	121,900
Fee and commission revenue	1,701,112	3,423,586	1,822,947
Other sundry revenue	47,226	72,991	36,863
	<u>1,977,387</u>	<u>4,153,285</u>	<u>2,054,793</u>
<b>Total operating revenue</b>	<u>9,367,174</u>	<u>19,889,738</u>	<u>10,206,071</u>
<b>Operating expenses</b>			
Interest paid – other parties	4,216,937	10,420,430	5,340,217
Depreciation	193,806	524,383	258,366
Amortisation			
Leasehold improvements	7,652	21,369	11,560
Auditors' remuneration			
Auditing the accounts	34,230	67,845	32,970
Other services	-	5,000	5,000
Provisions for employee entitlements			
Annual leave	(23,046)	51,550	52,121
Long service leave	(57,412)	24,366	23,282
Bad debts written off	446,731	569,128	235,584
Impairment of loans and advances	(175,835)	803,040	506,841
Fees and commissions paid	40,367	74,012	36,052
Other employee benefits expense	2,125,627	4,893,492	2,519,559
Loss on sale of plant & equipment	41,047	40,735	26,411
Loss on sale of subsidiaries	-	11,868	-
Other operating expenses	1,316,189	3,046,956	1,614,772
<b>Total operating expenses</b>	<u>8,166,293</u>	<u>20,554,174</u>	<u>10,662,735</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

	December 2009 \$	June 2009 \$	December 2008 \$
<b>3. Income tax</b>			
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows: -			
<b>Prima facie income tax payable (receivable) on operating profit at 30%</b>	<b>360,265</b>	<b>(199,331)</b>	<b>(136,999)</b>
<i>Less:</i>			
<b>Tax effect of:</b>			
Depreciation deductible on buildings	3,609	7,219	3,619
Imputation credits from dividend income	11,840	20,094	-
Other sundry items		3,385	3,385
	<b>15,449</b>	<b>30,698</b>	<b>7,004</b>
<i>Add:</i>			
<b>Tax effect of:</b>			
Entertainment expenses	963	3,256	2,648
Depreciation of buildings	8,331	16,430	8,235
Gross-up of dividend income	3,552	6,028	3,233
Other sundry items	200	4,058	267
	<b>13,046</b>	<b>29,772</b>	<b>14,383</b>
	<b>357,862</b>	<b>(200,257)</b>	<b>(129,620)</b>
Unutilised losses in controlled entities	-	165,451	-
Utilised tax losses of prior year	(20,305)	-	-
Over provision in prior year	-	(6,329)	(6,329)
<b>Total income tax expense (credit)</b>	<b>337,557</b>	<b>(41,135)</b>	<b>(135,949)</b>
 <b>The components of tax expense comprise:</b>			
Current year tax	52,457	33,388	27,183
Deferred tax asset	285,100	(68,194)	(156,803)
Over provision in prior year	-	(6,329)	(6,329)
	<b>337,557</b>	<b>(41,135)</b>	<b>(135,949)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

	December 2009 \$	June 2009 \$	December 2008 \$
<b>4. Cash and cash equivalents</b>			
Cash on hand	33,850	32,950	32,900
Cash at bank	11,016,326	20,280,429	7,764,281
Deposits at call & cash equivalent assets	15,041,219	5,110,958	5,093,051
	<u>26,091,395</u>	<u>25,424,337</u>	<u>12,890,232</u>
<b>5. Financial assets</b>			
Available-for-sale financial assets			
Shares in listed companies	740,554	583,366	542,967
Shares in unlisted companies	1,000	1,000	1,000
Units in listed unit trusts	216,914	191,970	229,816
Units in unlisted unit trusts	2,500,000	-	-
	<u>3,458,468</u>	<u>776,336</u>	<u>773,783</u>
<b>6. Trade and other receivables</b>			
Trade debtors	91,153	145,420	208,574
Other debtors and prepayments	470,011	430,961	392,254
	<u>561,164</u>	<u>576,381</u>	<u>600,828</u>
<b>7. Loans and advances</b>			
Finance leases	10,957,027	12,627,600	17,800,782
Hire purchase	3,070	15,973	54,783
Insurance premium funding	603,738	619,731	711,815
Consumer loans			
Secured	17,137,759	17,959,283	19,615,056
Unsecured	2,412,236	2,582,635	2,868,100
Business loans			
Secured	20,437,342	19,129,306	18,832,362
Unsecured	1,581,436	1,600,059	1,367,594
Mortgage loans	857,871	1,365,625	3,258,045
Advances	64,973,381	68,892,584	71,016,572
Floor plans	3,956,528	3,367,435	1,023,110
Other finance receivables	2,293,287	1,753,391	1,388,950
Gross loans and advances	<u>125,213,675</u>	<u>129,913,622</u>	<u>137,937,169</u>
Less: Unearned revenue	<u>(1,028,397)</u>	<u>(1,395,646)</u>	<u>(1,931,510)</u>
	<u>124,185,278</u>	<u>128,517,976</u>	<u>136,005,659</u>
Less: Provision for impairment	<u>(1,620,152)</u>	<u>(1,842,152)</u>	<u>(1,545,953)</u>
Net loans and advances	<u>122,565,126</u>	<u>126,675,824</u>	<u>134,459,706</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the half-year ended 31 December 2009

	December 2009 \$	June 2009 \$	December 2008 \$
<b>8. Current tax assets</b>			
Income tax receivable	216,559	199,759	105,569
<b>9. Property, plant &amp; equipment</b>			
Freehold land - at independent valuation	885,000	885,000	885,000
Leasehold improvements - at cost	220,562	244,335	244,335
Less: accumulated amortisation	(147,590)	(149,566)	(139,757)
	72,972	94,769	104,578
Buildings – at independent valuation	2,150,000	2,150,000	2,150,000
Buildings – at cost	65,890	65,890	34,266
Less: accumulated depreciation	(131,577)	(103,808)	(76,492)
	2,084,313	2,112,082	2,107,774
Plant & equipment – at cost	3,219,836	3,307,334	3,471,042
Less: accumulated depreciation	(2,040,852)	(1,960,143)	(1,882,677)
	1,178,984	1,347,191	1,588,365
Total property, plant & equipment	4,221,269	4,439,042	4,685,717
<b>10. Deferred tax assets</b>			
Future tax benefit	1,363,996	1,649,097	1,760,035
<b>11. Intangibles</b>			
Goodwill - at cost	2,884,149	2,929,693	4,080,824
<b>12. Trade and other payables</b>			
Trade creditors and accruals	3,064,056	2,466,342	3,868,207
<b>13. Interest bearing liabilities</b>			
Bank overdraft	-	-	1,882
At call unsecured notes	21,539,051	18,114,332	16,925,765
Term unsecured notes	121,574,921	127,875,890	125,035,586
	143,113,972	145,990,222	141,963,233
<b>14. Current tax liabilities</b>			
Income tax payable	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

	December 2009 \$	June 2009 \$	December 2008 \$
<hr/>			
<b>15. Deferred tax liabilities</b>			
Deferred income tax	<b>170,845</b>	114,646	113,880
<hr/>			
<b>16. Provisions</b>			
Dividends	-	-	-
Employee entitlements			
Annual leave	<b>347,430</b>	370,477	415,283
Long service leave	<b>308,869</b>	366,284	382,794
	<b>656,299</b>	736,761	798,077
<hr/>			
<b>17. Issued capital</b>			
10,094,643 fully paid ordinary shares	<b>10,094,643</b>	10,094,643	10,094,643
1,050,000 redeemable preference shares	<b>1,050,000</b>	1,050,000	-
	<b>11,144,643</b>	11,144,643	10,094,643
<hr/>			

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.

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 for Unsecured Noteholders 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 8 for detail on the movement in issued capital.

**18. Dividends**

Ordinary Shares			
Fully franked dividend of nil (30 June 2009: nil) cents per share franked at the rate of 30%	-	-	-
Total dividends provided for or paid	-	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2009

	December 2009	June 2009	December 2008
	\$	\$	\$

**19. 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 predominantly in Northern New South Wales, Australia with its operations being centred in the Clarence Valley.

**20. Investments in controlled entities**

a) Directly controlled by Westlawn

Name	Country of Incorporation	% owned	Investment at cost		
		Dec 2009	Dec 2009	June 2009	Dec 2008
Westlawn Insurance Brokers P/L	Australia	100	1	1	1
Westlawn Insurance Brokers (Coffs) P/L	Australia	90	492,377	476,142	476,142
Westlawn Financial Planning P/L	Australia	-	-	-	1
Westlawn Financial Planning Coffs Harbour P/L	Australia	-	-	-	1

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

	Dec 2009	June 2009	Dec 2008
	\$	\$	\$
Westlawn Finance Limited	722,949	(64,037)	(96,544)
Westlawn Insurance Brokers Pty Ltd	125,106	44,493	49,519
Westlawn Insurance Brokers (Coffs) Pty Ltd	15,269	(68,345)	(41,711)
Westlawn Financial Planning Pty Ltd	-	(381,674)	(167,614)
Westlawn Financial Planning Coffs Harbour Pty Ltd	-	(153,738)	(64,365)
	<b>863,324</b>	<b>(623,301)</b>	<b>(320,715)</b>

**21. Standby arrangements and credit facilities**

The company has approval, subject to annual review, to secured credit facilities as follows:

Standby liquidity facility	8,000,000	8,000,000	8,000,000
Amount of facilities used	-	-	-
Amount of facilities unused	<b>8,000,000</b>	8,000,000	8,200,000

This facility is secured by a fixed and floating charge over all of the assets of the company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the 6 months ended 31 December 2009

**22. Contingent liabilities**

The Company has provided guarantees for the performance of various works contracts. These guarantees were predominantly granted to Local Councils to ensure the satisfactory performance of capital works on subdivision projects.

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

**23. Maturity analysis**

The maturity profile as at **31 December 2009** 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 \$
<b>Assets</b>							
Cash & cash equivalents	26,091,395	-	-	-	-	-	26,091,395
Financial assets	-	-	-	-	-	3,458,468	3,458,468
Trade & other debtors	-	561,164	-	-	-	-	561,164
Loans and advances	-	18,776,563	43,450,870	57,559,051	442,266	3,956,528	124,185,278
	<b>26,091,395</b>	<b>19,337,727</b>	<b>43,450,870</b>	<b>57,559,051</b>	<b>442,266</b>	<b>7,414,996</b>	<b>154,296,305</b>
<b>Liabilities</b>							
Trade creditors & other accruals	-	3,064,056	-	-	-	-	3,064,056
Unsecured notes	21,539,051	28,926,963	71,108,045	21,538,878	1,035	-	143,113,972
	<b>21,539,051</b>	<b>31,991,019</b>	<b>71,108,045</b>	<b>21,538,878</b>	<b>1,035</b>	<b>-</b>	<b>146,178,028</b>

The maturity profile as at **30 June 2009** 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 \$
<b>Assets</b>							
Cash & cash equivalents	25,424,337	-	-	-	-	-	25,424,337
Financial assets	-	-	-	-	-	775,336	775,336
Trade & other debtors	-	777,140	-	-	-	-	777,140
Loans and advances	-	19,668,297	45,273,703	59,086,016	1,122,525	3,367,435	128,517,976
	<b>25,424,337</b>	<b>20,445,437</b>	<b>45,273,703</b>	<b>59,086,016</b>	<b>1,122,525</b>	<b>4,142,771</b>	<b>155,494,789</b>
<b>Liabilities</b>							
Trade creditors & other accruals	-	2,466,342	-	-	-	-	2,466,342
Unsecured notes	18,114,332	35,805,051	67,466,667	24,603,171	1,001	-	145,990,222
	<b>18,114,332</b>	<b>38,271,393</b>	<b>67,466,667</b>	<b>24,603,171</b>	<b>1,001</b>	<b>-</b>	<b>148,456,564</b>

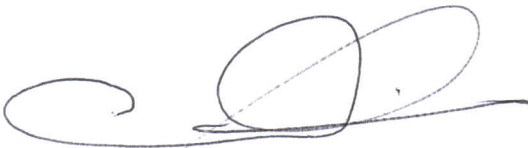
**DIRECTORS' DECLARATION**  
**For the half-year ended 31 December 2009**

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The directors of Westlawn Finance Limited declare that:

1. The financial statements and notes, as set out on pages 3 to 23 are in accordance with the Corporations Act 2001, including:
  - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009, and of its performance for the half-year ended on that date.
  
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Michael James Dougherty**  
Chairman

Grafton, 24 February 2010



WHK Rutherfords

INDEPENDENT AUDITORS' REVIEW REPORT  
TO THE MEMBERS OF  
WESTLAWN FINANCE LIMITED AND CONTROLLED ENTITIES

ABN 19 096 725 218

**Report on the Half Yearly Financial Report**

We have reviewed the half yearly financial report of Westlawn Finance Limited and Controlled Entities (the Consolidated Entity), which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, a summary of accounting policies, other selected explanatory notes and the directors' declaration as set out on pages 6 to 24. The consolidated entity comprises both Westlawn Finance Limited and the entities it controlled during the six months ended 31 December 2009.

*Board's responsibility for the half yearly financial report*

The Directors' of Westlawn Finance Limited are responsible for the preparation and fair presentation of the half yearly financial report in accordance with the Corporations Act 2001 and AASB134: Interim Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half yearly 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.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half yearly financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting. As the auditor of Westlawn Finance Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half yearly financial reports consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

**Lismore**

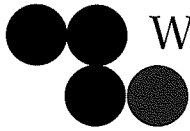
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WHK Rutherfords

INDEPENDENT AUDITORS' REVIEW REPORT  
TO THE MEMBERS OF  
WESTLAWN FINANCE LIMITED AND CONTROLLED ENTITIES

ABN 19 096 725 218

*Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half yearly financial report of Westlawn Finance Limited and Controlled Entities does not present fairly, in all material respects, the financial position of Westlawn Finance Limited and Controlled Entities as at 31 December 2009, and of its financial performance and its cash flow for the six months ended on that date, in accordance with the Corporations Act 2001 and AASB 134: Interim Financial Reporting.

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24 Queen Street  
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K N Rushforth  
Registered Company Auditor (ASIC RAN 4367)

Dated 16 March 2010

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**INDEPENDENT AUDITORS' ASSURANCE REVIEW REPORT  
IN RELATION TO THE BENCHMARK INFORMATION TO  
THE TRUSTEE FOR NOTE HOLDERS OF WESTLAWN FINANCE LIMITED  
ABN 19096725218**

**Scope**

This report has been prepared for Westlawn Finance Limited ("the Entity") to report to the trustee for note holders and the Australian Securities and Investments Commission ("ASIC").

This report is intended for limited circulation and should not be provided to persons other than the trustee and ASIC without our consent.

We have:

- (a) audited the design and operating effectiveness of certain internal controls over the benchmark information appearing in the Prospectus dated 28 November 2008 (and Supplementary Prospectus dated 18 February 2009 and 20 March 2009); Prospectus dated 20 November 2009 and Quarterly Reports lodged with the Australian Securities and Investment Commission ("the Benchmark Information") covering the period 1 July 2009 to 31 December 2009 to support the opinion below; and
- (b) reviewed the disclosure of certain Benchmark Information to support the conclusion below.

**Directors' responsibilities**

The directors of the Entity are responsible for the preparation and presentation of the Benchmark Information. The directors are also responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Benchmark Information, and for monitoring compliance with the benchmarks.

**Auditor's responsibilities**

*Audit of controls over benchmarks*

Our responsibility is to express an opinion on the adequacy of design and operating effectiveness of the internal controls in relation to the equity ratio of the Entity (being the ratio of total equity to the sum of total equity and liabilities), cash flow projections of the Entity and lending by the Entity that are relevant to achieving the control objectives in the opinion below.

Our procedures have been conducted in accordance with applicable Standards on Assurance Engagements issued by the Auditing and Assurance Standards Board. The Standards on Assurance Engagements require that we comply with the relevant ethical requirements relating to assurance engagements and plan and perform the audit to obtain reasonable assurance whether the internal controls have been designed and operated effectively to achieve the control objectives in the opinion below. Our procedures have been undertaken to form an opinion whether in all material respects, the internal controls in relation to the equity ratio of the Entity, cash flow projections of the Entity and lending by the Entity were adequately designed and operated effectively to support the opinion below.

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Because of the inherent limitations of any internal control structure it is possible that fraud or errors may occur and not be detected. We have not audited the overall internal control structure and no opinion is expressed as to its effectiveness. An audit is not designed to detect all weaknesses in control procedures or all instances of noncompliance as it is not performed continuously throughout the period and the tests performed are on a sample basis having regard to the nature and size of the Entity.

Any projection of the evaluation of internal control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

*Review of benchmarks*

Our responsibility is to express a conclusion on certain disclosures in relation to the rollover approach, the existence of a credit rating, on lending of funds and the value of property security, based on a review. We conducted our review in accordance with applicable Standards on Assurance Engagements, except for the effect of events occurring after 31 December 2009 up to the date of this report have not been considered. Our review was conducted, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the matters specified in the conclusion below are not in accordance with the relevant paragraphs of ASIC Regulatory Guide 69 *Debentures – improving disclosure for retail investors* ("RG 69") (RG 69 Issued October 2007 and reissued 29 August 2008)

A review is limited primarily to inquiries of company personnel, review of documented policies, and analytical procedures applied to relevant financial data. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the matters that are subject to a review.

**Opinion on controls**

In our opinion, in all material respects, the internal controls of the Entity were adequately designed and operated effectively during the period from 1 July 2009 to 31 December 2009 to achieve the control objectives below:

- (a) The equity ratio of the Entity was appropriately monitored and instances where the ratio was less than 20% or 8% as appropriate were identified and reported to the directors;
- (b) The Entity had at all times a cash flow projection covering at least the following 3 months in accordance with RG 69.38;
- (c) The Entity had calculated the cash flow projections referred to in (b) on the basis of the assumptions the entity adopted for those projections;

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- (d) Minimum loan to valuation ratios of 70% of the latest "as if complete" valuation where the loan relates to development property and 80% of the latest market valuation for other loans were not met in all instances as higher loan to valuation ratios exist in some instances where the borrower has appropriate asset backing which can be used as additional security; and
- (e) Loans to property developers were only provided in stages based on external evidence of progress of the development.

**Review conclusion**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- (a) The disclosure of:
  - (i) The rollover approach in the Benchmark Information;
  - (ii) Where the Entity on-lends funds, policies and other information provided in the Benchmark Information in relation to loans and lending (including lending to related parties); and
  - (iii) Where the Entity lent money for property-related activities, policies and other information provided in the Benchmark Information in relation to the value of property security,

were not presented, in all material respects, in accordance with RG 69.45, RG 69.58- RG 69.60 and RG 69.68; and

- (b) The Entity does not have a current credit rating by an ASIC recognised ratings agency in accordance with RG 69.49 as disclosed in the Prospectus dated 28 November 2008 (and Supplementary Prospectus dated 18 February 2009 and 20 March 2009) and Prospectus dated 20 November 2009.



Kenneth Neil Rushforth  
Registered Company Auditor (ASIC RAN 4367)  
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Dated 16 March 2010

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