

Annual Report

30 June 2020



Westlawn
FINANCE LIMITED

ABN 19 096 725 218

Westlawn Finance Limited
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30 June 2020

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General information

The financial statements cover Westlawn Finance Limited as a Consolidated Group 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 Group'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 19 August 2020. The Directors have the power to amend and reissue the financial statements.

Westlawn Finance Limited
Directors' report
30 June 2020

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Group' or 'Group') 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 2020.

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
Andrew Douglas Bennett

Principal activities

During the financial year the principal continuing activities of the Consolidated Group consisted of:

- Financier
- Insurance Broker

Dividends

Dividends paid during the financial year were as follows:

	Consolidated Group	
	2020	2019
	\$	\$
Final dividend for the year ended 30 June 2019 of 6.7541 cents per Ordinary Share franked at the rate of 30%	1,000,000	-
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
	<u>1,000,000</u>	<u>4,019,960</u>

Review of operations

The profit for the Consolidated Group after providing for income tax and non-controlling interest amounted to \$3,437,765 (30 June 2019: \$3,396,596).

Finance

The finance business contributed a profit before tax of \$2,928,403 (2019: \$3,488,052) for the year.

Insurance

The insurance broking business continues to make a positive contribution to the Group, reporting a net profit before tax of \$1,940,034 (2019: \$1,111,509) for the year.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Group during the financial year.

Westlawn Finance Limited
Directors' report
30 June 2020

Matters subsequent to the end of the financial year

Coronavirus pandemic (COVID-19)

The impact of COVID-19 is ongoing and whilst the financial impact on the Consolidated Group up to 30 June 2020 has been minimal, it is not practicable to estimate the potential impact after the reporting date. The situation is developing rapidly and is dependent on measures imposed by the Australian and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

As detailed in note 25, the Company has granted loan repayment holidays of between 3 to 6 months. These concessions provided to borrowers are not anticipated to have a significant impact on the Company, with strong levels of liquidity continuing to be maintained.

Sale of 75 Tamar Street, Ballina

On 14 July 2020 the Company entered into an agreement to sell the property located at 75 Tamar Street Ballina for \$2,500,000. This property has a carrying book value of \$2,137,772 as at 30 June 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group'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 Group 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 Group.

Environmental regulation

The Consolidated Group 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

Westlawn Finance Limited
Directors' report
30 June 2020

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 2020, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
James William Dougherty	12	12
Mark Charles Dougherty	12	12
Geoffrey Dean Scofield	11	12
Andrew Harry Hayes	12	12
Andrew Michael Dougherty	12	12
Cameron Scott McCullagh	7	12
Andrew Douglas Bennett	8	12

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.

Westlawn Finance Limited
Directors' report
30 June 2020

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

A handwritten signature in black ink, appearing to read 'JW Dougherty', written over a horizontal line.

James William Dougherty
Chairman

19 August 2020
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 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

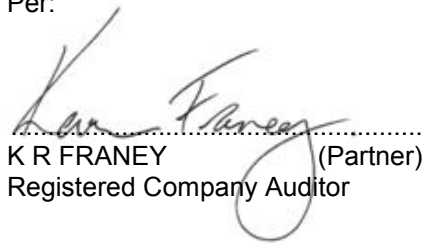
- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to the Westlawn Finance Limited and the entities it controlled during the period.

Dated at Grafton this 19th day of August 2020.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:



K R FRANEY (Partner)
Registered Company Auditor

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Westlawn Finance Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
Interest income		13,960,506	13,460,621
Interest expense		<u>(5,478,276)</u>	<u>(5,336,757)</u>
Total net interest income		8,482,230	8,123,864
Non-interest revenue	3	7,128,119	6,050,349
Other income	4	-	88,977
Net fair value gain on the revaluation of land & buildings		-	240,500
Total revenue after interest expense		<u>15,610,349</u>	<u>14,503,690</u>
Expenses			
Bad debts written off		(1,132,802)	(1,527,875)
Reversal of impairment of loans and advances		190,740	129,879
Employee benefits expense		(5,765,713)	(5,173,323)
Depreciation and amortisation expense	5	(570,295)	(510,604)
Impairment of investments		(800,000)	-
Loss on disposal of assets		(6,465)	(31,422)
Other expenses	5	<u>(2,657,377)</u>	<u>(2,790,784)</u>
Total expenses		<u>(10,741,912)</u>	<u>(9,904,129)</u>
Profit before income tax expense		4,868,437	4,599,561
Income tax expense	6	<u>(1,369,099)</u>	<u>(1,177,659)</u>
Profit after income tax expense for the year		3,499,338	3,421,902
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		-	448,710
Gain on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		6,149	14,370
Loss on the revaluation of equity instruments at fair value through other comprehensive income, net of tax		<u>(1,638,677)</u>	<u>(555,191)</u>
Other comprehensive income for the year, net of tax		<u>(1,632,528)</u>	<u>(92,111)</u>
Total comprehensive income for the year		<u>1,866,810</u>	<u>3,329,791</u>
Profit for the year is attributable to:			
Non-controlling interest		61,573	25,306
Owners of Westlawn Finance Limited		<u>3,437,765</u>	<u>3,396,596</u>
		<u>3,499,338</u>	<u>3,421,902</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		60,945	28,180
Owners of Westlawn Finance Limited		<u>1,805,865</u>	<u>3,301,611</u>
		<u>1,866,810</u>	<u>3,329,791</u>

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 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
Assets			
Cash and cash equivalents	7	43,402,496	41,455,452
Trade and other receivables	8	476,510	400,916
Other assets	9	539,681	367,677
Loans & advances	10	185,958,470	177,122,073
Financial assets at fair value through other comprehensive income	11	3,136,714	3,994,141
Other financial assets	12	5,736,989	2,000,000
Property, plant and equipment	13	6,930,274	7,091,408
Intangibles	14	<u>2,646,662</u>	<u>2,829,375</u>
Total assets		<u>248,827,796</u>	<u>235,261,042</u>
Liabilities			
Trade and other payables	16	17,056,922	16,647,114
Interest bearing liabilities	17	193,684,522	182,724,305
Income tax	18	1,960,147	67,146
Provisions	19	1,417,923	1,302,830
Deferred tax liabilities	20	<u>859,786</u>	<u>1,517,961</u>
Total liabilities		<u>214,979,300</u>	<u>202,259,356</u>
Net assets		<u>33,848,496</u>	<u>33,001,686</u>
Equity			
Issued capital	21	24,094,643	24,094,643
Reserves	22	(627,538)	1,559,553
Retained profits		<u>10,193,723</u>	<u>7,200,767</u>
Equity attributable to the owners of Westlawn Finance Limited		33,660,828	32,854,963
Non-controlling interest	23	<u>187,668</u>	<u>146,723</u>
Total equity		<u>33,848,496</u>	<u>33,001,686</u>

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 2020

Consolidated Group	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2018	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	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	14,000,000	-	-	-	14,000,000
Redemption of preference shares	(1,650,000)	-	-	-	(1,650,000)
Dividends paid (note 24)	-	-	(4,019,960)	(20,000)	(4,039,960)
Balance at 30 June 2019	<u>24,094,643</u>	<u>1,559,553</u>	<u>7,200,767</u>	<u>146,723</u>	<u>33,001,686</u>
Consolidated Group	Issued capital \$	Reserves \$	Retained profits \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2019	24,094,643	1,559,553	7,200,767	146,723	33,001,686
Profit after income tax expense for the year	-	-	3,437,765	61,573	3,499,338
Other comprehensive income for the year, net of tax	-	(1,631,900)	-	(628)	(1,632,528)
Total comprehensive income for the year	-	(1,631,900)	3,437,765	60,945	1,866,810
Reclassification of fair value decrement in equity instruments	-	(555,191)	555,191	-	-
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid (note 24)	-	-	(1,000,000)	(20,000)	(1,020,000)
Balance at 30 June 2020	<u>24,094,643</u>	<u>(627,538)</u>	<u>10,193,723</u>	<u>187,668</u>	<u>33,848,496</u>

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 2020

	Note	Consolidated Group	
		2020	2019
		\$	\$
Cash flows from operating activities			
Interest & rent received from external investments		14,324,750	13,809,550
Other receipts		6,792,363	5,713,996
Payments to suppliers and employees		<u>(8,101,290)</u>	<u>(7,791,450)</u>
		13,015,823	11,732,096
Interest and other finance costs paid		(5,699,122)	(5,428,112)
Income taxes paid		<u>(129,448)</u>	<u>79,131</u>
Net cash from operating activities	36	<u>7,187,253</u>	<u>6,383,115</u>
Cash flows from investing activities			
Payments for investments		(7,255,766)	(6,000,000)
Payments for property, plant and equipment	13	(141,245)	(134,340)
Payments for intangibles	14	-	(481,129)
Proceeds from disposal of investments		1,837,595	5,234,829
Proceeds from disposal of property, plant and equipment		17,272	204,569
Dividends received		20,088	104,570
Net loans (advanced) repaid		<u>(9,658,371)</u>	<u>(6,421,154)</u>
Net cash used in investing activities		<u>(15,180,427)</u>	<u>(7,492,655)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	-	14,000,000
Payments for redemption of shares	21	-	(1,650,000)
Net increase in unsecured notes		10,960,218	3,628,326
Dividends paid	24	(1,000,000)	(4,019,960)
Dividends paid (non-controlling interest)	24	<u>(20,000)</u>	<u>(20,000)</u>
Net cash from financing activities		<u>9,940,218</u>	<u>11,938,366</u>
Net increase in cash and cash equivalents		1,947,044	10,828,826
Cash and cash equivalents at the beginning of the financial year		<u>41,455,452</u>	<u>30,626,626</u>
Cash and cash equivalents at the end of the financial year	7	<u>43,402,496</u>	<u>41,455,452</u>

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

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

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 Group 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.

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

The following Accounting Standards and Interpretations are most relevant to the Consolidated Group:

AASB 16 Leases

The Consolidated Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of this Accounting Standard did not have any significant impact on the financial performance or position of the Consolidated Group.

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').

Functional and presentation currency

The financial statements are presented in Australian dollars, which is Westlawn Finance Limited's functional and presentation currency.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

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 Group'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.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Group only. Supplementary information about the parent entity is disclosed in note 33.

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 2020 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 Group'.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Consolidated Group has control. The Consolidated Group controls an entity when the Consolidated Group 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 Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Consolidated Group 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 Group.

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 Group. Losses incurred by the Consolidated Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Group 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 Group 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 Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Consolidated Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Group: 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.

Fees and commission

Fees and commission revenue are recognised when it is received or when the right to receive payment is established.

Other revenue

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

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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

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. 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 Group 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.

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 Group 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, its carrying value is written off.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

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 Group 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 Group 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 Group'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.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Determining the stage for impairment

At each reporting date, the Consolidated Group 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 Group 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.

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 Group 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 Group has an internally developed credit rating scale derived from historical default data to assess the potential default risk in lending. The Consolidated Group 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 Group 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 Group 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 Group considers both quantitative and qualitative information and analysis based on the Consolidated Group'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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 1. Significant accounting policies (continued)

Leasehold improvements 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 Group. 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.

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.

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 Group 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.

Provisions

Provisions are recognised when the Consolidated Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Group 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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

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 high quality corporate 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 Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Group'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 Group 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.

Westlawn Finance Limited
Notes to the financial statements
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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 Group for the annual reporting period ended 30 June 2020. The Consolidated Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 Group 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.

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

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 Group 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 Group 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 Group 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 Group 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 Group assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Consolidated Group 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 Group 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 Group recognises liabilities for anticipated tax audit issues based on the Consolidated Group'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 Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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 Group 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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 3. Non-interest revenue

	Consolidated Group	
	2020	2019
	\$	\$
Administration fees	1,038,306	952,892
Commission	4,164,820	3,704,880
Other fees	747,586	644,499
Dividends	8,742	19,057
Rent	350,116	366,617
Trust distributions	11,346	85,514
Bad debts recovered	42,564	172,321
Net gain on disposal of plant & equipment	225	6,474
Other revenue	764,414	98,095
	<u>7,128,119</u>	<u>6,050,349</u>
Non-interest revenue		

Disaggregation of revenue

The Group's revenue is wholly sourced from the provision of financial services in Australia (predominately New South Wales), and comprises interest received from the provision of loans to customers, and fees and commissions from insurance broking. Accordingly, management has considered that the provision of additional information on disaggregation of revenue is considered unnecessary.

Note 4. Other income

	Consolidated Group	
	2020	2019
	\$	\$
Net gain on disposal of investments	-	88,977
	<u>-</u>	<u>88,977</u>

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 5. Expenses

	Consolidated Group	
	2020	2019
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	102,906	102,625
Leasehold improvements	22,193	17,254
Plant and equipment	153,765	151,850
	<u>278,864</u>	<u>271,729</u>
Total depreciation		
<i>Amortisation</i>		
Customer lists	41,129	87,655
Software	141,584	150,993
Borrowing costs	-	227
Corporate bonds	108,718	-
	<u>291,431</u>	<u>238,875</u>
Total amortisation		
Total depreciation and amortisation	<u>570,295</u>	<u>510,604</u>
<i>Other expenses</i>		
Auditors' remuneration	113,652	120,102
Fees and commission paid	290,343	359,401
Management fees	251,650	226,800
IT and telephony	382,427	423,363
Payroll tax	198,989	246,354
Rent paid	306,530	289,585
Other operating expenses	1,113,786	1,125,179
	<u>2,657,377</u>	<u>2,790,784</u>
Total other expenses		

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 6. Income tax expense

	Consolidated Group 2020	2019
	\$	\$
<i>Income tax expense</i>		
Current tax	2,029,909	300,959
Deferred tax - origination and reversal of temporary differences	(670,315)	924,716
Adjustment recognised for prior periods	9,505	(48,016)
	<u>1,369,099</u>	<u>1,177,659</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 15)	128,736	1,243,285
Decrease in deferred tax liabilities (note 20)	(799,051)	(318,569)
	<u>(670,315)</u>	<u>924,716</u>
Deferred tax - origination and reversal of temporary differences		
	<u>(670,315)</u>	<u>924,716</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	4,868,437	4,599,561
Tax at the statutory tax rate of 30%	1,460,531	1,379,868
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	12,339	26,325
Depreciation of property, plant and equipment	30,872	30,787
Entertainment expenses	955	646
Gross-up of dividend income	1,999	2,449
Accounting loss on sale of assets	-	8,122
Other non-deductible items	15,507	-
Tax offset for franked dividends	(3,746)	(8,165)
Capital allowances on buildings	(18,254)	(18,204)
Other non-assessable items	(40,709)	(6,012)
	<u>1,459,494</u>	<u>1,415,816</u>
Adjustment recognised for prior periods	9,505	(48,016)
Prior year tax losses not recognised now recouped	(99,900)	(11,047)
Adjustment to reflect impact of first time tax consolidation	-	(179,094)
	<u>-</u>	<u>(179,094)</u>
Income tax expense	<u>1,369,099</u>	<u>1,177,659</u>

The weighted average effective tax rates are as follows: 25.60% 32.17%

	Consolidated Group 2020	2019
	\$	\$
<i>Amounts charged directly to equity</i>		
Deferred tax liabilities (note 20)	2,635	89,824
	<u>2,635</u>	<u>89,824</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised (realised capital losses)	-	269,780
	<u>-</u>	<u>269,780</u>
Potential tax benefit at statutory tax rates	-	80,934
	<u>-</u>	<u>80,934</u>

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.

Westlawn Finance Limited
Notes to the financial statements
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Note 6. Income tax expense (continued)

	Consolidated Group 2020	2019
	\$	\$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Loss on the revaluation of equity instruments at fair value through OCI	<u>658,160</u>	<u>166,557</u>
Total deferred tax assets not recognised	<u>658,160</u>	<u>166,557</u>

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 7. Cash and cash equivalents

	Consolidated Group 2020	2019
	\$	\$
Cash on hand	15,350	15,700
Cash at bank	20,693,604	21,109,747
Cash on deposit	<u>22,693,542</u>	<u>20,330,005</u>
	<u>43,402,496</u>	<u>41,455,452</u>
Amount expected to be recovered within 12 months	<u>43,402,496</u>	<u>41,455,452</u>

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 \$4.076 million (2019: \$3.615 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 16 - Trade and other payables.

Note 8. Trade and other receivables

	Consolidated Group 2020	2019
	\$	\$
Trade receivables	401,837	330,803
Other receivables	<u>74,673</u>	<u>70,113</u>
	<u>476,510</u>	<u>400,916</u>
Amount expected to be recovered within 12 months	<u>476,510</u>	<u>400,916</u>

Note 9. Other assets

	Consolidated Group 2020	2019
	\$	\$
Prepayments	<u>539,681</u>	<u>367,677</u>
Amount expected to be recovered within 12 months	<u>539,681</u>	<u>367,677</u>

Westlawn Finance Limited
Notes to the financial statements
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Note 10. Loans & advances

	Consolidated Group	2020	2019
	\$	\$	
Loans and advances	188,133,664	179,488,007	
Less: Allowance for expected credit losses	<u>(2,175,194)</u>	<u>(2,365,934)</u>	
	<u>185,958,470</u>	<u>177,122,073</u>	
Amount expected to be recovered within 12 months	84,871,100	77,098,459	
Amount expected to be recovered after more than 12 months	<u>101,087,370</u>	<u>100,023,614</u>	
	<u>185,958,470</u>	<u>177,122,073</u>	

Note 11. Financial assets at fair value through other comprehensive income

	Consolidated Group	2020	2019
	\$	\$	
Shares in listed companies	3,015,215	3,547,743	
Units in unlisted unit trusts	<u>121,499</u>	<u>446,398</u>	
	<u>3,136,714</u>	<u>3,994,141</u>	
Amount expected to be recovered after more than 12 months	<u>3,136,714</u>	<u>3,994,141</u>	

Reconciliation

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

Opening fair value	3,994,141	4,674,655
Additions	1,097,364	4,000,000
Disposals	(324,898)	(4,145,851)
Revaluation increments	8,784	20,528
Revaluation decrements	<u>(1,638,677)</u>	<u>(555,191)</u>
Closing fair value	<u>3,136,714</u>	<u>3,994,141</u>

Refer to note 26 for further information on fair value measurement.

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Note 12. Other financial assets

	Consolidated Group	2019
	2020	2019
	\$	\$
Corporate bonds - at amortised cost	3,036,979	-
Less: Provision for impairment	(800,000)	-
Other investments - at amortised cost	3,500,010	2,000,000
	<u>5,736,989</u>	<u>2,000,000</u>
Amount expected to be recovered after more than 12 months	<u>5,736,989</u>	<u>2,000,000</u>

Reconciliation

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

Opening carrying amount	2,000,000	-
Additions	6,158,405	2,000,000
Disposals	(1,512,698)	-
Amortisation of corporate bonds	(108,718)	-
Impairment of assets	(800,000)	-
Closing carrying amount	<u>5,736,989</u>	<u>2,000,000</u>

Note 13. Property, plant and equipment

	Consolidated Group	2019
	2020	2019
	\$	\$
Land - at independent valuation	2,155,000	2,155,000
Buildings - at independent valuation	4,215,000	4,215,000
Less: Accumulated depreciation	(102,906)	-
	<u>4,112,094</u>	<u>4,215,000</u>
Leasehold improvements - at cost	152,834	152,834
Less: Accumulated depreciation	(53,364)	(31,170)
	<u>99,470</u>	<u>121,664</u>
Plant and equipment - at cost	1,363,618	1,321,451
Less: Accumulated depreciation	(799,908)	(721,707)
	<u>563,710</u>	<u>599,744</u>
	<u>6,930,274</u>	<u>7,091,408</u>
Amount expected to be recovered after more than 12 months	<u>6,930,274</u>	<u>7,091,408</u>

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Note 13. Property, plant and equipment (continued)

Reconciliations

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

Consolidated Group	Freehold land \$	Freehold buildings \$	Leasehold improvements \$	Plant and Equipment \$	Total \$
Balance at 1 July 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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2019	2,155,000	4,215,000	121,664	599,744	7,091,408
Additions	-	-	-	141,245	141,245
Disposals	-	-	-	(23,513)	(23,513)
Depreciation expense	-	(102,906)	(22,194)	(153,766)	(278,866)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	<u>2,155,000</u>	<u>4,112,094</u>	<u>99,470</u>	<u>563,710</u>	<u>6,930,274</u>

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 26 for further information on fair value measurement.

Note 14. Intangibles

	Consolidated Group	
	2020	2019
	\$	\$
Goodwill - at cost	4,142,571	4,354,637
Less: Impairment	<u>(1,762,294)</u>	<u>(1,974,360)</u>
	<hr/>	<hr/>
	2,380,277	2,380,277
Customer lists - at cost	1,391,395	1,391,395
Less: Accumulated amortisation	<u>(1,183,828)</u>	<u>(1,142,699)</u>
	<hr/>	<hr/>
	207,567	248,696
Software - at cost	783,750	1,257,694
Less: Accumulated amortisation	<u>(724,932)</u>	<u>(1,057,292)</u>
	<hr/>	<hr/>
	58,818	200,402
	<hr/>	<hr/>
	2,646,662	2,829,375
Amount expected to be recovered after more than 12 months	<u>2,646,662</u>	<u>2,829,375</u>

Westlawn Finance Limited
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Note 14. Intangibles (continued)

Reconciliations

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

Consolidated Group	Goodwill \$	Customer lists \$	Software \$	Borrowing costs \$	Total \$
Balance at 1 July 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
Amortisation expense	-	(41,129)	(141,584)	-	(182,713)
Balance at 30 June 2020	<u>2,380,277</u>	<u>207,567</u>	<u>58,818</u>	<u>-</u>	<u>2,646,662</u>

Impairment disclosures

Goodwill is tested annually for impairment as disclosed in note 1.

Goodwill represents previously purchased insurance broking businesses. Management uses widely accepted industry multiples of both revenue and EBITA to calculate the fair value less costs of disposal of the underlying business. This valuation is then used to calculate the goodwill component of the business to ensure that the carrying value is not impaired.

Note 15. Deferred tax assets

	Consolidated Group	
	2020	2019
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	-	353,326
Employee benefits	425,377	390,849
Accrued expenses	35,334	28,050
Provision for impairment of loans	892,558	709,780
Deferred tax assets set-off against deferred tax liabilities pursuant to set-off provisions	<u>(1,353,269)</u>	<u>(1,482,005)</u>
Deferred tax asset	<u>-</u>	<u>-</u>
<i>Movements:</i>		
Opening balance	-	-
Charged to profit or loss (note 6)	(128,736)	(1,243,285)
Adjustment recognised for prior periods	-	48,016
Charged directly to equity upon initial adoption of AASB 9	-	185,750
Prior year closing balance prior to set-off against deferred tax liabilities	1,482,005	2,491,524
Deferred tax assets set-off against deferred tax liabilities pursuant to set-off provisions	<u>(1,353,269)</u>	<u>(1,482,005)</u>
Closing balance	<u>-</u>	<u>-</u>

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.

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Note 16. Trade and other payables

	Consolidated Group	2019
	2020	2019
	\$	\$
Trade payables	1,149,151	1,528,533
Insurance broking trust account	4,075,591	3,614,947
GST payable on leases	11,138,204	11,009,972
Interest payable	125,724	125,436
BAS payable	276,999	203,771
Other payables	291,253	164,455
	<u>17,056,922</u>	<u>16,647,114</u>
Amount expected to be settled within 12 months	10,509,829	9,518,684
Amount expected to be settled after more than 12 months	6,547,093	7,128,430
	<u>17,056,922</u>	<u>16,647,114</u>

Refer to note 25 for further information on financial instruments.

Note 17. Interest bearing liabilities

	Consolidated Group	2019
	2020	2019
	\$	\$
Unsecured Notes - at call	15,418,012	13,471,414
Unsecured Notes - term	178,266,510	169,252,891
	<u>193,684,522</u>	<u>182,724,305</u>
Amount expected to be settled within 12 months	163,390,234	159,218,814
Amount expected to be settled after more than 12 months	30,294,288	23,505,491
	<u>193,684,522</u>	<u>182,724,305</u>

Refer to note 25 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 18. Income tax

	Consolidated Group	2019
	2020	2019
	\$	\$
Current tax liability	<u>1,960,147</u>	<u>67,146</u>
Amount expected to be settled within 12 months	<u>1,960,147</u>	<u>67,146</u>

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Note 19. Provisions

	Consolidated Group	
	2020	2019
	\$	\$
Annual leave	542,281	477,304
Long service leave	875,642	825,526
	<u>1,417,923</u>	<u>1,302,830</u>
Amount expected to be settled within 12 months	1,335,517	1,220,467
Amount expected to be settled after more than 12 months	82,406	82,363
	<u>1,417,923</u>	<u>1,302,830</u>

Note 20. Deferred tax liabilities

	Consolidated Group	
	2020	2019
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Plant and equipment	2,147,740	2,923,846
In-house software	16,990	39,935
Set-off of deferred tax assets pursuant to set-off provisions	(1,353,269)	(1,482,005)
	<u>811,461</u>	<u>1,481,776</u>
Amounts recognised in equity:		
Revaluation of property, plant and equipment	388,268	388,268
Revaluation of financial assets at fair value through other comprehensive income	29,820	27,185
Realised capital losses	(369,763)	(379,268)
	<u>48,325</u>	<u>36,185</u>
Deferred tax liability	<u>859,786</u>	<u>1,517,961</u>
<i>Movements:</i>		
Opening balance	1,517,961	737,187
Credited to profit or loss (note 6)	(799,051)	(318,569)
Charged to equity (note 6)	2,635	89,824
Adjustment recognised for prior periods	9,505	-
Prior year amount set-off against deferred tax assets	1,482,005	2,491,524
Set-off of deferred tax assets pursuant to set-off provisions	(1,353,269)	(1,482,005)
Closing balance	<u>859,786</u>	<u>1,517,961</u>

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.

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Note 21. Issued capital

	2020	Consolidated Group		
	Shares	2019	2020	2019
		Shares	\$	\$
Ordinary shares - fully paid	<u>14,805,871</u>	<u>14,805,871</u>	<u>24,094,643</u>	<u>24,094,643</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	10,094,643		10,094,643
Contributions of equity, net of transaction costs	28 September 2018	<u>4,711,228</u>	\$2.97	<u>14,000,000</u>
Balance	30 June 2019	<u>14,805,871</u>		<u>24,094,643</u>
Balance	30 June 2020	<u>14,805,871</u>		<u>24,094,643</u>

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. Westlawn Holdings Pty Ltd owns 68.2% of the issued capital of the Company with the remaining 31.8% owned by Consolidated Operations Group Limited.

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 Group 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 2019 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 22. Reserves

	Consolidated Group	
	2020	2019
	\$	\$
Revaluation surplus reserve	1,508,808	1,508,808
Financial assets at fair value through other comprehensive income reserve	<u>(2,136,346)</u>	<u>50,745</u>
	<u>(627,538)</u>	<u>1,559,553</u>

Revaluation surplus reserve

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

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Note 22. Reserves (continued)

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 Group	Revaluation surplus reserve \$	Financial assets at fair value through OCI reserve \$	Total \$
Balance at 1 July 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
Revaluation - gross	-	(1,629,893)	(1,629,893)
Deferred tax	-	(2,635)	(2,635)
Non-controlling interest share of revaluation	-	628	628
Prior year reclassification of loss on revaluation of equity instruments	-	(555,191)	(555,191)
Balance at 30 June 2020	<u>1,508,808</u>	<u>(2,136,346)</u>	<u>(627,538)</u>

Note 23. Non-controlling interest

The following table summarises the information relating to each of the Company's subsidiaries that has a non-controlling interest, before any intra-group eliminations.

	2020 \$	2019 \$
Westlawn Insurance Brokers (Coffs) Pty Ltd		
Current assets	838,018	500,386
Non-current assets	1,163,264	1,132,862
Current liabilities	(989,725)	(830,645)
Non-current liabilities	(73,217)	(68,988)
Net assets	<u>938,340</u>	<u>733,615</u>
Net assets attributable to NCI at 20%	<u>187,668</u>	<u>146,723</u>

Refer to the statement of changes in equity for the share of profit or loss allocated to and dividends paid to non-controlling interests of the subsidiary during the reporting period.

Refer to note 34 for further detail on subsidiaries with non-controlling interests.

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Note 24. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated Group	
	2020	2019
	\$	\$
Final dividend for the year ended 30 June 2019 of 6.7541 cents per Ordinary Share franked at the rate of 30%	1,000,000	-
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
	<u>1,000,000</u>	<u>4,019,960</u>

Dividends paid to non-controlling interests

A dividend of \$20,000 (2019: \$20,000) was paid by a subsidiary to non-controlling interests during the year. Refer to note 34 for further information on interests in subsidiaries.

Franking credits

	Consolidated Group	
	2020	2019
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>4,499,699</u>	<u>3,194,527</u>

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 25. 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 Group and appropriate procedures, controls and limits. Finance identifies, evaluates and minimises financial risks within the Consolidated Group's operating units. Finance reports to the Board on a monthly basis.

Price risk

The Consolidated Group 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 2020 approximately 86% (2019: 88%) of Group lending is on a fixed basis.

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Note 25. Financial instruments (continued)

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.

As at the reporting date, the Consolidated Group had the following variable rate assets and liabilities outstanding:

Consolidated Group	2020		2019	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash & cash equivalents	-	20,708,954	0.97%	21,125,447
Loans & advances	6.94%	26,048,370	7.40%	22,434,647
Interest bearing liabilities	(2.19%)	<u>(15,418,011)</u>	(2.58%)	<u>(13,471,413)</u>
Net exposure to cash flow interest rate risk		<u>31,339,313</u>		<u>30,088,681</u>

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 variable 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:

Consolidated Group - 2020	Basis points change	Basis points increase Effect on		Basis points decrease Effect on		
		profit before tax	Effect on equity	profit before tax	Effect on equity	Effect on equity
Change in interest rate	100	<u>92,819</u>	<u>64,973</u>	100	<u>(92,819)</u>	<u>(64,973)</u>

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

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 Consolidated Group is not exposed to foreign currency fluctuations.

Credit risk

Credit risk arises from lending activities, the provision of guarantees including commitments to lend and other associated activities. Credit risk is the potential loss arising from the possibility that borrowers or 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 balance sheet and notes to the financial statements (refer in particular to note 10).

The Group 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 Group based on recent sales experience, historical collection rates and forward-looking information that is available.

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Note 25. Financial instruments (continued)

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.

Cash and cash equivalents

The Group had cash and cash equivalents of \$43,402,496 as at 30 June 2020 (2019: \$41,455,452). These amounts are held with Australian banks and financial institutions which are rated AA- by Standard & Poor's. The Group considers that its cash and cash equivalents have low credit risk based on the external ratings of the counterparties.

Loans and advances

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 Group	
	2020	2019
	\$	\$
Loan portfolio by security type		
Plant, equipment & chattels	147,538,632	147,246,779
Registered first mortgages - non development loans	23,507,162	17,699,554
Registered first mortgages - development loans	7,203,433	5,315,234
Insurance policies (premium funding)	5,903,673	5,375,933
Security interests over shares & assets	2,014,033	2,078,098
Registered second mortgages	1,356,032	701,408
Unsecured	<u>610,699</u>	<u>1,071,001</u>
Total loan receivables	<u>188,133,664</u>	<u>179,488,007</u>

	Consolidated Group	
	2020	2019
	\$	\$
Loan portfolio by geographic region		
NSW - Northern Region (area North of Grafton)	31,743,176	36,286,438
NSW - Grafton area	12,356,195	12,379,447
NSW - Other Regions	79,944,990	62,664,432
Queensland	42,014,152	42,104,772
Victoria	15,572,220	18,555,271
Western Australia	4,616,799	4,564,069
South Australia	1,514,191	2,280,055
Northern Territory	80,626	336,122
ACT	111,287	213,361
Tasmania	<u>180,028</u>	<u>104,040</u>
Total loan receivables	<u>188,133,664</u>	<u>179,488,007</u>

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

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

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Note 25. Financial instruments (continued)

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

	Consolidated Group	
	2020	2019
	\$	\$
Impaired loans (including non accrual loans)		
Loans - without provisions	887,733	626,798
Loans - with provisions	1,944,114	2,500,861
Less: allowance for expected credit losses	<u>(1,424,698)</u>	<u>(1,734,585)</u>
Net impaired loans	<u>1,407,149</u>	<u>1,393,074</u>

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 ECL:

	Carrying amount 2020	Carrying amount 2019	Allowance for ECL 2020	Allowance for ECL 2019
Consolidated	\$	\$	\$	\$
Impaired loans (including non accrual loans)				
Not in arrears (but impaired)	79,530	207,016	67,605	186,635
More than 30 days in arrears	546,235	523,787	108,993	130,950
More than 60 days in arrears	305,506	275,034	22,860	153,825
More than 90 days in arrears	<u>1,900,576</u>	<u>2,121,822</u>	<u>1,225,240</u>	<u>1,263,175</u>
	<u>2,831,847</u>	<u>3,127,659</u>	<u>1,424,698</u>	<u>1,734,585</u>

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

	Stage 1 12-mth ECL Collective provision	Stage 2 Lifetime ECL Collective provision	Stage 3 Lifetime ECL Specific provision	Total
Consolidated	\$	\$	\$	\$
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)	<u>12,184</u>	<u>130,950</u>	<u>(273,013)</u>	<u>(129,879)</u>
Balance as at 30 June 2019	<u>631,349</u>	<u>130,950</u>	<u>1,603,635</u>	<u>2,365,934</u>
New and increased provisions (net of releases)	<u>119,147</u>	<u>(20,093)</u>	<u>(289,794)</u>	<u>(190,740)</u>
Balance as at 30 June 2020	<u>750,496</u>	<u>110,857</u>	<u>1,313,841</u>	<u>2,175,194</u>

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 25. Financial instruments (continued)

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.

COVID-19 Repayment holiday loans

The Company has granted repayment holidays of between 3 to 6 months due to financial hardship faced by borrowers seriously impacted by COVID-19. As at 30 June 2020, these loans in aggregate have an outstanding balance of \$19,243,425 and represent approximately 11% of the total loan portfolio. None of these loans were in arrears at the date of the hardship application and accordingly are not included in the loans in arrears disclosed above.

The Company has considered the impact of COVID-19 when assessing its exposure to expected credit losses.

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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 25. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Consolidated Group'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 Group - 2020	Weighted average interest rate %	At call \$	0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	\$	Remaining contractual maturities \$
Non-derivatives							
<i>Non-interest bearing</i>							
Trade & other payables	-	-	7,121,654	3,388,180	6,547,093	-	17,056,927
Financial guarantees	-	-	214,346	-	-	-	214,346
Undrawn credit commitments	-	7,170,266	5,157,695	-	-	-	12,327,961
<i>Interest-bearing - variable</i>							
Unsecured notes	2.19%	15,418,011	-	-	-	-	15,418,011
<i>Interest-bearing - fixed rate</i>							
Unsecured notes	2.77%	-	52,171,892	96,956,081	31,056,414	61,879	180,246,266
Total non-derivatives		<u>22,588,277</u>	<u>64,665,587</u>	<u>100,344,261</u>	<u>37,603,507</u>	<u>61,879</u>	<u>225,263,511</u>

Consolidated Group - 2019	Weighted average interest rate %	At call \$	0 to 3 months \$	3 to 12 months \$	1 to 5 years \$	\$	Remaining contractual maturities \$
Non-derivatives							
<i>Non-interest bearing</i>							
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
<i>Interest-bearing - variable</i>							
Unsecured notes	2.58%	13,471,413	-	-	-	-	13,471,413
<i>Interest-bearing - fixed rate</i>							
Unsecured notes	3.10%	-	51,516,249	95,548,694	24,245,914	-	171,310,857
Total non-derivatives		<u>22,356,104</u>	<u>61,296,309</u>	<u>98,423,168</u>	<u>31,374,344</u>	-	<u>213,449,925</u>

Details about the financial guarantees are provided in note 31. 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 Group 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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 25. Financial instruments (continued)

Maturity analysis

The following tables detail the Consolidated Group'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.

	At call	0 to 3	3 to 12	1 to 5	Over 5	No specified	Total
	\$	months	months	years	years	maturity	\$
		\$	\$	\$	\$	\$	\$
Consolidated Group - 2020							
Cash and cash equivalents	20,708,954	22,693,542	-	-	-	-	43,402,496
Trade and other receivables	-	476,510	-	-	-	-	476,510
Other assets	-	539,681	-	-	-	-	539,681
Loans & advances	-	27,243,781	57,627,319	103,227,920	34,644	(2,175,194)	185,958,470
Financial assets at fair value through OCI	-	-	-	-	-	3,136,714	3,136,714
Other financial assets	-	-	-	2,236,979	-	3,500,010	5,736,989
Trade and other payables	-	(7,121,649)	(3,388,180)	(6,547,093)	-	-	(17,056,922)
Interest bearing liabilities	(15,418,011)	(51,995,109)	(95,977,114)	(30,234,048)	(60,240)	-	(193,684,522)
Net mismatch	<u>5,290,943</u>	<u>(8,163,244)</u>	<u>(41,737,975)</u>	<u>68,683,758</u>	<u>(25,596)</u>	<u>4,461,530</u>	<u>28,509,416</u>
	At call	0 to 3	3 to 12	1 to 5	Over 5	No specified	Total
	\$	months	months	years	years	maturity	\$
		\$	\$	\$	\$	\$	\$
Consolidated Group - 2019							
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	<u>7,654,034</u>	<u>(11,570,915)</u>	<u>(45,498,113)</u>	<u>71,688,729</u>	<u>66,898</u>	<u>3,628,207</u>	<u>25,968,840</u>

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

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 26. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Group'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 Group - 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Recurring fair value measurements</i>				
<i>Assets</i>				
Financial assets at fair value through OCI - shares in listed companies	3,015,215	-	-	3,015,215
Financial assets at fair value through OCI - units in unlisted unit trusts	-	-	121,499	121,499
Land and buildings	-	6,267,094	-	6,267,094
Total assets	3,015,215	6,267,094	121,499	9,403,808

Consolidated Group - 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Recurring fair value measurements</i>				
<i>Assets</i>				
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

There were no transfers between levels during the financial year.

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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 26. Fair value measurement (continued)

Level 3 assets and liabilities

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

Consolidated Group	Financial assets at fair value through OCI \$	Total \$
Balance at 1 July 2018	3,591,408	3,591,408
Disposals	<u>(3,145,010)</u>	<u>(3,145,010)</u>
Balance at 30 June 2019	446,398	446,398
Disposals	<u>(324,899)</u>	<u>(324,899)</u>
Balance at 30 June 2020	<u>121,499</u>	<u>121,499</u>

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

Note 27. 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	Non-executive Director
Andrew Douglas Bennett	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 Group, directly or indirectly, during the financial year:

Christopher James Dougherty	General Manager – Westlawn Insurance Brokers Pty Ltd
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Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Group is set out below:

	Consolidated Group	
	2020	2019
	\$	\$
Short-term employee benefits	1,005,889	1,058,402
Post-employment benefits	<u>92,681</u>	<u>86,062</u>
	<u>1,098,570</u>	<u>1,144,464</u>

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 28. 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 Group	2020	2019
	\$	\$	\$
<i>Audit services - Thomas Noble & Russell</i>			
Audit or review of the financial statements		113,652	120,102

Note 29. Commitments receivable

	Consolidated Group	2020	2019
	\$	\$	\$
Finance lease commitments			
Committed at the reporting date and recognised as assets, receivable:			
Within 3 months		17,010,441	12,312,227
3 to 12 months		37,269,985	31,619,209
1 to 5 years		72,018,025	78,412,728
Later than 5 years		29,690	69,044
Less: Future finance charges		(11,037,499)	(12,222,233)
Net finance lease receivables		115,290,642	110,190,975

	Consolidated Group	2020	2019
	\$	\$	\$
Operating lease commitments			
Minimum lease commitments receivable but not recognised in the financial statements:			
Receivable within 12 months		70,044	68,796
Receivable later than 1 year, not later than 5 years		58,370	126,126
Total receivable		128,414	194,922

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 22 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 30. Commitments payable

	Consolidated Group	2020	2019
	\$	\$	\$
<i>Credit related commitments:</i>			
Committed at the reporting date but not recognised as liabilities, payable:			
Gross loans approved, but not advanced to borrowers		5,157,695	2,921,504
Line of credit facilities granted but not drawn		7,170,266	8,884,691
		12,327,961	11,806,195

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 31. 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 Group	
	2020	2019
	\$	\$
Contingent liabilities		
Related parties	25,944	25,944
External parties	158,402	158,402
	<u>184,346</u>	<u>184,346</u>

Note 32. Related party transactions

Ultimate parent entity

Westlawn Holdings Pty Ltd is the ultimate parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 27.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated Group	
	2020	2019
	\$	\$
Other income:		
Interest received from commonly controlled entity	-	21,112
Interest received from key management personnel	72,444	53,034
Interest received from subsidiaries	-	6,422
Payment for goods and services:		
Payment for services from controlling entity	151,000	151,200
Payment for services from entity with significant influence	100,650	75,600

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.

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 32. Related party transactions (continued)

Loans to/from related parties

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

	Consolidated Group	
	2020	2019
	\$	\$
Current receivables:		
Loan to key management personnel	954,941	402,801
Non-current receivables:		
Loan to key management personnel	97,670	372,043
Current borrowings:		
Loan from controlling entity (parent) (unsecured notes)	1,344,705	1,315,468
Loan from subsidiaries (unsecured notes)	111,069	913,696
Loan from other related party (unsecured notes)	11,182,931	9,530,428
Non-current borrowings:		
Loan from other related party (unsecured notes)	50,954	68,674

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 9.00% 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 7.00% 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 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Profit after income tax	<u>2,994,241</u>	<u>2,637,173</u>
Total comprehensive income	<u>2,994,241</u>	<u>2,637,173</u>

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	<u>38,587,045</u>	<u>38,032,971</u>
Total assets	<u>242,100,295</u>	<u>230,683,934</u>
Total current liabilities	<u>208,680,912</u>	<u>196,830,570</u>
Total liabilities	<u>210,855,147</u>	<u>199,794,351</u>
Equity		
Issued capital	24,094,643	24,094,643
Revaluation surplus reserve	1,461,558	1,461,558
Financial assets at fair value through other comprehensive income reserve	(2,193,867)	-
Retained profits	<u>7,882,814</u>	<u>5,333,382</u>
Total equity	<u>31,245,148</u>	<u>30,889,583</u>

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 31 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 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Group, 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 34. 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	
		2020	2019
		%	%
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%	100.00%

Westlawn Finance Limited
Notes to the financial statements
30 June 2020

Note 34. 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:

Name	Principal place of business / Country of incorporation	Principal activities	Parent Ownership interest		Non-controlling interest Ownership interest	
			2020 %	2019 %	2020 %	2019 %
Westlawn Insurance Brokers (Coffs) Pty Ltd	Coffs Harbour NSW / Australia	Insurance Broker	80.00%	80.00%	20.00%	20.00%

Note 35. Events after the reporting period

Coronavirus pandemic (COVID-19)

The impact of COVID-19 is ongoing and whilst the financial impact on the Consolidated Group up to 30 June 2020 has been minimal, it is not practicable to estimate the potential impact after the reporting date. The situation is developing rapidly and is dependent on measures imposed by the Australian and State Governments and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

As detailed in note 25, the Company has granted loan repayment holidays of between 3 to 6 months. These concessions provided to borrowers are not anticipated to have a significant impact on the Company, with strong levels of liquidity continuing to be maintained.

Sale of 75 Tamar Street, Ballina

On 14 July 2020 the Company entered into an agreement to sell the property located at 75 Tamar Street Ballina for \$2,500,000. This property has a carrying book value of \$2,137,772 as at 30 June 2020.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

Note 36. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated Group	
	2020	2019
	\$	\$
Profit after income tax expense for the year	3,499,338	3,421,902
Adjustments for:		
Depreciation and amortisation	570,296	510,604
Net loss/(gain) on disposal of property, plant and equipment	6,240	(64,029)
Dividends & trust income	(20,088)	(104,571)
Bad debts written off	1,132,802	1,527,875
Amounts provided (written back) for doubtful debts	609,260	(129,879)
Net fair value gain on land and buildings	-	(240,500)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(44,937)	43,240
Increase in accrued revenue	(465)	(18,321)
Increase in other operating assets	(64,710)	(1,393,368)
Increase in trade and other payables	355,763	1,586,408
Increase in provision for income tax	1,900,460	380,090
Increase/(decrease) in deferred tax liabilities	(660,810)	876,702
Increase in employee benefits	115,093	60,331
Decrease in accrued interest payable	(210,989)	(73,369)
Net cash from operating activities	<u>7,187,253</u>	<u>6,383,115</u>

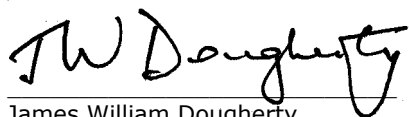
Westlawn Finance Limited
Directors' declaration
30 June 2020

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 Group's financial position as at 30 June 2020 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



James William Dougherty
Chairman

19 August 2020
Grafton

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 2020, the consolidated statement of profit or loss and other 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 2020 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 2020, 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

K R FRANEY (Partner)

Dated at Grafton this 19th day of August 2020