

Supplementary Prospectus

Westlawn Finance Limited ACN 096 725 218

This supplementary prospectus, prepared by Westlawn Finance Limited ACN 096 725 218 (**Westlawn**), is dated 15 March 2011 (**Supplementary Prospectus**) and was lodged with ASIC on the same date. This Supplementary Prospectus is intended to be read in conjunction with the prospectus issued by Westlawn on 29 November 2011 relating to the offer of unsecured notes issued by Westlawn and the supplementary prospectus issued on 17 January 2011.

ASIC takes no responsibility for the contents of this Supplementary Prospectus. Capitalised terms used in this Supplementary Prospectus have the same meaning as capitalised terms defined in the prospectus, unless indicated otherwise. The information below is intended to supplement and amend the information presently contained in the prospectus.

North State Finance Limited takeover bid completed

- 1 On 10 January 2011, Westlawn announced its intention to purchase all the shares on issue in North State Finance Limited ACN 003 959 126 (**NSF**) by way of a cash takeover bid and on 12 January 2011 Westlawn lodged a Bidder's Statement with ASIC.
- 2 NSF lodged a Target Statement with ASIC, on 21 January 2011, which included a unanimous recommendation by the directors of NSF that shareholders of NSF should accept the offer.
- 3 On 1 March 2011, the takeover was successfully completed with NSF becoming a wholly owned subsidiary of Westlawn.

Effect of takeover bid on Westlawn

- 4 The takeover consideration paid by Westlawn for the purchase of 4,505,719 fully-paid ordinary shares in NSF was \$7,704,779, which was funded from Westlawn's cash reserves.
- 5 Following the payment of dividends to NFS shareholders and completion of the offer, Westlawn subscribed for additional NSF shares by investing a further \$1,983,600 in NSF in order to recapitalise NSF.
- 6 The effect of payment of the takeover consideration and acquisition of the further NSF shares was to decrease Westlawn's cash reserves by \$9,688,379.

Appointment of Director

- 7 Robert Charles Avery was appointed a director of Westlawn on 2 March 2011.
- 8 Robert Avery was an inaugural director of NSF. He is a Fellow of the Australian Institute of Banking and Finance and a professional financier with 32 years experience in the finance industry. He is an expert in consumer credit and commercial transactions and a director of the Financiers' Association of Australia Limited.

Financial information

- 9 The financial information below has been prepared to illustrate the effect the takeover has had on Westlawn's financial results. This information is intended to supplement the historical financial information contained in section 7 of the prospectus.

- 10 The pro forma consolidated financial information has been prepared based upon the unaudited half year results of Westlawn and NSF as at 31 December 2010 and taking into account the effects of the acquisition of NSF by Westlawn.

Pro forma consolidated statement of financial position

| | Westlawn Unaudited six months as at 31.12.10 (\$) | NSF Unaudited six months as at 31.12.10 (\$) | Adjustments (\$) | Pro forma consolidated Unaudited six months as at 31.12.10 (\$) |
|-------------------------------------|---|--|---------------------|--|
| Assets | | | | |
| Cash and cash equivalents | 33,763,474 | 3,153,480 | (9,912,582) | 27,004,372 |
| Financial assets | 6,182,429 | 137,833 | - | 6,320,262 |
| Trade and other receivables | 477,579 | 16,594 | - | 494,173 |
| Loans and advances | 129,506,488 | 34,778,914 | - | 164,285,402 |
| Property, plant and equipment | 4,494,389 | 492,808 | - | 4,987,197 |
| Deferred tax assets | 955,846 | - | - | 955,846 |
| Intangible assets | 2,920,069 | 295,493 | 2,530,983 | 5,746,548 |
| Total Assets | 178,300,274 | 38,875,122 | (7,381,596) | 209,793,800 |
| Liabilities | | | | |
| Trade & other payables | 2,771,502 | 829,775 | - | 3,601,277 |
| Interest bearing liabilities | 158,579,005 | 30,271,382 | - | 188,850,387 |
| Current tax liabilities | 159,968 | 217,405 | - | 377,373 |
| Deferred tax liabilities | 265,644 | 43,433 | - | 309,077 |
| Provisions | 745,389 | 131,531 | - | 876,920 |
| Total Liabilities | 162,521,508 | 31,493,526 | - | 194,015,034 |
| Net Assets | 15,778,766 | 7,381,596 | (7,381,596) | 15,778,766 |
| Equity | | | | |
| Issued capital | 11,144,643 | 5,106,396 | (5,106,396) | 11,144,643 |
| Reserves | 687,409 | - | - | 687,409 |
| Retained earnings | 3,881,319 | 2,275,200 | (2,275,200) | 3,881,319 |
| Total parent entity interest | 15,713,371 | 7,381,596 | (7,381,596) | 15,713,371 |
| Minority equity interest | 65,395 | - | - | 65,395 |
| Total equity | 15,778,766 | 7,381,596 | (7,381,596) | 15,778,766 |

Pro forma consolidated statement of income

| | Westlawn Unaudited six months to 31.12.10 (\$) | NSF Unaudited six months to 31.12.10 (\$) | Pro forma consolidated Unaudited six months to 31.12.10 (\$) |
|-----------------------------|--|---|--|
| Revenue | | | |
| Interest revenue | 7,993,912 | 2,073,734 | 10,067,646 |
| Other revenue | 2,122,329 | 205,566 | 2,327,895 |
| | <hr/> | <hr/> | <hr/> |
| | 10,116,241 | 2,279,300 | 12,395,541 |
| Expenses | | | |
| Interest paid | (4,913,406) | (1,012,969) | (5,926,375) |
| Depreciation & amortisation | (76,960) | (18,707) | (95,667) |
| Employee benefits expense | (2,169,020) | (441,258) | (2,610,278) |
| Other expenses | (1,641,743) | (231,765) | (1,873,508) |
| | <hr/> | <hr/> | <hr/> |
| | (8,801,129) | (1,704,699) | (10,505,828) |
| Profit before tax | <hr/> | <hr/> | <hr/> |
| | 1,315,112 | 574,601 | 1,889,713 |

Basis of preparation of pro forma consolidated financial information

- 11 In preparing the pro forma consolidated statement of financial position and income, certain adjustments were made to the 31 December 2010 unaudited half year results of Westlawn and NSF, including:
- (a) payment by NSF of dividends totalling \$2,207,802 out of NSF cash reserves;
 - (b) payment by Westlawn to NSF shareholders of the takeover consideration of \$7,704,779 out of cash reserves of Westlawn; and
 - (c) issue of new NSF shares to Westlawn totalling \$1,983,600, paid by Westlawn out of its cash reserves.

Consents

- 12 Each of the directors has consented to the issue and lodgement of this Supplementary Prospectus. None of the directors have withdrawn their consent before this Supplementary Prospectus was lodged with ASIC.



Signed on behalf of Westlawn by Geoffrey Dean Scofield
Director

Dated 15 March 2011