

AUSTRALIAN FINANCE & LEASING LIMITED

ABN 77 080 524 689

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2011

AUSTRALIAN FINANCE & LEASING LIMITED

ABN 77 080 524 689

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DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30th June 2011.

Directors.

The names of the directors in office during the financial period and at the date of this report are:

Robert Norman
David Reid
Laurence Best

Information on current directors and company secretary.

Robert Norman Executive Director

Experience 42 years in the Banking and Finance industry, specialising in equipment finance. He also has software design and system implementation experience in small finance companies.

David Reid Non - Executive Director

Experience Fellow of the Institute of Company Directors, the Society of Certified Practising Accountants and the Institute of Chartered Secretaries in Australia. He has over 30 years experience in financial management, specialising in strategic planning, business development, information systems, financial and prudential controls across a wide range of commercial, industrial and professional organisations.

Laurence Best Non-Executive Director and Company Secretary

Experience 41 years experience in the banking and finance industry, a Senior Associate of the Financial Services Institute of Australia, a Member of the Australian Institute of Management and a Member of the Australian Institute of Company Directors. Mr Best possesses a wealth of experience in management and credit acceptance for financial institutions.

Directors and company secretary have been in office since the start of the financial year to the date of this report unless otherwise stated.

None of the directors hold directorship in any Australian public listed companies during the year.

DIRECTORS' REPORT (Continued)

Meetings of the directors.

During the financial year, 4 meetings of Directors were held. Attendances were as follows:

SCHEDULE OF MEETINGS OF DIRECTORS		
Name of Director	Meetings eligible to attend	Number of meetings attended
Robert Norman	4	4
David Reid	4	4
Laurence Best	4	4

Directors' and executive remuneration.

- a) Salary and/or fees
- b) Benefits, including statutory and salary-sacrificed superannuation and fringe benefits that comprises the directors' remuneration package

The disclosure related to the remuneration of directors and the key management members is given in Note 26 of the financial statements.

No part of executive remuneration paid was as the result of meeting company performance targets or budgets.

Principal activities.

The principal activities of the company during the financial year were one of a provider of equipment finance and mortgage loans.

No significant change in the nature of these activities occurred during the period.

Review of operations.

The net loss after tax amounted to \$176,969 (2010 : Profit \$511,820) reflecting a decrease compared to the previous year's result. Neither the profit in 2010 nor the loss in the current year are reflective of the company's underlying accounting result. During 2010, errors were uncovered in the calculation of taxable income of several prior years and the profit recorded in 2010 reflects the correction of those errors. Due to those adjustments, in 2011 the company received a material refund of the income tax that had been overpaid in preceding years. However, as franked dividends had previously been made against income tax payments made, the 2011 financial report accounts for company's liability for franking deficit tax on those dividends.

DIRECTORS' REPORT (Continued)

Dividends.

Total dividends paid during the year were \$80,000 (unfranked). (2010 \$Nil)

Significant changes in state of affairs.

There have been no significant changes in the company's state of affairs during the period.

Matters subsequent to the end of the financial year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, its results, or the state of its affairs in future financial years.

Future developments.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Options

No options to shares in the company have been granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental Issues.

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnifying Officer or Auditor.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

DIRECTORS' REPORT (Continued)


Proceedings on behalf of the company.

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's Declaration

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

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



Robert Norman

Dated: 15/9/2011

AUSTRALIAN FINANCE & LEASING LIMITED
ABN 77 080 524 689

**Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001*
to the Directors of Australian Finance & Leasing Limited.**

I declare that, to the best of my knowledge and belief, during the year ended 30th June 2011
there have been :

- i no contraventions of the auditor independence requirements as set out in the
Corporations Act 2001 in relations to the audit; and
- ii no contraventions of any applicable code of professional conduct in relation
to the audit.



Roslyn Buzza

Date 15th September 2011

Suite 2, 38 Ross Smith Avenue
Frankston
Vic 3199

Statement of Comprehensive Income
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Income			
Interest and similar income		1,910,890	1,993,826
Fee and commission income		243,052	247,487
Bad debts recovered		35,962	18,275
Other income : mortgage management fee		84,000	84,000
		<u>2,273,904</u>	<u>2,343,588</u>
Expenses			
Interest expenses and similar charges		1,129,156	1,147,032
Fee and commission expenses		1,629	3,112
Impairment losses on loans and advances		358,237	317,067
Employee benefit costs		381,680	469,977
Depreciation and amortisation expenses	12	73,013	14,506
General administration expenses		402,444	384,968
		<u>2,346,159</u>	<u>2,336,662</u>
Profit (loss) before income tax		<u>(72,255)</u>	<u>6,926</u>
Income tax expense (recovery)	4	104,714	(504,894)
Profit (loss) for the year		<u>(176,969)</u>	<u>511,820</u>
Other comprehensive income			
Franking deficit tax paid or payable	15	(388,181)	(42,500)
Capital loss on employee share scheme	9	-	(540,227)
Other comprehensive income (loss) for the year, net of tax		<u>(388,181)</u>	<u>(582,727)</u>
Total comprehensive income (loss) for the year.		<u>(565,150)</u>	<u>(70,907)</u>
Profit (loss) attributable to members of the entity		<u>(176,969)</u>	<u>511,820</u>
Total comprehensive income attributable to members		<u>(565,150)</u>	<u>(70,907)</u>

The accompanying notes form part of these financial statements

AUSTRALIAN FINANCE & LEASING LIMITED
 ABN 77 080 524 689

Statement of Financial Position
 As at 30th June 2011

	Note	2011 \$	2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	2,174,483	1,110,952
Loans and advances	8	6,459,380	6,571,755
Loans - employee share schemes	9	-	-
Other assets	10	42,892	103,340
TOTAL CURRENT ASSETS		<u>8,676,755</u>	<u>7,786,047</u>
NON-CURRENT ASSETS			
Loans and advances	8	2,808,398	4,987,494
Deferred tax assets	11	356,190	722,044
Property, plant and equipment	12	96,692	108,085
Intangible assets	13	862,793	924,413
TOTAL NON-CURRENT ASSETS		<u>4,124,073</u>	<u>6,742,036</u>
TOTAL ASSETS		<u>12,800,828</u>	<u>14,528,083</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	85,502	76,600
Provisions	15	500,009	91,638
Interest bearing liabilities	16	6,314,743	5,634,470
TOTAL CURRENT LIABILITIES		<u>6,900,254</u>	<u>5,802,708</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	-	-
Interest bearing liabilities	16	3,940,493	6,120,144
TOTAL NON-CURRENT LIABILITIES		<u>3,940,493</u>	<u>6,120,144</u>
TOTAL LIABILITIES		<u>10,840,747</u>	<u>11,922,852</u>
NET ASSETS		<u>1,960,081</u>	<u>2,605,231</u>

The accompanying notes form part of these financial statements

AUSTRALIAN FINANCE & LEASING LIMITED
 ABN 77 080 524 689

Statement of Changes in Equity
 For the year ended 30th June 2011

	Note	Issued Capital	Retained Earnings	Capital Loss Reserve	Total
		\$	\$	\$	\$
Balance at 1st July 2009		2,952,382	(276,244)	-	2,676,138
Profit attributable to members of the entity			511,820		511,820
Total other comprehensive income for the period			(582,727)		(582,727)
Transfer to Capital Loss Reserve	9		540,227	(540,227)	-
Subtotal		<u>2,952,382</u>	<u>193,076</u>	<u>(540,227)</u>	<u>2,605,231</u>
Dividends paid or provided for			-		-
Balance at 30th June 2010		<u>2,952,382</u>	<u>193,076</u>	<u>(540,227)</u>	<u>2,605,231</u>
Profit (loss) attributable to members of the entity			(176,969)		(176,969)
Total other comprehensive income for the period			(388,181)		(388,181)
Subtotal		<u>2,952,382</u>	<u>(372,074)</u>	<u>(540,227)</u>	<u>2,040,081</u>
Dividends paid or provided for			(80,000)		(80,000)
Balance at 30th June 2011		<u>2,952,382</u>	<u>(452,074)</u>	<u>(540,227)</u>	<u>1,960,081</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Cash Flows from Operating Activities			
Receipts from customers		2,273,904	2,343,589
Proceeds from (repayments to) borrowings (net)		(1,499,378)	239,605
Payments to suppliers and employees		(2,063,606)	(2,368,984)
Loans and advances (net)		2,171,471	(991,596)
Income tax recovered (paid)		261,140	(18,545)
Net cash provided (used) by operating activities	25	<u>1,143,531</u>	<u>(795,931)</u>
Cash Flows from Investing Activities			
Payment for plant and equipment		-	(1,469)
Net cash provided by (used in) investing activities		<u>-</u>	<u>(1,469)</u>
Cash Flows From Financing Activities			
Franking deficit tax paid		-	(42,500)
Dividends paid	6	(80,000)	-
Net cash used in financing activities		<u>(80,000)</u>	<u>(42,500)</u>
Net increase (decrease) in cash held		<u>1,063,531</u>	<u>(839,900)</u>
Cash at beginning of financial year		1,110,952	1,950,852
Cash at end of financial year		<u>2,174,483</u>	<u>1,110,952</u>

The accompanying notes form part of these financial statements

Notes to the Financial Statements
For the year ended 30th June 2011

The financial statements cover Australian Finance & Leasing Limited as an individual entity. Australian Finance & Leasing is a company limited by shares, incorporated and domiciled in Australia

Note 1. Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (Income).

Current income tax charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the Financial Statements
For the year ended 30th June 2011

Note 1. Summary of Significant Accounting Policies (Continued)

(b) Property, Plant and Equipment.

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

The depreciable amount of all fixed assets is depreciated over the asset's useful life to the entity from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives in the current and comparative periods are as follows :

Plant and equipment	2 - 5 years
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(c) Intangible Assets

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairments losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Goodwill impairment and amortisation details are disclosed in Note 13. Amortisation of goodwill commenced at 1st July 2010.

Other intangible assets

Other intangible assets that are acquired by the company are stated at costs less accumulated amortisation and impairment losses. These assets are tested annually for impairment.

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and other intangible assets are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives in the current and comparative periods are as follows :

	2011	2010
Software	2 - 5 years	2 - 5 years
Goodwill	15 years	-

Notes to the Financial Statements
For the year ended 30th June 2011

Note 1. Summary of Significant Accounting Policies (Continued)

(d) Loans and Advances

Loan and advances consist of direct financing leases, hire purchase contracts and business loans. For direct finance leases, the carrying value of the receivable is the present value of the minimum payments receivable plus the present value of any unguaranteed residual value, discounted at the rate implicit in the lease. Interest is accounted for by apportioning the minimum lease payments received between principal and interest. Hire purchase contracts and business loans are accounted for on an actuarial basis.

Loans and advances are stated at cost less impairment losses.

Bad debts are written off when identified, to the provision for impairment losses if previously recognised, otherwise directly to operating expenses.

(e) Cash and Cash Equivalents.

Cash and cash equivalents comprise cash balances and call deposits.

(f) Impairment

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(g) Calculation of recoverable amount

The recoverable amount of the company's loans and advances is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Loans and advances with a short duration are not discounted.

The impairment of the company's loans and advances is not recognised until objective evidence is available that a loss event has occurred. Loans and advances are individually assessed for impairment.

(h) Reversals of impairments

An impairment loss in respect of loans and advances is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been determined. An impairment loss in respect of goodwill is not reversed.

Notes to the Financial Statements
For the year ended 30th June 2011

Note 1. Summary of Significant Accounting Policies (Continued)

(i) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries, annual leave, and other leave entitlements have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows including related on-costs to be made for those benefits.

(j) Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets

Revenue from the rendering of a service is recognised upon delivery of the service to customers.

(l) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Notes to the Financial Statements
 For the year ended 30th June 2011

Note	2011	2010
	\$	\$

Note 2. Revenue and Other Income

Interest and similar income	1,910,890	1,993,826
Fee and commission income	243,052	247,487
Bad debts recovered	35,962	18,275
Other income : mortgage management fee	84,000	84,000
Total Revenue	<u>2,273,904</u>	<u>2,343,588</u>

Note 3. Expenses

Interest expenses and similar charges	<u>1,129,156</u>	<u>1,147,032</u>
Impairment losses on loans and advances	<u>358,237</u>	<u>317,067</u>

Note 4. Income tax recovery (expense)

(a) The components of tax expense comprise

Current tax	37,671	154,965
Deferred tax	-	-
Recoupment of prior year tax losses	(37,671)	(154,965)
Under (over) provision in respect of prior years	<u>104,714</u>	<u>(504,894)</u>
	<u>104,714</u>	<u>(504,894)</u>

(b) The prima facie tax on loss before income tax is reconciled to the income tax as follows

Prima facie tax payable on loss (2010 : profit) before income tax at 30% (2010 : 30%)	(21,678)	2078
Add : Tax effect of :		
Non-allowable items	176,912	396,587
Less : Tax affect of :		
Items now allowable as deductions	(117,563)	(243,700)
Recoupment of prior year tax losses	(37,671)	(154,965)
Under (over) provision in respect of prior years	<u>104,714</u>	<u>(504,894)</u>
Income tax expense (recovery) attributable to entity	<u>104,714</u>	<u>(504,894)</u>

Notes to the Financial Statements
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Note 5. Auditor's Remuneration			
Remuneration of the auditor :			
-auditing or reviewing the financial reports		19,600	11,335
- taxation services		-	1,500
Note 6. Dividends			
Distributions paid :			
Unfranked ordinary dividend (2010 : Nil)		80,000	-
Balance of franking account at year end : Deficit (Credit)	15	<u>259,261</u>	<u>(20,425)</u>
Total dividends per share for the period (cents per share)		17.10	-
Note 7. Cash and Cash Equivalents			
Cash at bank and in hand		<u>2,174,483</u>	<u>1,110,952</u>
Note 8. Loans and Advances			
Gross receivables		9,746,548	12,199,897
Less : Income and other costs yet to mature		(263,770)	(545,648)
Less : Specific provision for doubtful debts		(215,000)	(95,000)
Net receivables		<u>9,267,778</u>	<u>11,559,249</u>
(a) Maturity analysis			
Not longer than 3 months		1,665,663	1,162,573
Longer than 3 but not longer than 12 months		4,793,717	5,409,182
Longer than 1 year but not longer than 5 years		2,808,398	4,987,494
		<u>9,267,778</u>	<u>11,559,249</u>
(b) Specific provision for doubtful debts			
Opening balance		95,000	210,000
Doubtful debts provided (provision reduction) during the year		120,000	39,868
Bad debts written off to provision		-	(154,868)
Closing balance		<u>215,000</u>	<u>95,000</u>

Notes to the Financial Statements
 For the year ended 30th June 2011

Note	2011	2010
	\$	\$

Note 8. Loans and Advances (Continued)

(c) Classification of credit risk

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below.

Non-accrual loans		
Without provisions	-	15,132
With provisions	215,000	105,602
Specific provision for impairment	(215,000)	(95,000)
	<u>-</u>	<u>25,734</u>
Past due loans		
Balance	<u>486,864</u>	<u>483,111</u>

Definitions

"Non-accrual loans" are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised.

"Restructured loans" arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

"Assets acquired through the enforcement of security" are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

"Past due loans" are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If an impairment provision is required, the loan is included in non-accrual loans.

Notes to the Financial Statements
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Note 9. Loans - Employee Share Scheme			
Employee loan balances			
- receivable from directors		-	-
- receivable from others		-	-
Less : Accumulated impairment losses		-	-
		<u>-</u>	<u>-</u>

The company implemented an employee share scheme with effect from 6th August 2004 , issuing 37,257 ordinary shares at \$16.46 per share. The share price was based on the value attributed to the company at that time. The scheme was offered to all full-time employees. The loans were made available to employees to finance the share acquisition and were non-recourse in nature. Interest was charged on monthly balances at an interest rate of 8.6% being the average cost of debenture funds at that time, repayable over an indefinite period by the net dividends earned by the employee shares. The shares were non-transferrable until fully paid, or until an employee left the company.

A provision for impairment was raised due to the non-recourse nature of the loans relying on the value of the estimated company's share value of \$14.50 being the last trade price that occurred in May 2007.

On the 29th June 2010, the employee share scheme was wound up. The 37,257 ordinary shares were bought back by the company. The balance of the uncollectable loans totalling \$540,227 has been recognised as a capital loss in these financial statements.

Loans to key management personnel

	2011 \$	2010 \$
Opening balance	-	235,149
New loan advanced	-	-
Interest for the period	-	-
Repayments	-	-
Provision for impairment	-	-
Loans written off at wind-up of employee share scheme	-	(235,149)
Net closing balance	<u>-</u>	<u>-</u>
Number of individuals	<u>-</u>	<u>2</u>

Notes to the Financial Statements
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Note 10. Other Assets			
Prepayments		14,978	44,976
Sundry debtors		9,369	39,819
Income tax instalment recoverable		18,545	18,545
		<u>42,892</u>	<u>103,340</u>

Note 11. Tax Assets and Liabilities

(a) Current tax assets		-	-
(b) Deferred tax assets			
Provision - Employee benefits	15	33,548	27,491
Provision - Impairment of receivables	8(c)	64,500	28,500
Future income tax benefits attributable to tax losses		258,142	666,053
		<u>356,190</u>	<u>722,044</u>
(c) Deferred tax liabilities			
Timing differences on leases		-	-
(d) Reconciliation of movement in tax assets and liabilities charged to 'Income'			
Net opening balance of tax assets & liabilities		722,044	203,061
(Charge) credit to income statement		(104,714)	504,894
Income tax payments recovered as a result of initial amendments allowed to 2004 and 2005 income tax returns.		(261,140)	-
Adjustment to write-back tax asset balance not shown as part of tax related asset in prior year		-	14,089
Net closing balance		<u>356,190</u>	<u>722,044</u>

(e) Future income tax benefits attributable to tax losses

During the year ended 30th June 2010, a review of income tax returns lodged since 30th June 2003 was conducted. The Australian Taxation Office has agreed to allow amended income tax returns to be lodged for 2004, 2005, 2006, 2007, 2008 and 2009. The amended tax losses have been included in the calculation of the future income tax benefit.

Notes to the Financial Statements
 For the year ended 30th June 2011

Note 2011 2010

Note 12. Property, plant & equipment

Plant & equipment - at cost	322,147	322,147
Less : Accumulated depreciation	(225,455)	(214,062)
Total property, plant & equipment	<u>96,692</u>	<u>108,085</u>

(a) Movement in carrying amounts

Movement in the carrying amounts for each class of property plant and equipment between the beginning and the end of the financial year.

Opening balance	108,085	121,121
Additions	-	1,469
Disposals	-	-
Depreciation expense	(11,393)	(14,505)
Closing balance	<u>96,692</u>	<u>108,085</u>

Note 13. Intangible Assets

Software -at cost	108,622	108,622
Accumulated amortisation	<u>(108,622)</u>	<u>(108,622)</u>
	-	-
Goodwill - at cost	924,413	924,413
Accumulated amortisation	1(c) <u>(61,620)</u>	-
	<u>862,793</u>	<u>924,413</u>

The company acquired Melbourne Finance & Leasing Pty Ltd on 1st July 2004 through the issue of 53,757 ordinary shares to the shareholders of the company. The acquired company was deregistered on 1st May 2005, after its business was incorporated within Australian Finance & Leasing Limited

The goodwill was calculated after accounting for the excess of the purchase price and associated costs to the net tangible assets.

Total Intangible Assets	<u>862,793</u>	<u>924,413</u>
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Note 14. Payables

Trade and other payables	<u>85,502</u>	<u>76,600</u>
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Notes to the Financial Statements
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Note 15. Provisions			
Franking Deficit Tax		388,181	-
Employee entitlements		111,828	91,638
		<u>500,009</u>	<u>91,638</u>
Reconciliations			
Franking Deficit Tax : Opening balance		-	-
Charge to income statement		388,181	-
Closing balance		<u>388,181</u>	<u>-</u>
Employee entitlements : Opening balance		91,638	62,281
Charge to income statement		20,190	29,357
Closing balance		<u>111,828</u>	<u>91,638</u>

During the year, income tax refunds of \$261,141 relating to the financial years ended 30th June 2004 and 30th June 2005 were received. An additional amount of \$128,920 relating to 2004 and 2005 is expected to be received before 30th June 2012. The receipt of these refunds creates a liability for Franking Deficit Tax because the dividends paid in 2004 and 2005 were considered, at the time, to be 'fully franked'. In fact, some of the dividends paid in 2004 and 2005 should have been 'unfranked dividends'. The Franking Deficit Tax provision shows the amount payable to the Australian Taxation Office to compensate it for the overstated imputation credits on the 2004 and 2005 dividends after taking into account an existing credit balance of \$1880 in the Franking Account.

Note 16. Interest-bearing Liabilities

Debentures - secured	<u>10,255,236</u>	<u>11,754,614</u>
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The debentures are held by persons outside the entity and are secured by floating charges over the assets of the entity.

Maturity analysis

Not longer than 3 months	1,892,547	1,159,831
Longer than 3 and not longer than 12 months	4,422,196	4,474,639
Longer than 1 year and not longer than 5 years	3,940,493	6,120,144
	<u>10,255,236</u>	<u>11,754,614</u>

Notes to the Financial Statements
 For the year ended 30th June 2011

Note 2011 2010

Note 17. Issued Capital

467,955 (2010 : 467,955) fully paid ordinary shares 2,952,382 2,952,382

The company has authorised share capital amounting to 1 million ordinary shares of no par value.

Ordinary shares participate in dividends and in the proceeds on winding up of the entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares	No.	No.
At the beginning of the reporting period	467,955	505,212
Shares cancelled during the year	-	<u>(37,257)</u>
At the end of the reporting period	<u>467,955</u>	<u>467,955</u>

Note 18. Related Party Transactions

Loan to related entity

At 30th June 2011 AF&L First Mortgages Ltd, a company related by virtue of a common shareholding to, but not a subsidiary of, Australian Finance & Leasing Ltd, held a loan from Australian Finance & Leasing Ltd of \$804,135 (2010 :\$841,871). This loan was made on commercial terms and Australian Finance & Leasing Ltd, as well as deriving a commercial rate of interest, also realises material other ongoing benefits from the transaction. It was on this basis the loan was considered and approved by the Directors. The loan was documented in accordance with the advice of the company's solicitors and secured by a first charge over the assets of AF&L First Mortgages Ltd.

Note 19. Contingent Liabilities

As at the balance date, a Debenture Trust Deed is in existence with The Trust Company (Nominees) Limited to secure Debenture Stock issued. Debentures issued under the Trust Deed are secured over the whole of the assets and undertakings of the company in favour of The Trust Company (Nominees) Limited as Trustee for the Debenture holders.

Note 20. Segment Reporting

The company operates in the Australian finance market, providing equipment finance and mortgage loans. All assets and income are located in the Australian geographical segment.

Note 21. Capital and Leasing Commitments

As at reporting date the capital has no capital or leasing commitments.

Note 22. Financial Instruments

(a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing	
			Within 1 Year	Within 1-5 Years
	%	\$	\$	\$
2011				
Financial Assets				
Cash	4.30	2,174,483		
Loans and advances	18.08		6,459,380	2,808,398
Financial liabilities				
Debentures	10.04		6,314,743	3,940,493
2010				
Financial Assets				
Cash	3.69	1,110,952		
Loans and advances	19.59		6,571,755	4,987,494
Financial liabilities				
Debentures	9.95		5,634,470	6,120,144

Notes to the Financial Statements
For the year ended 30th June 2011

Note 22. Financial Instruments (Continued)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained

(d) Net Fair Value

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair value have not been written down as the principal intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 23. Events after the Reporting Period

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the company, its results, or the state of its affairs in future financial years.

Notes to the Financial Statements
 For the year ended 30th June 2011

	Note	2011 \$	2010 \$
Note 24. Basic and Diluted Earnings Per Share			
Net profit (loss) attributable to members of the company		(176,969)	511,820
Weighted average number of ordinary shares used in calculating basic earnings per share :		467,955	505,008
Basic earning per share		-	0.99

There were no options outstanding, or converting preference shares on issue, for the purpose of calculating diluted earnings per share.

Note 25. Cash Flow Information

Reconciliation of cash flow from operations with profit after tax

Profit (loss) after income tax		(176,969)	511,820
Non-cash flows in profit :			
- depreciation		11,393	14,505
- amortisation of goodwill		61,620	-
- bad debts written off & impairment losses on loans & advances		323,237	367,693
Changes in assets and liabilities :			
- (increase) decrease in receivables/loans & advances		1,848,234	(1,244,289)
- (increase) decrease in other assets		60,448	(24,380)
- (increase) decrease in income tax instalment		-	(18,545)
- (increase) decrease in deferred tax asset		365,854	(486,472)
- increase(decrease) in payables		8,902	(37,714)
- increase(decrease) in interest bearing liabilities		(1,499,378)	239,605
- increase (decrease) in provisions			
- doubtful debts		120,000	(115,000)
- employee entitlements		20,190	29,357
- increase (decrease) in deferred tax payable		-	(32,511)
Net cash provided by (used in) operating activities		1,143,531	(795,931)

Note 26. Key Management Personnel Compensation

The company's key management personnel in office at any time during the year were :

Robert Norman	Managing director - Executive
David Reid	Director - Non-executive
Laurence Best	Director - Non-executive

(a) Remuneration

	Robert Norman	David Reid	Laurence Best	Total
	\$	\$	\$	\$
Year ended 30th June 2011				
Short-term employee benefits	193,500	30,000	30,000	253,500
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	<u>193,500</u>	<u>30,000</u>	<u>30,000</u>	<u>253,500</u>
Year ended 30th June 2010				
Short-term employee benefits	173,377	30,000	30,000	233,377
Post employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
	<u>173,377</u>	<u>30,000</u>	<u>30,000</u>	<u>233,377</u>

Short term benefits includes salary, superannuation and directors fees.

AUSTRALIAN FINANCE & LEASING LIMITED
ABN 77 080 524 689

Notes to the Financial Statements
For the year ended 30th June 2011

Note 26. Key Management Personnel Compensation (Continued)

(b) Loans to key management personnel during year ended 30th June 2010.

Under the company's employee share scheme, the company has provided unsecured loans to the executives and employees to acquire its shares.

The terms and condition of the loan stipulated that, in the event where an employee ceases employment with the company, the outstanding principal sum and interest owed by that employee at the date of termination, would be reduced from the value of the shares, held by them, as of that date. In the event of any balance owing by the employee, there would be no recourse by the company to recover any amounts owing by the borrower.

On the 29th June 2010, the employee share scheme was wound up. Two key management personnel had loans from the company as part of this scheme. Under the 'no recourse' terms of the scheme, the net balance owing, reduced by the value of the shares, at 29th June 2010 was written off. See Note 9 for details of the employee share scheme.

Other than the remuneration and loans disclosed above, there are no other benefits available to the key personnel.

Note 27. Company Details

The registered office of the company is :

Australian Finance & Leasing Limited
585 Burwood Road
Hawthorn
Vic 3123

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001* and :
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30th June 2011 and of the performance for the year ended on that date of the company.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Robert Norman (Director)

Dated this 15th day of September 2011.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF AUSTRALIAN FINANCE & LEASING LIMITED**

I have audited the financial report of Australian Finance & Leasing Limited for the year ended 30th June 2011 comprising the statement of financial position as at 30th June 2011, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes complies with IFRS.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

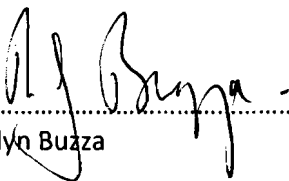
In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. My independence declaration required by the Corporations Act 2001 is included in the financial report.

Audit Opinion

In my opinion:

- (a) the financial report of the company is in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the company's financial position as at 30th June 2011, and of its financial performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporation Regulations 2001; and

- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.


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Roslyn Buza

Chartered Accountant

Suite 2, 38 Ross Smith Avenue, Frankston 3199

Dated: 15th September 2011.