



2010 ANNUAL REPORT

**22 Queen Street
GRAFTON NSW**

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DIRECTORS' REPORT
For the year ended 30 June 2010

The directors of Westlawn Finance Limited ("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 2010.

1. Directors

The following statutory information is provided about the directors in office at any time during or since the end of the financial year: -

<u>Name</u>	<u>Qualifications and experience</u>
Michael James Dougherty	Finance Accountant – 17 years experience Financier since 1966 Hotelier – more than 20 years experience Holder of Australian Financial Services Licence Westlawn Group since 1972
James William Dougherty	Bachelor of Economics – 1974 Diploma of Financial Management – 1975 Chartered Accountant since 1978 Licensed Real Estate Agent since 1983 Westlawn Group since 1993
Mark Charles Dougherty	Bachelor of Business – 1984 Company Accountant – 9 years experience Westlawn Group since 1996
Geoffrey Dean Scofield	Certificate IV in Financial Services Banking & Finance – more than 25 years experience Financier since 1985 Westlawn Group since 1994 Mortgage Industry Accredited
Geoffrey Richard Hodgkinson	Bachelor of Economics – 1967 Fellow of CPA Australia – Admitted 1974 Banking & Finance – more than 25 years experience Non-Executive Director since 2001

Directors holding special responsibilities are: -

Michael Dougherty is Chairman of the Company and Geoff Scofield is the General Manager – Finance.

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.

Directors indirectly have an interest in the whole of the issued capital of the Company. Michael James Dougherty and Robyn Fae Dougherty jointly hold 3,100 fully paid ordinary shares in Westlawn Holdings Pty Ltd. James William Dougherty is a beneficiary of the W M Dougherty Family Trust, which beneficially holds 3,100 fully paid ordinary shares in Westlawn Holdings Pty Ltd. Mark Charles Dougherty is a beneficiary of the P R Dougherty Family Trust, which beneficially holds 2,600 fully paid ordinary shares in Westlawn Holdings Pty Ltd. Mark Charles Dougherty is a beneficiary of the M C Dougherty Family Trust, which beneficially holds 500 fully paid ordinary shares in Westlawn Holdings Pty Ltd.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2010

2. Company secretary

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

<u>Name</u>	<u>Qualifications and Experience</u>
Mr Andrew Harry Hayes	Bachelor of Business – 1992 ICAA - Chartered Accountant since 1994 Graduate Diploma in Financial Planning Registered Company Auditor since 1995 Fellow of Taxation Institute of Australia since 1995 Registered Tax Agent since 1997 ICAA Certificate of Public Practice since 1999 Westlawn Group since 2007

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.

4. Operating results

The profit before tax for the consolidated group for the year amounted to \$2,352,241 (2009: loss \$664,436).

After deduction of income tax expense of \$671,928 (2009: tax credit \$41,135), the operating profit after income tax for the consolidated group for the year was \$1,680,313 (2009: loss \$623,301).

5. Dividends

During the year the Company paid a dividend totalling \$100,000 to the holders of redeemable preference shares in accordance with the terms of issue.

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 \$2,046,119 for the year. This return to profitability was primarily due to an improvement in gross margins, the level of bad and doubtful debts, and a focus on reducing costs. 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 \$306,122 for the year.

7. 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.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2010

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	11	11
James William Dougherty	11	11
Mark Charles Dougherty	11	11
Geoffrey Richard Hodgkinson	11	10
Geoffrey Dean Scofield	11	11

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. Future developments

Given the uncertainty in global markets and world economies, the directors remain cautious about growth prospects for the 2011 financial year. The directors will continue to closely monitor costs and interest margins, whilst maintaining prudent levels of liquidity.

11. 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.

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.

DIRECTORS' REPORT (continued)
For the year ended 30 June 2010

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. 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.

17. 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.

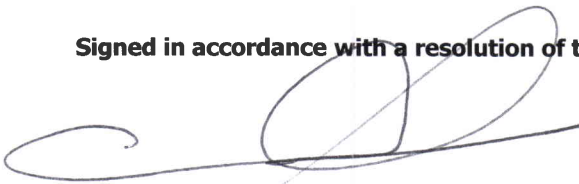
ASIC has developed 8 benchmarks that can help investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them. Issuers of unlisted debentures are required to address the benchmarks in their disclosures on an 'if not, why not' basis and ensure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

18. 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.

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



Michael James Dougherty
Chairman

Dated: 29th September 2010



**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 2010 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

Kenneth Neil Rushforth
Registered Company Auditor (ASIC Number 4367)
WHK Rutherfords
24 Queen Street
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Dated 30 September 2010

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STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Interest revenue	2	14,670,372	15,736,453	14,629,951	15,748,495
Other operating revenue	2	3,868,811	4,153,285	1,590,902	1,819,374
Total revenue	2	18,539,183	19,889,738	16,220,853	17,567,869
Interest expense		(8,328,036)	(10,420,430)	(8,328,036)	(10,420,430)
Depreciation and amortisation expense		(407,681)	(545,752)	(332,845)	(412,356)
Employee benefits expense		(4,188,261)	(4,893,492)	(3,044,154)	(3,230,148)
Other expenses		(3,262,964)	(4,694,500)	(2,469,699)	(3,590,401)
Total expenses	2	(16,186,942)	(20,554,174)	(14,174,734)	(17,653,335)
Profit / (loss) before income tax		2,352,241	(664,436)	2,046,119	(85,466)
Income tax (expense)/credit	4	(671,928)	41,135	(579,968)	33,297
Profit / (loss) for the year		1,680,313	(623,301)	1,466,151	(52,169)
Profit / (loss) attributable to:					
Members of the parent entity		1,679,510	(616,466)	1,466,151	(52,169)
Non-controlling interest		803	(6,835)	-	-
		1,680,313	(623,301)	1,466,151	(52,169)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	5	24,702,157	25,424,337	22,654,722	24,936,648
Financial assets	6	6,368,142	776,336	6,367,142	775,336
Trade and other receivables	7	277,366	576,381	163,313	400,076
Current tax assets	12	85,995	199,759	82,665	176,317
Investments in controlled entities	8	-	-	1	2
Loans and advances	9	129,787,342	126,675,824	130,102,865	127,082,075
Property, plant and equipment	11	4,454,048	4,439,042	4,281,501	4,200,397
Deferred tax assets	12	1,068,798	1,649,097	991,997	1,574,800
Intangible assets	13	2,920,069	2,929,693	1,388,149	1,388,149
Total Assets		169,663,917	162,670,469	166,032,355	160,533,800
Liabilities					
Trade & other payables	14	3,066,780	2,466,342	1,133,104	1,789,558
Interest bearing liabilities	15	150,256,330	145,990,222	150,256,330	145,990,222
Current tax liabilities	16	-	-	-	-
Deferred tax liabilities	17	261,435	114,646	261,435	114,646
Provisions	18	698,343	736,761	526,077	588,334
Total Liabilities		154,282,888	149,307,971	152,176,946	148,482,760
Net Assets		15,381,029	13,362,498	13,855,409	12,051,040
Equity					
Issued capital	23	11,144,643	11,144,643	11,144,643	11,144,643
Reserves	24	687,409	317,095	687,409	317,095
Retained earnings		3,502,104	1,854,690	2,023,357	589,302
Total parent entity interest		15,334,156	13,316,428	13,855,409	12,051,040
Minority equity interest		46,873	46,070	-	-
Total equity		15,381,029	13,362,498	13,855,409	12,051,040
Contingent liabilities	29				

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

	\$	\$	\$	\$	\$
Note	Share capital	Asset revaluation reserve	Retained earnings	Minority equity interests	Total
Consolidated					
Balance at 1 July 2008	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	-	-	-	-	-
Balance at 30 June 2009	11,144,643	317,095	1,854,690	46,070	13,362,498
Balance at 1 July 2009	11,144,643	317,095	1,854,690	46,070	13,362,498
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
Parent Entity					
Balance at 1 July 2008	10,094,643	317,095	877,015	-	11,288,753
Shares issued during the year	1,050,000	-	-	-	1,050,000
Loss attributable to members of the parent entity	-	-	(52,169)	-	(52,169)
Revaluation decrement	-	-	(235,544)	-	(235,544)
Sub-total	11,144,643	317,095	589,302	-	12,051,040
Dividends provided for or paid	-	-	-	-	-
Balance at 30 June 2009	11,144,643	317,095	589,302	-	12,051,040
Balance at 1 July 2009	11,144,643	317,095	589,302	-	12,051,040
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	2,123,357	-	13,955,409
Dividends provided for or paid	-	-	(100,000)	-	(100,000)
Balance at 30 June 2010	11,144,643	687,409	2,023,357	-	13,855,409

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Note	Consolidated		Parent Entity	
		2010	2009	2010	2009
		\$	\$	\$	\$
Cash flows from operating activities					
Interest & rent received from external investments		14,717,472	15,872,624	14,699,251	15,925,064
Other receipts		3,722,016	4,054,183	1,318,771	1,560,422
Payments to suppliers & employees		(6,140,649)	(9,962,407)	(5,443,971)	(6,157,566)
Interest paid		(8,368,728)	(10,472,364)	(8,368,728)	(10,472,364)
Income taxes paid		22,135	198,725	96,487	244,358
Net cash provided by (used in) Operating activities	19	3,952,246	(309,239)	2,301,810	1,099,914
Cash flows from investing activities					
Net loans (advanced) repaid		(3,497,138)	11,521,777	(3,406,410)	10,092,238
Proceeds from sale of plant & equipment		314,012	89,468	308,103	71,286
Proceeds from sale of investments		5,232	-	5,232	-
Dividends received		89,056	74,417	89,056	74,417
Payment for land & buildings, licences & goodwill		9,623	(653,328)	-	(31,624)
Payment for plant & equipment, & leasehold improvements		(302,009)	(549,246)	(286,515)	(401,311)
Payment for investments		(5,500,000)	(4,930)	(5,500,000)	(4,930)
Net cash provided by (used in) investing activities		(8,881,224)	10,478,158	(8,790,534)	9,800,076
Cash flows from financing activities					
Proceeds from issue of shares		-	1,102,905	-	1,050,000
Net increase in unsecured notes		4,306,798	3,725,615	4,306,798	3,725,621
Dividend paid		(100,000)	-	(100,000)	-
Net cash provided by (used in) financing activities		4,206,798	4,828,520	4,206,798	4,775,621
Net increase (decrease) in cash held		(722,180)	14,997,439	(2,281,926)	15,675,611
Cash disposed of with subsidiary		-	(71,213)	-	-
Cash at the beginning of financial year		25,424,337	10,498,111	24,936,648	9,261,037
Cash at the end of the financial year	19	24,702,157	25,424,337	22,654,722	24,936,648

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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.

The financial report should be read in conjunction with Westlawn's Prospectus No. 10 dated 20 November 2009 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 2010

(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 as 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 2010

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 2010

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
For the year ended 30 June 2010

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 2010

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

(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 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

(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).

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

(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 2010 are amounts due from various customers totalling \$130,992,145. The directors believe that not all of these loans are fully recoverable and accordingly a provision for impairment totalling \$1,204,803 has been made at 30 June 2010. Refer to section (f) above for the detailed accounting policy on the provision for impaired assets.

(s) **Adoption of new and revised accounting standards**

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Westlawn.

AASB 101: Presentation of financial statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. It is anticipated that these standards will not have any material impact on the Group's financial statements in future periods.

(t) Date of authorisation for issue

The financial report was authorised for issue on 29 September 2010 by the board of directors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
2. Operating revenue and expenses				
Operating profit before tax comprises: -				
Interest revenue				
Cash at bank	472,920	363,183	409,356	300,554
Deposits at call & cash equivalent assets	653,198	482,478	653,198	482,478
Controlled entities	-	-	23,143	74,671
Loans and advances	13,544,254	14,890,792	13,544,254	14,890,792
	<u>14,670,372</u>	<u>15,736,453</u>	<u>14,629,951</u>	<u>15,748,495</u>
Other operating revenue				
Dividends received	89,056	74,417	89,056	74,417
Bad debts recovered	3,564	9,901	3,564	9,901
Rental income	115,396	59,364	183,044	184,230
Profit on sale of plant & equipment	-	304	-	304
Profit on sale of financial assets	32	-	32	-
Administration fees	266,157	512,722	288,357	548,692
Fee and commission revenue	3,333,862	3,423,586	1,010,083	965,315
Other sundry revenue	60,744	72,991	16,766	36,515
	<u>3,868,811</u>	<u>4,153,285</u>	<u>1,590,902</u>	<u>1,819,374</u>
Total operating revenue	<u>18,539,183</u>	<u>19,889,738</u>	<u>16,220,853</u>	<u>17,567,869</u>
Operating expenses				
Interest paid – other parties	8,328,036	10,420,430	8,328,036	10,420,430
Depreciation	393,161	524,383	318,325	390,987
Amortisation				
Leasehold improvements	14,520	21,369	14,520	21,369
Auditors' remuneration				
Auditing or reviewing the financial report	74,561	67,845	67,707	56,680
Other services	-	5,000	-	5,000
Bad debts written off	1,090,551	569,128	1,090,551	569,128
Provisions for employee entitlements				
Annual leave	10,087	51,550	(3,970)	18,713
Long service leave	(48,501)	24,366	(58,284)	7,669
Impairment of loans and advances	(591,184)	803,040	(591,184)	803,040
Fees and commissions paid	81,237	74,012	52,884	62,174
Other employee benefit expenses	4,188,261	4,893,492	3,044,154	3,230,148
Loss on sale of plant & equipment	53,309	40,735	52,463	36,256
Loss on sale of subsidiaries	-	11,868	-	-
Other operating expenses	2,592,904	3,046,956	1,859,532	2,031,741
Total operating expenses	<u>16,186,942</u>	<u>20,554,174</u>	<u>14,174,734</u>	<u>17,653,335</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 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	<u>127,535,348</u>	<u>13,544,254</u>	<u>10.6</u>
	<u>151,910,908</u>	<u>14,670,372</u>	<u>9.7</u>
<i>Interest expense 2010</i>			
Unsecured notes	<u>143,971,525</u>	<u>8,328,036</u>	<u>5.8</u>
<i>Interest revenue 2009</i>			
Cash at bank	19,114,895	363,183	1.9
Cash equivalents assets	7,125,056	482,478	6.8
Loans and advances	<u>135,043,746</u>	<u>14,890,792</u>	<u>10.9</u>
	<u>161,283,697</u>	<u>15,736,453</u>	<u>9.8</u>
<i>Interest expense 2009</i>			
Unsecured notes	<u>144,240,869</u>	<u>10,420,430</u>	<u>7.2</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
4. Income tax				
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows: -				
Prima facie income tax payable on (receivable) on operating profit at 30% (2009: 30%)	705,672	(199,331)	613,836	(25,640)
Less:				
Tax effect of:				
Depreciation deductible on buildings	7,456	7,219	7,456	7,219
Imputation credits from dividend income	31,262	20,094	31,262	20,094
Other sundry items	-	3,385	-	-
	38,718	30,698	38,718	27,313
Add:				
Tax effect of:				
Entertainment expenses	1,845	3,256	1,722	3,029
Depreciation of buildings	16,526	16,430	16,526	16,430
Gross-up of dividend income	9,379	6,028	9,379	6,028
Other sundry items	363	4,058	363	497
	28,113	29,772	27,990	25,984
	695,067	(200,257)	603,108	(26,969)
Add/(less):				
Utilised tax losses of prior year	(20,304)	-	(20,305)	-
Unutilised losses in controlled entities	-	165,451	-	-
Over provision in prior year	(2,835)	(6,329)	(2,835)	(6,328)
Total income tax expense / (credit)	671,928	(41,135)	579,968	(33,297)
The components of tax expense comprise:				
Current year tax	94,464	33,388	-	2,835
Deferred tax asset	580,299	(68,194)	582,803	(29,804)
Over provision in prior year	(2,835)	(6,329)	(2,835)	(6,328)
	671,928	(41,135)	579,968	(33,297)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
5. Cash and cash equivalents				
Cash on hand	34,950	32,950	33,600	31,600
Cash at bank	17,104,700	20,280,429	15,058,615	19,794,090
Deposits at call & cash-equivalent assets	7,562,507	5,110,958	7,562,507	5,110,958
	24,702,157	25,424,337	22,654,722	24,936,648
6. Financial assets				
Available-for-sale financial assets				
Shares in listed companies	666,737	583,366	666,737	583,366
Shares in unlisted companies	3,001,000	1,000	3,000,000	-
Units in listed unit trusts	200,405	191,970	200,405	191,970
Units in unlisted unit trusts	2,500,000	-	2,500,000	-
	6,368,142	776,336	6,367,142	775,336
7. Trade and other receivables				
Trade debtors	104,476	145,420	-	-
Other debtors and prepayments	172,890	430,961	163,313	400,076
	277,366	576,381	163,313	400,076
8. Investments in controlled entities				
Shares in controlled entities – at cost	-	-	1	2
	-	-	1	2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
9. Loans and advances				
Finance leases	8,089,537	12,627,600	8,089,537	12,627,600
Hire purchase	3,070	15,973	3,070	15,973
Insurance premium funding	607,750	619,731	607,750	619,731
Consumer loans				
Secured	16,731,616	17,959,283	16,731,616	17,959,283
Unsecured	2,048,202	2,582,635	2,048,202	2,582,635
Business loans				
Secured	17,930,288	19,129,306	17,930,288	19,129,306
Unsecured	1,566,192	1,600,059	1,566,192	1,600,059
Mortgage loans	465,647	1,365,625	465,647	1,365,625
Advances	75,533,253	68,892,584	75,848,776	69,298,835
Floor plans	7,070,772	3,367,435	7,070,772	3,367,435
Other finance receivables	1,801,423	1,753,391	1,801,423	1,753,391
Gross loans and advances	131,847,750	129,913,622	132,163,273	130,319,873
Less: -				
Unearned revenue	(855,605)	(1,395,646)	(855,605)	(1,395,646)
	130,992,145	128,517,976	131,307,668	128,924,227
Less: -				
Provisions for impairment	(1,204,803)	(1,842,152)	(1,204,803)	(1,842,152)
Net loans and advances	129,787,342	126,675,824	130,102,865	127,082,075

10. Provisions for impairment

Opening balance	1,842,152	1,039,112	1,842,152	1,039,112
Bad debts written off directly against the provision	(46,165)	-	(46,165)	-
Charge/(credit) against profit and loss account	(591,184)	803,040	(591,184)	803,040
Closing balance	1,204,803	1,842,152	1,204,803	1,842,152
Bad and doubtful debts expense				
Provisions for impairment	(591,184)	803,040	(591,184)	803,040
Bad debts written off	1,090,551	569,128	1,090,551	569,128
	499,367	1,372,168	499,367	1,372,168

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
11. Property, plant & equipment				
Freehold land				
- At valuation ¹	880,000	-	880,000	-
- At valuation ²	-	885,000	-	885,000
	880,000	885,000	880,000	885,000
Buildings				
- At valuation ¹	2,550,000	-	2,550,000	-
- At valuation ²	-	2,150,000	-	2,150,000
- At cost	-	65,890	-	65,890
Less: - accumulated depreciation	-	(103,808)	-	(103,808)
	2,550,000	2,112,082	2,550,000	2,112,082
Leasehold improvements				
- At cost	220,562	244,335	220,562	244,335
Less: - accumulated amortisation	(154,457)	(149,566)	(154,457)	(149,566)
	66,105	94,769	66,105	94,769
Plant & equipment				
- At cost	3,019,240	3,307,334	2,548,486	2,837,048
Less: - accumulated depreciation	(2,061,297)	(1,960,143)	(1,763,090)	(1,728,502)
	957,943	1,347,191	785,396	1,108,546
Total property, plant & equipment	4,454,048	4,439,042	4,281,501	4,200,397

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 2007. 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.

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	Freehold	Buildings	Leasehold	Plant &	Total
	Land		improve- ments	Equipment	
	\$	\$	\$	\$	\$
Carrying amount at 1 July 2009	885,000	2,112,082	94,769	1,347,191	4,439,042
Additions	-	-	-	302,009	302,009
Disposals	-	-	(14,144)	(221,640)	(235,784)
Depreciation/amortisation	-	(55,085)	(14,520)	(469,617)	(539,222)
Fair value adjustments	(5,000)	493,003	-	-	488,003
Carrying amount at 30 June 2010	880,000	2,550,000	66,105	957,943	4,454,048

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 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
12. Tax assets				
<i>Current tax assets</i>				
Income tax receivable	85,995	199,759	82,665	176,317
<i>Deferred tax assets</i>				
Deferred tax assets	1,068,798	1,649,097	991,997	1,574,800
13. Intangible assets				
Goodwill - at cost	2,920,069	2,929,693	1,388,149	1,388,149
Less: - accumulated impairment losses	-	-	-	-
	2,920,069	2,929,693	1,388,149	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	2,929,693	3,447,839	1,388,149	1,388,149
Additions	-	621,704	-	-
Disposals	(9,624)	(1,139,850)	-	-
Closing carrying value at the end of the year	2,920,069	2,929,693	1,388,149	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	3,066,780	2,466,342	1,133,104	1,789,558
15. Interest bearing liabilities				
At call unsecured notes	20,783,721	18,114,332	20,783,721	18,114,332
Term unsecured notes	129,472,609	127,875,890	129,472,609	127,875,890
	150,256,330	145,990,222	150,256,330	145,990,222

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 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
16. Current tax liabilities				
Income tax payable	-	-	-	-
17. Deferred tax liabilities				
Deferred income tax	261,435	114,646	261,435	114,646
18. Provisions				
Dividends	-	-	-	-
Employee entitlements				
Annual leave	380,563	370,477	291,728	295,699
Long service leave	317,780	366,284	234,349	292,635
	698,343	736,761	526,077	588,334
Aggregate number of employees as at the reporting date	72	68	53	52

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 2009	-	370,477	366,284	736,761
Additional provisions raised	-	10,086	-	10,086
Amounts used	-	-	(48,504)	(48,504)
Carrying amount at 30 June 2010	-	380,563	317,780	698,343

Reconciliation of provision movements

Parent entity

	Dividends	Annual Leave	Long service Leave	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2008	-	295,699	292,635	588,334
Additional provisions raised	-	-	-	-
Amounts used	-	(3,971)	(58,286)	(62,257)
Carrying amount at 30 June 2009	-	291,728	234,349	526,077

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
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	34,950	32,950	33,600	31,600
Cash at bank	17,104,700	20,280,429	15,058,615	19,794,090
Deposits at call & cash equivalents	7,562,507	5,110,958	7,562,507	5,110,958
Bank overdraft	-	-	-	-
	24,702,157	25,424,337	22,654,722	24,936,648
Reconciliation of cash flow from operations with profit after tax				
Profit after income tax	1,680,313	(623,301)	1,466,151	(52,169)
Non-cash flows in profit: -				
Net loss on sale of non-current assets	53,278	52,300	52,432	35,953
Amortisation and depreciation	407,680	545,753	332,844	412,357
Bad debts written off	1,090,551	569,128	1,090,551	569,128
Amounts provided (written back) for doubtful debts	(591,184)	803,040	(591,184)	803,040
Amounts provided (written back) for employee entitlements	(38,415)	75,917	(62,254)	26,382
Add/(less) items classified as investing/financing activities: -				
Dividends received	(89,056)	(74,417)	(89,056)	(74,417)
Changes in assets & liabilities: -				
Decrease (increase) in trade debtors	35,488	(987)	-	-
Decrease (increase) in other receivables	263,527	(216,378)	236,763	(177,480)
Decrease (increase) in accrued income	(113,745)	(7,660)	(113,745)	(7,660)
Increase (decrease) in accrued interest payable	(40,691)	(51,935)	(40,691)	(51,935)
Increase (decrease) in sundry creditors	600,437	(1,538,289)	(656,455)	(594,346)
Increase (decrease) in provision for tax	113,764	225,783	93,651	240,864
Increase (decrease) in deferred taxes payable	580,299	(68,193)	582,803	(29,803)
Net cash provided by operating activities	3,952,246	(309,239)	2,301,810	1,099,914

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$

20. Investments in controlled entities

a) Directly controlled by Westlawn Finance Limited

Name	Country of Incorporation	% owned		Investment at cost	
		2010	2009	2010	2009
Westlawn Insurance Brokers P/L	Australia	100%	100%	1	1
Westlawn Insurance Brokers (Coffs) P/L	Australia	100%	100%	1	1

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

	2010	2009
	\$	\$
Westlawn Finance Limited	1,466,151	(64,037)
Westlawn Insurance Brokers Pty Ltd	206,133	44,493
Westlawn Insurance Brokers (Coffs) Pty Ltd	8,029	(68,345)
Westlawn Financial Planning Pty Ltd	-	(381,674)
Westlawn Financial Planning Coffs Harbour Pty Ltd	-	(153,738)
	1,680,313	(623,301)

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 G R Hodgkinson	Director – Non-Executive

Other key management

Mr A H Hayes	Company Secretary and Chief Financial Officer
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 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$

(b) Key management remuneration

2010 Short-term benefits	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>	-	-	39,801	529,498
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>	-	30,353	533,031
	<u>808,403</u>	<u>131,525</u>	<u>52,447</u>	-	70,154	1,062,529

2009 Short-term benefits	Salary, fees & commissions	Super- annuation contributions	Cash bonus	Termination benefits	Non- cash benefits	Total
Mr M J Dougherty	-	80,115	-	-	23,658	103,773
Mr J W Dougherty	85,317	7,663	-	-	9,297	102,277
Mr M C Dougherty	140,869	18,453	-	-	22,392	181,714
Mr G D Scofield	124,098	21,181	-	-	4,371	149,650
Mr P T Smyth	-	-	-	-	9,229	9,229
Mr G R Hodgkinson	-	64,583	-	-	-	64,583
	<u>350,284</u>	<u>191,995</u>	-	-	68,947	611,226
Mr A H Hayes	81,051	7,376	-	-	-	88,427
Mr D P Kelly	59,424	8,032	-	-	7,779	75,235
Mr C J Dougherty	96,463	9,798	12,977	-	11,805	131,043
Mr S C Middleton	85,052	7,490	-	-	8,052	100,594
Mr B L Smith	78,140	6,939	-	-	6,516	91,595
	<u>400,130</u>	<u>39,635</u>	<u>12,977</u>	-	34,152	486,894
	<u>750,414</u>	<u>231,630</u>	<u>12,977</u>	-	103,099	1,098,120

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 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$

(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 1.7.2009	Received as remuneration	Options exercised	Net change other	Balance 30.6.2010
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

Redeemable preference shares

Fully franked dividend of 9.52 (2009: nil) cents per share franked at the rate of 30% (2009: 30%)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total dividends provided for or paid	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

Franking credits available for the subsequent financial year (at 30%)	<u>2,302,344</u>	<u>2,148,258</u>	<u>1,639,372</u>	<u>1,653,592</u>
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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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
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.

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	2,782,687	2,317,110	2,782,687	2,317,110
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Loans repaid by

Directors and related parties	2,993,972	1,339,514	2,993,972	1,339,514
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Interest revenue on loans included in operating profit before income tax

	354,939	364,854	354,939	364,854
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The aggregate amounts brought to account in respect of amounts payable to directors and relatives are disclosed in Note 33 to the accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$

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	
		2010	2009	2010	2009
Westlawn Finance Limited	Australia	100%	100%	10,094,643	10,094,643
Westlawn Insurance Brokers P/L	Australia	100%	100%	1	1
Westlawn Insurance Brokers (Coffs) P/L	Australia	90%	90%	1	1
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	30,000

Loans advanced to

Westlawn Holdings Pty Ltd	2,912,412	180,000	2,912,412	180,000
Subsidiaries of Westlawn Holdings Pty Ltd	246,785	642,147	246,785	642,147
Associates of Westlawn Holdings Pty Ltd	500,000	-	500,000	-
Total loans advanced	3,659,197	822,147	3,659,197	822,147

Loans repaid by

Westlawn Holdings Pty Ltd	1,440,500	80,872	1,440,500	80,872
Subsidiaries of Westlawn Holdings Pty Ltd	3,076,658	399,727	3,076,658	399,727
Total loans repaid	4,517,158	480,599	4,517,158	480,599

Interest revenue on loans included in profit before income tax paid by

Westlawn Holdings Pty Ltd	628,014	571,361	628,014	571,361
Subsidiaries of Westlawn Holdings Pty Ltd	213,526	364,489	213,526	364,489
Associates of Westlawn Holdings Pty Ltd	6,926	-	6,926	-
Total interest revenue	848,466	935,850	848,466	935,850

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$

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 10.50% to 11.50% pa as at 30/6/2010). 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 9.50% pa and 12.6% 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 9.75% 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.

	Balance 1/7 \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance 30/6 \$	Number in group 30/6
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
Year ended 30/6/2009						
Directors & related parties	2,205,756	364,854	8,932	-	3,535,445	18
Other key management	81,819	12,360	813	-	150,013	2
Total	2,287,575	377,214	9,745	-	3,685,458	20

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity			
	2010	2009	2010	2009		
	\$	\$	\$	\$		
Loans above \$100,000 in reporting period						
	Balance 1/7/09 \$	Interest charged \$	Interest not charged \$	Write-off \$	Balance 30/6/10 \$	Highest in period
Directors & related parties						
A G Dougherty	152,138	15,441	764	-	152,200	153,486
Abmarla Pty Ltd	375,180	47,370	-	-	510,161	515,125
Valla Beach Estate Pty Ltd	1,090,418	122,721	-	-	1,039,307	1,090,418
Palisma Pty Ltd	190,595	18,920	951	-	187,706	190,595
Doufield Pty Ltd	105,670	10,075	517	-	99,745	106,263
Westlawn Business Services Pty Ltd	156,097	12,260	-	-	12,260	157,423
Farlmat Pty Ltd	338,915	30,827	1,468	-	250,024	338,915
Buncranen Pty Ltd	347,482	3,652	187	-	-	351,133
P & A Commerford	269,414	25,976	1,286	-	299,826	299,826
Coastal Homesites Pty Ltd	139,351	643	31	-	-	139,351
Coastal Homesites Pty Ltd	-	9,822	504	-	139,567	150,721
M T Dougherty	-	34,437	1,680	-	765,015	1,998,529
Other key management						
Nil						
Westlawn Holdings Pty Ltd						
Westlawn Holdings Pty Ltd	3,067,803	280,895	-	-	2,834,749	3,067,803
Westlawn Holdings Pty Ltd	2,227,315	162,116	-	-	1,662,116	2,227,315
Westlawn Holdings Pty Ltd	466,772	70,332	-	-	975,367	1,037,664
Westlawn Holdings Pty Ltd	-	114,670	-	-	2,389,586	2,389,586
Subsidiaries of Westlawn Holdings Pty Ltd						
Westlawn Properties Pty Ltd	2,721,807	102,841	-	-	-	2,744,878
Westlawn Financial Planning Pty Ltd	83,914	8,587	-	-	143,150	143,150
Westlawn Financial Planning Coffs Harbour Pty Ltd	1,308,432	102,098	-	-	1,354,657	1,403,354
Associates of Westlawn Holdings Pty Ltd						
Clarence Property Corporation Limited	-	6,926	-	-	506,926	506,926

27. Standby arrangements and credit facilities

The consolidated group has approval, subject to annual review, to a secured credit facility as follows : -

Standby Liquidity Facility ¹	8,000,000	8,000,000	8,000,000	8,000,000
Amount of facilities used	-	-	-	-
Amount of facilities unused	8,000,000	8,000,000	8,000,000	8,000,000

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

The carrying amount of assets pledged as security are:

169,663,918	162,670,468	166,032,355	160,533,800
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Note 1 – This facility will reduce to;

- i. \$6,000,000 from 1 December 2010 up to 31 January 2011,
- ii. \$4,000,000 from 1 February 2011 up to 31 March 2011, and
- iii. terminate as of 31 March 2011.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
<hr/>				
28. Lease commitments receivable				
The aggregate amount of finance leases receivable are due as follows :				
Receivable no later than 3 months	1,982,107	3,068,449	1,982,107	3,068,449
Receivable later than 3 months, not later than 12 months	2,772,613	4,366,223	2,772,613	4,366,223
Receivable later than 1 year, not later than five years	3,334,817	5,192,928	3,334,817	5,192,928
Total Receivable	<u>8,089,537</u>	12,627,600	<u>8,089,537</u>	12,627,600
Future Finance Charges	<u>(817,980)</u>	(1,362,517)	<u>(817,980)</u>	(1,362,517)
Net Receivable	<u>7,271,557</u>	11,265,083	<u>7,271,557</u>	11,265,083

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

	2010	2009
	\$	\$
The Company	-	-
Related parties	504,764	551,264
External parties	330,851	1,228,889
Total guarantees	<u>835,615</u>	1,780,153

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated		Parent Entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
31. Capital & other expenditure commitments				
Total capital expenditure contracted for at balance date but not recognised in the financial statements: -				
There were no commitments as at the end of the year.	-	-	-	-
	-	-	-	-
Other expenditure commitments contracted for but not recognised in the financial statements :				
Payable within 12 months	238,780	-	238,780	-
Payable later than 1 year, not later than five years	146,340	-	146,340	-
Total payable	385,120	-	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 predominantly 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 2010

33. Maturity analysis

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	-	17,402,506	42,560,799	63,671,504	286,565	7,070,772	130,992,146
	24,702,157	17,679,872	42,560,799	63,671,504	286,565	13,438,914	162,339,811
Liabilities							
Trade & other payables	-	-	3,066,780	-	-	-	3,066,780
Unsecured notes	19,953,608	35,927,110	67,185,692	27,189,920	-	-	150,256,330
	19,953,608	35,927,110	70,252,472	27,189,920	-	-	153,323,110

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 in the above assets 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
	-	1,352,404	4,047,627	8,231,343	-	-	13,631,374

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	-	-	-	-	-	-	-
	4,606,360	-	1,127,362	-	-	-	5,733,722

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 \$
Assets							
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
	25,424,337	20,445,437	45,273,703	59,086,016	1,122,525	4,142,771	155,494,789
Liabilities							
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
	18,114,332	38,271,393	67,466,667	24,603,171	1,001	-	148,456,564

Note 10 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 in the above assets 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	-	-	2,227,315	3,534,576	-	-	5,761,891
Subsidiaries of the							
Ultimate parent entity	-	-	2,721,807	1,392,347	-	-	4,114,154
Directors & related parties	-	329,867	1,069,791	2,285,800	-	-	3,685,458
	-	329,867	6,018,913	7,212,723	-	-	13,561,503

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	3,423,465	-	2,585,615	21,624	-	-	6,030,704
Subsidiaries of the							
Ultimate parent entity	-	-	-	-	-	-	-
	3,423,465	-	2,585,615	21,624	-	-	6,030,704

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2010 approximately 46% 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 2010

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 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 2010

Consolidated 2009	Weighted average rate %	Floating interest rate \$	Fixed interest rate					Non-interest bearing \$	Total \$
			0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	Over 5 years \$	No maturity specified \$		
Assets									
Cash & cash equivalents	3.52	25,424,337	-	-	-	-	-	-	25,424,337
Financial assets			-	-	-	-	-	775,336	775,336
Trade & other receivables			-	-	-	-	-	577,381	577,381
Current tax assets			-	-	-	-	-	199,759	199,759
Loans & advances	10.53	68,878,764	6,566,600	15,161,629	34,243,427	300,121	3,367,435	(1,842,152)	126,675,824
Property, plant & equipment			-	-	-	-	-	4,439,042	4,439,042
Deferred tax assets			-	-	-	-	-	1,649,097	1,649,097
Intangible assets			-	-	-	-	-	2,929,693	2,929,693
Total Assets		94,303,101	6,566,600	15,161,629	34,243,427	300,121	3,367,435	8,728,156	162,670,469
Liabilities									
Trade & other payables			-	-	-	-	-	2,466,342	2,466,342
Interest bearing liabilities	6.04	18,114,332	35,805,051	67,466,667	24,603,171	1,001	-	-	145,990,222
Current tax liabilities			-	-	-	-	-	-	-
Deferred tax liabilities			-	-	-	-	-	114,646	114,646
Provisions			-	-	-	-	-	736,761	736,761
Total Liabilities		18,114,332	35,805,051	67,466,667	24,603,171	1,001	-	3,317,749	149,307,971
Total Equity									13,362,498
Net Mismatch		76,188,769	(29,238,451)	(52,305,038)	9,640,256	299,120	3,367,435	5,410,407	13,362,498
Cumulative Mismatch		76,188,769	46,950,318	(5,354,720)	4,285,536	4,584,656	7,952,091	13,362,498	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2010, 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	
	2010	2009	2010	2009
Change in net profit after tax				
Increase in interest rate by 1%	227,750	216,935	227,750	216,935
Decrease in interest rate by 1%	(227,750)	(216,935)	(227,750)	(216,935)
Change in equity				
Increase in interest rate by 1%	227,750	216,935	227,750	216,935
Decrease in interest rate by 1%	(227,750)	(216,935)	(227,750)	(216,935)

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 “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.

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 debentures 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 \$13.1m and represent 8.70% of total unsecured notes on issue as at 30 June 2010.

As at 30 June 2010, the Company had an equity ratio 9.07% (2009: 8.21%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

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 2010 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 2010

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

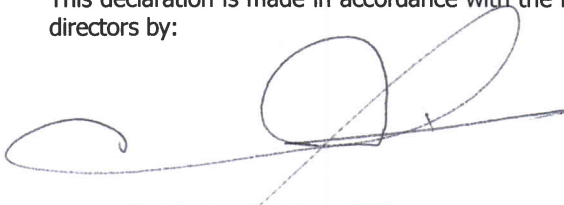
The registered office and principal place of business of the Company is:
22 Queen Street
Grafton NSW 2460

DIRECTORS' DECLARATION
For the year ended 30 June 2010

The directors of Westlawn Finance Limited declare that:

1. the financial statements and notes, as set out on pages 6 to 46, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, including International Financial Reporting Standards as issued by the International Accounting Standards Board, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated group;
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 the resolution of the Board of Directors and is signed for and on behalf of the directors by:



Michael James Dougherty
Chairman

GRAFTON: 29th September 2010

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

**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 2010, 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.

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

**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 2010 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 2010 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



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

Dated 30 September 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").

We have:

- (a) audited the design and operating effectiveness of certain internal controls over the benchmark information appearing in the Prospectus dated 20 November 2009 and lodged with the Australian Securities and Investment Commission ("the Benchmark Information") 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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**INDEPENDENT AUDITORS' ASSURANCE REVIEW REPORT
IN RELATION TO THE BENCHMARK INFORMATION TO
THE TRUSTEE FOR NOTE HOLDERS OF WESTLAWN FINANCE LIMITED
ABN 19096725218**

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. 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 30 June 2010 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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**INDEPENDENT AUDITORS' ASSURANCE REVIEW REPORT
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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 20 November 2009.



Kenneth Neil Rushforth
Registered Company Auditor (ASIC RAN 4367)
WHK Rutherfords
24 Queen Street
GRAFTON NSW 2460

Dated 30 September 2010

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