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ANNUAL
REPORT
2003/2004



THE YEAR IN REVIEW HAS SEEN
YOUR COMPANY TAKE SIGNIFICANT
POSITIVE STEPS TO ENHANCE
FUTURE PERFORMANCE

CHAIRMAN'S REPORT

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REPORT
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On behalf of your Board I present the 2004 annual report for Homeloans Ltd.

Homeloans Ltd recorded a profit after tax and prior to the amortisation of goodwill of \$2.0 million for the year ended 30 June 2004.

Net profit after tax and amortisation of goodwill was \$1.1 million. This compares to a loss after tax and amortisation of goodwill last year of \$20.2 million, which included a write down of goodwill.

As forecast at the last Annual General Meeting, the directors are pleased to announce a 67% increase in the operating cashflow to \$2.0m (up \$0.8m).

The Net Tangible Asset backing increased by 3.55 cents (12%) to 32.36 cents per share.

The year in review has seen your Company take significant positive steps to enhance future performance. The Board expects these initiatives, together with the considerable cost reduction program over the past six months, to reflect favourably in subsequent financial years.

The year ahead will see growth to our core business of mortgage origination and management through a focus on our areas of strength in the retail market, and a robust third party proposition delivered to the broker market.

Homeloans Ltd intends to launch a mortgage trust for investors in early 2005. This is an exciting opportunity to leverage our mortgage origination and management skills more widely into the financial services industry. It presents tremendous new business and cross-selling opportunities, which will undoubtedly help to grow the Homeloans Ltd brand and our business.

In order to take up a senior executive position at an investment bank, Andrew Pridham was required to resign from the Board of Homeloans Ltd on 28 May 2004. On behalf of the Board I would like to thank Andrew for his counsel and guidance, and wish him well in his exciting new role.

I welcome Brian Jones to the Board, which he joined on 28 May 2004. Brian was previously the head of HomeSide, National Australia Bank's Australian wholesale mortgage channel, and brings with him a wealth of expertise in mortgage distribution, both retail and third party. In addition to his board capacity, Brian will play an integral role at the executive level as Director of Distribution and Marketing.

In closing, I would like to thank our staff for their focus and efforts during the year.

Yours faithfully

Timothy Alastair Holmes
Chairman

WE MOVE INTO AN EXCITING YEAR
IN WHICH HOMELOANS LTD EMBARKS
ON A FORTIFIED DISTRIBUTION AND
PRODUCT STRATEGY



MANAGING DIRECTOR'S REPORT

The year in review was a challenging one for your Company and its staff, but also a time of consolidation in readiness for steps forward in the years ahead. We move into an exciting year in which Homeloans Ltd embarks on a fortified distribution and product strategy.

In addition to his capacity as a member of the Homeloans Ltd Board of Directors, Brian Jones is to head Distribution and Marketing. Brian will oversee the market positioning and relationship delivery of the group across all distribution channels. He is a well respected industry identity and we are delighted to welcome him to the Homeloans Ltd team. We look forward to enjoying the benefits of his years of experience.

A key area of business growth for Homeloans Ltd in the year ahead and beyond will be the third party channel through the wholesale distribution of loans via mortgage brokers. Accounting for approximately 55% of our current business, there is considerable opportunity for Homeloans Ltd to leverage our success to date and grow our share of this channel.

At the same time we will continue to build on our strengths in the direct channel through support of our existing satellite offices and mobile lenders, providing brand presence at the local and community level.

In March 2004 Homeloans Ltd announced an alliance with Mortgage Asset Services Pty Ltd (MAS). The alliance complements our existing business development team to strengthen our offering and drive increased originations of new home loans through our broking partners. Together with Homeloans Ltd's extensive mortgage management and client servicing capabilities, the partnership delivers to the market a strong broker and customer friendly business development team. It is a further demonstration of our commitment to the strategic growth of the third party channel.

We are proud that Homeloans Ltd has again been recognised in the industry for our products and customer service. We were awarded "Best Non-Bank Lender", and gold medals for the "First Home Buyer" and "First Time Investor" scenarios in the Your Mortgage Magazine, Mortgage of the Year Awards 2004.

Our Customer Service Centre won two prestigious awards: The Australian Mortgage Industry "Call Centre of the Year" and the Australian Teleservices Association "Teleservices Centre of the Year – under 50 seats" (WA Division). In addition, Homeloans Ltd was also included in the 2003 Business Review Weekly's Fast 100 Company list.

Since the year-end, John McGee, the Chief Operating Officer has left Homeloans Ltd to pursue other opportunities. I would like to thank John for his contribution over the past three years, and wish him all the best in his future endeavours.

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.

On behalf of the Board I would like to take this opportunity to thank the entire Homeloans Ltd team for their continued support and diligence throughout the year.

Yours faithfully

Robert Peter Salmon
Managing Director

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OPEN THE DOOR TO THE YEAR IN REVIEW

THE FOLLOWING IS A REPORT FROM THE HOMEOANS LTD BOARD AND MANAGEMENT
ON THE OPERATIONS OF HOMEOANS LTD DURING 2003/2004.

BRIAN JONES
DIRECTOR OF DISTRIBUTION
AND MARKETING



PROFIT/LOSS

Net operating profit after tax and prior to the amortisation of goodwill was \$2.0 million.

The company made a net profit of \$1.1 million after tax and amortisation of goodwill.

The net tangible asset backing increased 12.39% to 32.36 cents per share.

DIVIDEND

No final dividend will be payable on the ordinary shares.

EARNINGS PER SHARE

Earnings per share prior to the amortisation of goodwill and after the deduction of preference dividends was 3.6 cents based on an average of 50.4 million shares.

Earnings per share after tax and amortisation of goodwill was 1.73 cents.

CHANGES TO BOARD OF DIRECTORS

Brian Jones joined the Homeloans Ltd Board as a director on 28 May 2004. Andrew Pridham resigned on 28 May 2004 to take up a senior executive position at an investment bank.

PERSONNEL

Homeloans Ltd has 174 full time staff and 32 direct consultants nationally.

Chief Operating Officer, John McGee, resigned in July 2004 to pursue other opportunities. Brian Jones joined the executive team in May 2004 as Director of Distribution and Marketing.

**MORTGAGES -
DISTRIBUTION AND MARKETING**

Homeloans Ltd originates and manages a comprehensive range of loans for home owners and investors.

We provide our customers with a unique Homeloans Ltd experience, from guiding them through the loan process, to ongoing management of the loan, and delivering our award winning personalised customer service for the life of the loan.

Loans are distributed to our customers via two sales channels: Third Party, whereby our mortgage broker partners distribute to the end customer; and Direct, whereby our mobile lenders and satellite licencees distribute the products direct to our customers.

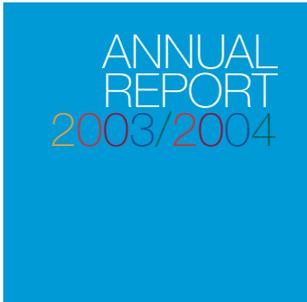
Third Party – Broker Channel

The third party sales channel presents considerable opportunity for growth in the lending market. We are committed to delivering a broker friendly model through providing a solid product and service proposition, supported by a strong, reliable and accessible team of business development managers who build lasting relationships with our broking partners.

Homeloans Ltd announced a strategic alliance with Mortgage Asset Services Pty Ltd (MAS) in March 2004 to drive growth in the third party channel. MAS is the specialist marketing vehicle operated by Troy Phillips and Brett Hartley, former senior executives of HomeSide and Origin respectively.

The MAS and Homeloans Ltd Business Development Teams have since been amalgamated to ensure the delivery of a strong, broker centric, product and service offering.

The year ahead will see significant emphasis on further improving our product and service offering to brokers. Technology advances will include a new broker website enabling brokers to submit applications, view the progress of them on-line, and receive automated loan updates via SMS and e-mail.





MANDURAH SATELLITE OFFICE OPENING

NORM COX, RECHELLE HAWKES,
MARK NELSON



FREMANTLE SATELLITE OFFICE OPENING

BARRY BIRD, PETER TAGLIATERRI
(MAYOR OF FREMANTLE),
RENATA LINES

Direct Sales

Throughout the year in review Homeloans Ltd continued to build the satellite licensee network. This, together with our mobile lenders around Australia, has continued to establish and further develop our brand at a local level.

Local area marketing initiatives are developed by Homeloans Ltd in conjunction with licensees and sales managers to build awareness at a local level and deliver quality leads to the mobile lenders and satellite offices. Homeloans Ltd provides a marketing consultancy service to the licensees and mobile consultants and ensures their marketing efforts are consistent with the Homeloans Ltd brand.

COMPLEMENTARY PRODUCTS AND SERVICES

Mortgage Trust

In June this year Homeloans Ltd took its first step towards being able to offer a mortgage trust for investors. Homeloans Ltd has entered into an agreement to purchase a company holding an Australian Financial Services Licence to operate as a Responsible Entity. This mortgage trust will enhance our offering to brokers and individual investors alike and provide excellent cross-selling opportunities.

Premium Communications

After establishing our expertise with our core competency of providing teleservices for our own business, it was a natural progression to leverage this expertise and industry success into the teleservices industry as a separate division. In February 2004 Homeloans Ltd launched a specialist outsourcing call centre division.

Under the guidance of Ben Oxford, National Client Services Manager, "Premium Communications" has quickly established a reputation for inbound and outbound teleservices work at the top end of the market. Its client base includes Telstra, Communications Australia, Trueline Financial Services and Teletronics.

Homeloans Ltd Premium Communications Division was awarded the Australian Teleservices Association "Teleservice Centre of the Year – WA, Under 50 seats". As the state winner, Homeloans Ltd represented Western Australia at the national awards in Melbourne in September 2004.

Homeloans Ltd American Express Card

Homeloans Ltd launched a co-branded American Express Card in July 2003. The card is being packaged into our products and distributed via our sales consultants, business development managers and on our website. As well as being an additional source of revenue for Homeloans Ltd it is a complementary add-on product, which reinforces our brand with our customers and increases our brand recognition in the community.

Western QBE Insurance

Homeloans Ltd has an alliance with Western QBE insurance which enables us to sell a range of insurance products from home building and contents through to motor vehicle insurance.

THE PREMIUM COMMUNICATIONS TEAM



THE HOMELOANS LTD AMERICAN EXPRESS CARD LAUNCHED IN JULY 2003



SPONSORSHIP AND THE COMMUNITY

Homeloans Ltd were again sponsors of the annual Pollie Pedal bike ride, which this year raised over \$140,000 for Westmead Children's Hospital. Organised by the Health Minister, Tony Abbott, the ride this year went from Wangaratta in Victoria to Westmead Hospital in Sydney. A number of State and Federal MPs were involved in the event, along with sporting personalities, local mayors and residents. Chief Operating Officer John McGee, Finance Director Jarrod Smith, Marketing Manager Alexandra Curr and NSW Sales Manager Robbie de Bari also participated in the fundraiser.

Approximately 150 Homeloans Ltd staff and their families took part in "Walk for a Cure" in Perth, Sydney, Brisbane and Melbourne raising \$7,500 nationally for the Juvenile Diabetes Research Foundation through their participation.

In Sydney, Homeloans Ltd sponsored a cycling meet at the Dunc Gray Olympic Velodrome as a fundraiser for The Children's Cancer Institute of Australia. Homeloans Ltd continues to actively support other charitable and community causes including Telethon, and Radio 6PR Children's Party.

In August 2003 Homeloans Ltd launched an alliance with Community E, an innovative on-line fundraising channel driving new sources of income for hospitals, charities, schools, clubs and associations. The alliance strengthens our brand in local communities, provides sales leads to Homeloans Ltd, and raises money for good causes as we pay an upfront and ongoing commission to the charity of the borrower's choice.

CUSTOMER RETENTION

The year in review saw a tightening of the mortgage market with two interest rate increases mid way through the financial year. This resulted in an increased focus by our competitors on refinancing borrowers from other lenders. We are pleased to advise that in an increasingly competitive market our retention levels have improved due to an assertive retention strategy and ongoing commitment to providing the best possible personal service to our customers.

OUR CUSTOMER SERVICE

Homeloans Ltd is committed to providing excellence in personal service, which generates satisfaction and loyalty amongst its clients, and has also this year gained Homeloans Ltd significant industry recognition.

In addition to our Australian Teleservices award, Homeloans Ltd also took out the "Best Call Centre Operations" award at the 2003 Australian Mortgage Industry Awards.

We have invested significantly in our PABX and call centre management systems and have focussed on employing and training high calibre staff.

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TIMOTHY ALISTAIR HOLMES

DIRECTORS' REPORT

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Your directors submit their report for the year ended 30 June 2004.

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

Timothy Alastair Holmes

Executive Chairman
Appointed Chairman on 1 July 2003.

Tim has 36 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 Australian Institute of Company Directors, and Honorary Consul of Austria in WA. He is also the former International President of the Young Presidents' Organisation.

Robert Peter Salmon

Managing Director
Appointed 9 November 2000.

Rob has 34 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 Limited.

Brian Donald Jones

Executive Director
Appointed 28 May 2004.

Brian has 38 years experience in the finance and banking industry. Brian was a senior executive with National Australia Bank from

1993 to 2003. Most recently he was head of the bank's Australian third party mortgage origination arm, HomeSide Lending. Prior to this he held senior positions with the bank's subsidiary, Bank of New Zealand Australia including Head of Consumer Markets and Head of Banking Services. He has a Master of Business Administration from the AGSM.

Robert Norman Scott

Non-Executive Director
Appointed 9 November 2000.

Rob is a Chartered Accountant with over 37 years experience. Rob was an International Partner with Arthur Andersen. Since retiring in 1995, Rob now consults on taxation to Perth based Gooding Pervan Chartered Accountants. He is the Chairman of publicly listed companies Amadeus Energy Ltd and bioMD Limited.

Andrew Robert Pridham

Non-Executive Director
Resigned 28 May 2004.

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.

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 21 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.

ROBERT PETER SALMON



BRIAN DONALD JONES



ROBERT NORMAN SCOTT


**INTERESTS IN THE SHARES AND OPTIONS
 OF THE COMPANY AND RELATED BODIES
 CORPORATE**

As at the date of this report, the interests of the directors in the shares and options of Homeloans Limited were:

	ORDINARY SHARES	10% RESET PREFERENCE SHARES	OPTIONS OVER ORDINARY SHARES
T. A. Holmes	8,776,281	170,750	-
R. P. Salmon	8,665,366	170,441	-
R. N. Scott	1,489,794	29,458	300,000
B. D. Jones (appointed 28/5/04)	50,000	-	-

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	1.73
Diluted Earnings Per Share	1.83

DIVIDENDS

	Cents per share	\$'000
Final dividend recommended		
On ordinary shares	Nil	-
On reset preference shares	Nil	-
		-
Dividends paid in the year		
Interim dividend (2004) on ordinary shares	Nil	-
Six monthly 5% dividend on reset preference shares	38.0	191
		191
Final dividend for 2003 shown as recommended in the 2003 report		
On ordinary shares	Nil	-
On reset preference shares	N/A	-
		-

CORPORATE INFORMATION

Corporate structure

Homeloans Limited 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 IF & I group entities. On 19 March 2001, Homeloans Limited shares commenced trading on the Australian Stock Exchange.

Homeloans Limited 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 Limited and its consolidated subsidiaries were mortgage origination and management of home loan mortgages for a number of financiers. The principal activities were conducted under the brand names Homeloans Limited, 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 174 employees as at 30 June 2004 (2003: 185 employees).

REVIEW AND 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.

Performance Indicators

Management and the Board monitor the group's overall performance, from its implementation of the strategic plan through to the performance of the Company against operating plans and financial budgets. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly board meeting allowing all directors to actively monitor the group's performance.

Directors also have access to an on-line reporting database allowing access to details of performance against KPIs on a daily, month to date, and year to date basis.

Operating results for the Year

The consolidated entity profit after providing for income tax and the amortisation of goodwill for the financial year was \$1,064,961 (2003: loss of \$20,225,510).

Review of Financial Condition

Capital Structure

During the period, 503,528 reset preference shares were issued via a 1 for 100 non-renounceable pro-rata rights issue at \$10.00 per share.

The proceeds were used to finance payment of the stamp duty assessment announced to the market on 16 July 2003 which is in dispute. The amount of this payment totalled \$1,788,512. The balance of the proceeds will be used to pursue further growth opportunities both organically and by acquisition, to further strengthen the company's financial position.

The group has a sound capital structure. This is clear in the debt/equity ratio, which is 18.4% in the current year and was 31.0% in the previous year.

Cash from Operations

Net cash flows from operating activities increased from \$1,242,016 in the previous year to \$1,999,994 in the current year. The increase in cash from operating activities was largely due to tighter controls imposed on expenditure across the group's operations.

There was a decrease in receipts from customers of approximately 4.3% and the ratio of payments to suppliers as a percentage of receipts from customers improved with a 2.4% decrease in this measure.

Liquidity and Funding

The group has an overdraft facility of \$900,000, which was unutilised at 30 June 2004. The group has sufficient funds to finance its operations and maintains the overdraft facility primarily to allow the group to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

Risk Management

Reference to the group's risk management procedures are noted in the Corporate Governance Statement following this report.

Statement of Compliance

The report is based on the guidelines in The Group of 100 Incorporated publication *Guide to the Review of Operations and Financial Condition*.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholders' equity increased to \$36,783,711 from \$31,138,957, an increase of \$5,644,754. The movement was largely the result of \$4,771,133 of new capital (after issue costs) raised through non-renounceable pro-rata reset preference shares issued during the period; and retained earnings.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date to the date of this report.

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 3,270,000 unissued ordinary shares under options. Refer to note 25 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 Limited 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 \$38,158.

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of 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.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board 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 Board 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 follows:

(SEE TOP OF NEXT PAGE):

EMOLUMENTS* OF DIRECTORS OF HOMELOANS LIMITED

	Annual Emoluments				Long Term Emoluments				Total
	Base Fee	Bonus	Other	Termination & Similar Payments	OPTIONS @ Number Granted	OPTIONS @ Amortised Cost	OPTIONS @ % of Remuneration	Superannuation	
	\$	\$	\$	\$	No.	\$	%	\$	
T. A. Holmes	130,992	-	3,900	-	-	-	-	87,008	221,900
R. P. Salmon	130,992	-	3,900	-	-	-	-	87,008	221,900
R. N. Scott	42,500	-	-	-	-	3,805	8.2%	-	46,305
A. R. Pridham [^]	32,083	-	-	-	-	-	-	-	32,083
B. D. Jones	13,973	-	238	-	-	-	-	-	14,211

[^] Mr Pridham donated his fees to the Australian Sports Foundation.

EMOLUMENTS* OF THE FIVE MOST HIGHLY PAID EXECUTIVE# OFFICERS OF THE COMPANY AND THE CONSOLIDATED ENTITY

	Annual Emoluments				Long Term Emoluments				Total
	Base Fee	Bonus	Other	Termination & Similar Payments	OPTIONS @ Number Granted	OPTIONS @ Amortised Cost	Superannuation		
	\$	\$	\$	\$	No.	\$	\$		
G. Driscoll	150,992	20,000	3,900	-	-	3,001	15,389	193,282	
D. Halling	135,376	15,000	4,369	-	-	-	12,634	167,379	
J. McGee	299,885	-	7,615	-	-	42,299	26,990	376,789	
P. Sealy	140,000	5,000	2,913	-	-	1,200	11,776	160,889	
J. Smith	200,169	40,000	1,282	-	-	24,969	21,615	288,035	

Notes

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.

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

@ The company uses the fair value measurement provisions of AASB 1046 *Director and Executive Disclosures for Disclosing Entities* and the pending AASB 2 *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 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 2004 financial year, are amounts related to options that vested during or over the 2004 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.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Directors' Meetings	Audit Committee
Number of meetings held:	13	2
Number of meetings attended:		
T. A. Holmes	13	2
R. P. Salmon	13	2
R. N. Scott	13	2
A. R. Pridham	13	-
B. D. Jones [^]	-	-

Notes

[^] No meetings were held in the period that B.D.Jones was a director.

Committee Membership

As at the date of this report, the company had an Audit Committee. The Remuneration Committee and Nomination Committee were dissolved effective 1 July 2003 as all matters considered by these committees are now considered by the full Board of directors.

Members acting on the committees of the Board during the year were:

Audit

R.N Scott (Chairman)
T.A.Holmes
R.P.Salmon

TAX CONSOLIDATION

Effective 1 July 2003, for the purposes of income taxation, Homeloans Limited and its 100% owned subsidiaries will form a tax consolidated group. It is the intention of the members of the group to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement will provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, due to the existence of significant unutilised tax losses within the group, the possibility of default is remote. The head entity of the tax consolidated group is Homeloans Limited.

Homeloans Limited will formally notify the Australian Tax Office of its adoption of the tax consolidation regime when lodging its 30 June 2004 consolidated tax return.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Homeloans Limited support and have adhered to the principles of good corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the directors.



Timothy A. Holmes
Chairman

Perth, 29 September 2004