

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**FINANCIAL REPORT**  
**FOR THE SIX MONTHS ENDED 31ST DECEMBER 2009**

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

Your directors present their report on the company for the financial period ended 31st December 2009

**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**

<b>Robert Norman</b>	Executive Director, Age 58
Experience	40 years in the Banking and Finance industry, specialising in equipment finance. He also has software design and system implementation experience in small finance companies.
Interest in Shares	194,920 (2009: 194,920) Fully Paid Ordinary Shares 12,419 of these shares are secured by a loan provided by the company as part of an employee share scheme.
<b>David Reid</b>	Non - Executive Director, Age 60
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.
Interest in Shares	76,996 (2009: 76,996) Fully Paid Ordinary Shares
<b>Laurence Best</b>	Non-Executive Director and Company Secretary, Age 58
Experience	37 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 of financial institutions.
Interest in Shares	20,162 (2009 : 20,162) Fully Paid Ordinary Shares  18,724 of these shares are secured by a loan provided by the company as part of an employee share scheme

Directors 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.

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**MEETING OF THE DIRECTORS**

During the financial period, 2 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	2	2
David Reid	2	2
Laurence Best	2	2

**DIRECTORS' AND EXECUTIVE REMUNERATION**

Remuneration packages contain the following key elements

- 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 of the company and the highest remunerated executives of the company is given in note 18.

Name	Office	Salary/ Fees \$	Non cash Benefits \$	Super annuation \$
Robert Norman	Managing Director	80,000	-	5,850
Laurence Best	Non- executive Director	15,000	-	-
David Reid	Non- executive Director	15,000	-	-

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

The company has provided unsecured loans to the executives and employees to acquire its shares. The terms and condition of the loan stipulates 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 will be no recourse by the company to recover any amounts owing by the borrower.

As at year end, the company has estimated possible impairment of \$87,657 on such employee loans due to the above condition in the agreement of loan. The impairment loss includes loss of \$59,065 on account of loans made to the executive personal, which is not included in the above table.

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**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 \$113,542 (Dec 2008: Profit \$138,829) reflecting a decrease compared to the previous period's result. Loans and advances decreased by 15.8% to \$10.31 million and Debentures issued to investors decreased by 3.59% to \$11.66 million.

**DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid for the half-year period.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

**AFTER BALANCE DATE EVENTS**

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.

**SHARE OPTIONS**

No options to shares in the company have been granted during the year and there were no options outstanding at the end of the year.

**ENVIRONMENTAL REGULATIONS**

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

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**INDEMNIFICATION OF OFFICERS AND AUDITORS**

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.

**PROCEEDINGS ON BEHALF OF COMPANY**

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

**AUDITOR'S INDEPENDENCE 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:



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Robert Norman

Dated: 23rd March 2010

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**INCOME STATEMENT**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	Note	Dec 2009 \$	Dec 2008 \$
<b>Current Income</b>			
Interest and similar income		961,669	1,189,787
Fee commission income		85,614	223,677
Bad debts recovered		14,299	10,523
Mortgage management fees		42,000	-
Provision reversals		-	260,000
Sundry income : Expenses recovered		32,081	44,504
		<u>1,135,663</u>	<u>1,728,491</u>
<b>Current Expenses</b>			
Interest expense and similar charges		574,650	645,955
Fee and commission expense		2,313	3,312
Impairment losses on loans and advances		254,889	281,144
Employee benefit costs		294,252	363,530
Depreciation and amortization expense		7,314	9,169
General administration expense		169,197	218,735
Other operating expenses		-	49,913
		<u>1,302,615</u>	<u>1,571,758</u>
<b>Profit (loss) before income tax</b>		(135,258)	156,733
Income tax income/(expense)	3	<u>21,706</u>	<u>(17,904)</u>
<b>Profit (loss) for the period</b>		<u>(113,542)</u>	<u>138,829</u>
<b>Basic and diluted earnings per share</b>	24	-	0.27
<b>Dividend per share</b>		-	0.24

The accompanying notes form part of these financial statements

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**BALANCE SHEET**  
**AS AT 31ST DECEMBER 2009**

	Note	Dec 2009 \$	June 2009 \$
<b>CURRENT ASSETS</b>			
Cash	5	2,295,625	1,950,852
Loans and advances	6	5,669,753	5,538,909
Other assets	8	64,127	60,415
<b>TOTAL CURRENT ASSETS</b>		<b>8,029,505</b>	<b>7,550,176</b>
<b>NON-CURRENT ASSETS</b>			
Loans and advances	6	4,551,713	5,028,744
Loans - Employee share scheme	7	540,227	540,227
Deferred tax asset	9	224,778	235,572
Property, plant and equipment	10	113,807	121,121
Goodwill	11	924,413	924,413
Intangible assets	12	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,354,938</b>	<b>6,850,077</b>
<b>TOTAL ASSETS</b>		<b>14,384,443</b>	<b>14,400,253</b>
<b>CURRENT LIABILITIES</b>			
Payables	13	85,786	114,314
Provisions	15	114,607	62,281
Long-term interest bearing liabilities	16	3,562,010	3,942,125
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,762,403</b>	<b>4,118,720</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	14	-	32,511
Long-term interest bearing liabilities	16	8,101,944	7,572,884
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>8,101,944</b>	<b>7,605,395</b>
<b>TOTAL LIABILITIES</b>		<b>11,864,347</b>	<b>11,724,115</b>
<b>NET ASSETS</b>		<b>2,520,096</b>	<b>2,676,138</b>
<b>EQUITY</b>			
Contributed equity	17	2,952,382	2,952,382
Retained income (accumulated losses)		(432,286)	(276,244)
<b>TOTAL EQUITY</b>		<b>2,520,096</b>	<b>2,676,138</b>

The accompanying notes form part of these financial statements

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	Note	Dec 2009 \$	June 2009 \$
<b>SHARE CAPITAL</b>			
<b>Ordinary shares</b>			
Balance at start of the period		2,952,382	2,952,382
Issue of share capital		-	-
Share issue costs		-	-
<b>Total ordinary share capital</b>		<u><u>2,952,382</u></u>	<u><u>2,952,382</u></u>
 <b>RETAINED INCOME</b>			
<b>Profit (loss) for period</b>		(113,542)	(2,744)
Opening retained income (accumulated losses)		(276,244)	(103,500)
Dividends paid		-	(170,000)
<b>Franking deficit tax paid</b>		(42,500)	-
<b>Closing retained income (Accumulated losses)</b>		<u><u>(432,286)</u></u>	<u><u>(276,244)</u></u>
 <b>TOTAL EQUITY</b>		 <u><u>2,520,096</u></u>	 <u><u>2,676,138</u></u>

The accompanying notes form part of these financial statements

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Note</b>	<b>Dec 2009</b>	<b>June 2009</b>
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers : Interest and fees received		1,135,663	2,744,588
Proceeds from borrowings (net)		148,945	(2,520,035)
Payments to suppliers and employees		(551,149)	(2,769,407)
Loans and advances (net)		(346,186)	2,002,436
<b>Net cash provided (used) by operating activities</b>		<b>387,273</b>	<b>(542,418)</b>
<b>Cash flows from investing activities</b>			
Payments (recovery) for new investments		-	9,545
Payments for plant and equipment		-	(850)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>8,695</b>
<b>Cash flows from financing activities</b>			
Dividends paid		-	(170,000)
Franking deficit tax paid		(42,500)	-
<b>Net cash used in financing activities</b>		<b>(42,500)</b>	<b>(170,000)</b>
Net increase (decrease) in cash held		344,773	(703,723)
Cash at beginning of the financial year		1,950,852	2,654,575
Cash at the end of the financial period		<b>2,295,625</b>	<b>1,950,852</b>

The accompanying notes form part of these financial statements

**AUSTRALIAN FINANCE & LEASING LIMITED**  
A.C.N. 080 524 689

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	Note	Dec 2009 \$	June 2009 \$
<b>NOTES TO THE STATEMENT OF CASH FLOWS</b>			
<b>Reconciliation of cash</b>			
Cash at the end of the year shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:			
Investment account		2,152,780	1,600,810
Cash at bank		142,545	349,742
Cash on hand		300	300
		2,295,625	1,950,852
 <b>Reconciliation of net cash provided by operating activities to operating profit after income tax expense</b>			
<b>Operating profit (loss) after income tax expense</b>		(135,258)	(2,744)
Non cash flows in operating profit:			
Depreciation and amortization expense		7,314	21,171
Loss on disposal of plant & equipment		-	20,939
Impairment losses on loans & advances & bad debts written off		21,716	331,022
Changes in assets and liabilities:			
(Increase) Decrease in loans & advances		346187	1,649,568
(Increase) Decrease in deferred tax assets		10794	51,860
(Increase) Decrease in sundry receivables		(3,712)	20,989
Increase (Decrease) in deferred tax liabilities		(32,511)	(33,955)
Increase (Decrease) in provisions		52326	(37,253)
Increase (Decrease) in borrowings		148945	(2,520,035)
Increase (Decrease) in payables		(28,528)	(43,980)
<b>Net cash provided (used) by operating activities</b>		387,273	(542,418)

The accompanying notes form part of these financial statements

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

## **1 SIGNIFICANT ACCOUNTING POLICIES**

Australian Finance & Leasing Limited is a company domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements. International Financial Reporting Standards ("IFRSs") form the basis of Accounting Standards adopted by the Australian Accounting Standards Board, being Australian equivalents to IFRS ("AIFRS").

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

### **Basis of Preparation**

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The company has prepared financial statements in accordance with the AIFRS.

### **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using that balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- goodwill not deductible for tax purposes
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Tax (Continued)**

A deferred tax asset is recognised only to the extent that is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Property, plant and equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Plant and equipment	2 - 5 years
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**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 impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the profit or loss.

**Other intangible assets**

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

**Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Amortisation**

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet 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:

Software	2 - 5 years
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**Loans and Advances**

Loans and Advances consist of direct financing leases, hire purchase contracts and business loans. In respect to the direct finance leases, the carrying value of the receivable is the present value of the minimum lease 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 account if previously recognised, otherwise directly to operating expenses.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash balances and call deposits.

**Impairment**

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

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

**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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reversals of impairments**

An impairment loss in respect of loan 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 does not exceed the 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.

**Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with benefits arising from wages and salaries, annual leave, 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.

**Provisions**

A provision is recognised in the balance sheet 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 reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**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 the delivery of the service to customers.

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**1 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Critical Accounting Estimates and Judgments**

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

Key Estimates - Impairment

Based on management's calculation of fair value as at 31st December 2009, no impairment has been recognised in respect of goodwill for the period ended 31st December 2009.

Should the projected turnover figures be outside 90% of budgeted figures incorporated in fair value calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 31st December 2009 amounting to \$924,413

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**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Dec 2009</b>	<b>Dec 2008</b>
	\$	\$
<b>2 (a) PROFIT FROM ORDINARY ACTIVITIES</b>		
<b>Profit from ordinary activities before income tax expense has been determined after:</b>		
<b>Charging as expenses:</b>		
Borrowing costs		
Other persons	-	8,725
Interest paid/payable		
Debentures	574,650	634,248
Depreciation and amortization expenses:		
Plant and equipment	7,314	9,169
Software	-	-
	<u>7,314</u>	<u>9,169</u>
Impairment losses on loans and advances:		
Bad Debts	233,725	270,727
Doubtful Debts	(10,530)	-
	<u>223,135</u>	<u>270,727</u>
Impairment loss on staff loans	31,694	10,417
	<u>254,889</u>	<u>281,144</u>
Auditors remuneration:		
Audit or review	5,000	6,575
Other services	-	-
	<u>5,000</u>	<u>6,575</u>
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**2 (b) INTEREST REVENUE AND INTEREST EXPENSE**

The following table shows the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest revenue and the average interest rate.

	Average Balance \$	Interest \$	Average Rate %
<b>Interest revenue Dec 2009</b>			
Loans and advances	10,394,559	880,121	16.93
Loans - employee share scheme	540,226	29,258	8.55
Cash and liquid assets	2,123,238	52,290	4.93
	<u>13,058,023</u>	<u>961,669</u>	<u>14.73</u>
<b>Interest revenue Dec 2008</b>			
Loans and advances	12,408,690	1,111,958	17.92
Loans - employee share scheme	540,226	28,629	8.60
Cash and liquid assets	1,761,164	49,200	5.58
	<u>14,710,080</u>	<u>1,189,787</u>	<u>16.18</u>
<b>Interest expense Dec 2009</b>			
Debentures	<u>11,589,482</u>	<u>574,650</u>	<u>9.90</u>
<b>Interest expense Dec 2008</b>			
Debentures	<u>13,066,450</u>	<u>645,955</u>	<u>9.80</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>Dec 2008</b>
	\$	\$
<b>3. INCOME TAX EXPENSE</b>		
a. The component of tax expense comprise:		
Current tax	-	-
Deferred tax	<u>(21,706)</u>	<u>17,904</u>
	<u><u>(21,706)</u></u>	<u><u>17,904</u></u>
b. The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows:		
Prima facie tax payable on operating profit from ordinary activities before income tax as 30% (2008: 30%)	-	47,020
Add tax effect of:		
Non deductible items/other adjustments	<u>(21,706)</u>	<u>(29,116)</u>
Income tax expense/(income) attributable to profit from ordinary activities	<u><u>(21,706)</u></u>	<u><u>17,904</u></u>
<b>4. DIVIDENDS</b>		
Interim franked ordinary dividends of Nil cents per share (2008 : 23.75 cents per share)	<u>-</u>	<u>120,000</u>
Proposed final franked ordinary dividend	<u>-</u>	<u>-</u>
Balance of franking account at period end	<u><u>-</u></u>	<u><u>-</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>June 2009</b>
	\$	\$
<b>5. CASH AND LIQUID ASSETS</b>		
Cash management	2,152,780	1,600,810
Cash at bank	142,545	349,742
Cash on hand	300	300
	2,295,625	1,950,852
<b>6. LOANS AND ADVANCES</b>		
Gross receivables	10,961,813	11,722,622
Less: Income and other costs yet to mature	(650,397)	(944,969)
Less: Specific provisions for doubtful debts	(90,000)	(210,000)
	10,221,416	10,567,653
Net receivables		
a) <u>Maturity analysis</u>		
Not longer than 3 months	2,406,775	2,808,181
Longer than 3 months not longer than 12 months	3,262,978	2,730,728
Longer than 1 year and not longer than 5 years	4,551,713	5,028,744
	10,221,466	10,567,653
Closing balance		
b) <u>Specific provision for doubtful debts</u>		
Opening balance	210,000	420,000
Doubtful debts provided (provision reduced) during the year	(120,000)	(210,000)
Bad debts written off against provision	-	-
Closing balance	90,000	210,000
All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:		
<i>Non-accrual loans</i>		
Without provisions	34,842	51,316
With provisions	82,506	209,131
Specific provisions for impairment	(90,000)	(210,000)
	27,348	50,447
<i>Past-due loans</i>		
Balance	2,558,213	1,249,796

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**Dec 2009**

\$

**June 2009**

\$

**6. LOANS AND ADVANCES (cont..)**

*Definitions:*

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

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

**7. LOANS - EMPLOYEE SHARE SCHEME**

Employee loan balances

- receivable from directors	624,709	354,509
- receivable from others	121,788	360,294
Less: Accumulated impairment losses	<u>(206,270)</u>	<u>(174,576)</u>
	<u>540,227</u>	<u>540,227</u>

i) 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 are non-recourse in nature. Interest is charges 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 are non-transferable until fully paid, or until an employee leaves the entity.

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 on May 2007.

ii) Loans to key management personnel

	Opening Balance	New loans advanced	Interest for the period	Provision for Impairment	Repayments	Closing Balance	No. of individuals
<b>Dec 09</b>	235,149	-	26,585	(26,585)	-	235,149	2
<b>June 09</b>	223,840	54,425	17,877	(57,430)	(3,563)	235,149	2

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>June 2009</b>
	\$	\$
<b>8. OTHER ASSETS</b>		
Prepayments	14,670	13,564
Sundry debtors	49,457	46,851
	64,127	60,415
<b>9. TAX ASSETS</b>		
<b>Current tax assets</b>	-	-
<b>Deferred tax assets</b>		
comprising of:		
Impairment of receivables	88,881	115,373
Provisions	34,382	18,684
Future income tax benefits attributable to tax losses	101,515	101,515
	224,778	235,572
a) Reconciliations		
Gross movements		
Opening balance	235,572	287,432
Charge/(Credit) to income statement	(10,794)	(51,860)
Closing balance	224,778	235,572
Impairment receivables		
Opening balance	115,373	164,394
Charge/(Credit) to income statement	(26,492)	(49,021)
Closing balance	88,881	115,373
Provisions:		
Opening balance	18,684	28,770
Charge/(Credit) to income statement	15,698	(10,086)
Closing balance	34,382	18,684
Future income tax benefits attributable to tax losses		
Opening balance	101,515	94,268
Charge/(Credit) to income statement	-	7,247
Closing balance	101,515	101,515

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>June 2009</b>			
	\$	\$			
<b>10. PROPERTY, PLANT &amp; EQUIPMENT</b>					
Plant & equipment - at cost	316,986	317,654			
Less: Accumulated depreciation	<u>(203,179)</u>	<u>(196,533)</u>			
	<u>113,807</u>	<u>121,121</u>			
<b>Total property, plant &amp; equipment</b>	<u><u>113,807</u></u>	<u><u>121,121</u></u>			
a) Movements in carrying amounts					
Between the beginning and the end of the current financial period					
	Opening balance	Additions	Disposals	Depreciation expense	Total
	\$	\$	\$	\$	\$
Plant & equipment	121,121	-	-	7,314	113,807
			<b>Dec 2009</b>	<b>June 2009</b>	
			\$	\$	
<b>11. GOODWILL</b>					
At cost			<u>924,413</u>	<u>924,413</u>	
The Company acquired Melbourne Finance & Leasing Pty Ltd on 1 July 2004 through the issue of 53,757 Ordinary shares to the shareholders of that company. The acquired company was deregistered on 1 May 2005, after its business was incorporated within Australian Finance & Leasing Ltd.					
The goodwill was calculated after accounting for the excess of the purchase price and associated costs to the net tangible assets.					
<b>12. INTANGIBLE ASSETS</b>					
Software			108,622	108,622	
At cost			<u>(108,622)</u>	<u>(108,622)</u>	
Accumulated amortisation			<u>-</u>	<u>-</u>	
			<u><u>-</u></u>	<u><u>-</u></u>	
<b>13. PAYABLES</b>					
Sundry creditors			<u>85,786</u>	<u>158,294</u>	

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>June 2009</b>
	\$	\$
<b>14. DEFERRED TAX LIABILITIES</b>		
Comprises:		
Timing differences of leases	<u>-</u>	<u>32,511</u>
a) Reconciliations		
Gross Movements		
Opening balance	32,511	66,466
Charge to income statement	<u>(32,511)</u>	<u>(33,955)</u>
Closing balance	<u>-</u>	<u>32,511</u>
<b>15. PROVISIONS</b>		
Employee entitlements	<u>114,607</u>	<u>62,281</u>
a) Reconciliation		
Opening balance	62,281	64,534
Charge to income statement	<u>52,326</u>	<u>(2,253)</u>
Closing balance	<u>114,607</u>	<u>62,281</u>
<b>16. LONG-TERM INTEREST-BEARING LIABILITIES</b>		
Debentures - secured	<u>11,663,954</u>	<u>11,515,009</u>
a) The debentures are held by persons outside the entity and are secured by floating charges over the assets of the entity.		
<u>Maturity analysis</u>		
Not longer than 3 months	870,985	1,573,630
Longer than 3 and not longer than 12 months	2,691,025	2,368,495
Longer than 1 year and not longer than 5 years	<u>8,101,944</u>	<u>7,572,884</u>
Closing balance	<u>11,663,954</u>	<u>11,515,009</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

	<b>Dec 2009</b>	<b>June 2009</b>
	\$	\$
<b>17. SHARE CAPITAL</b>		
<b>Paid Up Capital:</b>		
505,212 fully paid Ordinary Shares	2,952,382	2,952,382
<p>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.</p> <p>For information relating to shares issued pursuant to the employee share scheme, refer to note 7.</p> <p><i>Movements in paid up capital:</i></p>		
a) At the beginning of the reporting period	505,212	505,212
Shares issued during the year	<u>-</u>	<u>-</u>
At reporting date	<u><u>505,212</u></u>	<u><u>505,212</u></u>

The company is authorised to issue 1 million ordinary shares.

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**18. RELATED PARTY TRANSACTIONS**

**a) KEY MANAGEMENT PERSONNEL COMPENSATION**

**i) Names and positions held of company's key management personnel in office at any time during the financial year**

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

**ii) Compensation Practices**

All key management personnel except for Mr Reid and Mr Best are permanent employees of the company. The employment conditions of Mr Norman are formalised in a contract of employment to 30th June 2010.

Other than standard directors' remuneration and fixed salaries, there are no other benefits available to the key personnel.

**iii) Key Management Personnel Compensation**

Key Management Person	Dec 2009			
	Short term benefits \$			Post employment benefits \$
	Cash, salary and commissions	Other	Superannuation	
Robert Norman	80,000	-	5,850	-
David Reid	15,000	-	-	-
Laurence Best	15,000	-	-	-
	110,000	-	5,850	-

Key Management Person	June 2009			
	Short term benefits \$			Post employment benefits \$
	Cash, salary and commissions	Other	Superannuation	
Robert Norman	160,000	-	11,700	-
David Reid	30,000	-	-	-
Laurence Best	78,462	-	4,362	-
	268,462	-	16,062	-

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**18. RELATED PARTY TRANSACTIONS (continued)**

**iv) Share Transactions with Directors**

*Movements during the period:*

The net direct, indirect and beneficial holdings of directors and their director-related entities in the share capital for the year ended 30th June 2009 were increased by 3038 fully paid ordinary shares.

*Shareholding at the period end*

The direct, indirect and beneficial holdings of directors and their director-related entities in the share capital as at 30th June 2009 were:

Shares: 292,078 fully paid ordinary shares (2008: 289,040)

**v) Other Transactions with Directors**

	<b>Dec 2009</b>	<b>June 2009</b>
	<b>\$</b>	<b>\$</b>

Services were provided under normal commercial terms and conditions by entities under the control of the directors:

Debentures issued to the Director's related entity	-	-
Debentures redeemed by the Director's related entity	-	-
Interest paid on the debentures held by the Director's related entity	-	-
Investments by Director's related entity in the AF& L Direct Mortgage Fund, managed by Australian Finance & Leasing Ltd.	-	-
Loans to directors under the employee share scheme	624,709	354,509
Dividends received by directors under the employee share scheme	-	5,652

The terms and conditions of the loan stipulate 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 will be no recourse by the company to recover any amounts owing by the borrower.

As at period end, the company has estimated possible impairment of \$206,270 on employee loans due to the above terms & condition of the loan agreement.

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**18. RELATED PARTY TRANSACTIONS (continued)**

**iv) Loan to related entity**

At 31st December 2009 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 \$678,097.

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.

**19. CONTINGENT LIABILITIES**

As at the balance date, a Debenture Trust Deed is in existence with Permanent Nominees Australia Ltd 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 Permanent Nominees Australia Ltd as Trustee for the Debenture holders.

**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.

**21. CAPITAL AND LEASING COMMITMENTS**

As at balance date the Company has no capital or leasing commitments.

**AUSTRALIAN FINANCE & LEASING LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

**22. FINANCIAL INSTRUMENTS**

**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:

	<b>Weighted Average Effective Interest Rate %</b>	<b>Floating Interest Rate \$</b>	<b>Fixed Interest Rate Maturing</b>	
			<b>Within 1 Year \$</b>	<b>Within 1 - 5 Years \$</b>
<b><u>Dec 2009</u></b>				
<b>Financial Assets</b>				
Cash	4.93%	2,295,625		
Loans and Advances	16.93%		5,669,753	5,091,940
Loans - employee share scher	8.55%			540,227
<b>Financial Liabilities</b>				
Debentures	9.90%		3,562,010	8,101,944
<b><u>Dec 2008</u></b>				
<b>Financial Assets</b>				
Cash	5.58%	867,752		
Loans and Advances	17.92%		8,865,424	3,381,827
Loans - employee share scher	8.60%			540,227
<b>Financial Liabilities</b>				
Debentures	9.79%		4,996,465	7,101,390

**Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance 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.

**Liquidity Risk**

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

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31ST DECEMBER 2009**

## 22. FINANCIAL INSTRUMENTS (Continued)

### Net Fair Values

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 values 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 and forming part of the financial statements.

## 23. EVENTS SUBSEQUENT TO REPORTING DATE

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.

24. BASIC AND DILUTED EARNINGS PER SHARE	Dec 2009 \$	June 2009 \$
	<hr/>	<hr/>
Net profit (loss) attributable to members of the parent entity	(113,542)	(2,744)
Weighted average number ordinary shares used in calculating basic earning per share	505,212	505,212
Basic earning per share	-	-

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

## 25. COMPANY DETAILS

The registered office of the Company is:

Australian Finance and Leasing Ltd (incorporated in Victoria)  
585 Burwood Road  
Hawthorn  
VIC 3123

The number of employees at 31st December 2009: 5

**AUSTRALIAN FINANCE & LEASING LIMITED**  
**A.C.N. 080 524 689**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*:

(a) comply with Accounting Standards and the Corporations Regulations 2001; and

(b) give a true and fair view of the financial position as at 30th June 2009 and of the performance for the period 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.

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

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Date : 23rd March 2009

**AUDITOR'S INDEPENDENCE DECLARATION**

**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF  
AUSTRALIAN FINANCE & LEASING LIMITED  
ACN 008 524 689**

As auditor for the audit of Australian Finance & Leasing Limited for the half-year ended 31<sup>st</sup> December 2009, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



Roslyn Buzza

Chartered Accountant  
Suite 2, 40 Young Street  
Frankston 3199  
Victoria

Dated: 23<sup>rd</sup> March 2010

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

I have audited the financial report of Australian Finance & Leasing Limited for the half-year ended 31<sup>st</sup> December 2009 comprising the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Notes to the financial report 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 auditors 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*

I am independent of the company and have met the independence requirements of Australian Professional Ethical Standards and the Corporations Act 2001. I have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

*Audit Opinion*

In my opinion, the financial report of the company is in accordance with

- (a) the Corporations Act 2001, including
  - (i) giving a true and fair view of the company's financial position as at 31<sup>st</sup> December 2009, and of its financial performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- (b) other mandatory professional requirements.



.....  
Roslyn Buzza

Chartered Accountant

Suite 2, 40 Young Street  
Frankston Vic 3199

Dated : 23rd March 2010