Homeloans LTD

We listen. We lend.

02/03 Annual Report

CORPORATE INFORMATION

Directors
Timothy Holmes
(Executive Chairman)
Robert Salmon
(Managing Director)
Robert Scott
(Non Executive Director)
Andrew Pridham
(Non Executive Director)

Company Secretary
Jennifer Murray

Registered Office
Level 9, The Quadrant
1 William Street
Perth WA 6000
Phone: (08) 9327 1777
Facsimile:(08) 9327 1778

Corporate Office
Level 11
185 Macquarie Street
Sydney NSW 2000
Phone: (02) 9223 2122
Facsimile: (02) 9233 7340

National Office
Level 2, The Atrium
168 St George's Terrace
Perth WA 6000
Phone: (08) 9261 7000
Facsimile: (08) 9261 7079
Web site:
www.homeloans.com.au

Postal Address
PO Box 7216
Cloisters Square
Perth WA 6850

Share Registry
Computershare Investor
Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Auditors
Ernst & Young
Central Park
152 St George's Terrace
Perth WA 6000

Bankers
Westpac Institutional Bank
Level 4, 255 Elizabeth St
Sydney NSW 2000

ASX Code
HOM

Controlled Entities
NSW Home Loans Pty Ltd
VIC Home Loans Pty Ltd
QLD Home Loans Pty Ltd
SA Home Loans Australia Pty Ltd
WA Home Loans Australia Pty Ltd
IF & I Securities Pty Ltd
FAI First Mortgage Pty Ltd
Access Network Management Pty Ltd
Access Home Loans Pty Ltd
HLL Pty Ltd
St Michaels Investments Pty Ltd

02/03 Annual Report

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Chairman's Report

"ON BEHALF OF YOUR BOARD I PRESENT THE 2003 ANNUAL REPORT FOR HOMELOANS LTD."

Significantly this year, your Directors have elected to write down the carrying value of goodwill created on the rollover of the related business of IF&I Securities Unit Trust prior to the flotation of Homeloans Ltd in 2001.

The carrying value of that goodwill has been written off as a non-cash adjustment against this year's profit – resulting in a loss after tax of $20.2 million.

The Board has adopted this conservative policy bearing in mind the current market capitalisation of Homeloans Ltd and believe this to be in the best interest of the company and its shareholders.

Prior to this write off, the company had recorded a profit after tax and before goodwill of $4.4 million compared with $6.8 million the previous year. This reduction resulted from a net drop in deferred expenditure and revenue of $1.3 million and an increase in tax expense of approximately $0.9 million.

I am pleased to report a significant increase in the company's operating cash flow, which increased 200% to $1.2 million. Net tangible asset backing also increased 68% to 28.81 cents per share.

Revenue increased by 8.3% to $36.9 million as a result of the increase in loan originations by 4.3% to $1.3 billion.

I expect sales to increase over the next twelve months with the rolling out of our satellite network. Volumes should also be boosted by an increased focus on direct sales and a larger share of broker generated revenue as recognition of Homeloans Ltd as a national brand accelerates.

The opening of a new sales and operations headquarters in Perth and the introduction of a shop frontage in the heart of the city is expected to increase the company's brand awareness and market share in Western Australia.

On behalf of the Board I extend our thanks to our staff for their dedication and loyalty.

Mr William Conn (Chairman) and Mr Desmond Speakman (Non-Executive Director) resigned from the Board at the end of the financial year. I would like to take the opportunity to acknowledge their contributions to Homeloans Ltd since its inception in November 2000. Their counsel and guidance over the past 32 months has been invaluable and I thank them both for their considerable efforts.

I welcome Mr Andrew Pridham to the Homeloans Ltd Board, which he joined on 16 April 2003. He brings with him a wealth of property funding and investment banking experience. Andrew's expertise, coupled with our experience in commercial property, will provide significant opportunities for the company.

Yours faithfully,

Timothy Alastair Holmes

Chairman

Managing Director's Report

"INCREASING THE AWARENESS OF HOMELOANS LTD AS A NATIONAL BRAND IS FUNDAMENTAL TO THE COMPANY'S FUTURE SUCCESS."

The past year has been a particularly demanding one for the company and its staff.

The change from state to national branding together with rapid expansion in the eastern states was challenging. We remain, however, committed to increasing our market share in the big eastern states markets where even the smallest increase translates dramatically in terms of higher loan originations.

Increasing the awareness of Homeloans Ltd as a national brand is fundamental to the company's future success. This coupled with the development of our satellite network, our direct sales division and broker generated loan originations, are the areas on which the company will focus in the next twelve months.

The company has launched a new positioning strategy designed to further establish the Homeloans Ltd brand in the market.

The strategy behind our new positioning, which features the tag line "We listen. We lend." is that it encapsulates everything we do. We listen to our customers, and we lend them money to build their dreams.

Homeloans Ltd has recently implemented two retail distribution strategies across Australia. Local markets are now serviced by fully branded retail outlets, which are managed by independent operators under licence from Homeloans Ltd.

This complements the activities of the company's mobile lending teams, which operate out of their respective state headquarters.

The company's external sales division is concentrating on building lasting relationships within the mortgage broking industry which has captured an increasingly significant share of the mortgage market.

Whilst there may be some inevitable slowing in the housing market and a prospect of a rise in interest rates, we expect the market to remain firm, particularly in the established homes sector. This is the area where Homeloans generates the bulk of its originations.

Homeloans Ltd continues to invest in customer relationship management and the recruitment of key staff. We remain committed to increasing shareholder wealth, to providing our customers with excellence in personal service, and our staff with challenging and exciting careers.

I would also like to pay tribute to the contribution made to the company by our foundation chairman William Conn and foundation non-executive director Desmond Speakman.

Yours faithfully

Robert Peter Salmon
Managing Director

The year in review

THE FOLLOWING IS A REPORT FROM THE HOMELOANS BOARD AND MANAGEMENT ON THE OPERATIONS OF HOMELOANS LTD DURING 2002/2003.


John McGee, Chief Operating Officer


Alexandra Curr


Ben Oxford

The period was a challenging one for your company, involving considerable re-structure and consolidation for the future. The company's focus has been on increasing brand awareness and distribution into the eastern states markets.

PROFIT/LOSS

The company made a loss of $20.2 million after a one-off non-cash write down on the carrying value of goodwill.

Net operating profit after tax was $4.4 million before amortisation and the write-off of goodwill.

Revenue increased by 8.3% to $36.9 million. Net tangible asset backing increased 68% to 28.81 cents per share.

DIVIDEND

No final dividend will be payable

EARNINGS PER SHARE

Earnings per share prior to the amortisation and one-off write-off of goodwill is 8.61 cents based on an average of 50.54 million shares.

Earnings per share after tax and amortisation and the one-off write-off of goodwill was negative 40.01 cents

CHANGES TO BOARD OF DIRECTORS

Andrew Pridham joined the Homeloans Ltd Board as non-executive director on 16 April 2003. William Conn and Desmond Speakman resigned on 30 June 2003. Timothy Holmes was elected chairman on 1 July 2003.

PERSONNEL

Homeloans has 185 full time staff and 58 direct consultants nationally.

Several significant appointments were made during the year including those of Alexandra Curr as National Marketing Manager and Ben Oxford as National Client Services Manager.

SATELLITE NETWORK

During the year Homeloans Ltd announced plans to establish a satellite network in strategic locations throughout Australia. To date satellite offices have been established in 10 locations across Australia. We plan to substantially increase this by the end of 2004.

The satellite office licence allows the licencee to use the Homeloans Ltd name and work from fully badged and serviced premises. In addition to the Homeloans brand, the licencee has access to the organisation's entire product range and marketing and management expertise.

DIRECT SALES

Direct sales are generated by the company's mobile lending units, which operate from the company's individual state headquarters.

The Direct Sales teams operate alongside territories serviced by the Satellite Office network, providing Homeloans Ltd with a complementary retail distribution capacity.

Homeloans is committed to the two retail structures and aims to increase the number of mobile lenders by 30% by the end of 2004.

EXTERNAL SALES

The focus of external sales is to establish a strong, reliable and accessible team of business development managers. Their responsibility is to build lasting relationships with our mortgage broking partners, who are fast becoming a major force in the home loan industry.

Ben Oxford and Team with Award, Celebrating Call Centre Victory


Triple Olympic gold medalist and Homeloans Ambassador Rechelle Hawkes chatting with a customer in the company's new sales office.


Tony Abbott & John McGee celebrate the successful Homeloans Pollie Pedal 2003.

Port Kennedy satellite office in WA.

Homeloans LTD
We listen. We lend.

MARKETING

The marketing focus is to substantially increase awareness and position the Homeloans brand nationally, and deliver quality leads to the sales and business development teams. A new positioning strategy has been developed with the tag-line "We listen.We lend.", to deliver powerful differentiation within the marketplace.

To ensure brand consistency, local area marketing programs are being developed with mobile lenders and retail outlets to ensure maximum leverage from the corporate marketing activity.

SPONSORSHIP AND THE COMMUNITY

Homeloans Ltd continues to actively support charitable and community events.

Homeloans was the major sponsor of the annual Homeloans Pollie Pedal bike ride, which this year raised $50,000 for Ronald McDonald charities.

A number of State and Federal MPs were involved in the race, along with sporting personalities, local mayors and residents. Several Homeloans staff participated in the ride including Chief Operating Officer John McGee, Finance Director Jarrod Smith and Marketing Coordinator Joanne Chidiac.

The company also supports several other charities including Telethon, Radio 6PR Children's Party, and the Juvenile Diabetes Research Foundation.

NEW OPERATIONAL HEADQUARTERS

The company has relocated from QV1 to the Atrium building in the heart of Perth's business district. This has facilitated the consolidation of our West Perth and city offices to accommodate the company's Perth staff and consultants.

One of the major attractions in the move to the Atrium was the establishment of a street presence, as well as the significant cost savings in the consolidation of the QV1 and West Perth offices.

COMPARISON RATE LEGISLATION

From July 1 2003, banks, credit unions and other lending organisations, such as Homeloans Ltd, are required by law to give customers a more accurate idea of how much they are paying for their home loans.

Comparison Rate Legislation was introduced nationwide as part of the Uniform Consumer Credit Code. It is now compulsory for lenders to clearly display the comparison rate when advertising home loan products. The comparison rate is calculated based on the annualised interest rate, account keeping fees, honeymoon rates and any on-going charges.

This legislation comes after several years of intense lobbying by certain lenders, including Homeloans Ltd. We believe consumers were entitled to more transparency when committing to a loan.

Under the legislation, the comparison rate must be revealed at the point of advertising and at the time of the borrower's loan application.

This transparency is advantageous to Homeloans Ltd as our rates are now visibly more competitive against those institutions that charge on-going fees.

CUSTOMER SERVICE

Homeloans Ltd is committed to providing excellence in personal service, which generates satisfaction and loyalty amongst its clients.

INDUSTRY AWARD

Homeloans Ltd is proud to have received the Best Call Centre Operations award at this year's Australian Mortgage Industry Awards.

In a world dominated by customer frustration at being placed on hold or left listening to recorded messages, the Homeloans Ltd call centre team has been rewarded for its dedication to customer service.

Our team talks directly to our customers and this enables us to build relationships and understand their individual requirements.

The call centre is based in Perth and processes national enquiries, customer and sales leads – answering 80% of calls within 20 seconds and 100% of calls within 60 seconds. Congratulations to Ben Oxford and his team.

The call centre recently implemented Siemens Call Centre Management System technology and a high powered PABX.

The team has also undergone significant human resource improvements in rostering, culture, training, recruitment, core values, and a particular focus on customer call quality.

INFORMATION TECHNOLOGY

The company continues to improve its information technology systems.

During the year Homeloans introduced OASIS - a new online loan application and tracking system that allows Homeloans' consultants to submit and track the progress of loan applications and keep customers informed of the progress of each loan from the initial application all the way through to loan settlement.

Additional improvements to Homeloans' business through technology have been realised through the successful implementation of a new national call centre telephone system. The new call centre provides increased service levels to Homeloans' customers. This generates significant cost savings for the organisation by utilising computer network technologies to provide free interstate phone calls between Homeloans offices and interstate customers.

Homeloans award winning internet website has recently been upgraded.

PRODUCT LINES

One of Homeloans' strengths in the market is our ability to offer our customers a wide range of loans. This, together with our professional sales team, means we are able to match our customers with the right loan for their particular needs.

Homeloans Basic Loans – low rate home loans best suited for first home buyers and those whose main priority is obtaining the lowest repayments possible.

Homeloans Standard Loans – traditional flexible loans for owner-occupiers or investors including the 100% and Go Between Loans.

Homeloans Line of Credit – for borrowers wishing to eliminate debt as quickly as possible through crediting their salary directly to their loan and purchasing all expenses on an interest free credit card.

Homeloans Hassle-Free Loans – designed specifically for those not meeting traditional lending criteria or who cannot provide evidence of income such as the self-employed. This has been one of our most successful products during 2002/2003.

Homeloans Specialty Loans – a more tailored line of loans to suit a more specific type of borrower.

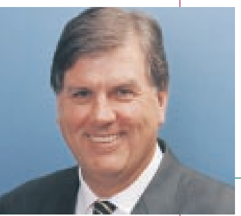

John McGee and Ben Oxford with Best Call Centre Award.

To build brand awareness in local areas, all Homeloans consultants have the opportunity to have their vehicles badged.


Sue Armarego (Right) of Homeloans Port Kennedy office proudly displays the diamond ring given to her by Marion MacGregor and husband Brad in recognition of her excellent service in organising several loans over the past year.

Directors' Report


William John Conn, OAM


Timothy Alastair Holmes


Robert Peter Salmon


Desmond Lee Speakman


Robert Norman Scott


Andrew Robert Pridham

"YOUR DIRECTORS SUBMIT THEIR REPORT FOR THE YEAR ENDED 30 JUNE 2003."

DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

William John Conn, OAM

Non-Executive Chairman
(Resigned 30 June 2003)

Appointed 14 November 2000 until his resignation from the Board on 30 June 2003. Bill Conn has been involved in investment banking for the past 35 years. He is a director of a number of companies including Grand Hotel Group, Australian Springwater Company, ACL Holdings Limited (Hong Kong), Village Roadshow and Becton Construction. He is also a consultant to Merrill Lynch.

Timothy Alastair Holmes

Executive Director of the Company who has been appointed Chairman as at 1 July 2003 with the resignation of Bill Conn. Tim Holmes has 35 years experience in the finance and banking industry and is a former Vice President of The WA Chamber of Commerce and Industry, a Fellow of the Company Director's Association, and Honorary Consul of Austria in WA. He is also the former International President of the Young President's Organisation.

Robert Peter Salmon

Executive Director of the Company with 33 years experience in the finance and banking industry. Rob was an executive for leading fund manager Armstrong Jones from 1976 until 1985. In 1985, he joined with Tim Holmes to establish International Financing and Investment Pty Ltd, the predecessor to Homeloans Ltd.

Desmond Lee Speakman

Non-Executive Director
(Resigned 30 June 2003)

Appointed 13 November 2000 until his resignation from the Board on 30 June 2003. Desmond Speakman has 20 years experience in the advertising industry. He has previously held the positions of CEO and Joint Chairman of The Campaign Palace, Chairman of Adidas Australia and Non-Executive Director of S.Smith & Son.
He currently serves as a Non-Executive Director of Australian Springwater Company. Des is also CEO of Whybin TBWA.

Robert Norman Scott

Non-Executive Director

Appointed 9 November 2000 Rob is a Chartered Accountant with over 36 years experience. Rob was an international partner with Arthur Andersen. After retiring in 1995, Rob now consults on taxation to Perth based Gooding Pervan Chartered Accountants. He is the Chairman of publicly listed Amadeus Energy Ltd.

Andrew Robert Pridham

Non-Executive Director
(Appointed 16 April 2003)

Andrew was previously Global Head of Real Estate with UBS Warburg and prior to that Managing Director Corporate Finance for UBS Warburg Australasia, during which time he was responsible for developing unique property funding techniques and innovative products. He is Chief Executive Officer of corporate advisory firm Grange First Provident and is also a director of Sydney Swans Limited.

Company Secretary
Jennifer Murray

Jennifer Murray was appointed company secretary to Homeloans Ltd on 9 November 2000. She is a Chartered Secretary and has over 20 years experience in providing corporate secretarial services for both public and proprietary companies.

She is presently the Senior Manager, Corporate Secretarial Services for Perth based Gooding Pervan Chartered Accountants.

CORPORATE INFORMATION

Corporate structure

Homeloans Ltd is a company limited by shares that is incorporated and domiciled in Australia. The Company was incorporated on 9 November 2000 with the issuance of 25,000,000 shares to the Unitholders in the IF&I Securities Unit Trust and acquisitions of the business (including assets and liabilities) of IF & I Securities Pty Ltd (as trustee for the IF & I Securities Unit Trust), Anedo Pty Ltd (as trustee for the Anedo Unit Trust) and various IFI group entities. On 19 March 2001, Homeloans Ltd shares commenced trading on the Australian Stock Exchange.

Homeloans Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

Nature of operations and principal activities

The principal activities of Homeloans Ltd and its consolidated subsidiaries were mortgage originators and managers of home loan mortgages for a number of financiers. The principal activities were conducted under the brand names Homeloans Ltd, Access Home Loans and FAI Home Loans. As of the balance date, the Company has mortgage origination and management agreements with Adelaide Bank Limited, Origin Mortgage Management Services, ING Bank (Australia) Limited, Residential Mortgage Trust and other institutions.

Employees

The consolidated entity employed 185 employees as at 30 June 2003 (2002: 197 employees).

RESULTS OF OPERATIONS

Review

A review of operations of the consolidated entity during the financial year, the results of those operations, the changes in the state of affairs and the likely developments in the operations of the consolidated entity are set out in this Report.

> Share Distribution

	Ordinary Shares	Options Over Ordinary Shares
T. A. Holmes	8,776,281	-
R. P. Salmon	8,665,366	-
R.N. Scott	1,488,822	300,000
A. R. Pridham (appointed 16/4/03)	2,455,693	-

> Earnings Per Share

	Cents
Basic Earnings Per Share	(40.01)
Diluted Earnings Per Share	(40.01)

Operating results for the Year

The consolidated entity loss after providing for income tax for the financial year was $20,225,510,

(2002: profit of $4,670,938).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Homeloans Ltd has received a stamp duty assessment from the Western Australian Office of State Revenue for $1.7 million.
The assessment related to the transfer of the assets of IF & I Securities Pty Ltd as trustee for the IF & I Securities Unit Trust to Homeloans Limited on its inception in December 2000.

Homeloans Ltd will appeal this assessment as it is of the view that it is not correct.

The assessment is payable in instalments over the next 6 months.

To the extent that our appeal is ultimately unsuccessful the assessment will have minimal impact upon Homeloans Ltd's reported earnings and operating cash flow.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity would, in the opinion of the directors, be likely to result in unreasonable prejudice to the consolidated entity.

SHARE OPTIONS

Unissued shares.

As at the date of this report, there were 3,420,000 unissued ordinary shares under options. Refer to note 17 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

No shares were issued as a result of the exercise of options during the year under review. No shares have been issued as a result of the exercise of options since the end of the financial year to the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Homeloans Ltd against a liability incurred in their role as directors of the company, except where:

(a) the liability arises out of conduct involving a wilful breach of duty; or

(b) there has been a contravention of Sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $35,111.

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

> Emoluments of the Five Most Highly Paid Executive Officers

	Annual Emoluments		Long Term Emoluments		Total
	Base Fee	Other Including Amortised Cost of Options	Super Annuation	Options Granted During theYear Ended 30 June 2003	
	$	$	$	No	$
G. Driscoll	152,095	12,732	13,689	-	178,516
I. Forbes	175,534	2,420	15,798	-	193,752
J. McGee	296,750	88,899	26,707	-	412,356
P. Sealy	141,809	5,789	12,763	-	160,361
J. Smith	232,279	21,457	20,905	200,000	274,641

> Emoluments of Directors

	Annual Emoluments		Long Term Emoluments		Total
	Base Fee	Other Including Amortised Cost of Options	Super Annuation	Options Granted During theYear Ended 30 June 2003	
	$	$	$	No	$
W.J. Conn	70,000	25,548	-	-	95,548
T.A. Holmes	200,000	4,860	18,000	-	222,860
R.P. Salmon	200,000	4,860	18,000	-	222,860
D.L. Speakman	35,000	11,688	-	-	46,688
R.N. Scott	42,500	11,688	-	-	54,188
A.R. Pridham	5,833	-	-	-	5,833

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing

compensation arrangements for the directors and the Executive Team.

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team. Such officers are given the opportunity to receive their base emolument in the form of cash and fringe benefits.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance.

Details of the nature and amount of each element of the emoluments of each director and the executive officers of the company and the consolidated entity are as below:

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure.

The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

The company has adopted the fair value measurement provisions of ED 108 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2002. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e, forfeitures). In the 2001 financial year, the company disclosed the fair value of option grants but did not allocate those values over the vesting period. Rather, the full fair value of the grant was disclosed as an emolument in the year of the grant.

As a result, included in the amounts disclosed above as option grant emoluments in relation to the 2003 financial year, are amounts related to options that vested during or over the 2003 financial year, which were granted and therefore disclosed as part of emoluments in prior years as well. This is a one-off result of transitioning to allocation of such amounts to emoluments over the vesting period rather than disclosure of the full amount as emoluments in the year of the grant.

From 1 July 2002, options granted as part of director and executive emoluments have been valued using a Black-Scholes model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.
A discount has been applied to take account of factors that the Black-Scholes model does not consider, such as restrictions on the transferability of the options.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

DIRECTORS' MEETINGS

During the year 14 directors' meetings were held, 3 Audit Committee meetings and the Remuneration Committee met once. The number of meetings attended by each director is shown below.

Signed in accordance with a resolution of the directors,

Timothy A. Holmes

Executive Chairman

Melbourne, 25 September 2003

> Directors' Meetings

	Directors' Meetings		Audit Committee		Remuneration Committee	
	No. of Meetings held while in office	Meetings attended	No. of Meetings held while in office	Meetings attended	No. of Meetings held while in office	Meetings attended
W.J. Conn	14	13	3	2	-	-
T.A. Holmes	14	14	-	-	-	-
R.P. Salmon	14	14	3	3	1	1
D.L. Speakman	14	14	-	-	1	1
R.N. Scott	14	14	3	3	-	-
A.R. Pridham	1^	1^	-	-	-	-

^ A.R. Pridham attended the only director's meeting held since his appointment to the board.

> Summary of Dividend Information

	Cents Per Share	$'000
Final dividend recommended		
On ordinary shares (2003)	-	-
Dividends paid in the year:		
Interim dividend (2003) on ordinary shares	1.2	596
Final dividend (2002) on ordinary shares	2.5	1,242
		1,838

Independent Audit Report
to the members of Homeloans Limited

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Homeloans Limited ("the company") and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent Audit Report
to the members of Homeloans Limited (Cont'd)

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Homeloans Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of Homeloans Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

G. E. Angove
Partner
Perth

Date: 25 September 2003

Director's Declaration

In accordance with a resolution of the directors of Homeloans Limited, I state that:

1) In the opinion of the directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Group identified in note 8 will be able to meet their debts as and when they become due and payable.

On behalf of the Board

TA HOLMES
Chairman

Melbourne, 25 September 2003

Homeloans Limited and Controlled Entities Statement of Financial Performance for Year Ended 30 June 2003

		CONSOLIDATED		HOMELOANS LIMITED	
	Notes	2003 $	2002 $	2003 $	2002 $
REVENUES FROM ORDINARY ACTIVITIES	2	36,929,206	34,089,459	34,816,751	25,013,189
Salaries and employee benefits expense		12,921,543	11,870,921	12,526,750	10,360,856
Commissions and valuation fees		6,375,048	4,265,891	4,981,336	3,689,181
Consultancy and Corporate Affairs		351,108	511,356	349,466	520,920
Depreciation and amortisation	3	2,829,695	2,756,367	2,000,991	1,925,911
Borrowing costs	3	691,630	373,914	644,332	371,944
Advertising expenses		2,793,898	838,918	2,782,462	833,308
Occupancy costs		1,640,565	1,484,389	1,657,374	1,241,483
Portfolio management fees		1,623,349	1,564,153	-	-
Printing and Stationery		474,700	424,435	444,772	391,693
Telephone costs		1,034,924	834,831	1,005,523	702,181
Insurance		392,215	483,693	384,713	316,886
Write off of deferred brand awareness expenditure	3	-	1,496,176	-	1,496,176
Write off of Goodwill attributable to the acquisition of IF&I Securities	3	22,490,072	-	22,490,072	-
Other expenses from ordinary activities		1,635,900	1,479,475	1,356,957	1,099,542
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(18,325,441)	5,704,940	(15,807,997)	2,063,108
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	1,900,069	1,034,002	2,416,857	1,037,049
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED	18	(20,225,510)	4,670,938	(18,224,854)	1,026,059
Increase/(decrease) in retained profits on adoption of revised accounting standard AASB 1028 "Employee Benefits"		(15,016)	-	(15,016)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED		(20,240,526)	4,670,938	(18,239,870)	1,026,059
Basic earnings per share	24	(40.01) cents	11.05 cents	-	-
Diluted earnings per share	24	(40.01) cents	11.05 cents	-	-
Unfranked Dividend per share	5	1.2 cents	7.5 cents	-	-

Homeloans Limited and Controlled Entities
Statement of Financial Position as at 30 June 2003

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
CURRENT ASSETS					
Cash assets		672,227	1,191,569	5,103	93,929
Receivables	6	9,779,524	8,905,490	6,871,049	5,815,874
Prepaid Expenses	7	7,249,303	5,103,534	6,151,370	4,340,908
TOTAL CURRENT ASSETS		17,701,054	15,200,593	13,027,522	10,250,711
NON-CURRENT ASSETS					
Prepaid expenses	7	19,084,171	11,287,440	15,802,155	9,246,705
Investments	8	-	-	19,701,881	23,789,042
Plant and equipment	9	1,874,120	1,857,731	1,803,207	1,746,052
Intangibles	10	16,631,026	45,357,869	-	23,787,576
Receivables	11	1,606,435	2,991,806	1,604,435	2,989,706
TOTAL NON-CURRENT ASSETS		39,195,752	61,494,846	38,911,678	61,559,081
TOTAL ASSETS		56,896,806	76,695,439	51,939,200	71,809,792
CURRENT LIABILITIES					
Payables	12	3,433,883	3,183,304	3,169,733	2,421,928
Non interest bearing liabilities	13	-	2,044,862	-	5,051,237
Unearned revenue	14	2,350,970	1,607,777	1,992,998	1,347,780
Interest bearing liabilities	15	1,698,009	975,748	1,916,939	975,748
Provisions	16	555,304	455,481	553,903	439,934
TOTAL CURRENT LIABILITIES		8,038,165	8,267,172	7,633,573	10,236,627
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	4	3,729,557	1,841,652	3,798,084	1,381,230
Unearned revenue	14	6,039,376	3,958,968	5,119,771	3,266,880
Interest bearing liabilities	15	7,950,751	5,431,493	7,950,751	5,431,493
Non interest bearing liabilities	13	-	2,916,667	-	2,916,667
TOTAL NON-CURRENT LIABILITIES		17,719,684	14,148,780	16,868,606	12,996,270
TOTAL LIABILITIES		25,757,849	22,415,952	24,502,179	23,232,897
NET ASSETS		31,138,957	54,279,487	27,437,021	48,576,895
EQUITY					
Contributed equity	17	48,624,215	49,686,343	48,624,215	49,686,343
Retained profits/(accumulated losses)	18	(17,485,258)	4,593,144	(21,187,194)	(1,109,448)
TOTAL EQUITY		31,138,957	54,279,487	27,437,021	48,576,895

Homeloans Limited and Controlled Entities
Statement of Cash Flows for Year Ended 30 June 2003

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		41,980,393	35,656,528	24,790,173	22,017,388
Payments to suppliers and employees		(40,252,747)	(34,937,824)	(32,814,524)	(28,345,689)
Interest received		99,499	77,002	4,002	45,989
Borrowing costs		(579,088)	(373,914)	(560,985)	(371,944)
Taxation Paid		(6,041)	(22,000)	(5,359)	-
NET CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	19(a)	1,242,016	399,792	(8,586,693)	(6,654,256)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for trailing commissions/loan book		-	(3,952,925)	-	(3,952,925)
Loan to other entities		(125,000)	-	(125,000)	-
Loan repaid by other entities		300,000	-	300,000	-
Purchase of property, plant and equipment		(760,933)	(146,526)	(760,933)	(133,584)
Rental Bond		(50,000)	-	(50,000)	-
Residential Mortgage set up costs		(636,506)	-	(636,506)	-
Acquisition of business entities	19(e)	(806,924)	(10,869,500)	(806,924)	(10,869,500)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(2,079,363)	(14,968,951)	(2,079,363)	(14,956,009)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of Shares		326,365	11,000,000	326,365	11,000,000
Payment of share issue costs		-	(414,955)	-	(414,955)
Payment for share buy back		(1,382,102)	(8,000)	(1,382,102)	(8,000)
Proceeds from borrowings		4,625,378	5,019,315	14,665,262	12,638,510
Repayment of borrowings		(2,121,259)	(2,029,663)	(2,121,259)	(2,029,663)
Payment of dividends		(1,837,876)	(591,161)	(1,837,876)	(591,161)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(389,494)	12,975,536	9,650,390	20,594,731
NET (DECREASE)/INCREASE IN CASH HELD		(1,226,841)	(1,593,623)	(1,015,666)	(1,015,534)
Opening cash brought forward		1,191,569	2,785,192	93,929	1,109,463
CLOSING CASH CARRIED FORWARD	19(b)	(35,272)	1,191,569	(921,737)	93,929

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention, except for listed shares which are valued at net market value as described in note 1f).

b) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policies for employee benefits.

[i] Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability.
In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by $15,016.

A reduction has been made to retained profits at 30 June 2002 on adoption of revised accounting standard AASB 1028 "Employee Benefits" totalling $15,016.

c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Homeloans Limited (the parent entity) and all entities, which Homeloans Limited controlled from time to time during the year ended 30 June 2003 and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Bills of exchange and promissory notes are measured at the lower of cost and net realisable value.

f) Investments

Listed shares held for trading are carried at net market value. Changes in net market value are recognised as a revenue or expense in determining the net profit for the period.

Where listed shares have been revalued, any capital gains tax which may become payable has not been taken into account in determining the revalued carrying amount. Where it is expected that a liability for capital gains tax exists, this amount is recognised in the net profit for the reporting period.

Non-current debentures are carried at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition. Interest is recognised on an effective yield basis.

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate of 6.5%.

h) Plant and equipment

Cost and valuation

Items of plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Major depreciation periods for plant and equipment are 5 to 15 years.

i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

calculated using the interest rate implicit in the lease and charged directly to profit and loss.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or estimated useful lives of the improvements, whichever is the shorter.

j) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being 20 years.

k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

l) Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Application fee revenue received is deferred and recognised at a rate which represents the year's average loan run off rate.

Interest income is recognised when the right to receive the revenue is attained.

Commission income is recognised upon the attainment of the right to receive consideration for the service rendered.

p) Direct mortgage origination costs

Direct mortgage origination costs are recognised at a rate which represents the year's average loan run off rate. Only costs that are directly attributable to establishing specific loans, and which would not have been incurred had those contracts not been entered into, have been deferred.

q) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between when items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related

taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised. The income tax expense for the year is calculated using the 30% tax rate.

r) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits are recognised against profits on a net basis in their respective categories.

The value of the equity-based compensation scheme described in note 25 is not being recognised as an employee benefits expense.

In respect of the consolidated entity's defined benefits superannuation plans, any contributions made to the superannuation plans by entities within the consolidated entity are recognised against profits when due.

s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non discretionary changes in revenues and expenses during the period that would result from the dilution of potential ordinary shares:

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(i) AASB 1028

As a result of the first time application of the revised AASB 1028 "Employee Benefits", comparatives for employee options, as set out in Note 25, have been classified and positioned to be consistent with current year disclosures.

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Mortgage origination income		18,117,377	18,910,399	15,891,341	15,084,311
Loan management fees		21,512,157	18,967,731	9,294,402	12,048,332
Increase in unearned mortgage origination income		(2,823,300)	(4,148,505)	(2,498,108)	(3,236,163)
Total revenues from operating activities		36,806,234	33,729,625	22,687,635	23,896,480
Revenues from outside the operating activities					
Interest received – other person/corporations		64,116	77,002	22,781	45,989
Dividends – controlled entities		-	-	-	1,000,000
Other income		58,856	282,832	12,106,335	70,720
Total revenues from outside the operating activities		122,972	359,834	12,129,116	1,116,709
Total revenue from ordinary activities		36,929,206	34,089,459	34,816,751	25,013,189

Homeloans Limited and Controlled
Entities Notes to the Financial Statements
for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
3. EXPENSES AND SIGNIFICANT ITEMS					
(a) Expenses					
Depreciation and amortisation					
Plant and equipment		153,807	171,799	118,457	132,742
Motor vehicles		291	375	291	375
Plant and equipment under lease		584,739	495,290	584,739	495,290
Amortisation of goodwill		2,090,858	2,088,903	1,297,504	1,297,504
Total depreciation and amortisation		2,829,695	2,756,367	2,000,991	1,925,911
Borrowing costs					
Finance lease charges		-	92,995	-	92,995
Borrowing costs and bank fees		217,999	37,142	170,701	37,142
Interest on bank loan		473,631	243,777	473,631	241,807
Total interest expense		691,630	373,914	644,332	371,944
Operating lease rental		1,295,748	1,192,802	1,237,236	1,027,050

(b) Significant items

Profit/(loss) from ordinary activities before income tax expense includes the following material expenses whose disclosure is relevant in explaining the financial performance of the entity:

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
Deferred brand awareness expenditure written off in accordance with the change in accounting policy described in last year's annual report:	-	1,496,176	-	1,496,176
Write-off of Goodwill attributable to the acquisition of IF&I Securities in accordance with AASB 1013.	22,490,072	-	22,490,072	-

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
4. INCOME TAX					
The prima facie tax on operating profit differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities at 30%		(5,497,632)	1,711,482	(4,742,398)	618,932
Add/(less) tax effect of permanent differences:					
Goodwill amortisation		7,374,279	626,671	7,136,273	389,251
Entertainment expenses		47,875	30,506	47,435	29,347
Other		(24,453)	(931)	(24,453)	(481)
Non rebateable intercompany dividend		-	300,000	-	-
Unrecognised tax losses recouped in current year		-	(1,580,300)	-	-
Over provision of prior years		-	(53,426)	-	-
Income tax expense attributable to ordinary activities		1,900,069	1,034,002	2,416,857	1,037,049
Deferred tax assets and liabilities					
Current tax payable		-	-	-	-
Deferred income tax liabilities		3,729,557	1,841,652	3,798,084	1,381,230
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES					
Dividends paid during the year					
i) Current year interim					
Unfranked dividends (1.2 cents per share) (2002: 5.0 cents)		596,068	2,024,942	596,068	2,024,942
ii) Previous year final					
Unfranked dividend (2.5 cents)		1,241,808	-	1,241,808	-
Total		1,837,876	2,024,942	1,837,876	2,024,942

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
6. RECEIVABLES					
CURRENT					
Fees receivable		8,082,454	6,485,440	5,291,079	3,410,167
		8,082,454	6,485,440	5,291,079	3,410,167
Prepaid royalties and trailing commissions		441,914	404,875	441,914	404,875
Loan book receivable (Eurofinance)		948,702	948,702	948,702	948,702
Prepayments and other		306,454	1,066,473	189,354	1,052,130
		9,779,524	8,905,490	6,871,049	5,815,874

Fees receivables are on settlement terms of between 4 to 30 days

Other debtors have various maturities.

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
7. PREPAID EXPENSES					
CURRENT					
Prepaid commissions and valuation fees		7,249,303	5,103,534	6,151,370	4,340,908
		7,249,303	5,103,534	6,151,370	4,340,908
NON CURRENT					
Prepaid commissions and valuation fees		19,084,171	11,287,440	15,802,155	9,246,705
		19,084,171	11,287,440	15,802,155	9,246,705

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
8. INVESTMENTS					
Shares in unlisted company					
• at cost		-	-	19,701,881	23,789,042
				19,701,881	23,789,042

Particulars relating to controlled entities:

Chief Entity	Country of Incorporation	PERCENTAGE HELD BY CONSOLIDATED ENTITY % 2003 %	PERCENTAGE HELD BY CONSOLIDATED ENTITY % 2002 %	CHIEF ENTITY INVESTMENT 2003 $	CHIEF ENTITY INVESTMENT 2002 $
Homeloans Limited					
Controlled entities of Homeloans Limited:					
• NSW Home Loans Pty Ltd	Australia	100	100	100	100
• VIC Home Loans Pty Ltd	Australia	100	100	2	2
• QLD Home Loans Pty Ltd	Australia	100	100	2	2
• SA Home Loans Australia Pty Ltd	Australia	100	100	2	2
• WA Home Loans Australia Pty Ltd	Australia	100	100	2	2
• IF & I Securities Pty Ltd	Australia	100	100	100	100
• FAI First Mortgage Pty Ltd	Australia	100	100	7,114,915	7,114,915
• Access Home Loans Group incorporating:		100	100	12,557,233	16,644,482
- Access Network Management Pty Ltd	Australia				
- Access Home Loans Pty Ltd	Australia				
- HLL Pty Ltd	Australia				
• St Michaels Investments Pty Ltd	Australia	100	100	29,525	29,525

Homeloans Limited and Controlled
Entities Notes to the Financial Statements
for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
9. PLANT AND EQUIPMENT					
Motor Vehicles					
• At cost		-	1,700	-	1,700
• Provision for depreciation		-	(409)	-	(409)
		-	1,291	-	1,291
Plant and equipment					
• At cost		1,496,862	1,000,565	1,085,465	849,829
• Provision for depreciation		(1,001,290)	(582,021)	(660,806)	(542,964)
		495,572	418,544	424,659	306,865
Plant and equipment under lease					
• At cost		3,490,303	2,976,712	3,490,303	2,976,712
• Provision for amortisation		(2,111,755)	(1,538,816)	(2,111,755)	(1,538,816)
		1,378,548	1,437,896	1,378,548	1,437,896
Total plant and equipment		1,874,120	1,856,440	1,803,207	1,744,761
Total property, plant and equipment		1,874,120	1,857,731	1,803,207	1,746,052

(a) Assets pledged as security

All balances of Property Plant & Equipment have been granted first mortgages as security over bank loans (see note 15). The terms of the first mortgages require all assets to be fully insured at all times.

Assets under lease are pledged as security for the associated lease liabilities.

		CONSOLIDATED		HOMELOANS LIMITED	
	Notes	2003 $	2002 $	2003 $	2002 $
9. PLANT AND EQUIPMENT (Cont'd)					
(b) Reconciliations					
Motor Vehicles					
Carrying amount at beginning		1,291	1,666	1,291	1,666
Additions		-	-	-	-
Disposals		(1000)	-	(1000)	-
Depreciation expense		(291)	(375)	(291)	(375)
		-	1,291	-	1,291
Plant and equipment					
Carrying amount at beginning		418,544	307,023	306,865	306,023
Additions		236,251	185,023	236,251	133,584
Additions through acquisition of entities		-	98,297	-	-
Disposals		(5,416)	-	-	-
Depreciation expense		(153,807)	(171,799)	(118,457)	(132,742)
		495,572	418,544	424,659	306,865
Plant and equipment under lease					
Carrying amount at beginning		1,437,896	766,997	1,437,896	766,997
Additions		525,391	1,166,189	525,391	1,166,189
Additions through acquisition of entities		-	-	-	-
Disposals		-	-	-	-
Amortisation expense		(584,739)	(495,290)	(584,739)	(495,290)
		1,378,548	1,437,896	1,378,548	1,437,896

		CONSOLIDATED		HOMELOANS LIMITED	
	Notes	2003 $	2002 $	2003 $	2002 $
10. INTANGIBLES (NON CURRENT)					
Goodwill at cost		44,247,721	48,393,634	25,950,083	25,950,083
Accumulated amortisations		(27,616,695)	(3,035,765)	(25,950,083)	(2,162,507)
		16,631,026	45,357,869	-	23,787,576
11. RECEIVABLES (NON CURRENT)					
Prepaid royalties and trailing commission		342,536	812,681	342,536	812,681
Loan book receivable (Eurofinance)		1,197,582	2,134,579	1,197,582	2,134,579
Refundable rent deposits		66,317	44,546	64,317	42,446
		1,606,435	2,991,806	1,604,435	2,989,706
12. PAYABLES (CURRENT)					
Trade creditors		267,162	165,449	250,947	104,399
Accrued commissions		1,206,395	884,673	1,194,634	884,673
Cash flow claim creditors		365,369	314,444	365,369	300,443
Sundry creditors and accruals		1,594,957	1,818,738	1,358,783	1,132,413
		3,433,883	3,183,304	3,169,733	2,421,928

Trade and other creditors are non-interest bearing and are normally settled on 30 days terms.

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
13. NON INTEREST BEARING LIABILITIES					
CURRENT					
Intercompany loans	(i)	-	-	-	3,051,237
Deferred settlement – Access Home Loans	(ii)	-	2,000,000	-	2,000,000
Convertible notes		-	-	-	-
Loan - other		-	44,862	-	-
		-	2,044,862	-	5,051,237
NON CURRENT					
Deferred settlement – Access Home Loans	(ii)	-	2,916,667	-	2,916,667

(i) Intercompany loans are non-interest bearing and repayable on demand.

(ii) Under the terms of the Access Home Loans purchase agreement the balance of the purchase price is payable in two instalments due in December 2002 and December 2003 based on the average net management fees received. The payment is contingent on the achievement of performance hurdles. A final settlement of $806,924 was reached in 2003.

	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
14. UNEARNED REVENUE				
CURRENT				
Unearned application fees	2,350,970	1,607,777	1,992,998	1,347,780
NON CURRENT				
Unearned application fees	6,039,376	3,958,968	5,119,771	3,266,880

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
15. INTEREST BEARING LIABILITIES					
CURRENT					
Bank overdraft	(ii)	707,910	5,432	926,840	5,432
Lease liability – secured	(iii)	474,271	472,167	474,271	472,167
HP liability – secured	(iii)	52,931	-	52,931	-
Loan	(iv)	462,897	498,149	462,897	498,149
		1,698,009	975,748	1,916,939	975,748
NON-CURRENT					
Bank loans - secured	(i)	7,100,000	4,094,580	7,100,000	4,094,580
Lease liability – secured	(iii)	805,517	915,759	805,517	915,759
HP liability – secured	(iii)	45,234	-	45,234	-
Loan	(iv)	-	421,154	-	421,154
		7,950,751	5,431,493	7,950,751	5,431,493

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) The bank loan facility expires on 24 December 2004. Interest is charged at the bank's floating rate. As of the balance sheet date the average rate was 5.4% per annum. The bank loans are secured by way of registered first mortgages over all assets and undertakings of the Company and its controlled entities.

(ii) The bank overdraft is repayable on demand. Interest is charged at the bank's floating rate. The overdraft is secured by way of registered first mortgages over all assets and undertakings of the Company and its controlled entities.

(iii) Finance leases and hire purchases have an average lease term of 3 1/2 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 8.5%. The lease liability is secured by a charge over the leased assets.

(iv) The loan expires on 27 December 2005. Interest is charged at a floating rate, currently 5.85%. The loan book receivable is shown in notes 6 and 11.

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
16. PROVISIONS					
CURRENT					
Employee entitlements	25	524,604	424,781	523,203	409,234
Other		30,700	30,700	30,700	30,700
		555,304	455,481	553,903	439,934
17. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		48,624,215	49,686,343	48,624,215	49,686,343

(b) Movements in shares on issue

	2003 Number of shares	2003 $	2002 Number of shares	2002 $
Beginning of the financial year	52,105,820	49,686,343	34,994,000	33,008,852
Issued during the year				
• Founding shareholders	-	-	-	-
• Public equity raising	-	-	10,476,191	11,000,000
Less: transaction costs	-	-	-	(414,955)
• Dividend reinvestment scheme	681,746	326,365	1,394,573	1,433,781
• Conversion of notes on issue	-	-	5,251,056	4,666,665
• Employee option scheme	-	-	-	-
• Shares bought back	(2,433,503)	(1,388,493)	(10,000)	(8,000)
End of the financial year	50,354,063	48,624,215	52,105,820	49,686,343

(c) Share Options

Options over ordinary shares:

During the year 200,000 options were issued to the company's finance director. 50% of the options are exercisable on or after 21st January 2005 and all of the options can be exercised after 21st January 2006. The exercise price is $0.52. The options expire on 21st January 2008.

At the end of the year there were 3,420,000 unissued ordinary shares in respect of which options were outstanding (Note 25).

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
18. RETAINED PROFITS / (ACCUMULATED LOSSES)					
Balance at the beginning of the year		4,593,144	1,947,148	(1,109,448)	(110,565)
Net Effect of changes in Accounting Policy		(15,016)	-	(15,016)	-
Net profit attributable to members of Homeloans Limited		(20,225,510)	4,670,938	(18,224,854)	1,026,059
Total available for appropriation		(15,647,382)	6,618,086	(19,349,318)	915,494
Dividends provided for or paid		(1,837,876)	(2,024,942)	(1,837,876)	(2,024,942)
Balance at end of year		(17,485,258)	4,593,144	(21,187,194)	(1,109,448)
19. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the operating profit after tax to the net cash flows from operations					
Profit/(loss) from ordinary activities after tax		(20,225,510)	4,670,938	(18,224,854)	1,026,059
Non cash items					
Depreciation of non-current assets		738,837	667,464	703,487	628,407
Amortisation of goodwill		24,580,930	2,088,903	23,787,576	1,297,504
Amortisation of prepaid commissions		441,284	238,300	441,284	238,300
Amortisation of loan book acquired		948,702	869,644	948,702	869,644
Amort. of Bond Distrib.		85,397	-	-	-
Intercompany dividend		-	-	-	(1,000,000)
Intercompany management fee		-	-	(12,093,003)	(3,567,957)
Changes in assets and liabilities					
Increase in receivables		(909,253)	(2,087,677)	(1,560,709)	(840,504)
Increase in deferred expenses		(9,480,278)	(11,395,652)	(8,365,912)	(9,323,409)
Increase in deferred revenue		2,823,601	3,731,748	2,498,108	2,458,649
Increase/(Decrease) in payables and provisions		350,401	582,122	861,774	522,002
Increase in deferred income tax liability		1,887,905	1,034,002	2,416,854	1,037,049
Net cash flows from operating activities		1,242,016	399,792	(8,586,693)	(6,654,256)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
19. STATEMENT OF CASH FLOWS (cont'd)					
(b) Cash balances comprises					
• Cash on hand		4,250	4,550	4,250	4,150
• Cash at bank		668,388	1,192,451	853	95,211
• Bank overdraft		(707,910)	(5,433)	(926,840)	(5,433)
		(35,272)	1,191,569	(921,737)	93,929
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
• Bank overdraft		900,000	900,000	900,000	900,000
• Cash advance		7,975,000	6,475,000	7,975,000	6,475,000
		8,875,000	7,375,000	8,875,000	7,375,000
• Bank overdraft		707,910	5,432	926,840	5,432
• Cash advance		7,100,000	4,094,580	7,100,000	4,094,580
		7,807,910	4,100,012	8,026,840	4,100,012
• Bank overdraft		192,090	894,568	(26,840)	894,568
• Cash advance		875,000	2,380,420	875,000	2,380,420
		1,067,090	3,274,988	848,160	3,274,988

(d) Non-cash financing and investing activities

Finance lease transactions:

During the year the consolidated entity acquired plant and equipment by means of finance leases with an aggregate fair market value of $525,391.

(e) Business Acquired

No businesses were acquired during the year ended 30 June 2003, however payments of $806,924 were expended for the final instalment, for the purchase of Access Home Loans.

Homeloans Limited and Controlled
Entities Notes to the Financial Statements
for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
20. EXPENDITURE COMMITMENTS					
(a) Finance lease and hire purchase commitments					
Payable:					
• not later than one year		620,976	569,347	620,976	569,347
• later than one year but not later than five years		945,806	1,007,574	945,806	1,007,574
• later than five years		-	-	-	-
Minimum lease payments		1,566,782	1,576,921	1,566,782	1,576,921
Less future finance charges		(188,829)	(188,995)	(188,829)	(188,995)
		1,377,953	1,387,926	1,377,953	1,387,926
Total lease liability accrued for:					
Current liability		527,202	472,167	527,202	472,167
Non-current liability		850,751	915,759	850,751	915,759
		1,377,953	1,387,926	1,377,953	1,387,926
(b) Operating leases (non-cancellable):					
Minimum lease payments					
• not later than one year		1,192,736	983,596	1,192,736	983,596
• later than one year but not later than five years		3,349,269	1,577,860	3,349,269	1,577,860
• later than five years		4,223,175	-	4,223,175	-
• aggregate lease expenditure contracted for at balance date but not provided for		8,765,180	2,561,456	8,765,180	2,561,456

(c) Finance leases have an average lease term of 3 1/2 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 8.5%. The lease liability is secured by a charge over the leased assets.

Operating leases have an average lease term of 4 years. Assets, which are the subject of operating leases, include office space and items of small machinery.

21. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from mortgage origination and loans management. The consolidated entity operates predominantly within the finance sector in Australia.

22. FUNDS UNDER MANAGEMENT

In performing its business operation, the Company has entered into deeds of mortgage origination and management with a number of financiers. Under the agreement, the Company originates and manages loans for a number of financiers who will source funding for the mortgages. Therefore, the Company does not fund the loan from its own balance sheet. As of the balance date, total funds managed under various deeds of mortgage origination and management is approximately $4.2billion (2002:$4.2billion).

23. ECONOMIC DEPENDENCY

The consolidated entity does not have any economic dependency with any one client or group of clients.

24. EARNINGS PER SHARE

	CONSOLIDATED	
	2003 $	2002 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Profit	(20,225,510)	4,670,938
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	(20,225,510)	4,670,938

	No. of shares	No. of shares
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	50,545,800	42,282,795
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted EPS	50,545,800	42,282,795

The 3,600,000 options outstanding at 30 June 2003 are out of the money and therefore have no dilutive effect. Since the end of the financial year, no shares have been issued pursuant to the employee share incentive scheme. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this report.

Homeloans Limited and Controlled
Entities Notes to the Financial Statements
for Year Ended 30 June 2003 (Cont'd)

		CONSOLIDATED		HOMELOANS LIMITED	
	Notes	2003 $	2002 $	2003 $	2002 $
25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlements liability is comprised of:					
Accrued wages and salaries		206,725	166,914	204,865	166,914
Provisions (current)	16	524,604	424,781	523,203	409,234
		731,329	591,695	728,068	576,148

Employee Option Scheme

An employee option scheme was established where eligible employees of the consolidated entity as determined by the directors are issued with options over the ordinary shares of Homeloans Limited. The options, issued for nil consideration, are issued in accordance with the guidelines established by the directors of Homeloans Limited. The options issued carry various terms and exercising conditions. There are currently 39 employees eligible for this scheme.

Information with respect to the number of options granted under the employee option scheme, options issued to the non-executive directors of the Company and options issued to the Company's Chief Operating Officer and Finance Director are as follows:

	2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	3,885,000	1.05	3,370,000	1.06
• granted	200,000	0.52	1,200,000	1.00
• forfeited	-	-	(185,000)	1.01
• cancelled	(485,000)	1.01	(500,000)	1.01
Balance at the end of the year	3,600,000*	1.03	3,885,000	1.05
Exercisable at the end of the year	1,550,000	1.04	400,000	1.00

* At the date of this report a further 180,000 employee options have been cancelled since balance date.

25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS (Cont'd)

Superannuation Commitments

Employees and the employer contribute to a number of complying accumulation funds at varying percentages of salaries and wages. The consolidated entity's contributions are not legally enforceable other than those payable in terms of ratified award obligations required by the Occupational Superannuation Act. The assets of the funds are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee. There are currently 185 employees who are eligible for this scheme.

	CONSOLIDATED		HOMELOANS LIMITED	
	2003 $	2002 $	2003 $	2002 $
26. REMUNERATION OF DIRECTORS				
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:	647,977	579,500	-	-
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Homeloans Limited, directly or indirectly, from the entity or any related party;	-	-	647,977	579,500

The number of directors of Homeloans Limited whose remuneration (including superannuation contributions) falls within the following bands is:

	No	No	No	No
$ 0 – $ 9,999	1	-	1	-
$ 30,000 – $ 39,999	-	1	-	1
$ 40,000 – $ 49,999	1	1	1	1
$ 50,000 – $ 59,999	1	-	1	-
$ 70,000 – $ 79,999	-	1	-	1
$ 90,000 – $ 99,999	1	-	1	-
$ 210,000 – $ 219,999	-	2	-	2
$ 220,000 – $ 229,999	2	-	2	-

Homeloans Limited and Controlled Entities Notes to the Financial Statements for Year Ended 30 June 2003 (Cont'd)

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2003 $	2002 $	2003 $	2002 $
27. REMUNERATION OF EXECUTIVES					
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:		2,188,627	802,583	2,067,177	802,583

The number of executives of the consolidated entity and the company whose remuneration falls within the following bands is:

	No	No	No	No
$ 100,000 – $ 109,999	2	-	2	-
$110,000 – $ 119,999	2	-	2	-
$120,000 – $ 129,999	-	2	-	2
$130,000 – $ 139,999	3	-	2	-
$140,000 – $ 149,999	1	1	1	1
$160,000 – $ 169,999	1	-	1	-
$170,000 – $ 179,999	1	-	1	-
$180,000 – $ 189,999	-	1	-	1
$190,000 – $ 199,999	1	-	1	-
$250,000 – $ 259,999	-	1	-	1
$270,000 – $ 279,999	1	-	1	-
$410,000 – $ 419,999	1	-	1	-

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	HOMELOANS LIMITED 2003 $	HOMELOANS LIMITED 2002 $
28. AUDITORS' REMUNERATION					
Amounts received or due and receivable					
By the auditors of Homeloans Limited for:					
• an audit or review of the financial report of the entity and any other entity in the consolidated entity		67,000	51,000	20,000	16,500
• Taxation advisory services in relation to the entity and any other entity in the consolidated entity		65,110	14,000	65,110	14,000

29. RELATED PARTY DISCLOSURES

Directors

The directors of Homeloans Limited during the financial year were:

William John Conn (Resigned on 30 June 2003)

Timothy Alastair Holmes

Robert Peter Salmon

Desmond Lee Speakman (Resigned on 30 June 2003)

Robert Norman Scott

Andrew Robert Pridham (Appointed 16 April 2003)

Wholly-owned group transactions

During the year management fees totalling $3,980,241 were paid by Access Home Loans Pty Ltd to Homeloans Limited and $8,112,762 were paid by FAI First Mortgage Pty Ltd to Homeloans Limited.

At year end, no loans were owing by Homeloans Limited to group companies.

29. RELATED PARTY DISCLOSURES (Cont'd)

Equity instruments of directors

Interests at balance date

Interests in shares and options of entities within the consolidated entity held by directors of the reporting entity and their director related entities.

	ORDINARY SHARES 2003 Number	ORDINARY SHARES 2002 Number	OPTIONS 2003 Number	OPTIONS 2002 Number
W. J. Conn (resigned 30/6/03)	429,955	419,441	600,000	600,000
T. A. Holmes	8,776,281	8,533,504	-	-
R. P. Salmon	8,665,366	8,454,688	-	-
D. L. Speakman (resigned 30/6/03)	32,246	31,458	300,000	300,000
R. N. Scott	1,488,822	1,540,693	300,000	300,000
A. R. Pridham (appointed 16/4/03)	2,455,693	-	-	-

Movement in directors' equity holdings

Mr. R.P. Salmon through his related entities acquired 210,678 shares at an average price of $0.48/share.

Mr. T.A. Holmes through his related entities acquired 212,777 shares at an average price of $0.48/share and 30,000 at an average price of $ 0.45/share.

Mr. W.J. Conn (resigned 30 June 2003) through his related entity acquired 10,514 shares at an average price of $0.48/share.

Mr. D. L. Speakman (resigned 30 June 2003) through his related entity acquired 788 shares at an average price of $0.48/share.

Mr R. N. Scott through his related entity acquired 38,093 shares at an average price of $0.48/share and sold 68,992 shares at $0.47/share and 20,972 shares at $0.50/share.

Mr A. R. Pridham (appointed 16 April 2003) through his related entity acquired 2,395,641 shares at an average price of $0.56/share and 60,052 shares at an average price of $0.48/share.

There have been no other transactions concerning equity instruments during the financial year with directors or their director-related entities. All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

Ultimate parent

Homeloans Limited is the ultimate Australian holding company.

30. CONTINGENT LIABILITIES

Homeloans Limited has received a stamp duty assessment from the Western Australian Office of State revenue for $1.7 million. The assessment related to the transfer of the assets of IF & I Securities Pty Ltd as trustee for the IF & I Securities unit trust to Homeloans Limited on its inception in December 2000.

Homeloans Limited will appeal this assessment as it is of the view that it is not correct.

The assessment is payable in instalments over the next 6 months. To the extent that our appeal is ultimately unsuccessful the assessment will have minimal impact upon Homeloans Limited's reported earnings and operating cash flow.

The financial effect of the above events has not been recognised.

31. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE	Fixed Interest Rate Maturing in: 1 YEAR OR LESS	OVER 1 TO 5 YEARS	MORE THAN 5 YEARS	NON-INTEREST BEARING	TOTAL	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
30 JUNE 2003							
(i) FINANCIAL ASSETS							
Cash assets	672,227	-	-	-	-	672,227	3.55%
Receivables	-	-	-	-	9,031,156	9,031,156	N/A
Total Financial Assets	672,227	-	-	-	9,031,156	9,703,383	N/A
(ii) FINANCIAL LIABILITIES							
Payables	-	-	-	-	3,433,883	3,433,883	N/A
Non interest bearing liabilities	-	-	-	-	-	-	N/A
Interest bearing liabilities	9,648,760	-	-	-	-	9,648,760	6.13 %
Total Financial Liabilities	9,648,760	-	-	-	3,433,883	13,082,643	N/A
30 JUNE 2002							
(i) FINANCIAL ASSETS							
Cash assets	1,191,569	-	-	-	-	1,191,569	3.55%
Receivables	-	-	-	-	7,446,434	7,446,434	N/A
Goods and Services Tax	-	-	-	-	-	-	N/A
Total Financial Assets	1,191,569	-	-	-	7,446,434	8,638,003	N/A
(ii) FINANCIAL LIABILITIES							
Payables	-	-	-	-	3,183,304	3,183,304	N/A
Non interest bearing liabilities	-	-	-	-	4,961,529	4,961,529	N/A
Interest bearing liabilities	6,407,241	-	-	-	-	6,407,241	6.13 %
Total Financial Liabilities	6,407,241	-	-	-	8,144,833	14,552,074	N/A-

Homeloans Limited and Controlled
Entities Notes to the Financial Statements
for Year Ended 30 June 2003 (Cont'd)

31. FINANCIAL INSTRUMENTS (Cont'd)

(b) Net fair values of financial assets and liabilities

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT 2003 $'000	CARRYING AMOUNT 2002 $'000	AGGREGATE NET FAIR VALUE 2003 $'000	AGGREGATE NET FAIR VALUE 2002 $'000
(i) FINANCIAL ASSETS				
Cash	672,227	1,191,569	672,227	1,191,569
Receivables	9,031,156	7,446,434	9,031,156	7,446,434
Total Financial Assets	9,703,383	8,638,003	9,703,383	8,638,003
(ii) FINANCIAL LIABILITIES				
Payables	3,433,883	3,183,304	3,433,883	3,183,304
Non interest bearing liabilities	-	4,961,529	-	4,961,529
Interest bearing liabilities	9,648,760	6,407,241	9,648,760	6,407,241
Total Financial Liabilities	13,082,643	14,552,074	13,082,643	14,552,074

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised Financial Instruments

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term maturity.

Trade receivables, payables, non-interest bearing liabilities and interest bearing liabilities: The carrying amount approximates fair value.

(c) Credit Risk Exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount, net of any provision for doubtful debts, of those assets as indicated in the balance sheet.

Concentration of Credit Risk

The consolidated entity minimises concentrations of credit risk in relation to accounts receivable by undertaking transactions with a number of lending institutions within the banking industry. The consolidated entity is not materially exposed to any individual lender. Some agreements with lenders also contain provisions requiring the consolidated entity to pay instalments due from borrowers until securities are enforced or an insurance claim has been paid and to purchase the mortgage from the lender if Homeloans Limited is in default.
The consolidated entity's risk in this area is mitigated by insurance policies.

Corporate Governance Statement for Year Ended 30 June 2003

The Board of Directors of Homeloans Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Homeloans Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least four directors, which is currently considered appropriate given the current size and business scope of the company,
- The Board should comprise directors with an appropriate range of qualifications and expertise; and
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

Name	Position
T.A. Holmes	Executive Chairman
R.P. Salmon	Managing Director
A.R. Pridham	Non - Executive Director
R.N. Scott	Non - Executive Director

Nomination Committee

The Board has formed a Nomination Committee, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. Given the size of the company, the Nomination Committee will comprise of the current Board of Directors. The Nomination Committee comprised of the following members since its formation on 29 April 2003:

W.J. Conn (resigned 30 June 2003)
T.A. Holmes
R.P. Salmon
D.L. Speakman (resigned 30 June 2003)
R.N. Scott
A.R. Pridham (appointed 16 April 2003)

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Executive Team. The Remuneration Committee comprised of Mr D Speakman (committee chairman resigned 30 June 2003) and Mr R P Salmon but will include the full Board from 1 July 2003.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the Executive Team of the company under the guidance of the Audit Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Corporate Governance Statement for Year Ended 30 June 2003 (Cont'd)

The Audit Committee comprises non-executive director R.N. Scott. (chairman), W.J. Conn and R.P. Salmon for the year ended 30 June 2003. From 1 July 2003, T.A.Holmes replaces W.J. Conn.

Board Responsibilities

As the Board acts on behalf of the shareholders and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration for the consolidated entity is delegated by the Board to the Managing Director and the Executive Team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the Executive Team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- The strategic plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budget - this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense;
- The Board is responsible for the review and approval of acquisitions and disposals of businesses and assets, and the approval of contracts and financing arrangements within defined limits.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The half-yearly report circulated to the Australian Stock Exchange Limited and the Australian Securities Investment Commission; and
- The annual general meeting and other meetings so called to obtain approval of Board action as appropriate.
- Continuous disclosure to the ASX and financial markets of information which may have an impact on the share price.

Homeloans Limited Additional Information

The following information is furnished under the requirements of Chapter 4 of the Listing Rules of the Australian Stock Exchange Limited, to the extent that the information required does not appear elsewhere in the Financial Statements or the Directors Report.

Substantial Shareholders details as at 16 September 2003 were:

Holder of Relevant Interest	Number of ordinary shares in which interest held
Timothy Alastair Holmes, Tico Pty Ltd	8,776,281
(TA Holmes Family Fund A/C),	-
Tico Pty Ltd (TA Holmes Superfund A/C)	-
Joanna Mary Holmes, Tiffany Eliza Farrar Holmes,	-
Lucy Caroline Holmes and Carol Mary Holmes	-
Robert Peter Cockburn Salmon, Peterlyn Pty Ltd	8,665,366
(Salmon Family Fund A/C), Peterlyn Pty Ltd	-
(Salmon Superfund A/C), Julie Kathleen Salmon	-
Permanent Trustee Australia Limited	-
(HUN 0004 A/C)	2,636,593
(PAR0002 A/C)	-
Gemtrick Pty Ltd	2,658,418
Westpac Banking Corporation	2,625,528

The number of holders of each class of security

There are 1,180 holders of ordinary shares

There are 3 holders of Non-Executive Directors' Options

There are 39 holders of Employee Options

There are 2 holders of Other Executive Options

Distribution of members and their holdings

Size of Holding	Number of Ordinary Shares Held
1 – 1,000	93
1,001 – 5,000	542
5,001 – 10,000	218
10,001 – 100,000	290
100,001 and over	37

There are 159 holders of less than a marketable parcel of ordinary shares. A marketable parcel of shares is defined by the ASX as a parcel worth more than $ 500.00

Homeloans Limited Twenty Largest Shareholders

The twenty largest holders of ordinary shares in the Company as at 16 September 2003 were:

Name	Number of Shares	% of issued capital
Tico Pty Ltd	8,279,906	16.44%
Peterlyn Pty Ltd	8,249,155	16.38%
Gemtrick Pty Ltd	2,658,418	5.28%
Permanent Trustee Australia Limited (HUN0004 A/C)	2,635,545	5.23%
Westpac Banking Corporation	2,625,528	5.21%
UBS Private Clients Australia	2,609,452	5.18%
Redbrook Nominees Pty Ltd	1,846,669	3.67%
FAI Insurance Limited	1,425,528	2.83%
Karels Consolidated Investments Ltd	1,050,877	2.09%
Carpenter Nominees Pty Ltd	1,050,367	2.09%
Charmof Nominees Pty Ltd (Mrs Charlotte Moffatt A/C)	750,000	1.49%
Bellwood Limited	645,935	1.28%
Invia Custodian Pty Limited (White A/C)	512,553	1.02%
Ferber Holdings Pty Ltd (Scott Super Fund A/C)	438,455	0.87%
Jamac Holdings Pty Ltd	429,955	0.85%
Mr Timothy Alastair Holmes	366,211	0.73%
Mr Robert Peter Cockburn Salmon	366,211	0.73%
Equitas Nominees Pty Limited (821471 A/C)	300,000	0.60%
Challenger Group Pty Ltd	250,000	0.50%
Beecraft Pty Ltd	225,000	0.45%

The Company's shares are listed on the Australian Stock Exchange Limited and the Home Exchange is Perth.

The Company has given the ASX notice on 4 April 2003 that it will continue to engage in on-market share buy-backs during a period of unlimited duration. The share buy-backs will not exceed 10% in the 12-month period.

Notes