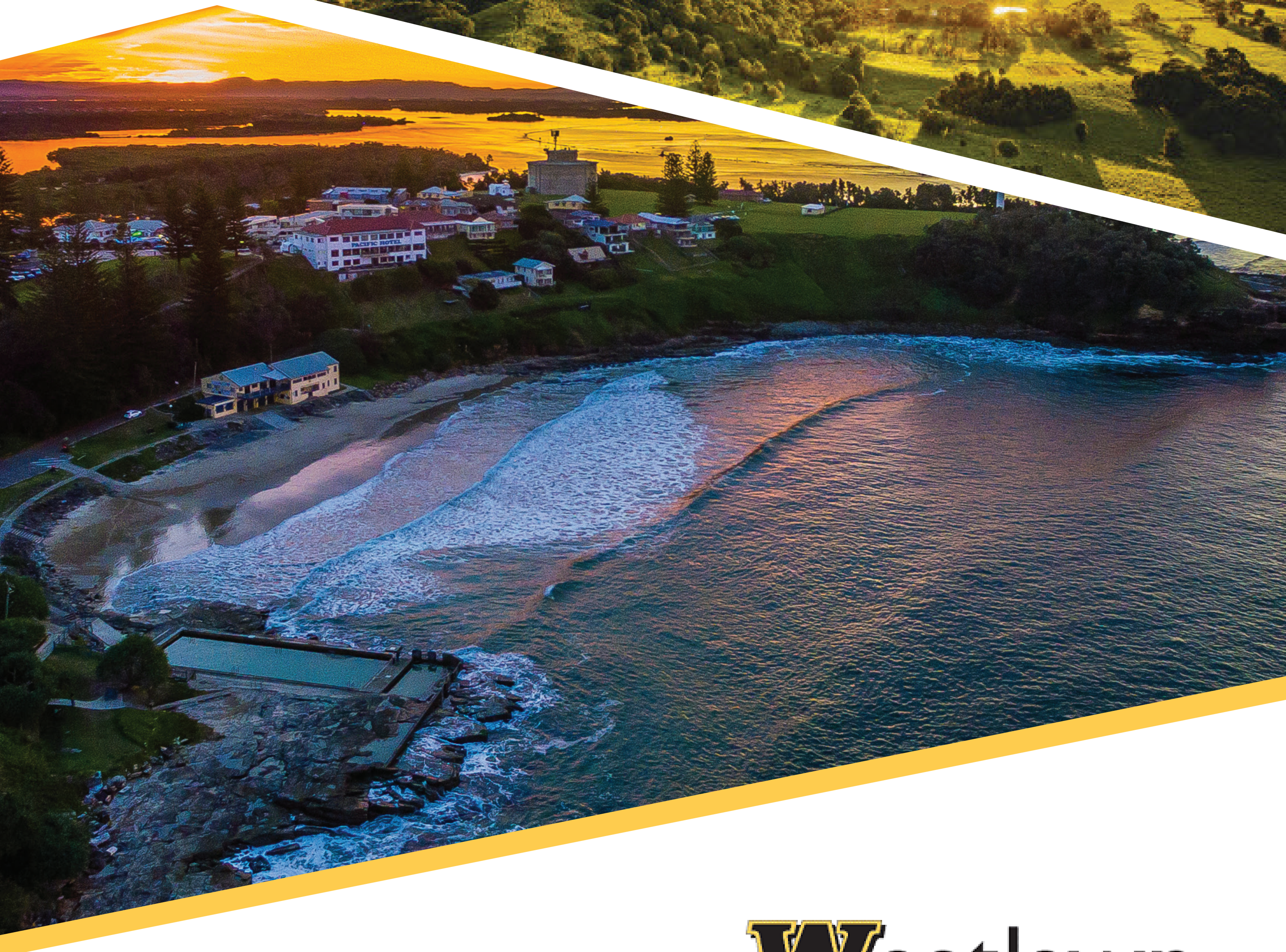
Annual Report
30 June 2019



Westlawn
FINANCE LIMITED

ABN 19 096 725 218

Westlawn Finance Limited
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30 June 2019

General information

The financial statements cover Westlawn Finance Limited as a consolidated entity consisting of Westlawn Finance Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Westlawn Finance Limited's functional and presentation currency.

Westlawn Finance Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Westlawn Building
22 Queen Street
GRAFTON NSW 2460

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 August 2019. The directors have the power to amend and reissue the financial statements.

Westlawn Finance Limited
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Westlawn Finance Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors
The following persons were directors of Westlawn Finance Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

James William Dougherty
Mark Charles Dougherty
Geoffrey Dean Scofield
Andrew Harry Hayes
Andrew Michael Dougherty
Cameron Scott McCullagh (appointed 28 September 2018)
Andrew Douglas Bennett (appointed 31 October 2018)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Financier
- Insurance Broker

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2019	**2018**
	$	**$**
Interim dividend for the year ended 30 June 2019 of 13.5082 cents per Ordinary Share franked at the rate of 30%	2,000,000	-
Final dividend for the year ended 30 June 2018 of 19.8125 cents per Ordinary Share franked at the rate of 30%	2,000,000	-
Dividend for the period ended 27 September 2018 of 1.2097 cents per Redeemable Preference Share franked at the rate of 30%	19,960	-
Dividend for the year ended 30 June 2018 of 4.95 cents per Ordinary Share franked at the rate of 30%	-	500,000
Dividend for the year ended 30 June 2018 of 5.030 cents per Redeemable Preference Share franked at the rate of 30%	-	83,000
	4,019,960	583,000

Review of operations
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $3,396,596 (30 June 2018: $2,890,453).

Finance

The finance business contributed a profit before tax of $3,488,052 (2018: $3,562,269) for the year.

Insurance

The insurance broking business continues to make a positive contribution to the Group, reporting a net profit before tax of $1,111,509 (2018: $721,890) for the year.

Significant changes in the state of affairs
On 28 September 2018, Westlawn Finance Limited issued 4,711,228 shares to Consolidated Operations Group Limited (COG) for $14,000,000 which represented a 31.82% interest in the parent entity. The share issue consideration comprised a cash payment by COG of $10,000,000 and shares in COG totaling $4,000,000.

Simultaneously with the issue of new shares to COG, the company redeemed 1,650,000 preference shares for cash consideration of $1,650,000.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

Information on directors

Name:	James William Dougherty
Title:	Chairman
Qualifications:	Bachelor of Economics, Diploma of Financial Management, Certificate IV Financial Services
Experience and expertise:	Chartered Accountant, Licensed Real Estate Agent
Special responsibilities:	Executive Chairman
Name:	Mark Charles Dougherty
Title:	Director
Qualifications:	Bachelor of Business, Certificate IV in Financial Services
Experience and expertise:	Company Accountant – 9 years experience
Name:	Geoffrey Dean Scofield
Title:	Managing Director & CEO
Qualifications:	Certificate IV and Diploma in Financial Services
Experience and expertise:	Banking & Finance – more than 25 years experience
Special responsibilities:	Managing Director, Chief Executive Officer
Name:	Andrew Harry Hayes
Title:	Director
Qualifications:	Bachelor of Business, Graduate Diploma in Financial Planning, Certificate IV Financial Services
Experience and expertise:	Chartered Accountant – more than 25 years experience, Registered Company Auditor, Registered Tax Agent
Special responsibilities:	Chief Financial Officer, Company Secretary
Name:	Andrew Michael Dougherty
Title:	Non-executive Director
Qualifications:	Bachelor of Business, Advanced Diploma Financial Services (Planning/Finance Broking)
Experience and expertise:	Financial adviser - more than 10 years experience, Licensed Finance Broker
Name:	Cameron Scott McCullagh
Title:	Non-executive Director
Qualifications:	Bachelor of Business
Experience and expertise:	Financial services - more than 30 years experience
Name:	Andrew Douglas Bennett
Title:	Non-executive Director
Experience and expertise:	Financial services - more than 25 years experience

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
James William Dougherty	11	11
Mark Charles Dougherty	9	11
Geoffrey Dean Scofield	10	11
Andrew Harry Hayes	11	11
Andrew Michael Dougherty	11	11
Cameron Scott McCullagh (appointed 28 September 2018)	7	8
Andrew Douglas Bennett (appointed 31 October 2018)	8	8

Held: represents the number of meetings held during the time the director held office.

Indemnity and insurance of officers
During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

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

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
Thomas Noble & Russell continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

JW Dougherty

James William Dougherty
Chairman

21 August 2019
Grafton

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Westlawn Finance Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Dated at Grafton this 21st day of August 2019.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

Per:

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K R FRANEY (Partner)
Registered Company Auditor

Westlawn Finance Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Interest income		13,460,621	13,290,881
Interest expense		(5,336,757)	(5,462,725)
Total net interest income		8,123,864	7,828,156
Non-interest revenue	4	6,050,349	5,505,957
Share of losses of associates accounted for using the equity method	5	-	(2,888)
Other income	6	88,977	30,988
Net fair value gain on the revaluation of land & buildings		240,500	-
Total revenue after interest expense		14,503,690	13,362,213
Expenses			
Bad debts written off		(1,527,875)	(1,487,731)
Impairment of loans and advances		129,879	654,025
Employee benefits expense		(5,173,323)	(5,088,505)
Depreciation and amortisation expense	7	(510,604)	(551,247)
Impairment of assets		-	(63,210)
Loss on disposal of assets		(31,422)	(42,619)
Other expenses	7	(2,790,784)	(2,498,767)
Total expenses		(9,904,129)	(9,078,054)
Profit before income tax expense		4,599,561	4,284,159
Income tax expense	8	(1,177,659)	(1,378,063)
Profit after income tax expense for the year		3,421,902	2,906,096
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings, net of tax		448,710	-
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		(555,191)	-
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of financial assets at fair value through other comprehensive income, net of tax		14,370	339,595
Other comprehensive income for the year, net of tax		(92,111)	339,595
Total comprehensive income for the year		3,329,791	3,245,691
Profit for the year is attributable to:			
Non-controlling interest		25,306	15,643
Owners of Westlawn Finance Limited		3,396,596	2,890,453
		3,421,902	2,906,096
Total comprehensive income for the year is attributable to:			
Non-controlling interest		28,180	16,259
Owners of Westlawn Finance Limited		3,301,611	3,229,432
		3,329,791	3,245,691

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Westlawn Finance Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 $	2018 $
Assets			
Cash and cash equivalents	9	41,455,452	30,626,626
Trade and other receivables	10	400,916	467,534
Income tax refund due	11	-	312,942
Other assets	12	367,677	224,263
Non-current assets classified as held for sale	13	-	210,000
Loans & advances	14	177,122,073	171,524,425
Financial assets at fair value through other comprehensive income	15	3,994,141	4,674,655
Other financial assets	16	2,000,000	-
Property, plant and equipment	17	7,091,408	6,475,441
Intangibles	18	2,829,375	2,587,121
Total assets		235,261,042	217,103,007
Liabilities			
Trade and other payables	20	16,647,114	15,232,073
Interest bearing liabilities	21	182,724,305	178,095,978
Income tax	22	67,146	-
Provisions	23	1,302,830	1,242,499
Deferred tax liabilities	24	1,517,961	737,187
Total liabilities		202,259,356	195,307,737
Net assets		33,001,686	21,795,270
Equity			
Issued capital	25	24,094,643	11,744,643
Reserves	26	1,559,553	1,975,920
Retained profits		7,200,767	7,936,164
Equity attributable to the owners of Westlawn Finance Limited		32,854,963	21,656,727
Non-controlling interest	27	146,723	138,543
Total equity		33,001,686	21,795,270

The above statement of financial position should be read in conjunction with the accompanying notes

Westlawn Finance Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 July 2017	11,744,643	1,636,941	5,628,711	142,284	19,152,579
Profit after income tax expense for the year	-	-	2,890,453	15,643	2,906,096
Other comprehensive income for the year, net of tax	-	338,979	-	616	339,595
Total comprehensive income for the year	-	338,979	2,890,453	16,259	3,245,691
Transactions with owners in their capacity as owners:					
Dividends paid (note 28)	-	-	(583,000)	(20,000)	(603,000)
Balance at 30 June 2018	11,744,643	1,975,920	7,936,164	138,543	21,795,270

Consolidated	**Issued capital $**	**Reserves $**	**Retained profits $**	**Non-controlling interest $**	**Total equity $**
Balance at 1 July 2018	11,744,643	1,975,920	7,936,164	138,543	21,795,270
Adjustment for change in accounting policy on initial application of AASB 9 Financial Instruments	-	-	(433,415)	-	(433,415)
Balance at 1 July 2018 - restated	11,744,643	1,975,920	7,502,749	138,543	21,361,855
Profit after income tax expense for the year	-	-	3,396,596	25,306	3,421,902
Other comprehensive income for the year, net of tax	-	460,206	(555,191)	2,874	(92,111)
Total comprehensive income for the year	-	460,206	2,841,405	28,180	3,329,791
Transfers from reserves on sale of financial assets	-	(876,573)	876,573	-	-
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 25)	14,000,000	-	-	-	14,000,000
Redemption of preference shares	(1,650,000)	-	-	-	(1,650,000)
Dividends paid (note 28)	-	-	(4,019,960)	(20,000)	(4,039,960)
Balance at 30 June 2019	24,094,643	1,559,553	7,200,767	146,723	33,001,686

The above statement of changes in equity should be read in conjunction with the accompanying notes

Westlawn Finance Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Interest & rent received from external investments		13,809,550	13,821,603
Other receipts		5,713,996	5,141,691
Payments to suppliers and employees		(7,791,450)	(7,323,550)
		11,732,096	11,639,744
Interest and other finance costs paid		(5,428,112)	(5,420,943)
Income taxes paid		79,131	(718,088)
Net cash from operating activities	40	6,383,115	5,500,713
Cash flows from investing activities			
Payments for investments		(6,000,000)	(158,092)
Payments for property, plant and equipment	17	(134,340)	(219,494)
Payments for intangibles	18	(481,129)	(170,400)
Proceeds from disposal of investments		5,234,829	1,586,386
Proceeds from disposal of property, plant and equipment	17	204,569	-
Dividends received		104,570	302,053
Net loans (advanced) repaid		(6,421,154)	(5,359,363)
Net cash used in investing activities		(7,492,655)	(4,018,910)
Cash flows from financing activities			
Proceeds from issue of shares	25	14,000,000	-
Payments for redemption of shares	25	(1,650,000)	-
Net decrease in unsecured notes		3,628,326	(2,542,908)
Dividends paid	28	(4,019,960)	(583,000)
Dividends paid (non-controlling interest)		(20,000)	(20,000)
Net cash from/(used in) financing activities		11,938,366	(3,145,908)
Net increase/(decrease) in cash and cash equivalents		10,828,826	(1,664,105)
Cash and cash equivalents at the beginning of the financial year		30,626,626	32,290,731
Cash and cash equivalents at the end of the financial year	9	41,455,452	30,626,626

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact on the financial performance and position of the consolidated entity from the adoption of this Accounting Standard is set out in note 3.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets and certain classes of property, plant and equipment.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Classification of assets and liabilities

Westlawn Finance Limited 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.

Note 1. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 37.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Westlawn Finance Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Westlawn Finance Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Westlawn Finance Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime with effect from 1 January 2019. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Note 1. Significant accounting policies (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 1. Significant accounting policies (continued)

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Loans and advances (finance receivables)

Loans and advances 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, and floor plan receivables. They are carried at the recoverable amount represented by the gross value of the outstanding balance less the provision for impairment.

Impairment of loans and advances

The consolidated entity applies a three-stage approach to measuring expected credit losses (ECLs) for financial assets that are not measured at fair value through profit or loss.

Financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

The consolidated entity collectively assesses ECLs on exposures where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the consolidated entity recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. The consolidated entity does not conduct an individual assessment of exposures in Stage 1 as there is no evidence of one or more events occurring that would have a detrimental impact on estimated future cash flows.

Stage 2: Lifetime ECL – not credit impaired

The consolidated entity collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the consolidated entity recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset). Similar to Stage 1, the consolidated entity does not conduct an individual assessment on Stage 2 exposures as the increase in credit risk is not, of itself, an event that could have a detrimental impact on future cash flows.

Stage 3: Lifetime ECL – credit impaired

The consolidated entity identifies individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised as a specific provision, and interest revenue (if any) is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Determining the stage for impairment

At each reporting date, the consolidated entity assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The consolidated entity considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, where appropriate, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL.

Note 1. Significant accounting policies (continued)

Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

For loans that the credit risk has not increased significantly since initial recognition (i.e. no more than 30 days past due), the consolidated entity will measure the loss allowance for the loan at an amount equal to 12-month expected credit losses.

Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

Credit quality of financial assets

The consolidated entity has an internally developed credit rating scale derived from historical default data to assess the potential default risk in lending. The consolidated entity has pre-defined counterparty probabilities of default across consumer and business loans and advances.

Inputs, assumptions and techniques used for estimating impairment

In assessing the impairment of financial assets under the expected credit loss model, the consolidated entity defines default in accordance with its Lending Policy and Procedures Manual, which includes defaulted assets and impaired assets as described below. Default generally occurs when a loan obligation is 30 days or more past due, or when it is considered unlikely that the credit obligation to the consolidated entity will be paid in full without recourse to actions, such as realisation of security.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the consolidated entity considers both quantitative and qualitative information and analysis based on the consolidated entity’s historical experience and expert credit risk assessment, including forward-looking information. Credit risk is deemed to have increased significantly when an asset is more than 30 days past due (DPD).

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. 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. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis (or diminishing value basis in the case of certain plant & equipment) to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	2-13 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer lists
Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their estimated finite life of between 8 and 10 years.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Borrowing costs
Costs in relation to borrowings are capitalised as an asset and amortised on a straight-line basis over the period of the finance arrangement.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and the impact of its adoption is not expected to have any material impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of property, plant and equipment
The consolidated entity assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Impact of adoption of AASB 9 Financial Instruments

Change in accounting policy
The Group applied AASB 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adopting this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019 but do not have a material impact on the consolidated Group.

The transition provisions of AASB 9 allow an entity not to restate comparatives and instead apply any implementation adjustments against retained earnings.

Impairment
The impact of initial adoption of this standard on the consolidated entity resulted in an increase in the 12 month expected credit losess (ECL) provision for impairment on loans and advances (refer note 1 for additional information on the new accounting policy) and is summarised as follows;

- an increase to the provisions for impairment of receivables as at 1 July 2018 of $619,165
- an increase to deferred tax assets as at 1 July 2018 of $185,750
- a reduction to opening retained earnings of $433,815

Trade and other receivables – the calculated allowance for ECL as at 30 June 2019 is unchanged from provision for impairment disclosed as at 30 June 2018.

Reclassification
The effect of adopting AASB 9 on the statement of financial position is as follows:

Statement of Financial Position (extract)		30 June 2018 reported $	Impact of AASB 9 $	30 June 2018 restated $
Assets				
Available for sale financial assets (at fair value through other comprehensive income)	Note (i)	4,674,655	(4,674,655)	-
Financial assets at fair value through other comprehensive income	Note (i)	-	4,674,655	4,674,655
Equity				
Available-for-sale reserve		915,822	(915,822)	-
Financial assets at fair value through other comprehensive income reserve		-	915,822	915,822

Note (i)

The consolidated entity previously classified its shares in listed companies and units in unlisted unit trusts as available for sale and recognised any movements in their fair value through other comprehensive income. The nature of these investments do not allow them to be continued to be classified as available for sale under AASB 9. As a result, these financial assets with a fair value of $4,674,655 as at 30 June 2018 have been reclassified from available-for-sale to a financial asset at fair value through other comprehensive income. There was no difference between the previous carrying amount and the revised carrying amount of these financial assets as 30 June 2018 which required an adjustment to opening retained earnings. The consolidated entity has classified these assets as fair value through other comprehensive income as the consolidated entity intends to hold these assets for the foreseeable future and which the consolidated entity has irrevocably elected to classify upon initial recognition or transition.

Note 3. Impact of adoption of AASB 9 Financial Instruments (continued)

Statement of profit or loss and other comprehensive income
When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2018. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period
When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2017. However, as there were no adjustments made as at 1 July 2017, the consolidated entity has elected not to show the 1 July 2017 statement of financial position.

Note 4. Non-interest revenue

	Consolidated	
	2019 $	2018 $
Administration fees	952,892	896,949
Commission	3,704,880	3,161,652
Other fees	644,499	699,870
Dividends	19,057	27,756
Rent	366,617	326,239
Trust distributions	85,514	199,298
Bad debts recovered	172,321	118,182
Net gain on disposal of plant & equipment	6,474	-
Other revenue	98,095	76,011
Non-interest revenue	6,050,349	5,505,957

Note 5. Share of losses of associates accounted for using the equity method

	Consolidated	
	2019 $	2018 $
Share of profit - associates	-	(2,888)

Note 6. Other income

	Consolidated	
	2019 $	2018 $
Net fair value gain on financial assets	-	30,988
Net gain on disposal of investments	88,977	-
Other income	88,977	30,988

Note 7. Expenses

	Consolidated	
	2019	**2018**
	$	**$**
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	102,625	102,625
Leasehold improvements	17,254	9,866
Plant and equipment	151,850	152,886
Total depreciation	271,729	265,377
Amortisation		
Customer lists	87,655	117,542
Software	150,993	168,065
Borrowing costs	227	263
Total amortisation	238,875	285,870
Total depreciation and amortisation	510,604	551,247
Other expenses		
Auditors' remuneration	120,102	96,000
Fees and commission paid	359,401	429,979
Management fees	226,800	-
IT and telephony	423,363	441,139
Payroll tax	246,354	244,382
Rent paid	289,585	252,777
Other operating expenses	1,125,179	1,034,490
Total other expenses	2,790,784	2,498,767

Note 8. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Income tax expense		
Current tax	300,959	268,001
Deferred tax - origination and reversal of temporary differences	924,716	1,043,073
Adjustment recognised for prior periods	(48,016)	66,989
Aggregate income tax expense	1,177,659	1,378,063
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 19)	1,243,285	(312,442)
Increase/(decrease) in deferred tax liabilities (note 24)	(318,569)	1,355,515
Deferred tax - origination and reversal of temporary differences	924,716	1,043,073
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	4,599,561	4,284,159
Tax at the statutory tax rate of 30%	1,379,868	1,285,248
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	26,325	54,226
Depreciation of property, plant and equipment	30,787	30,788
Entertainment expenses	646	-
Gross-up of dividend income	2,449	12,103
Accounting loss on sale of assets	8,122	-
Other assessable items	-	22,500
Tax offset for franked dividends	(8,165)	(40,342)
Share of profits - associates	-	866
Capital allowances on buildings	(18,204)	(18,248)
Other non-assessable items	(6,012)	(24,297)
	1,415,816	1,322,844
Adjustment recognised for prior periods	(48,016)	66,989
Prior year tax losses not recognised now recouped	(11,047)	(11,770)
Adjustment to reflect impact of first time tax consolidation	(179,094)	-
Income tax expense	1,177,659	1,378,063
The weighted average effective tax rates are as follows:	25.60%	32.17%

	Consolidated 2019 $	Consolidated 2018 $
Amounts charged directly to equity		
Deferred tax liabilities (note 24)	89,824	145,542
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised (realised capital losses)	269,780	-
Potential tax benefit at statutory tax rates	80,934	-

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Income tax expense (continued)

	Consolidated 2019 $	Consolidated 2018 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Loss on the revaluation of equity instruments at fair value through OCI	166,557	-
Total deferred tax assets not recognised	166,557	-

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Note 9. Cash and cash equivalents

	Consolidated 2019 $	Consolidated 2018 $
Cash on hand	15,700	16,400
Cash at bank	21,109,747	16,670,672
Cash on deposit	20,330,005	13,939,554
	41,455,452	30,626,626
Amount expected to be recovered within 12 months	41,455,452	30,626,626

Cash at bank, deposits and cash-equivalent assets are all held with Australian domiciled and licensed banks.

Included within the cash at bank balance is the amount of $3.615 million (2018: $3.867 million) represented by the insurance broking trust account of the subsidiary Westlawn Insurance Brokers Pty Ltd. This balance principally relates to unpaid insurance premiums due to insurers and refunds due to customers. Refer also to note 20 - Trade and other payables.

Note 10. Trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	330,803	414,744
Other receivables	70,113	52,790
	400,916	467,534
Amount expected to be recovered within 12 months	400,916	467,534

Note 11. Income tax refund due

	Consolidated 2019 $	Consolidated 2018 $
Income tax refund due	-	312,942
Amount expected to be recovered within 12 months	-	312,942

Note 12. Other assets

	Consolidated 2019 $	Consolidated 2018 $
Prepayments	367,677	224,263
Amount expected to be recovered within 12 months	367,677	224,263

Note 13. Non-current assets classified as held for sale

	Consolidated 2019 $	Consolidated 2018 $
Buildings	-	195,649
Plant and equipment	-	14,351
	-	210,000
Amount expected to be recovered within 12 months	-	210,000

The non-current assets classified for sale represent assets that are surplus to requirements and are actively marketed within a sale program which is expected to complete a sale within the next twelve months.

The prior year balance relates to a property and associated plant & equipment that was surplus to current requirements and subsequently sold during the current financial year.

Note 14. Loans & advances

	Consolidated 2019 $	Consolidated 2018 $
Loans and advances	179,488,007	173,401,073
Less: Allowance for expected credit losses	(2,365,934)	(1,876,648)
	177,122,073	171,524,425
Amount expected to be recovered within 12 months	77,098,459	71,281,331
Amount expected to be recovered after more than 12 months	100,023,614	100,243,094
	177,122,073	171,524,425

Note 15. Financial assets at fair value through other comprehensive income

	Consolidated 2019 $	Consolidated 2018 $
Shares in listed companies	3,547,743	1,083,247
Units in unlisted unit trusts	446,398	3,591,408
	3,994,141	4,674,655
Amount expected to be recovered after more than 12 months	3,994,141	4,674,655

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2019 $	2018 $
Opening fair value	4,674,655	5,042,814
Additions	4,000,000	158,092
Disposals	(4,145,851)	(1,011,386)
Revaluation increments	20,528	485,135
Revaluation decrements	(555,191)	-
Closing fair value	3,994,141	4,674,655

Refer to note 30 for further information on fair value measurement.

Note 16. Other financial assets

	Consolidated 2019 $	Consolidated 2018 $
Other investments - at amortised cost	2,000,000	-
Amount expected to be recovered after more than 12 months	2,000,000	-

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	2019 $	2018 $
Opening carrying amount	-	-
Additions	2,000,000	-
Closing carrying amount	2,000,000	-

Note 17. Property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Land - at independent valuation	2,155,000	1,700,000
Buildings - at independent valuation	4,215,000	4,205,000
Less: Accumulated depreciation	-	(205,250)
	4,215,000	3,999,750
Leasehold improvements - at cost	152,834	107,172
Less: Accumulated depreciation	(31,170)	(13,917)
	121,664	93,255
Plant and equipment - at cost	1,321,451	1,506,263
Less: Accumulated depreciation	(721,707)	(823,827)
	599,744	682,436
	7,091,408	6,475,441
Amount expected to be recovered after more than 12 months	7,091,408	6,475,441

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Freehold land $	Freehold buildings $	Leasehold improvements $	Plant and Equipment $	Total $
Balance at 1 July 2017	1,700,000	4,376,834	53,006	671,581	6,801,421
Additions	-	-	50,115	169,370	219,485
Disposals	-	-	-	(6,877)	(6,877)
Transfers in/(out)	-	(274,459)	-	-	(274,459)
Depreciation expense	-	(102,625)	(9,866)	(151,638)	(264,129)
Balance at 30 June 2018	1,700,000	3,999,750	93,255	682,436	6,475,441
Additions	-	-	45,663	88,680	134,343
Disposals	-	-	-	(20,601)	(20,601)
Revaluation increments	455,000	317,875	-	-	772,875
Depreciation expense	-	(102,625)	(17,254)	(150,771)	(270,650)
Balance at 30 June 2019	2,155,000	4,215,000	121,664	599,744	7,091,408

Valuations of land and buildings
The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

The land and buildings were last revalued in June 2019 based on independent assessments by a member of the Australian Property Institute.

Refer to note 30 for further information on fair value measurement.

Note 18. Intangibles

	Consolidated 2019 $	Consolidated 2018 $
Goodwill - at cost	4,354,637	4,041,790
Less: Impairment	(1,974,360)	(1,974,360)
	2,380,277	2,067,430
Customer lists - at cost	1,391,395	1,223,113
Less: Accumulated amortisation	(1,142,699)	(1,055,044)
	248,696	168,069
Software - at cost	1,257,694	1,357,609
Less: Accumulated amortisation	(1,057,292)	(1,006,214)
	200,402	351,395
Borrowing costs	-	1,316
Less: Accumulated amortisation	-	(1,089)
	-	227
	2,829,375	2,587,121
Amount expected to be recovered after more than 12 months	2,829,375	2,587,121

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $	Customer lists $	Software $	Borrowing costs $	Total $
Balance at 1 July 2017	1,897,030	285,611	555,191	490	2,738,322
Additions	170,400	-	-	-	170,400
Write off of assets	-	-	(35,731)	-	(35,731)
Amortisation expense	-	(117,542)	(168,065)	(263)	(285,870)
Balance at 30 June 2018	2,067,430	168,069	351,395	227	2,587,121
Additions	328,636	152,493	-	-	481,129
Transfers in/(out)	(15,789)	15,789	-	-	-
Amortisation expense	-	(87,655)	(150,993)	(227)	(238,875)
Balance at 30 June 2019	2,380,277	248,696	200,402	-	2,829,375

Note 19. Deferred tax assets

	Consolidated	
	2019	**2018**
	$	**$**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	353,326	989,932
Employee benefits	390,849	372,750
Accrued expenses	28,050	24,145
Provision for impairment of loans	709,780	562,994
Impairment of non-current assets	-	541,703
Deferred tax assets set-off against deferred tax liabilities pursuant to set-off provisions	(1,482,005)	(2,491,524)
Deferred tax asset	-	-
Movements:		
Opening balance	-	1,049,001
Credited/(charged) to profit or loss (note 8)	(1,243,285)	312,442
Adjustment recognised for prior periods	48,016	(68,302)
Transfer to deferred tax liabilities	-	1,198,383
Charged directly to equity upon initial adoption of AASB 9	185,750	-
Prior year closing balance prior to set-off against deferred tax liabilities	2,491,524	-
Deferred tax assets set-off against deferred tax liabilities pursuant to set-off provisions	(1,482,005)	(2,491,524)
Closing balance	-	-

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities are realised simultaneously.

Note 20. Trade and other payables

	Consolidated	
	2019	**2018**
	$	**$**
Trade payables	1,528,533	1,247,946
Insurance broking trust account	3,614,947	3,866,776
Interest payable	125,436	127,080
Other payables	11,378,198	9,990,271
	16,647,114	15,232,073
Amount expected to be settled within 12 months	16,647,114	15,232,073

Refer to note 29 for further information on financial instruments.

Note 21. Interest bearing liabilities

	Consolidated 2019 $	2018 $
Unsecured Notes - at call	13,471,414	16,787,031
Unsecured Notes - term	169,252,891	161,308,947
	182,724,305	178,095,978
Amount expected to be settled within 12 months	159,218,814	156,209,540
Amount expected to be settled after more than 12 months	23,505,491	21,886,438
	182,724,305	178,095,978

Refer to note 29 for further information on financial instruments.

The Trust Deed dated 1 June 2001 between the Company and the Trustee, governs the terms and conditions on which the Unsecured Notes are created and issued. The Unsecured 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 Unsecured Notes are issued subject to the conditions in Schedule 1 of the Trust Deed.

Due to a change in APRA regulations, from 31 December 2015 the Company is only permitted to issue Unsecured Notes to retail investors for a minimum maturity of 31 days. The "Unsecured Notes - at call" referred to above have been issued to wholesale investors only and accordingly are not governed by the Trust Deed.

Note 22. Income tax

	Consolidated 2019 $	2018 $
Current tax liability	67,146	-
Amount expected to be settled within 12 months	67,146	-

Note 23. Provisions

	Consolidated 2019 $	2018 $
Annual leave	477,304	491,109
Long service leave	825,526	751,390
	1,302,830	1,242,499
Amount expected to be settled within 12 months	1,220,467	1,121,501
Amount expected to be settled after more than 12 months	82,363	120,998
	1,302,830	1,242,499

Note 24. Deferred tax liabilities

	Consolidated 2019 $	Consolidated 2018 $
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Plant and equipment	2,923,846	2,591,567
In-house software	39,935	62,817
Set-off of deferred tax assets pursuant to set-off provisions	(1,482,005)	(1,949,821)
	1,481,776	704,563
Amounts recognised in equity:		
Revaluation of property, plant and equipment	388,268	177,626
Revaluation of financial assets at fair value through other comprehensive income	27,185	396,701
Realised capital losses	(379,268)	-
Set-off of deferred tax assets pursuant to set-off provisions	-	(541,703)
	36,185	32,624
Deferred tax liability	1,517,961	737,187
Movements:		
Opening balance	737,187	530,586
Charged/(credited) to profit or loss (note 8)	(318,569)	1,355,515
Charged to equity (note 8)	89,824	145,542
Adjustment recognised for prior periods	-	(1,315)
Transfer from deferred tax assets	-	1,198,383
Prior year amount set-off against deferred tax assets	2,491,524	-
Set-off of deferred tax assets pursuant to set-off provisions	(1,482,005)	(2,491,524)
Closing balance	1,517,961	737,187

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities are realised simultaneously.

Note 25. Issued capital

	Consolidated 2019 Shares	Consolidated 2018 Shares	Consolidated 2019 $	Consolidated 2018 $
Ordinary shares - fully paid	14,805,871	10,094,643	24,094,643	10,094,643
Preference shares - fully paid	-	1,650,000	-	1,650,000
	14,805,871	11,744,643	24,094,643	11,744,643

Note 25. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	10,094,643		10,094,643
Balance	30 June 2018	10,094,643		10,094,643
Contributions of equity, net of transaction costs	28 September 2018	4,711,228	$2.97	14,000,000
Balance	30 June 2019	14,805,871		24,094,643

Movements in redeemable preference share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	1,650,000		1,650,000
Balance	30 June 2018	1,650,000		1,650,000
Redemption of preference shares	28 September 2018	(1,650,000)	$1.00	(1,650,000)
Balance	30 June 2019	-		-

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

Ordinary shares carry the right to cast one vote per share held at the shareholders meeting. All shares are owned by Westlawn Holdings Pty Ltd.

Redeemable preference shares
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.

Capital risk management
The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital risk management policy remains unchanged from the 2018 Annual Report.

Equity Ratio

Under ASIC's Regulatory Guide 69: Debentures-improving disclosure for retail investors (RG69), issuers of unsecured notes should maintain a minimum equity ratio, calculated as equity/(total liabilities + equity), of 8% where only a minor part of its activity (e.g. as a proportion of notes on issue) is property development or lending funds directly or indirectly for property development.

The Company's objective is to maintain an equity ratio of at least 8% and measures this on a monthly basis in order to monitor performance with the benchmark.

Note 26. Reserves

	Consolidated 2019 $	Consolidated 2018 $
Revaluation surplus reserve	1,508,808	1,060,098
Financial assets at fair value through other comprehensive income reserve	50,745	915,822
	1,559,553	1,975,920

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Financial assets at fair value through other comprehensive income reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Revaluation surplus reserve $	Financial assets at fair value through OCI reserve $	Total $
Balance at 1 July 2017	1,060,098	576,843	1,636,941
Revaluation - gross	-	485,136	485,136
Deferred tax	-	(145,541)	(145,541)
Non-controlling interest share of revaluation	-	(616)	(616)
Balance at 30 June 2018	1,060,098	915,822	1,975,920
Revaluation - gross	532,375	20,528	552,903
Deferred tax	(83,665)	(6,158)	(89,823)
Non-controlling interest share of revaluation	-	(2,874)	(2,874)
Transfer to retained earnings on sale of assets	-	(876,573)	(876,573)
Balance at 30 June 2019	1,508,808	50,745	1,559,553

Note 27. Non-controlling interest

	Consolidated 2019 $	Consolidated 2018 $
Issued capital	137,934	137,934
Reserves	12,686	9,812
Accumulated losses	(3,897)	(9,203)
	146,723	138,543

Note 28. Dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2019 $	Consolidated 2018 $
Interim dividend for the year ended 30 June 2019 of 13.5082 cents per Ordinary Share franked at the rate of 30%	2,000,000	-
Final dividend for the year ended 30 June 2018 of 19.8125 cents per Ordinary Share franked at the rate of 30%	2,000,000	-
Dividend for the period ended 27 September 2018 of 1.2097 cents per Redeemable Preference Share franked at the rate of 30%	19,960	-
Dividend for the year ended 30 June 2018 of 4.95 cents per Ordinary Share franked at the rate of 30%	-	500,000
Dividend for the year ended 30 June 2018 of 5.030 cents per Redeemable Preference Share franked at the rate of 30%	-	83,000
	4,019,960	583,000

Franking credits

	Consolidated 2019 $	Consolidated 2018 $
Franking credits available for subsequent financial years based on a tax rate of 30%	3,194,527	4,316,176

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 29. Financial instruments

Financial risk management objectives
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:
i) Credit risk
ii) Liquidity risk
iii) Interest rate risk

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and limits. Finance identifies, evaluates and minimises financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Price risk
The consolidated entity is not exposed to any significant price risk.

Interest rate risk
This is the risk due to any mismatch between the interest rate on borrowings to that of lending.

The Company manages interest rate risk by using a combination of fixed and variable interest rate lending together with unsecured notes issued at call (variable rate) and on a fixed term basis. As at 30 June 2019 approximately 88% (2018: 87%) of Group lending is on a fixed basis.

The Company maintains an interest rate lending margin over and above its cost of funds which provides a buffer for upward movements in interest rates.

Note 29. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate assets and liabilities outstanding:

Consolidated	2019 Weighted average interest rate %	2019 Balance $	2018 Weighted average interest rate %	2018 Balance $
Cash & cash equivalents	0.97%	21,125,447	1.20%	16,687,072
Loans & advances	7.40%	22,434,647	7.76%	22,239,345
Interest bearing liabilities	(2.58%)	(13,471,413)	(2.63%)	(16,787,032)
Net exposure to cash flow interest rate risk		30,088,681		22,139,385

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

Interest rate sensitivity analysis

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.

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:

	Basis points increase			Basis points decrease		
Consolidated - 2019	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Change in interest rate	100	42,780	29,946	100	(42,780)	(29,946)

	Basis points increase			Basis points decrease		
Consolidated - 2018	**Basis points change**	**Effect on profit before tax**	**Effect on equity**	**Basis points change**	**Effect on profit before tax**	**Effect on equity**
Change in interest rate	100	(85,380)	(59,766)	100	85,380	59,766

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.

Credit risk
The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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 counter-parties 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 statement of financial position and notes to the financial statements.

Note 29. Financial instruments (continued)

Loan funds are lent to a wide variety of business and consumer customers through a network of offices in northern New South Wales.

The Company takes security for loans in accordance with its Lending Policy & Procedures Manual. The Company lends to a large number of customers in varying industries. By doing so, the Company has reduced its exposure to the credit risk associated with particular customers and industries.

An analysis of the loan portfolio by security type and geographic location of the borrower is set out below:

	Consolidated	
	2019	2018
	$	$
Loan portfolio by security type		
Plant, equipment & chattels	147,246,779	138,729,577
Registered first mortgages - non development loans	17,699,554	16,638,395
Registered first mortgages - development loans	5,315,234	5,036,713
Insurance policies (premium funding)	5,375,933	5,838,622
Security interests over shares & assets	2,078,098	4,361,162
Registered second mortgages	701,408	977,590
Unsecured	1,071,001	1,819,014
Total loan receivables	179,488,007	173,401,073

	Consolidated	
	2019	2018
	$	$
Loan portfolio by geographic region		
NSW - Northern Region (area North of Grafton)	36,286,438	35,958,905
NSW - Grafton area	12,379,447	15,512,174
NSW - Other Regions	62,664,432	48,757,161
Queensland	42,104,772	43,742,728
Victoria	18,555,271	19,157,684
Western Australia	4,564,069	5,572,747
South Australia	2,280,055	4,218,149
Northern Territory	336,122	339,995
ACT	213,361	-
Tasmania	104,040	141,530
Total loan receivables	179,488,007	173,401,073

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

A 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.

The following table provides additional information on impaired loans (includes non accrual loans):

Note 29. Financial instruments (continued)

	Consolidated 2019 $	Consolidated 2018 $
Impaired loans (including non accrual loans)		
Loans - without provisions	626,798	1,708,563
Loans - with provisions	2,500,861	2,025,520
Less: allowance for expected credit losses	(1,734,585)	(1,876,648)
Net impaired loans	1,393,074	1,857,435

Non accrual loans are categorised as loans that are non interest bearing, as the likely recovery of full principal and interest is deemed doubtful.

Allowance for expected credit losses (ECL)
The following table provides additional information on the ageing of impaired loans (including non accrual loans) together with the respective allowance for expected credit loss:

Consolidated	Carrying amount 2019 $	Carrying amount 2018 $	Allowance for ECL 2019 $	Allowance for ECL 2018 $
Impaired loans (including non accrual loans)				
Not in arrears (but impaired)	207,016	39,594	186,635	33,135
More than 30 days in arrears	523,787	670,178	130,950	83,680
More than 60 days in arrears	275,034	229,871	153,825	174,910
More than 90 days in arrears	2,121,822	2,794,440	1,263,175	1,584,923
	3,127,659	3,734,083	1,734,585	1,876,648

Movements in the allowance for expected credit losses on loans are as follows:

Consolidated	Stage 1 12-mth ECL Collective provision $	Stage 2 Lifetime ECL Collective provision $	Stage 3 Lifetime ECL Specific provision $	Total $
Balance as at 1 July 2017	-	-	2,530,673	2,530,673
New and increased provisions (net of releases)	-	-	(654,025)	(654,025)
Balance as at 30 June 2018	-	-	1,876,648	1,876,648
Adjustment to retained earnings upon initial adoption of AASB 9	619,165	-	-	619,165
New and increased provisions (net of releases)	12,184	130,950	(273,013)	(129,879)
Balance as at 30 June 2019	631,349	130,950	1,603,635	2,365,934

Loans that are not subject to an increase in credit risk are collectively assessed to determine a portion of the lifetime ECL associated with the probability of events occurring with the next 12 months.

Loans that have not been operated within their key terms for 30 days or more are specifically provided for using estimation techniques together with individual loan assessments considering the loan balance and security held to arrive at a specific provision for each loan. The security value is scaled based on historical industry experience to reflect a net realisable value on a forced sale or liquidation basis.

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.

Note 29. Financial instruments (continued)

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.

The Company prepares three monthly and twelve monthly cash flow projections as part of its overall liquidity strategy. The Company has at all times on hand cash or cash equivalents sufficient to meet its projected cash needs over the next three months.

Incoming cash flows come largely from borrower repayments and these are estimated from the maturity profile of the Company's loan portfolio.

Outgoing cash flows for maturing Notes are determined by the terms of the Notes and take into account historical experience on the redemption of Notes.

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.

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	At call $	0 to 3 months $	3 to 12 months $	1 to 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade & other payables	-	-	6,644,210	2,874,474	7,128,430	16,647,114
Financial guarantees	-	-	214,346	-	-	214,346
Undrawn credit commitments	-	8,884,691	2,921,504	-	-	11,806,195
Interest-bearing - variable						
Unsecured notes	2.58%	13,471,413	-	-	-	13,471,413
Interest-bearing - fixed rate						
Unsecured notes	3.10%	-	51,516,249	95,548,694	24,245,914	171,310,857
Total non-derivatives		22,356,104	61,296,309	98,423,168	31,374,344	213,449,925

Note 29. Financial instruments (continued)

Consolidated - 2018	Weighted average interest rate %	At call $	0 to 3 months $	3 to 12 months $	1 to 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade & other payables	-	-	15,291,482	-	-	15,291,482
Financial guarantees	-	-	214,346	-	-	214,346
Undrawn credit commitments	-	11,414,100	-	-	-	11,414,100
Interest-bearing - variable						
Unsecured notes	2.63%	16,787,032	-	-	-	16,787,032
Interest-bearing - fixed rate						
Unsecured notes	3.06%	-	48,917,852	91,767,868	22,575,861	163,261,581
Total non-derivatives		28,201,132	64,423,680	91,767,868	22,575,861	206,968,541

Details about the financial guarantees are provided in note 35. The amounts disclosed in the above tables are the maximum amounts allocated to the earliest period in which the guarantee could be called upon. The consolidated entity does not expect these payments to eventuate.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Maturity analysis

The following tables detail the consolidated entity's mismatch in the maturity of its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of both assets and liabilities based on the earliest expected contractual payment date. The tables include only the principal cash flows disclosed and therefore does not include any interest components that may be received or paid.

Consolidated - 2019	At call $	0 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	No specified maturity $	Total $
Cash and cash equivalents	21,125,447	20,330,005	-	-	-	-	41,455,452
Trade and other receivables	-	400,916	-	-	-	-	400,916
Other assets	-	367,677	-	-	-	-	367,677
Loans & advances	-	25,288,896	51,809,563	102,322,235	67,313	(2,365,934)	177,122,073
Financial assets at fair value through OCI	-	-	-	-	-	3,994,141	3,994,141
Other financial assets	-	-	-	-	-	2,000,000	2,000,000
Trade and other payables	-	(6,644,210)	(2,874,474)	(7,128,430)	-	-	(16,647,114)
Interest bearing liabilities	(13,471,413)	(51,314,199)	(94,433,202)	(23,505,076)	(415)	-	(182,724,305)
Net mismatch	7,654,034	(11,570,915)	(45,498,113)	71,688,729	66,898	3,628,207	25,968,840

Note 29. Financial instruments (continued)

Consolidated - 2018	At call $	0 to 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	No specified maturity $	Total $
Cash and cash equivalents	16,687,072	13,939,554	-	-	-	-	30,626,626
Trade and other receivables	-	467,534	-	-	-	-	467,534
Other assets	-	283,672	-	-	-	-	283,672
Loans & advances	-	24,020,044	47,261,287	101,902,353	217,389	(1,876,648)	171,524,425
Financial assets at fair value through OCI	-	-	-	-	-	4,674,655	4,674,655
Trade and other payables	-	(15,291,482)	-	-	-	-	(15,291,482)
Interest bearing liabilities	(16,787,032)	(48,725,993)	(90,696,515)	(21,886,339)	(99)	-	(178,095,978)
Net mismatch	(99,960)	(25,306,671)	(43,435,228)	80,016,014	217,290	2,798,007	14,189,452

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 30. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value on a recurring basis, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Assets				
Financial assets at fair value through OCI - shares in listed companies	3,547,743	-	-	3,547,743
Financial assets at fair value through OCI - units in unlisted unit trusts	-	-	446,398	446,398
Land and buildings	-	6,370,000	-	6,370,000
Total assets	3,547,743	6,370,000	446,398	10,364,141

Consolidated - 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Assets				
Financial assets at fair value through OCI - shares in listed companies	1,083,247	-	-	1,083,247
Financial assets at fair value through OCI - units in unlisted unit trusts	-	-	3,591,408	3,591,408
Land and buildings	-	5,699,750	-	5,699,750
Total assets	1,083,247	5,699,750	3,591,408	10,374,405

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Note 30. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
The basis of the valuation of land and buildings is fair value. The land and buildings were last revalued in June 2019 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of land and buildings being valued. The directors do not believe that there has been a material movement in fair value since the revaluation date. Valuations are based on current prices for similar properties in the same location and condition. Valuations are undertaken periodically, at least every three years, or more frequently if there is a material change in the fair value relative to the carrying amount.

Units in unlisted unit trusts have been valued based on the underlying assets within the trust, which in turn maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Financial assets at fair value through OCI $	Total $
Balance at 1 July 2017	4,639,292	4,639,292
Gains recognised in profit or loss	30,988	30,988
Gains recognised in other comprehensive income	427,311	427,311
Additions	158,091	158,091
Disposals	(1,586,386)	(1,586,386)
Equity accounted amount of associates	(77,888)	(77,888)
Balance at 30 June 2018	3,591,408	3,591,408
Disposals	(3,145,010)	(3,145,010)
Balance at 30 June 2019	446,398	446,398

Changing one or more inputs would not significantly change the fair value of level 3 financial instruments.

Note 31. Key management personnel disclosures

Directors
The following persons were directors of Westlawn Finance Limited during the financial year:

James William Dougherty	Chairman – Executive
Mark Charles Dougherty	Director – Executive
Geoffrey Dean Scofield	Chief Executive Officer & Managing Director
Andrew Harry Hayes	Director, Company Secretary & Chief Financial Officer
Andrew Michael Dougherty	Non-executive Director
Cameron Scott McCullagh (appointed 28 September 2018)	Non-executive Director
Andrew Douglas Bennett (appointed 31 October 2018)	Non-executive Director

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Christopher James Dougherty	General Manager – Westlawn Insurance Brokers Pty Ltd

Note 31. Key management personnel disclosures (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	$	$
Short-term employee benefits	1,058,402	1,138,669
Post-employment benefits	86,062	106,123
	1,144,464	1,244,792

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Thomas Noble & Russell, the auditor of the company:

	Consolidated	
	2019	2018
	$	$
Audit services - Thomas Noble & Russell		
Audit or review of the financial statements	100,700	96,000

Note 33. Commitments receivable

	Consolidated	
	2019	2018
	$	$
Finance lease commitments		
Committed at the reporting date and recognised as assets, receivable:		
Within 3 months	12,312,227	10,492,694
3 to 12 months	31,619,209	26,547,282
1 to 5 years	78,412,728	73,477,623
Later than 5 years	69,044	224,735
Less: Future finance charges	(12,222,233)	(11,810,634)
Net finance lease receivables	110,190,975	98,931,700

	Consolidated	
	2019	2018
Operating lease commitments		
Minimum lease commitments receivable but not recognised in the financial statements:		
Receivable within 12 months	68,796	67,920
Receivable later than 1 year, not later than 5 years	126,126	192,440
Total receivable	194,922	260,360

Operating lease commitments – Group as lessor:

The Group has entered into a commercial property lease in respect of the Group's surplus office space. This non-cancellable lease has a remaining term of approximately 34 months with an option to renew for a further period of five years. The lease has a clause to enable an upward adjustment of the rental charge on an annual basis in accordance with the consumer price index.

Note 34. Commitments payable

	Consolidated 2019 $	Consolidated 2018 $
Credit related commitments:		
Committed at the reporting date but not recognised as liabilities, payable:		
Gross loans approved, but not advanced to borrowers	2,921,504	2,022,664
Line of credit facilities granted but not drawn	8,884,691	9,926,020
	11,806,195	11,948,684

Note 35. Contingent liabilities

The Company has provided guarantees for the performance of various works contracts. These guarantees were predominantly granted to Local Councils to ensure the satisfactory performance of capital works on subdivision projects. Details and estimated maximum amounts of contingent liabilities (for which no provisions are included in the accounts) arising in respect of:

	Consolidated 2019 $	Consolidated 2018 $
Contingent liabilities		
Related parties	25,944	25,944
External parties	158,402	188,402
	184,346	214,346

Note 36. Related party transactions

Parent entity
Westlawn Finance Limited is the parent entity.

Westlawn Holdings Pty Ltd is the ultimate parent entity in the group.

Subsidiaries
Interests in subsidiaries are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 31.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Other income:		
Interest received from commonly controlled entity	21,112	92,935
Interest received from controlling entity (parent)	-	23,499
Interest received from key management personnel	53,034	44,745
Interest received from subsidiaries	6,422	20,909
Payment for goods and services:		
Payment for services from controlling entity	151,200	-
Payment for services from entity with significant influence	75,600	-

Note 36. Related party transactions (continued)

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2019 $	2018 $
Current receivables:		
Loan to key management personnel	402,801	554,746
Loan to subsidiaries	-	155,503
Non-current receivables:		
Loan to commonly controlled entity	-	1,008,666
Loan to key management personnel	372,043	29,570
Current borrowings:		
Loan from controlling entity (parent)	1,315,468	-
Loan from subsidiaries (unsecured notes)	913,696	8,595,463
Loan from other related party (unsecured notes)	9,530,428	8,985,947
Non-current borrowings:		
Loan from other related party (unsecured notes)	68,674	1,566

Terms and conditions
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 related parties of Directors are at interest rates of between 6.50% pa and 9.50% pa. Interest on these loans is capitalised and paid monthly. Security is held for all of these loans and comprises a combination of registered first mortgage, plant and equipment, as well as registered Security Interests over shares and other assets.

Employees of Westlawn Finance receive loans currently at the rate of 7.50% 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.

Note 37. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019 $	2018 $
Profit after income tax	12,417,031	2,821,155
Total comprehensive income	12,417,031	2,821,155

Note 37. Parent entity information (continued)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	38,032,971	27,050,716
Total assets	240,463,792	221,934,903
Total current liabilities	196,830,570	198,393,406
Total liabilities	199,794,351	201,425,388
Equity		
Issued capital	24,094,643	11,744,643
Revaluation surplus reserve	1,461,558	1,060,098
Financial assets at fair value through other comprehensive income reserve	-	466,602
Retained profits	15,113,240	7,238,172
Total equity	40,669,441	20,509,515

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
Westlawn Finance Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities
Refer to note 35 for details of the Company's contingent liabilities.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 38. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
North State Finance Pty Ltd	Coffs Harbour NSW / Australia	100.00%	100.00%
Westlawn Insurance Brokers Pty Ltd	Grafton NSW / Australia	100.00%	100.00%
Grafton Investments Pty Ltd	Grafton NSW / Australia	100.00%	100.00%
Westlawn Financial Services Limited	Grafton NSW / Australian	100.00%	-

Note 38. Interests in subsidiaries (continued)

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary with non-controlling interests in accordance with the accounting policy described in note 1:

			Parent		Non-controlling interest	
Name	**Principal place of business / Country of incorporation**	**Principal activities**	**Ownership interest 2019 %**	**Ownership interest 2018 %**	**Ownership interest 2019 %**	**Ownership interest 2018 %**
Westlawn Insurance Brokers (Coffs) Pty Ltd	Coffs Harbour NSW / Australia	Insurance Broker	80.00%	80.00%	20.00%	20.00%

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 40. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2019 $	**2018 $**
Profit after income tax expense for the year	3,421,902	2,906,096
Adjustments for:		
Depreciation and amortisation	510,604	551,247
Impairment of non-current assets	(240,500)	63,210
Net loss/(gain) on disposal of property, plant and equipment	(64,029)	11,631
Share of loss - associates	-	2,888
Dividends & trust income	(104,571)	(227,053)
Bad debts written off	1,527,875	1,487,731
Amounts provided (written back) for doubtful debts	(129,879)	(654,025)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	43,240	90,717
Increase in accrued revenue	(18,321)	(9,608)
Increase in other operating assets	(1,393,368)	(1,164,082)
Increase in trade and other payables	1,586,408	1,468,678
Increase/(decrease) in provision for income tax	380,090	(459,606)
Increase in deferred tax liabilities	876,702	1,110,061
Increase in employee benefits	60,331	76,365
Decrease in accrued interest payable	(73,369)	246,463
Net cash from operating activities	6,383,115	5,500,713

Westlawn Finance Limited
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

JW Dougherty

James William Dougherty
Chairman

21 August 2019
Grafton

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

Independent Auditor's Report to the Members of Westlawn Finance Limited

Opinion

We have audited the financial report of Westlawn Finance Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's directors report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

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K R FRANEY (Partner)

Dated at Grafton this 21st day of August 2019