



AUSTFINGROUP

PROSPECTUS NO 12
AUSTRALIAN FINANCE & LEASING LTD
(ACN 080 524 689)

COMPANY'S REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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TRUSTEE FOR NOTE HOLDERS

The Trust Company (Nominees) Limited
(formerly Permanent Nominees (Aust.) Limited)
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ACCOUNTANTS & AUDITORS

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IMPORTANT NOTICE

This prospectus is issued by Australian Finance & Leasing Ltd ACN 080 524 689 and dated 25th February 2011 and lodged with the Australian Securities & Investment Commission (ASIC) on 25th February 2011. ASIC takes no responsibility as to the contents of this prospectus. No applications will be accepted or Unsecured Notes (Notes) will be issued on the basis of this prospectus after its expiry date of 24th March 2012.

This prospectus is issued pursuant to the Corporations Act 2001 (Cth) in the Commonwealth of Australia and does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to make an offer.

The distribution of this prospectus in jurisdictions outside Australia may be restricted by law and persons outside Australia who come into possession of this prospectus should seek advice on and observe any such restriction. A failure to comply with such restrictions may constitute a violation of applicable securities law.

The Company does not provide financial product advice in relation to investments in Notes. The Company recommends that applicants consult with their financial adviser in determining how best to achieve their financial goals and whether investing in Notes is appropriate for them. Before making an investment decision on the basis of this prospectus, applicants should consider the appropriateness of the investment, having regard to their objectives, financial situation and needs. This prospectus is not a statement of advice and the information given in this document is of a general nature and has been prepared without taking account of applicants' individual investment objectives, financial situation or particular investment needs.

The Trust Company (Nominees) Limited (a member of The Trust Company Group), as trustee for note holders, has given and not withdrawn its written consent to be named as Trustee in this prospectus. The Trustee has not authorised or caused the issue of this prospectus. Neither the Trustee nor any member of The Trust Company Group makes any representations as to the truth or accuracy of the contents of this prospectus other than the parts which refer directly to the Trustee. The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this prospectus. Other than the parts of this prospectus which refer directly to the Trustee or which refer to the provisions of the trust deed, the Trustee has relied upon the Company for the accuracy of the content of this prospectus. Neither the Trustee nor any member of The Trust Company Group makes any representations as to the performance of the issue, the maintenance of capital or any particular rate of return. All references to '\$' or 'dollar' in this prospectus are references to 'Australian Dollars'.

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IMPORTANT NOTICE TO INVESTORS

Existing Austfin investors may be confused at the change in name of the securities on offer from “debentures” to “unsecured notes”.

There has been no change to the nature of the securities on offer and despite the use of the word “unsecured”, investments in Austfin Notes are still secured by a charge over the assets of the Company.

Historically, investments in a company backed (secured) by a charge over that company’s assets have been known as “debentures” – as have the securities issued to Austfin’s investors under its previous 11 prospectuses issued over the last 13 years.

In 2005 ASIC took the view that the name “debentures” did not comply with the naming requirements of the Companies Code. To be described as a “debenture”, a charge must be over “tangible property”, however ASIC considers “tangible property” to be property that has an actual physical existence – for example goods and land. It considers loan receivables to be intangible or incorporeal property, and as such a charge over receivables can under the law only be described as an unsecured note. At the time ASIC announced an interim no-action position to this perceived non-compliance, hence companies such as Austfin were permitted to continue to call their securities “debentures”.

ASIC has chosen to discontinue their no-action position from the 1st July 2011 and while the Austfin Directors believe ASIC’s argument is flawed, it is commercially unrealistic for the Company to consider contesting their interpretation in Court.

Accordingly, we have renamed our securities “unsecured notes” - despite them continuing to be backed by the same first ranking charge over the assets of the Company in favour of the Trustee for note holders.

1.0 COMPANY PROFILE

Intending investors should read the contents of this prospectus as it contains information regarding the business and financial position of Australian Finance & Leasing Limited, together with details regarding the terms and conditions of the investment offered.

Australian Finance & Leasing Ltd, together with a related company, AF&L First Mortgages Ltd, comprise the AustfinGroup. AF&L First Mortgages Ltd is a related entity, but not a subsidiary, of Australian Finance & Leasing Ltd.

Australian Finance & Leasing Ltd was incorporated in 1997 and specialises in the provision of loans secured, all or in part, by mortgages over real estate. AF&L First Mortgages Ltd was formed in 2008 to take over a small managed investment scheme involved in first mortgage lending that had been established by Australian Finance & Leasing Ltd in the preceding year.

Australian Finance & Leasing Ltd ("Austfin") engages in a small amount of consumer finance, the majority of which is secured by mortgages over residential property. These transactions are regulated by the National Consumer Credit Protection Act (NCCP) and at the date of this prospectus represent less than 10% of Austfin's total loans. As the recently introduced NCCP regulates a wider range of "consumer" loans than was the case prior to its enactment, it is likely regulated loans will represent a larger percentage of Austfin's receivables in the future.

The last couple of years have seen the failure of many financial institutions due to increases in non-performing loans and bad debts. These losses were in turn the result of financial difficulties many borrowers found themselves in from having over-borrowed in a period of easy credit and high asset values.

Due to its more stringent lending guidelines Austfin weathered the economic storm much better than many of its competitors and has maintained its unbroken run of 13 years of profits. While the last 2 years performance has been depressed by economic circumstances, the 6 months to 31st December 2010 saw an unaudited pre-tax profit of \$62,637.

Austfin's loan book presently shows low levels of arrears and negligible levels of loans considered to represent a likely loss of capital or interest.

Over the past 2 years Austfin has materially changed its loan security profile to a point where the majority of security backing its loans is now in the form of mortgages over real estate. The Directors believe property to have a lower risk profile than the vehicle and equipment assets that previously formed the majority of security for loans.

Many of the corporate failures of the past 2 years have been directly or indirectly the result of exposure to property development or withdrawal of bank facilities and it is noted that **Australian Finance & Leasing Ltd has no risk exposure to property development assets, nor does it have any formal debt other than to its Note holders.**

Having survived the difficulties of the past few years, the Directors believe Austfin is well placed for the future.

2.0 BENCHMARK COMPARISONS

In June 2010 the Australian Securities & Investment Commission (ASIC) issued an updated Regulatory Guide 69 ("RG 69") requiring issuers of unlisted Notes to address eight "benchmarks" on an "if not why not" basis. The benchmarks may help investors understand the risks and rewards being offered prior to making a decision whether Notes are an appropriate investment for them. Investors in Notes should consider all benchmarks and not rely on just one benchmark to make a decision whether to invest.

ASIC has produced an investor guide "Investing in unlisted debentures and unsecured notes?" to help investors to understand and use the disclosure benchmarks and promote informed decision-making. The investor guide is available at www.asic.gov.au.

Austfin's position in respect of each disclosure benchmark is summarised in the following table,

1. Equity Capital (see 2.1 below)	Austfin meets benchmark.
2. Liquidity (see 2.2 below)	Austfin meets benchmark.
3. Note Rollovers (see 2.3 below)	Austfin meets benchmark.
4. Debt Maturity (see 2.4 below)	Austfin meets benchmark.
5. Loan Portfolio (see 2.5 below)	Austfin meets benchmark.
6. Related Party Transactions (see 2.6 below)	Austfin meets benchmark.
7. Valuations (see 2.7 below)	Austfin meets benchmark.
8. Lending Principles – Loan to Valuation Ratios (see 2.8 below)	Austfin meets benchmark.

2.1. EQUITY CAPITAL

Equity capital refers to the funds invested by the Note issuer's shareholders expressed as a percentage of the issuer's total liabilities plus equity capital. The formula for the calculation is:

$$\frac{\text{EQUITY CAPITAL}}{\text{TOTAL DEBT + EQUITY CAPITAL}}$$

The greater the level of equity capital a Note issuer possesses, the greater its ability to absorb any unforeseen losses before Note holders investments are put at risk. The likelihood of losses is potentially greater where investors funds are secured by speculative assets such as property development projects and accordingly Note issuers involved in or lending for property development should potentially maintain a higher capital equity than issuers who do not engage in that type of lending.

Austfin does not provide finance for property development and as such RG69 states the Company should have a minimum equity capital of 8%. With an equity capital of 18.6% Austfin comfortably meets this benchmark at 31st December 2010.

2.2. LIQUIDITY

Liquidity is necessary to ensure liabilities can be paid as and when they fall due. If a Note issuer relies on raising new Note investments to cover cash flow deficiencies, and is unable or prevented from doing so by changes in economic circumstances, they may face insolvency.

RG69 states that Note issuers should have sufficient cash reserves to meet their projected cash flow needs over the coming 3 months. Austfin meets this benchmark by having \$3.3 million cash on hand as at 31st December 2010 and a projected cash surplus of \$2.4 million for the 3 months ending 31st March 2011. The projected cash requirements assume discretionary expenditure is curtailed, no new loans are advanced, no new Note investments received, and 50% of maturing Notes are redeemed.

Historically, Austfin achieved a renewal rate for maturing Notes in excess of 80% for the 3 months to 31st December 2010.

Austfin has a policy of matching as far as possible the maturity of loan and liability receivables. Section 7.3 Maturity Analysis sets out Austfin's position in this regard as at 31st December 2010.

2.3. NOTE ROLLOVERS

Austfin meets the benchmark of RG69 in respect of rollovers. Its policy is to provide a current prospectus to all Note holders 1 month prior to the maturity of their investment and to seek a positive decision from the Note holders whether to renew or redeem their investment. Where a maturing Note holder is unable to be contacted, to ensure they continue to earn interest on their investment, it is renewed for a further term of 6 months at the then current interest rate. Should the investor subsequently require redemption of their investment, this is made immediately, subject to the rate of interest being reduced by 1% per annum for the term of the investment. For example, if a maturing investment was rolled over into a new 6 month Note attracting an interest rate of 7.0% per annum and that new investment was subsequently redeemed after 2 months, the investor would earn 6.0% per annum for the 2 month period the investment had been in place.

**MATURITY ANALYSIS OF THE COMPANY'S NOTES AND RECEIVABLES (LOANS)
AS AT 9TH FEBRUARY 2011**

Months to maturity	Unsecured Notes		Receivables	
	\$000's	Weighted	\$000's	Weighted
	Average	Cost %PA	Average	Return %PA
Not more than 3 months	\$1,296	9.5%	\$2,641	15.7%
3 months to not more than 12 months	\$6,354	9.9%	\$2,627	16.6%
12 months to not more than 36 months	\$1,977	9.9%	\$3,434	19.2%
36 months to not more than 60 months	\$1,313	10.5%	\$863	18.3%
More than 60 months	Nil		Nil	

2.4. DEBT MATURITY

Disclosure of debt maturities will assist investors in understanding how the Company is funded in terms of the nature, timing and cost of its debt obligations.

The table above summarises the maturities of the Company's Notes and Receivables (loans). Other than the liability to Note holders the Company had \$133,683 of accounts payable and other liabilities outstanding as at 31st December 2010.

2.5. LOAN PORTFOLIO

RG69 requires that Note issuers who on-lend monies raised from Note investors to third parties disclose a breakdown of their lending by loan type, geographic concentration, nature of security, level of arrears and the level of exposure to their 10 largest borrowers. The more diversified a loan portfolio is, the lower the risk that an adverse event affecting one borrower or one type of security will simultaneously affect the majority of borrowers, and therefore put the overall portfolio at risk.

Austfin does not engage in unsecured lending and has a policy of diversifying its security as far as possible and minimising exposure to any one borrower or related borrowers. The Company's policy is for exposures to any one party or related parties that exceed \$1.0M to have Board approval. As at the date of this prospectus Austfin had no exposure to any one party or related parties in excess of \$1.0M.

Disclosures contained in Sections 5.0 Credit Policy and 6.0 Risk Assessment meet the benchmark required, but to summarise Austfin's position at 31st December 2010:

- (a) Austfin had 233 loans with total outstandings (net of unearned interest) of \$9.6 million.
- (b) A breakdown of loans by industry, security type, and geographic location is set out in Section 6.0 Risk Assessment.

- (c) 17 loan accounts were in default or arrears representing 7.3% by number and 7.6% by amount of the total loan portfolio. This includes accounts that are past maturity, whether continuing to make loan repayments or not these are considered to be technically in default. At the 31st December 2010 Austfin had 6 accounts totalling \$341,000 (3.6% of all loans) which were past maturity.
- (d) 7 loans totalling \$446,637 were subject to legal recovery action representing 3.0% by number and 4.6% by amount of the total loan portfolio. The Company has provided \$132,659 for potential losses on these accounts.
- (e) All loans are made on a secured basis and a breakdown of security type is set out in Section 6.0 Risk Assessment.
- (f) The largest borrower had a loan of \$824,430 being 9.0% of the total loan portfolio. Details of the 10 largest borrowers are set out in Section 5.0 Credit Policy.

2.6. RELATED PARTY TRANSACTIONS

Loans made to parties related to the issuer should be highlighted to intending investors as those loans are less likely to be monitored as robustly as arms length (third party) loans.

By making the detailed disclosure below, Austfin meets the requirements of RG69 in respect of related party transactions:

- (a) The Company has made a loan of \$787,583 to AF&L First Mortgages Ltd ("AFLM") to assist AFLM with the purchase of business assets and working capital. While AFLM is a related party of Austfin by virtue of having a majority of common directors, it is not a subsidiary. The loan was made on commercial terms and as well as deriving a commercial rate of interest, the Company also realises material other ongoing benefits from the transaction. Austfin receives additional benefit from its association with AFLM by way of interest and fees from the provision of second mortgage loans to AFLM clients. AFLM has also assumed some of Austfin's overheads, and Austfin is additionally able to market its products to clients of AFLM.

The Directors considered and approved this advance on the basis it was not only made on commercial terms, but had material other benefits for the Company. The loan to AFLM has been documented in accordance with advice provided by Austfin's solicitors and secured by a registered first charge over AFLM's assets together with the personal guarantees of the shareholders.

Austfin reserves the right to make related party loans in the future subject to any such loan being made in the normal course of business on the same terms and conditions as a similar loan would be considered for a third party

2.7. VALUATIONS

Robust and objective valuations combined with a strict loan to valuation policy are important in ensuring a Note issuer's security cover is correctly disclosed in any prospectus, and investors funds are not put at risk by the value of security being insufficient to recover the loan amount in the event of the borrower's default.

Where Austfin lends against the security of real estate for a property related purpose (ie purchase or refinance of real estate) its policy is to:

- value properties on an "as is" basis.
- not to lend against the security of speculative commercial property development.
- exclude the value of any special purpose improvements where that value might not be realised in the circumstances of a forced sale or mortgagee auction.
- use valuers from its approved panel of valuers.
- use valuations that are less than 3 months old and prepared on Austfin's instructions.

In compliance with RG69 no individual valuer conducts more than one third of Austfin's valuation work. Austfin has a policy of using a range of approved panel valuers considered able to provide the best valuation reports available given the location and nature of the properties being appraised.

Only one property held as security accounts for more than 5% of the total value of receivables. Details of that loan were as follows:

Location	Coldstream, Victoria
Type of security	Rural
Market value at date loan written	\$1,510,000
Date advance	6th April 2010
Loan Amount	\$874,194
Loan to Value %	57.9%
Percentage of total loan portfolio	9.1%

RG69 states that Austfin's Trustee for Note holders should consent to valuers appointed by Austfin. Austfin has sought and obtained the Trustee's consent to its panel valuers used in respect of all valuations relied on for current loans involving the acquisition or improvement of real estate.

From time to time Austfin invests its funds in related mortgage funds where the Responsible Entity ("RE") for those funds arranges valuations of the real estate that secures investments of Austfin and other fund investors alike. At 31st December 2010 Austfin's investment in mortgage funds was 19.6% of its total assets. In all cases the RE of those funds Austfin has invested in holds an Australian Financial Services Licence issued by ASIC which imposes on them conditions of conduct. For each such investment made by Austfin the fund invested in provides Austfin with a summary of the mortgagor's financial position and a copy of the property valuation as prepared by a licensed real estate valuer they have instructed. Austfin's view is that the Trustee's consent to valuers used by mortgage funds in which it has investments is not required.

Austfin complies with the requirement of RG69 in respect of valuations.

2.8. LENDING PRINCIPLES - LOAN TO VALUATION RATIOS

The higher a lender's loan to value ratio, the greater their vulnerability to changes in market conditions (such as a downturn in the property market) which in turn means it may be unable to fully recover the money it has lent to borrowers.

RG69 sets a benchmark loan to value ratio of 70% (ie the loan is not more than 70% of the security's value) for loans related to property development. In all other cases it should be not more than 80% of market valuation. Austfin meets this benchmark as it does not engage in, or lend for, property development, and in respect of its other property based loans it has no loans exceeding 80% of the market value of the real estate supporting those advances. Austfin's general policy is to not lend more than 75% of the value of non-specialised, improved residential real estate. Other types of real estate, such as commercial and industrial would normally only be considered at loan to value ratios of 70% or less.

3.0 COMPANY DIRECTORS

Robert Norman has over 40 years experience in the banking and finance industry, and has accumulated skills in administrative procedures and credit acceptance including software design and implementation for small financial institutions. Robert commenced his own finance broking business in 1994. In 2004 this business was acquired by Australian Finance & Leasing Ltd and Robert was appointed Austfin's Chief Executive Officer.

David Reid is a non-executive director with over 40 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. David holds a Bachelor of Economics degree, is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Chartered Institute of Company Secretaries.

Laurence Best has over 40 years experience in the banking and finance industry, including Westpac Bank, Trust Bank of Tasmania, plus several first mortgage managed investment schemes. Laurence is 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. Laurence has undertaken roles that encompass all operational and management responsibilities for retail, commercial and corporate lending transactions and investment processes. He joined Australian Finance & Leasing Ltd in 2007.

4.0 DETAILS OF ISSUE

This is an issue of Notes of \$1 each for varying terms and rates of interest as detailed on the application form. Subscriptions for Notes may only proceed on the application form accompanying this prospectus. No Notes will be issued on the basis of this prospectus after 24th March 2012. There is no minimum amount to be raised under this prospectus.

Subscriptions for Notes must be in multiples of \$1,000. The minimum subscription accepted from an investor will be \$5,000. The maximum amount able to be raised is limited by the Trust Deed (see Borrowing Limitations in Section 8.0 Note Trust Deed).

No fees (apart from the subscription monies) are payable by investors on the acquisition of Notes of the Company. Further, except fees for early redemption set out in Section 4.6, no fees are payable by investors on redemption of Notes.

Additional copies of this prospectus are available from the offices of the Company or can be downloaded from www.austfingroup.com.au

4.1 PROTECTION FOR NOTE HOLDERS

Purpose of Issue:

The proceeds from the issue of Notes pursuant to this prospectus will be used to provide funds for Austfin's lending activities. These funds will be primarily on-lent to businesses in the form of equipment finance (by way of leasing and hire purchase arrangements) and loans secured by charges over residential, rural, industrial and commercial properties. Security for the majority of loans will be by way of a charge over plant, machinery or real estate.

Security:

Repayment of all money invested in Notes issued pursuant to this prospectus and accrued interest in respect thereof will be secured by a first ranking floating charge in favour of the Trustee for Note holders over the whole of the assets and undertaking of Austfin. In order of priority, the charge granted in favour of the Trustee for Note holders ranks before other liabilities and shareholders' funds. Any future bank borrowing which is to be secured by the issue of Notes ("Security Stock") will rank *pari passu* with the Notes.

Borrowing Limitations:

Under the Trust Deed entered into between Austfin and the Trustee for Note holders, the Company covenants that it will not issue any Notes if the Total External Liabilities is equal to or exceeds 93% of the Total Tangible Assets of Austfin. As at 31st December 2010 this ratio stood at 86.8%

6-monthly Audits

The books of the Company are audited by an appropriately qualified firm of external auditors at the end of June and December each year.

4.2 ISSUING NOTES

Applications will be acknowledged by Austfin and, if accepted, a Note certificate will be forwarded to the successful applicant within two weeks after receipt of application monies. Austfin reserves the right to refuse at its absolute discretion any application either in whole or in part.

If an application is received after the expiry date of this prospectus, Austfin will either:

- (a) return any money received from the applicant; or
- (b) give the applicant a new prospectus and one month to withdraw their application and be repaid; or
- (c) issue or transfer the Notes to the applicant and give them a new prospectus and one month to withdraw the application and be repaid.

4.3 TRANSFERS OF NOTES

Notes issued pursuant to this prospectus will not be listed on any stock exchange or trading market.

Note holders are permitted to sell or transfer their Notes. Transfers may be effected on a common form of transfer but will only be accepted for amounts in multiples of \$1,000. No fee is charged for a transfer, but the Directors are not obliged to buy back or arrange for transfers of Notes.

4.4 VARIATION OF INTEREST RATES AND MATURITY DATES OFFERED

Austfin reserves the right to increase or decrease any interest rate or investment term for Notes to be issued during the currency of this prospectus. A variation in interest rate or investment term will not affect Notes already on issue.

Austfin has elected to rely on ASIC Class Order 00/173. Accordingly, applicants are advised that:

- (a) the interest rate and/or investment term of the Notes on offer is subject to change from time to time;
- (b) the Current Interest Rate and investment term for the Notes on offer at any time will be as set out in the application form most recently lodged with ASIC; and
- (c) they should confirm with Austfin that the application form accompanying this prospectus (and the interest rate and investment term shown thereon) is the form most recently lodged with ASIC.

If an application for Notes is received on an out-of-date application form and the Current Interest Rate is higher than the interest rate stated on the out-of-date application form, Austfin will either:

- (a) repay the money received from the applicant; or
- (b) give the applicant:
 - (i) a notice that informs them that their application was made on an out-of-date application form;
 - (ii) a copy of the application form most recently lodged with ASIC under section 712A; and
 - (iii) one month to withdraw their application and be repaid; or
- (c) issue the Notes to the applicant at the Current Interest Rate and give the applicant:
 - (i) the notice referred to in subparagraph (b)(i) above; and
 - (ii) one month to withdraw the application and be repaid.

Paragraphs (a), (b) and (c) above do not apply if:

- (a) the interest rate appearing on the out of date application form is higher than the Current Interest Rate for Notes of the amount and term specified in the application; and
- (b) the Company elects to issue the Notes the subject of the application to the applicant at the higher interest rate.

For the purposes of this prospectus, the “Current Interest Rate” means the interest rate offered for Notes applied for by an applicant on the day that the application is received by Austfin.

4.5 TERM OF NOTE AND PAYMENT OF INTEREST

Notes entitle investors to a fixed rate of interest for terms of six months to five years and the interest rate applicable to each term can be found on the application form.

Interest on Notes is calculated daily from the date of receipt of the application monies. Note holders may elect to either have interest paid to them monthly in arrears or for the interest to be reinvested in additional Notes and paid to the Note Holder upon maturity of the Notes. Prior to the maturity date of an investment, investors will be notified in writing of the rates and terms upon which the investment may be reinvested for a further period.

Notes, together with interest accrued, will be repaid in full on the maturity date upon the surrender to Austfin of the relevant certificate/s. Should instructions from an investor not be received by the maturity date, Austfin will renew the Note for a further term of 6 months (For more detail see Section 2.3 Benchmark Comparisons – Note Rollovers).

4.6 WITHDRAWAL BEFORE MATURITY

Austfin is under no obligation to redeem Notes before maturity. However, Note holders wishing to redeem their investment before maturity have the following special facilities available to them:

- (a) For Financial Hardship: Austfin will consider written requests for early repayment only in the case of unforeseen or exceptional circumstances of hardship. Austfin has an absolute discretion as to whether to accept such requests. Should Austfin agree to early repayment, the rate of interest will be reduced by 1% per annum for the term of the investment.
- (b) For Superannuation and Provident Funds: Withdrawal of up to 10% may be allowed (at Austfin’s absolute discretion) each year, subject to an appropriate adjustment in interest rates.
- (c) For Life Tenancy and Deceased Estates: Subject to legislative requirements, Austfin will redeem Notes held by administrators of deceased estates and trustees of life offices.

4.7 BROKERAGE

Austfin reserves the right to pay brokerage to recognised introducers who refer Note applications to the Company. The rate of brokerage paid will be decided by Austfin on a case by case basis depending on the volume of Note investments particular introducers refer. Brokerage is an expense of Austfin and **no brokerage is paid by investors.**

5.0 CREDIT POLICY

The Directors have prepared a detailed credit policy as a guide for acceptance of loan and finance applications. The policy requires detailed investigation into credit risk, but allows flexibility in consideration of applications such as financing of used equipment and new ventures. It also permits consideration of loan proposals in respect of applicants who are able to evidence an income, but not necessarily in a traditional accounting sense; or have little financial information available, but can offer security of sufficient value to ensure that Austfin's risk is minimised.

Where it is felt that the primary security for a loan is insufficient in some way, the policy requires the provision of additional security.

The Directors believe the lending documentation used by Austfin provides a commercially acceptable level of security.

The policy is updated as deemed necessary and applied consistently to all applications. Any deviations from the policy are identified and diligently reviewed by the Directors to ensure that compensating reasons for approval exist.

Austfin's Credit Committee assesses all loan applications with the number of Credit Committee members required to approve a loan being determined by the amount of the

exposure and the nature of security. All loans require the approval of at least one Director. Whilst the credit policy endeavours to minimise risk by generally limiting exposure to any one borrower to \$200,000 for loans secured solely by equipment, or \$1,000,000 for loans secured by charges over real estate, it nevertheless permits the consideration of larger loans. There is no maximum limitation on the size of loans that can be considered.

As at 31st December 2010, Austfin had 233 loans with an average size of \$41,270. Austfin has a policy of diversifying its security by type and geographic location as well as limiting exposure to any one borrower as the table below demonstrates. The largest individual exposure is \$874,194 being 9.1% of total loans.

It is not expected there will be a material change in the maximum exposure to any one individual borrower over the next 12 months, but the number of loans may reduce with a corresponding increase in the average exposure.

Austfin has a formal procedures manual covering most loan administration and related accounting issues. These procedures are subject to continual review and are updated as considered necessary.

ANALYSIS OF LOAN BY SIZE AS AT 31ST DECEMBER 2010

<\$50,000		\$50,000 - \$75,000		\$75,000 - \$150,000		\$150,000 - \$250,000		\$250,000 +	
No	AMOUNT \$000's	No	AMOUNT \$000's	No	AMOUNT \$000's	No	AMOUNT \$000's	No	AMOUNT \$000's
186	\$2,849	14	\$825	23	\$2,321	7	\$1,299	3	\$1,871

10 LARGEST BORROWERS AS AT 31ST DECEMBER 2010

	\$	PERCENTAGE OF TOTAL LOANS (%)	DETAIL
1	\$874,194	9.1%	1st mortgage over near Melbourne (Coldstream) rural residential property
2	\$787,583	8.2%	Related party loan (See Section 2.6 Related Party Transactions)
3	\$258,952	2.7%	2nd mortgage over near Melbourne (Flinders) residence
4	\$211,300	2.2%	1st charge over Kenworth truck & 2nd mortgage over Cowra NSW residence
5	\$203,958	2.1%	1st mortgage over Sydney residence & 2nd mortgages over 2 other Sydney residences. Account in arrears of payments by 1 month.
6	\$203,250	2.1%	2nd mortgage over Melbourne metropolitan residence.
7	\$193,997	2.0%	1st charge over trailer and 2nd mortgage over Katherine (NT) residence.
8	\$166,968	1.7%	2nd mortgage over Port Lincoln (SA) residence.
9	\$163,865	1.7%	1st mortgage over near Brisbane (Clontarf, Qld) industrial property
10	\$155,865	1.6%	2nd mortgage over Melbourne metropolitan residence

Apart from the 5th largest loan of \$203,958 all other loans listed above were in order at the date of review.

6.0 RISK ASSESSMENT

6.1 RISK ANALYSIS

An assessment of the risks associated with an investment in this issue of Notes should include consideration of the Directors' experience in acceptance and management of equipment finance and property loan facilities, together with Austfin's performance to date. However, before any decision is made to invest, the following risks, as well as other matters described in the prospectus, should be considered.

General Risks:

- Changing economic conditions may affect the demand for the type of finance offered by Austfin. Periods of declining economic activity or uncertainty may see a downturn in demand for loan funds.
- Increased competition for lending products of the type offered by Austfin may result in a lower rate of return, or a reduced demand for those products.
- Operating risk may arise from credit assessment processes and debtor management control processes.
- Risk of not being able to make a full recovery under loans provided to borrowers in high risk categories. That is, there is a risk that there may not be full recovery under loans advanced, and secured real or personal property may not provide sufficient funds to recover money owing.
- The type of security property held may affect the returns achieved.
- A high exposure to any particular asset type, industry sector, or geographic area may affect returns if economic circumstances reduce the realisable value of the asset, or impact adversely on the specific industry sector, or geographic area.
- Borrowers may be subject to circumstances that make it difficult to obtain finance from traditional or lower cost lenders. Examples of reasons why such a situation may arise because the borrower:
 - requires loan funds more urgently than a traditional lender can provide.
 - may not have up to date and/or complete financial statements.
 - may have some past credit defaults.
 - may have recently commenced a new venture and/or their future income is not ascertainable.
 - may wish to finance second-hand equipment that is being purchased privately (rather than from a licensed dealer), or is older than a traditional lender may consider acceptable.

Some of the reasons listed above may increase the risk of a borrower defaulting on their obligations. Austfin manages this perceived risk by seeking further information to assess the loan application, and should the loan be approved, may impose "special lending terms and conditions" on the borrower.

Particular Risks:

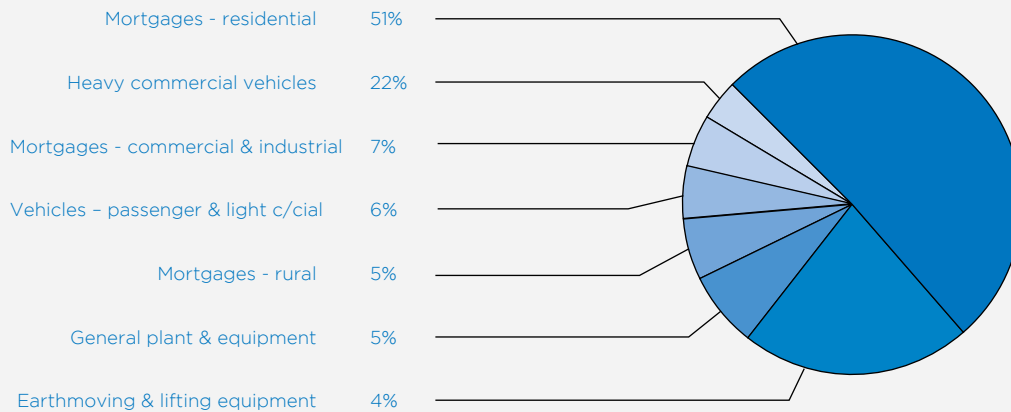
In addition to the general risks outlined above, there are particular risks associated with investing in Notes offered under this prospectus, namely:

- If Austfin is unable to achieve a sufficient volume of loans relative to the number of Notes on issue at any given time, which is more likely if a smaller number of Notes is issued under this prospectus, then there is a risk that the repayment of Notes and interest will need to be sourced from shareholders' funds.
- Austfin does not maintain standby loan facilities to cover short term cash flow fluctuations that may occur in the event of maturing Note investments not being renewed. Enquiries made by Austfin to various banks have indicated a standby facility would not be available without a first ranking charge over the assets of the Company (currently held by the Trustee for Note holders). Austfin maintains a level of cash reserves believed sufficient to cover short term cash flow fluctuations. Cash reserves averaged \$2.3 million for the 6 months to 31st December 2010.

As at 31st December 2010, 22% of the security held for loans comprised heavy commercial vehicles, some of which can be more than 15 years old. This type of security can display disparity between purchase price and realisable auction value. For this reason, Austfin usually advances only a percentage of the realisable auction value of the equipment being financed, or seeks additional collateral security to support the advance. Wherever appraisal of security value is required this is obtained from a source approved by Austfin.

While Austfin might be considered to have a relatively high exposure to commercial vehicles it should be noted that those vehicles have use in a diverse range of industries. In many cases other collateral security (such as a charge over real estate) is also held.

DISTRIBUTION OF LOANS BY SECURITY TYPE



As at 31st December 2010, the estimated auction value of all security held by the Company was \$14.3 million as against total loans outstanding (net of unearned interest) at the same date of \$9.2 million. It should be noted that the level of security cover varies from loan to loan and the \$14.3 million referred to above is the aggregated estimated value of each security as at the time when the relevant loan was entered into. It would be expected that the value of the security held (other than real estate) would reduce over time.

As at 31st December 2010, the weighted average interest rate charged on loans was 17.7%. This return is generally in line with the interest rate of other lenders in the same market as Austfin.

Portfolio risk may arise from large exposures to an industry sector.

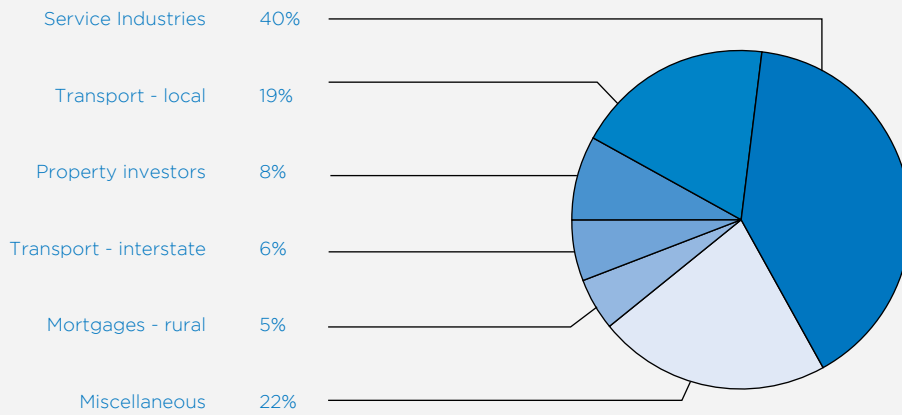
Austfin has a diverse geographic exposure, lending to borrowers in all States of Australia, however its exposure is naturally concentrated in the more populous States. Austfin is of the opinion there will be no material change in the geographic distribution of borrowers or the nature of their business activities.

As at 31st December 2010 loans stood at \$9.6 million and a summary of the arrears as at that date is detailed below. The level of arrears is considered to be reasonable given that many borrowers present a risk profile outside of mainstream lenders acceptance criteria.

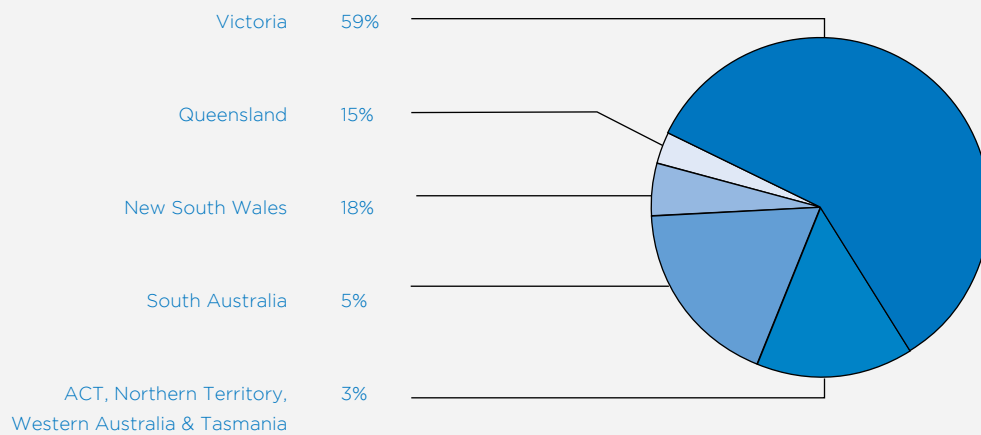
Rather than rely on borrowers to forward their required repayment, and to ensure as far as possible that loan repayments are made as and when they fall due, all repayments are collected by direct debit against borrowers' bank accounts. As these strict requirements do not suit the fluctuating liquidity of some borrowers, approximately 12% of these drawings are refused by the borrowers' bank. Those borrowers are immediately contacted and arrangements made regarding the overdue repayment being required within 14 days of their due date.

Given the nature of the Company's lending activities the level of dishonoured repayments is not considered unusual and while the number of dishonours fluctuates from month to month the Directors are of the opinion that the current dishonour rate is not a concern.

DISTRIBUTION OF LOANS BY INDUSTRY



GEOGRAPHIC DISTRIBUTION OF LOANS BY STATE

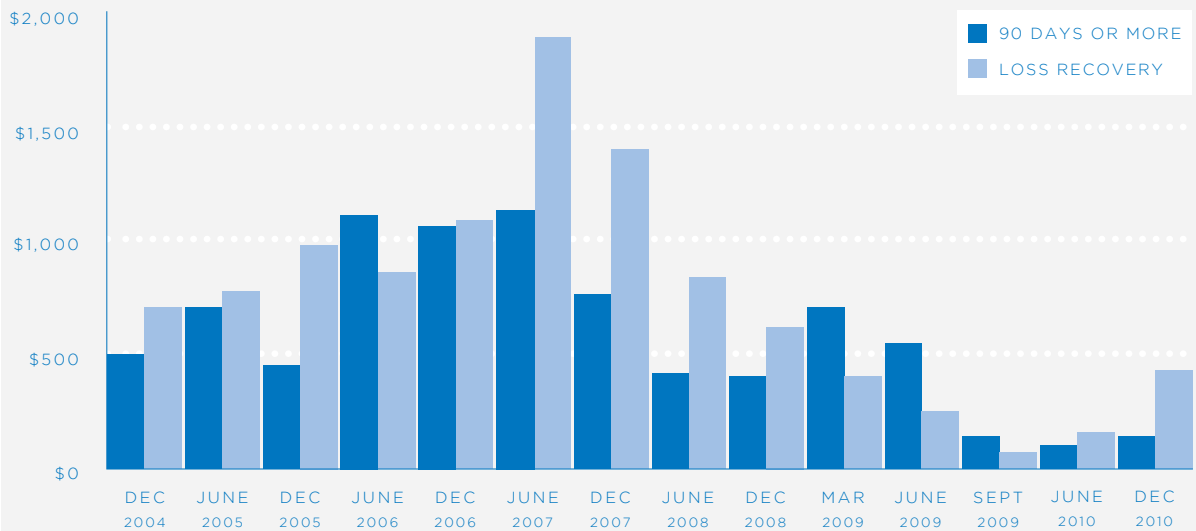


ARREARS ANALYSIS

DAYS IN ARREARS	ARREARS OF REPAYMENTS \$000's	GROSS BALANCE OF LOANS IN ARREARS \$000's	ACCOUNTS IN ARREARS		ARREARS BALANCES AS A PERCENTAGE OF TOTAL OUTSTANDINGS %
			NO	\$	
30 days to less than 60 days	\$206	\$405	7	3.0%	4.2%
60 days to less than 90 days	\$3	\$40	3	1.3%	0.4%
90 days to less than 120 days	0	0	0	-	-
120 days or more	\$147	\$277	7	3.0%	2.9%
TOTAL	\$356*	\$722	17	7.3%	7.6%

* Includes not only arrears of repayment, but also loan principal where a loan has not been repaid upon maturity, regardless of whether the borrower has continued to make regular payment of interest.

BALANCE OF 90 DAY OR MORE ARREARS AND LOSS RECOVERY ACCOUNTS



The level of arrears varies from time to time as shown by the graph on the preceding page. The Company experienced a growth in the level of arrears in the period 2004 to 2007 due to a variety of poor business practices by borrowers (over-borrowing, inadequate capital and in some cases, a poor attitude towards financial obligations generally).

During 2007 Austfin's lending criteria was strengthened to minimise exposure to problem borrowers leading to the decline in the incidence of both arrears and loss recovery accounts since that time. At the date of this prospectus, the Directors believe that all probable losses have been fully provided for.

6.2 RISK MANAGEMENT STRATEGIES

To address the risks outlined above, Austfin's risk management policy incorporates the following strategies:

- Adherence to the formal credit assessment policies and procedures as discussed in Section 5.0.
- Prudent corporate governance policies.
- Insurance cover for key personnel as discussed in Section 9.1.
- Ensuring an acceptable margin is maintained between the average rates paid on Notes and the average return on the Company's loan portfolio.

The Directors regularly review accounts of borrowers whose repayments are in default to ensure that either acceptable repayment arrangements have been made with the borrowers, or appropriate recovery action has been instigated. Where the realisable value of the security held for the loan is believed to be less than the debt outstanding and the borrower is considered unable to repay any residual debt, an appropriate specific provision for the shortfall is made.

6.3 LOAN MANAGEMENT SOFTWARE

Austfin's lending administration software provides a fully integrated on-line accounting and management information system, controlling all day-to-day lending requirements. As well as being integrated with Austfin's general ledger, asset ledger, and bank reconciliations, it maintains detailed subsidiary ledgers of loan receivables and Note holders' investments.

The software handles all types of lending products currently offered by Austfin. Repayments can be structured to meet specific requirements including principal and interest repayments, as well as interest only facilities.

7.0 FINANCIAL REPORT

The purpose of this report is to provide financial information to potential investors and it contains information extracted from audited financial statements of Australian Finance & Leasing Ltd up to and including the year ended 30th June 2010.

7.1 STATEMENT OF FINANCIAL POSITION

	YEAR ENDED 30 JUNE 2008 \$	YEAR ENDED 30 JUNE 2009 \$	YEAR ENDED 30 JUNE 2010 \$
ASSETS			
Cash	2,654,575	1,950,852	1,110,952
Loans and Advances*	13,658,336	11,492,456	11,876,316
Less: Provision for Impairment	(547,980)	(384,576)	(317,067)
Goodwill	924,413	924,413	924,413
Other assets	518,876	417,108	933,469
TOTAL ASSETS	17,208,220	14,400,253	14,528,083
LIABILITIES			
Notes – Secured	14,035,044	11,515,009	11,754,614
Accounts Payable & Other Liabilities	324,294	209,106	168,238
TOTAL LIABILITIES	14,359,338	11,724,115	11,922,852
NET ASSETS	2,848,882	2,676,138	2,605,231
SHAREHOLDER EQUITY			
Share Capital	2,952,382	2,952,382	2,952,382
Retained Earnings/ (Accumulated Losses)	(103,500)	(276,244)	193,076
Capital Loss Reserve			(540,227) [#]
TOTAL SHAREHOLDER EQUITY	2,848,882	2,676,138	2,605,231

* Loans and Advances consist of direct finance leases, hire purchase contracts, chattel mortgages, and business loans. In respect of the direct finance leases, the carrying value of the receivables is the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value, discounted at the interest rate implicit in the lease. Interest is brought to account by apportioning the minimum lease payments received between principal and interest. Hire purchase, chattel mortgage and business loan contracts are accounted for on an actuarial basis.

[#] During the 2009/2010 financial year the Company's staff share purchase scheme was discontinued and the shares repurchased. The Capital Loss Reserve represents the difference between the value the shares were issued at and their repurchase price.

7.2 INCOME STATEMENT

	YEAR ENDED 30 JUNE 2008 \$	YEAR ENDED 30 JUNE 2009 \$	YEAR ENDED 30 JUNE 2010 \$
REVENUE			
Interest and similar income	2,968,880	2,442,010	1,993,826
Fee and commission income	271,157	273,764	331,487
Bad debts recovered	252,170	28,814	18,275
	3,492,207	2,744,588	2,343,588
LESS EXPENDITURE			
Interest expense and similar charges	1,542,397	1,238,795	1,147,032
Impairment losses on loans	481,167	331,022	317,067
Employee benefits	632,970	577,599	469,977
Depreciation and amortisation	24,291	21,171	14,506
Loss on disposal of plant & equip	20,435	20,939	-
General administration expenses	493,948	553,990	388,080
	3,199,011	2,743,516	2,336,662
Profit before income tax	293,196	1,072	6,926
Income tax	310,804*	(3,816)	504,894*
Operating Profit (Loss) after Tax	604,000	(2,744)	511,820
Opening retained earnings	(325,000)	(103,500)	(276,244)
Dividends paid	382,500	170,000	(42,500)#
Retained Earnings	(103,500)	(276,244)	193,076

* During the 2007/2008 and 2009/2010 financial year errors were identified in the Company's future income tax liability attributable to timing differences associated with the recognition of income in respect of finance leases. This resulted in a write back of the over-provision for taxation made in preceding years.

The \$42,500 represents dividend franking deficit tax paid in the 2009/2010 financial year.

7.3 MATURITY ANALYSIS

MATURITY ANALYSIS OF CASH/DEBTS RECEIVABLE AND LIABILITIES AS AT 30TH JUNE 2010					
CASH & DEBTS RECEIVABLE	NIL TO 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	GREATER THAN 5 YEARS	TOTAL
Cash	1,110,052				
Loans and advances*	1,162,573	5,409,182	4,987,494	-	11,559,249
	2,272,625	5,409,182	4,987,494	-	12,669,301
Liabilities					
Notes – secured*	1,159,831	4,474,639	6,120,144	-	11,754,614
Other liabilities	168,238				
	1,328,069	4,474,639	6,120,144	-	11,922,852

* Includes interest earned on loans and interest paid on Notes. Loans and advances are net of impairment provision.

7.4 TANGIBLE ASSETS CHARGED FOR NOTES ON ISSUE

As at 30 June 2010, the book value of total tangible assets (as defined by the Company's Trust Deed) which have been charged to secure the Notes on issue is \$13.6 million. Total liabilities at that date represent 87.6% of the total tangible assets. Austfin is required by its Trust Deed to ensure total liabilities do not exceed 93% of total tangible assets.

7.5 SUBSEQUENT EVENTS

Subsequent to 30 June 2010, to the best of the Directors' knowledge and belief, there have been no material transactions or events outside the ordinary course of business of the company which require comment on, or adjustment to, the information contained in this report or which would cause such information to be misleading.

8.0 NOTE TRUST DEED

The following information is summarised from the Trust Deed. Reference must be made to the Trust Deed and the general law for the full rights attaching to Notes and the rights and obligations of the parties to the Trust Deed.

The Parties to the Trust Deed:

The parties to the trust deed dated 21 November 1997, as amended by supplemental deeds dated 5 June 1998 and 6 March 2003, are the Company and The Trust Company (Nominees) Limited ACN 000 154 441 ("Trust Deed").

The Trust Company (Nominees) Limited is the trustee for the Company's Note holders ("Trustee").

The Trustee is a member of The Trust Group of companies. The Trust Group of companies was established in 1885 and has acted as trustee in varying capacities for individuals, charities, banks, insurance companies. The Trust Group is now one of the largest trustee corporations in Australia.

Trustee's Remuneration:

The Trustee's annual fees (exclusive of GST, paid quarterly in arrears) are:

- \$31,250 until Notes on issue exceed \$20,000,000.
- Once Notes on issue exceed \$20,000,000 but do not exceed \$50,000,000, \$31,250 plus \$187 for each \$1,000,000 (or part thereof) of issued Notes in excess of \$20,000,000.
- Once Notes on issue exceed \$50,000,000, \$36,260 plus \$156 for each \$1,000,000 (or part thereof) of issued Notes in excess of \$50,000,000.

For any year (or part thereof) when no Notes are on issue, the Trustee will receive a minimum annual fee of \$31,250. For the quarter ended 31st December 2010 the Trustee was paid \$7,812.50 which represents an annualised fee of \$31,250.

The Trustee is also entitled to be paid:

- all costs, charges and expenses (including legal expenses) in connection with the Trustee's duties and obligations under the Trust Deed;
- a fee of \$187 per hour for work done as a result of the occurrence of any of the events of default listed in the Trust Deed; and
- additional remuneration for any additional duties and responsibilities undertaken by the Trustee in enforcing the Trust Deed.

The Trustee's legal fees and due diligence fees for reviewing the prospectus will be approximately \$1,500 plus GST and the costs of any disbursements.

The Role of the Trustee:

The Trustee's primary responsibilities, among others, are:

- (a) to exercise reasonable diligence to ascertain whether the property of the Company is sufficient or is likely to be sufficient to repay principal as and when it falls due;
- (b) to exercise reasonable diligence to ascertain whether or not the Company has committed any breach of the Trust Deed, the terms of the Notes or of Chapter 2L of the *Corporations Act 2001* (Cth); and
- (c) to do everything in its power to ensure that the Company remedies any breach known to the Trustee of any term of the Notes or any provision of the Trust Deed or of Chapter 2L of the *Corporations Act 2001* (Cth) unless the Trustee is satisfied that the breach will not materially prejudice the interests of the holders of Notes or any security for the Notes.

The Trustee does not handle any of the funds raised under the prospectus as all application monies are paid to the Company.

The Trustee has given and not withdrawn its written consent to be named as Trustee in this prospectus. The Trustee has not authorised or caused the issue of this prospectus. Neither the Trustee nor any member of The Trust Company Group makes any representations as to the truth or accuracy of the contents of this prospectus other than the parts which refer directly to the Trustee. The Trustee does not make any representation regarding or accepting any responsibility for any statements or omissions in or from any other parts of this prospectus. Other than the parts of this prospectus which refer directly to the Trustee or which refer to the provisions of the trust deed, the Trustee has relied upon the Company for the accuracy of the content of this prospectus. Neither the Trustee nor any member of The Trust Company Group makes any representations as to the performance of the issue, the maintenance of capital or any particular rate of return.

Security:

The Company has, by way of a first floating charge in favour of the Trustee, charged the Company's undertaking and all of its real and personal property and assets and rights both present and future including its uncalled and called but unpaid capital with the payment of all principal and interest payable on the issued Notes, Security Stock and any other monies payable pursuant to the Trust Deed or the terms of issue of any Notes.

The Company is not permitted under the Trust Deed to allow any secured borrowings of the Company or the

Company's subsidiaries to rank in priority to the repayment of the Notes secured by the floating charge. However, this does not prevent the Company from acquiring a subsidiary which has a pre-existing liability which has priority to the secured borrowings, provided that:

- (a) the subsidiary does not incur any further liabilities from the date on which the Company acquires the subsidiary which rank ahead of the secured borrowings;
- (b) where there is a right of early discharge in respect of the subsidiary's pre-existing liability and certain conditions are met, the Company must exercise the right of early discharge; and
- (c) where there is no right of early discharge of the subsidiary's pre-existing liability, the Company must have the liability discharged no later than the date or dates fixed for such discharge,

and the aggregate of those pre-existing liabilities does not exceed 10% of Total Tangible Assets.

"Total Tangible Assets" means the aggregate of the tangible assets of the Company and its subsidiaries (calculated in accordance with Australian accounting standards), but excluding certain classes of assets which are listed in the last sentence of clause 8.02 of the Trust Deed.

Borrowing Limitation:

The Company has covenanted with the Trustee that the Company will not at any time issue any Notes, nor will it give or suffer to exist any encumbrance over its property or assets, if the Total External Liabilities of the Company would equal or exceed 93% of Total Tangible Assets.

Exception to Borrowing Limitation

Subject to certain conditions set out in clause 8.05 of the Trust Deed, the borrowing limitation referred to above may be exceeded in circumstances where:

- (a) the Company issues Notes; or
- (b) the Company or its subsidiaries incur a new liability, for the purpose of using all of the monies realised from the Note issue or new liability (as the case may be) in the repayment or redemption of Notes or the repayment of an existing liability.

Security Stock:

Notes may be issued by the Company to any bank or other person as security for any present or future, fixed or contingent liability ("Security Stock"). Security Stock shall be deemed fully paid unless otherwise specified on the certificate and shall rank *pari passu* in all respects with all other Notes.

Security Stock may be issued on terms that it is payable on demand. It shall not be transferred without the consent of the Trustee and it shall only carry interest on terms and conditions determined by the Trustee. A holder of Security Stock shall be entitled to payment *pari passu* with other holders of Notes of the lesser of:

- (a) the nominal value of the Security Stock; or
- (b) the aggregate of Actual Security Monies and any Contingent Security Monies having become owing.

"Actual Security Monies" means in relation to any Security Stock at any date all sums of money (including principal, interest and any premium) owing at that date (whether then due and payable or not) by the Company in respect of that Security Stock.

"Contingent Security Monies" means on any date all contingent liabilities and all monies which are not owing at that date but which may thereafter become owing by the Company in relation to Security Stock, excluding any interest which accrues after that date on any Actual Security Monies as at that date in relation to the Security Stock.

Interest:

The Trust Deed provides that interest will continue to accrue on monies owed under issued Notes to the date of repayment of those monies. All interest so accruing is secured under the terms of the Trust Deed.

Right to Amend the Trust Deed:

The Trustee may concur with the Company in making any amendment to the Trust Deed, if:

- (a) in the opinion of the Trustee it is:
 - (i) made to correct a manifest error or it is of a formal, technical or administrative nature only;
 - (ii) necessary or expedient for the purpose of enabling any of the Notes to be or to continue to be listed for quotation on any Stock Exchange;
 - (iii) necessary for the purpose of enabling or facilitating the issue of Notes which are expressed to be bearer instruments or instruments payable to bearer;
 - (iv) or of any barrister or solicitor instructed by the Trustee necessary or expedient, to comply with the provisions of any statute or ordinance or any law;
 - (v) required by or in consequence of or consistent with any amendments to the *Corporations Act 2001* (Cth);
 - (vi) not prejudicial to the interests of the Note holders; or

- (b) the alteration, modification or addition is approved or sanctioned by Extraordinary Resolution of the Note holders in accordance with the provisions of the Third Schedule of the Trust Deed.

The Company may also amend the Trust Deed (with the Trustee's concurrence) by:

- (a) serving on all of the Note holders a copy of the amending deed together with a circular which is approved by the Trustee and which:
 - (i) explains the terms and effect of the amending deed;
 - (ii) details the procedures to be followed by Note Holders with respect to the right to redeem the Notes; and
 - (iii) details the obligations and duties of the Company and Note holders in executing and exercising the redemption; and
- (b) satisfying certain other procedures and obligations specified in clause 22.02 of the Trust Deed.

The Company may also amend the Trust Deed (and subject to any duties imposed on the Trustee under the *Corporations Act 2001* (Cth) and the general law, the Trustee shall concur in such amendment) where:

- (a) the amendment takes effect only after redemption of all Notes issued on the terms and conditions of the Trust Deed prior to the date of operation of such amendments; and
- (b) all Notes outstanding as at the date the proposed amendment comes into force was issued subject to the terms and conditions of the Deed as so amended.

The Company may also amend the Deed, and the Trustee may concur with the making of such amendment, where:

- (a) the amendment takes effect prior to the redemption of any Notes issued on the terms and conditions of the Trust Deed;
- (b) there is granted to the Note holders additional security (if any) which in the bona fide opinion of the Directors, properly compensates the Note holders for any derogation in the rights of the Note holders as a result of the amendment;
- (c) a Directors' certificate attesting to the matters in paragraph (b) is provided to the Trustee; and
- (d) such amendment is sanctioned by an Extraordinary Resolution of the Note holders.

9.0 ADDITIONAL INFORMATION

9.1 MATERIAL CONTRACTS

Austfin holds insurance cover of \$1,000,000 for the death or permanent disability of both Robert Norman and Laurence Best to insure against the unforeseen loss of either Director.

Robert Norman has entered into an agreement to make available his services to Austfin until 30 June 2014. This commitment provides that, excepting unforeseen circumstances, Mr Norman will continue to devote sufficient time to Austfin as reasonably necessary to ensure the Company achieves the results it has forecast.

9.2 CONSENTS

The Trust Company (Nominees) Limited has:

- (a) given its consent to being named in this prospectus as Trustee for the Note holders in the form and context in which it has been so named; and
- (b) not withdrawn its consent prior to the lodgement of this prospectus with ASIC.

Neither The Trust Company (Nominees) Limited nor any person related to or associated with The Trust Company (Nominees) Limited has authorised or caused the issue of this prospectus and takes no responsibility for any part of it.

Roslyn Buzza & Co has:

- (a) given its consent to being named in this prospectus as Accountants and Auditors in the form and context in which it has been so named; and
- (b) not withdrawn its consent prior to the lodgement of this prospectus with ASIC.

Roslyn Buzza & Co has not authorised or caused the issue of this prospectus and takes no responsibility for any part of it.

9.3 INTERESTS OF DIRECTORS

No Director or proposed Director of Austfin has an interest, or has had an interest at any time in the two years before the date of this prospectus, in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its promotion or formation or the offer of Notes; or
- (c) the offer of Notes under this prospectus,

except as follows:

- (i) Interests associated with Directors of the Company, (namely, Robert Norman, David Reid and Laurence Best) control directly or indirectly 56% of the issued ordinary shares in the Company.

- (ii) The 3 Directors of the Company each receive Directors Fees of \$30,000 per annum. Mr Norman additionally receives remuneration (plus Superannuation Guarantee) of \$150,000.

Other than the interests, remuneration and other entitlements of Directors disclosed above, no Director or proposed Director of Austfin or any firm or company in which he has an interest, has been paid, or agreed to be paid, any amount in cash or otherwise by any person to induce him to become or to qualify him as a Director, or for other services rendered by him, the firm or company, in connection with the promotion or formation of Austfin.

9.4 INTERESTS OF EXPERTS

Other than as disclosed in this prospectus, no expert or firm in which an expert is a partner, or company in which an expert has an interest, has an interest in the promotion of, or any property proposed to be acquired by Austfin. No amounts, whether in cash or otherwise, have been paid or agreed to be paid to any expert (nor any firm in which the expert is a partner) in connection with the preparation of this prospectus.

9.5 CLASS ORDER RELIANCE

The Company relies on ASIC Class Order 00/173 dated 15 February 2000 relating to the disclosure of interest rates and investment terms of Notes offered under this prospectus.

9.6 DOCUMENTS AVAILABLE FOR INSPECTION

The documents set out below are, and will be, for a period of 13 months from the date of this prospectus, available for inspection during normal business hours at the office of Austfin at 585 Burwood Road, Hawthorn, Victoria:

- (a) the Constitution of Australian Finance & Leasing Ltd;
- (b) the Note Trust Deed dated 21 November 1997;
- (c) the Deed of Appointment of Trustee and Variation dated 5 June 1998;
- (d) the Deed of Appointment of Trustee and Variation dated 6 March 2003;
- (e) the Deed of Amendment and Consolidation dated 6 March 2003;
- (f) the material contracts referred to in Section 9.1 of this prospectus; and
- (g) the consents referred to in Section 9.2 of this prospectus.

9.7 APPLICANTS' PRIVACY

The Company collects and holds the personal information that is provided by applicants on their application form when investing in Notes. Whenever Austfin collects and otherwise deals with an applicant's personal information, it will be handled in accordance with the *Privacy Act 1988* (Cth) and the National Privacy Principles contained in that Act.

Austfin needs this information to ensure details about an applicant's investment are accurate and to contact applicants when necessary. Austfin may also provide applicants' personal information to the Trustee for Note holders and to service providers used to assist Austfin with its administration and investor communication. This information is provided on a strictly confidential basis and will only be used for the purposes of Austfin's business and affairs.

Chapter 2C of the *Corporations Act 2001* (Cth) requires information about applicants to be recorded in a register. This information must continue to be included in the register even if an applicant ceases to hold Notes. The register may be inspected by the Trustee for Note holders, Austfin's auditor or otherwise as required by law. These statutory obligations are not altered by the *Privacy Act 1998* (Cth).

Applicants can gain access to their personal information and advise Austfin at any time if the information is incorrect or incomplete. If applicants wish to change any of their personal information they can do so by contacting the office of Austfin.

By applying for Notes under this prospectus, applicants consent to Austfin's use of their personal information in the manner set out above.

9.8 COMPLAINTS HANDLING PROCESS

Austfin is a member of the Financial Ombudsman Service, an external dispute resolution service. Any investor complaint will be acknowledged within 30 days and an investigation commenced by Austfin, the outcome of which will be advised to the complainant. If the complainant believe that Austfin have not satisfactorily resolved their complaint within 45 days (or up to 90 days where the complainant is advised separately in writing that the investigation requires further time) the complaint can be taken to the Financial Ombudsman Service Limited, GPO Box 3 Melbourne, 3001 (Telephone: 1300 78 08 08, Fax: 03 9613 6399, Email: info@fos.org.au)

9.9 ANTI-MONEY LAUNDERING & COUNTER TERRORISM LEGISLATION

In December 2007 AML/CT legislation was enacted to reduce the risk of Australian businesses being misused for the purposes of money laundering and/or financing terrorism.

AML/CT legislation requires businesses within the finance sector who provide particular financial services to ensure compliance with the legislation. In accordance with its AML/CT compliance procedures Austfin is required to:

- (a) identify its customers before accepting applications for Notes;
- (b) report certain transactions above a monetary threshold; and
- (c) report suspicious transactions.

If you are investing with Austfin for the first time you will be required to provide identification in a format acceptable to Austfin as requested on the enclosed application form.

9.10 CORPORATIONS ACT 2001 (CTH)

The Corporations Act 2001 (Cth) specifies other rights, obligations and duties in relation to the Trustee, Austfin, applicants for Notes, and Note holders.

Reference must be made to the Corporations Act 2001 (Cth) for a complete understanding of these rights, obligations and duties.

9.11 CONTINUOUS DISCLOSURE

Austfin is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. Note holders are entitled to obtain a copy of the following documents most recently lodged with ASIC after the date of this prospectus:

- the annual and/or half yearly financial report of the Company
- quarterly reports lodged with the Trustee and ASIC as required by the Note Trust Deed.
- any continuous disclosure notices issued by Austfin

These documents can be downloaded at www.austfingroup.com.au or obtained by contacting the Company at the address shown on the front inside cover of this prospectus.

10.0 DIRECTOR'S REPORT

The Directors of Austfin report that, for the period 1 July 2010 to the date of lodgement of this prospectus, after due inquiry by them, they have not become aware of any circumstances which in their opinion materially affects the trading or profitability of the Company or the value of its assets.

The Directors are of the view that having regard to Austfin's objectives and current market activities, Austfin will continue to trade successfully.

The Directors are also of the opinion that:

- (a) Austfin will be in a position to meet interest and principal payments on Notes as they fall due; and
- (b) the tangible property comprising the security for the floating charge is likely to be sufficient to meet the liability for the repayment of:
 - (i) all money that has been, or may be lent to, Austfin under this prospectus; and
 - (ii) all other liabilities ranking in priority to, or *pari passu* with, the liability referred to in paragraph (i) above that has been or may be incurred.

Austfin has given to the Trustee and lodged with ASIC reports which set out the information required by section 283BF of the *Corporations Act 2001* (Cth). Prospective applicants for Notes may obtain a copy of the Company's latest report from ASIC or from Austfin. Austfin will not charge a fee for providing a copy of the report during the life of this prospectus.

If you do not understand any of the material in this prospectus, the Directors urge you to consult your financial adviser.

Signed on 25th February 2011 in accordance with a resolution of the Directors.



Robert L Norman
Director

AUSTFIN GROUP

Note Investment Application Form

I/We hereby apply for Australian Finance & Leasing Limited (ABN 77 080 524 689) "Austfin" Notes as detailed below and in the terms and conditions contained in the Prospectus No 12 dated 25th February 2011 for the Issue of Austfin Notes and on this Application Form.

This Application Form must not be handed to any person unless accompanied by the Prospectus No 12 dated 25th February 2011 to which it relates. No Notes will be issued on the basis of this prospectus after 24th March 2012.

APPLICANT DETAILS (PLEASE PRINT) Details on all parties to a joint application must be provided.	
Mr/Mrs/Miss/Ms (1)	_____
Mr/Mrs/Miss/Ms (2)	_____
Company	_____ ACN ___/___/___
(To be completed by applicants who are a corporation)	
Postal Address	_____
State:	_____ Postcode: _____ Phone Number (Office Hours): _____

INVESTMENT OPTIONS AVAILABLE		(Complete the Amount Invested column below)
Term (Months)	Interest Rate (p.a.)	Amount Invested
6	9.00%	\$
12	9.25%	\$
24	9.50%	\$
36	10.00%	\$
48	10.50%	\$
60	11.00%	\$

Individual investments of \$25,000 or more attract a premium of 0.25% p.a. Investments must be a minimum of \$5,000.

The above interest rates are effective from 23rd February 2011, however interest rates and terms of investments offered under this Prospectus may be subject to change from time to time. Applicants are advised to confirm with Austfin (telephone: 1300 661 212) that this Application Form is still current. If any application is made by an investor on an out-of-date application form, application monies may be refunded on the terms set out in the Prospectus.

INTEREST INSTRUCTIONS Select one option. If no option is selected interest will be compounded to your account.	
<input type="checkbox"/> Interest is to be reinvested	<input type="checkbox"/> Interest is to be deposited to my/our Bank Account
Account Name: _____	Account No: _____
Bank and Branch: _____	BSB No: _____

AUTHORITY TO OPERATE ACCOUNT Joint Holders only to complete	
Please tick the appropriate box.	
<input type="checkbox"/> Any one to sign	<input type="checkbox"/> All parties to sign

If no election is made, all joint Note Holders must sign all notices, requests or communication to the Company. If you elect "Any one to sign", the Company may act upon a notice or request or communication signed by either holder.

TAX FILES NUMBERS

Collection is authorised by law. Quotation is not compulsory, but tax may be deducted from interest earned if you do not quote. If exemption due to pension allowance state full name of benefit (ie Age Pension).

(1) Tax File No: ___/___/___ Exempt Category: Children under 16 must advise Date of Birth: __/__/__

(2) Tax File No: ___/___/___ Exempt Category: Children under 16 must advise Date of Birth: __/__/__

IDENTIFICATION

If you are not an existing client of Austfin, or a member of the AF&L Direct Mortgage Fund, government legislation requires you to provide identification, being:

(a) A copy of either your drivers licence or passport, OR (b) any two of the following:

- Medicare card
- Property rates notice
- Power or gas account
- Citizenship certificate
- Land Tax notice
- Centrelink/Pension card
- Any document issued by the Australian Taxation Office

SIGNATURES

A joint application must be signed by all parties. An application by a Corporation must be made under seal or by a duly authorised representative clearly stating authorised status. An applicant under a Power of Attorney hereby states that the Attorney has received no notice of revocation of the Power. The Power of Attorney must be produced if it has not been previously noted by Austfin.

To be executed where the applicant(s) is/are an individual(s).

Signature of Applicant 1: X: _____ Date: _____

Signature of Applicant 2: X: _____ Date: _____

To be executed where the applicant is a company.

Executed by (Insert name of company) _____
by being executed by those persons who are authorised to sign for the company:

Director: _____ Director/Secretary: _____

Full name: _____ Full Name: _____

Usual address: _____ Usual address: _____

ON COMPLETION FORWARD THIS FORM WITH YOUR CHEQUE TO:-

Australian Finance & Leasing Ltd,
PO Box 3038,
Auburn, Victoria 3123

For assistance telephone Austfin on 1300 661 212

OFFICE USE ONLY

Account No	Commencement Date	Maturity Date	Interest Rate
	___/___/___	___/___/___	%
Broker Details:	Certificate No.		

