

2001/02

Annual Report

Corporate Directory

- **Directors**
William J Conn, OAM
(Chairman)

Timothy Holmes
(Joint Managing Director)

Robert Salmon
(Joint Managing Director)

Robert Scott
(Non Executive Director)

Desmond Speakman
(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 31, QV.1 Building
250 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 Street
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 Limited
Access Network
Management Pty Ltd
Access Home Loans Pty Ltd
HILL Pty Ltd
St Michael Investments Pty Ltd

Highlights of the Year

- Acquisition of Access Home Loans group of companies.
- The establishment of sales offices in Adelaide, Canberra and Brisbane.
- The company's first satellite office at Rockingham, WA.
- Record profit of \$4.67 million after tax.
- The acquisition of Eurofinance loan book.
- The development and re-positioning of the proprietary funding line – The Residential Mortgage Trust.
- Continued development of customer relationship management skills and technology.
- Rise in funds under management from \$2.3 billion to \$4.2 billion.
- Significant increase in earnings per share to 11.05 cents up from 6.56 cents per share earned in the eight months to June 30 2001.
- Successful brand awareness and development in the eastern states.

Contents



Section 1	Chairman's Report	02
Section 2	Joint Managing Director's Report	04
Section 3	The Year in Review	06
Section 4	Directors' Report	10
Section 5	Independent Audit Report	14
Section 6	Financial Information	15
Section 7	Corporate Governance	46
Section 8	Additional Information	47
Section 9	Twenty Largest Shareholders	48

Chairman's Report



William J. Conn
Chairman
Homeloans Ltd

On behalf of your board I am pleased to present the 2002 annual report of Homeloans Ltd.

This year was the company's first full twelve months trading since listing on the ASX and was highlighted by the posting of a net profit after tax and before significant items of \$5.7 million, increased revenues and increased funds under management.

In order to take maximum advantage of the opportunity of increasing market share in the eastern states it is necessary to invest substantial funds in brand awareness.

Your board, after a review of the company's accounting policy decided to initiate a change by treating brand awareness expenditure as a period cost rather than amortising it over twenty-four months.

In light of the focus being placed on the calculation of expenditure by regulators and the investment community, the board consider such a change is prudent.

The current success of Homeloans brands in the eastern states, which deliver 78% of total loans, is testimony to the success of the branding campaign.

This change to the accounting policy resulted in a significant pre-tax expense of approximately \$1.496 million. Net profit after tax and significant items was \$4.671 million.

Homeloans first twenty months of trading has involved vigorous growth both organically and through the successful acquisitions of FAI First Mortgage, Access Home Loans and the loan book of Eurofinance Corporation. These have now been efficiently integrated and

are making significant contributions to the organisation.

I would expect that the next twelve months will see a further consolidation of these businesses and a greater degree of organic growth as our Homeloans brand wins consumer recognition throughout Australia, particularly in the eastern states where Homeloans is relatively unknown.

One of the strengths of your company is the skill and dedication of staff at all levels. On behalf of the board I extend our thanks for their invaluable efforts and acknowledge the integral part they play in the continued success of Homeloans Ltd.

Yours Faithfully

William J. Conn
Chairman



Joint Managing Director's Report



Tim Holmes and Rob Salmon (Left), Joint Managing Directors of Homeloans Ltd

Having founded the business in Perth in 1985, it is particularly satisfying to be a part of its continuing success as the company expands its operations throughout Australia. We are proud that, in our first full twelve months as a publicly listed company, Homeloans has substantially outperformed its prospectus forecasts.

The company posted a net profit after tax and before significant items of \$5.7 million. After a significant expense of \$1.047 million after tax, reflecting the expensing of brand awareness advertising, net profit after tax was \$4.671 million, which equates to earnings per share of 11.05 cents.

Homeloans Ltd today has over 40,000 customers and funds under management of around \$4.2 billion, a quantum leap from the \$1.4 billion and 16,500 customers as published in our prospectus. This profit was achieved on new loan originations of \$1.41 billion, up 240% on the previous 8 months.

The directors have recommended a final unfranked dividend of 2.5 cents per share taking the full year dividends to 7.5 cents which includes a special dividend of 2.5 cents.

We are confident this growth will continue particularly in the big eastern states markets where previously the company was under represented. The company is investing substantially in developing brand awareness in these markets where even the smallest increase in market share translates dramatically in terms of higher originations.

Much has been said regarding the real estate market over the 2002 financial period and there is no doubt it has been extremely buoyant fuelled in part by government incentives to first home buyers.

Whilst the heat may, to some extent, go out of the first home buyers market it should be noted that the dream of home ownership remains an integral part of Australian culture and that home affordability continues at encouraging levels.

We are confident that the market will remain strong particularly in the established homes sector where Homeloans generates most of its income.

The latest analysis of our loan originations reveals that 70% are owner-occupier loans and only 14% are first homebuyers.

Homeloans Ltd is committed to rewarding its shareholders through increased wealth, to providing its customers with the very best in personal service, and to providing our staff with stimulating career opportunities.

The company recognises that its future success will be enhanced by:

- The pursuit of excellence in customer service
- The development of lasting relationships built on a culture of trust, good-will, and professionalism
- Recruiting the best professional staff
- Winning increased market share in the massive \$130 billion per annum residential lending market

- Developing a strong brand awareness throughout Australia
- Contributing to the community

The company's future growth will focus on three core objectives. These are the building of market share, the implementation of geographic expansion into other markets, and increasing revenue from origination and management fees.

Homeloans will also continue to identify possible compatible acquisitions to increase funds under management.

The coming twelve months promises to be one of both growth and consolidation throughout Australia as we look forward to developing new opportunities for our shareholders, customers and staff.

Yours Faithfully

Tim Holmes
Joint Managing Director

Rob Salmon
Joint Managing Director

3

Section 3
Homeloans Limited
Annual Report
2001/02

The Year in Review



Above: John McGee,
Chief Operating Officer
Right: Jarrod Smith,
Finance Director



Your board and management team is again delighted to be able to report a successful year of activity by Homeloans Ltd.

During the period your company expanded its network within Australia, significantly increased its funds under management, and further established the Homeloans brands in the eastern states.

Profit

Homeloans posted a net profit after tax and before significant items of \$5.7 million.

After allowing for the significant item of \$1.047 million, the company's net profit was \$4.67 million.

Earnings per share

EPS was 11.05 cents for the 2002 financial year on the weighted average number of shares of 42,282,795

Dividend

A final unfranked dividend of 2.5 cents per share is recommended taking the full year dividend to 7.5 cents per share including a special dividend of 2.5 cents per share.

Dividend Reinvestment Plan

After a review of Homeloans' capital requirements going forward the Directors have suspended the dividend reinvestment plan for this dividend.

Acquisitions

The Company acquired the business of Access Home Loans in December 2001 for \$11.28 million, variable on performance.

While Access continues to trade under this name, the core business functions and client services, accounts and administration have been combined with Homeloans Ltd resulting in significant cost savings.

Funds under management

Your company had funds under management at June 30th 2002 of approximately \$4.2 billion, a significant increase over the \$2.2 billion forecast in the prospectus.

Customer Relationships

Developing and nurturing customer relationships is a high priority at Homeloans. It is increasingly apparent that personal service generates

satisfaction and loyalty amongst clients. The company is currently engaged in a major upgrade of our customer relationship management skills and technology.

Personnel

The company's full time equivalent staff has increased from 141 to 197 during the 2002 financial year essentially due to our acquisitions and geographic expansion.

A most significant appointment was that of Jarrod Smith as Finance Director. He was previously with Westpac Institutional Bank where he enjoyed a distinguished career in corporate finance.

The Residential Mortgage Trust

This is a proprietary funding line managed by the company which facilitates quick approval and flexibility for customers.

Information Technology

During the past year the company has upgraded and consolidated the basic infrastructure to ensure a secure and reliable operating environment. Concentrated efforts

have resulted in the integration of systems and data from the FAI, Eurofinance and Access Home Loans acquisitions.

All Homeloans client and loan data is now managed from a single Customer Relationship Management System.

Throughout the coming year the company will focus on improving its business processing through ongoing analysis and streamlining. This should result in increased efficiency and performance.

Existing accounting, payroll and customer relationship management systems are being enhanced through the application of web based data entry and reporting modules. All web-based enhancements are available to staff via a corporate intranet system, providing a secure and effective way of communicating nationally with management and staff.

The Year in Review

Quality Management

The company's IT and Quality management department is well established and responsible for the research, implementation, management and support of information, telecommunication and quality systems. During 2002 the department introduced a national training programme, standardised policies and procedures, stabilised infrastructure and revamped the company web site.

Internet Award Winner

Improved functionality and a fresh look has resulted in Homeloans winning the Most Effective Internet Presence in the Australian

Mortgage Awards recently judged in Sydney.

Market Growth

The company currently has about 1% of the \$130 billion home lending market. Historically Western Australia has been the company's strongest market. However, rapid expansion into the lucrative eastern states markets coupled with an extensive brand awareness campaign is resulting in increased originations. Consequently, it is reasonable to expect market share growth, particularly in the huge Sydney and Melbourne markets, to increase significantly in the coming year.

Similarly strategic alliances developed by Homeloans, consisting of, Raine & Horne in New South Wales and Victoria, Weston Raine & Horne in South Australia and the Northern Territory and The Professionals in Western Australia are expected to flourish.

Comparison Rate Legislation

The company has long been an advocate of advertising the true interest rate of a home loan. There has been significant progress made in the past year and legislation is likely to become effective sometime in 2003. Expressed as a percentage, comparison rates are designed to calculate the real cost of a home

loan by taking into account the advertised interest rate with any up-front or ongoing fees on monthly cash flows over a seven-year period. Homeloans will benefit from this legislation as it exposes hidden fees associated with certain loans and empowers borrowers to make apple with apple comparisons when 'shopping' for a home loan.

Marketing

The company's advertising campaigns are run in all mainland states with the primary objective of increasing brand awareness.

Over the past year Homeloans Ltd has been active in both the mass media channels of television and

radio. The latter has received more emphasis over the past months and this trend will continue for the foreseeable future.

Supporting the recent radio buy has been a product oriented direct marketing campaign. The common theme throughout has been the positioning statement of "Low Loans" which was originally developed in our TV commercials.

Product based advertising and publicity in the real estate and property sections of mainstream newspapers and in trade magazines has also been used as a target specific form of marketing and this will continue to be used to maximum effect.

Whilst our targets were exceeded in 2001/02, considerable effort will continue to be put into developing sound strategies for future growth.

These include:

- Offering a comprehensive financial package enabling customers to access their home loan, for investment purposes and lifestyle purchases, at a lower cost.
- Upgrading technology to facilitate more informed communication with Homeloans customers
- Further focus on opportunities to develop our broker and third party provider network
- Ongoing research, internal and external, to keep abreast of customer needs and views.

National Branding

Historically Homeloans has been extremely successful in developing a specific geographic branding strategy. The company's rapid and continued expansion into the eastern states markets has accelerated the decision to move to a national brand.

This will entail a change in the Homeloans logo to the one now displayed on the front of this 2002 Annual Report.

The evolution to a national brand will be a gradual process and all care will be taken to ensure the transition will be smooth and effective for all stakeholders.

A national brand will generate huge benefits to the company in terms of advertising, public relations and sponsorship through the removal of costly logistics and administrative issues.

Sponsorship and the Community

Homeloans recognises the importance to contributing to the community in which it works. To that end the company supports a number of charities and community and sporting organisations through sponsorship and donations.

One of the success stories in terms of sponsorships has been the association between Homeloans and the Sydney Bulls Rugby League team. In only their third year in the competition they have won the premiership in the Metro Competition. This incredible achievement would not have occurred without the support of the Homeloans team.



Above: National Marketing Manager, Rechelle Hawkes (Triple Olympic Gold Medallist) and Scott Quayle, Marketing & PR Co-ordinator



Left: General Manager - National Sales, Iain Forbes, celebrates with the victorious Homeloans NSW Sydney Bulls.
Below: Garry Driscoll, General Manager - Operations



Homeloans Product Lines

Homeloans Basic Loans

Low rate home loans best suited for first home buyers and those whose main priority is obtaining the lowest repayments possible, even if it means sacrificing some flexibility.

Homeloans Standard Loans

Traditional loans for owner-occupiers or investors. Most suitable for borrowers who require a flexible loan with all the features whilst still receiving a competitive variable or fixed interest rate.

Homeloans Line of Credit

Line of credit facilities suitable 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 which is automatically paid at the end of each month.

Homeloans Hassle-Free Loans

Standard or line of credit loans designed specifically for those who do not meet traditional lending criteria or cannot provide evidence of income, such as the self-employed. Once proof of income is received the rate can revert to the standard rate for that product

Homeloans Business Loans

Designed for self employed business debt secured by a residential property. Or to buy an existing business with supporting financial statements.

4

Section 4
Homeloans Limited
Annual Report
2001/02

Directors' Report

Below:
Non-Executive Directors
Desmond Speakman (top)
and Robert Scott (bottom)



Your directors submit their report for the year ended 30 June 2002.

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

Appointed 14 November 2000.

Bill Conn has been involved in Investment Banking for the past 34 years. He is Chairman of a number of companies including Grand Hotel Group, Australian Springwater Company and ACL Holdings Ltd (Hong Kong) and a director of Village Roadshow and Becton Construction. He is also consultant to Merrill Lynch International (Australia).

Timothy Alastair Holmes
Executive Director and Founding Director of the Company

34 years experience in finance and banking industry.

He is a former Vice President of The WA Chamber of Commerce and Industry, former Commissioner for The Child Health Foundation, a fellow of the Company Directors Association and Honorary Consul of Austria in WA.

Robert Peter Salmon
Executive Director and Founding Director of the Company

32 years experience in finance and banking industry.

He was an executive for leading fund manager Amstrong 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

Appointed 13 November 2000.

19 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 on the boards of Palm Springs Pty Ltd and Media Corporation Australia Ltd. Des is also currently CEO of Whybin TBWA.

Robert Norman Scott
Non-Executive Director

Appointed 9 November 2000.

He is a Chartered Accountant with over 35 years experience. He was an International Partner with Arthur Andersen. He retired in 1995 and now consults on taxation to Perth based Gooding Pervan Chartered Accountants.

He is the Chairman of publicly listed Amadeus Energy Ltd.

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 originators and managers of home loan mortgages for a number of financiers. The principal activities were conducted under the brand names WA Homeloans,

Homeloans NSW, Homeloans VIC, Homeloans SA, Homeloans QLD, Homeloans Canberra, 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 197 employees as at 30 June 2002 (2001: 141 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.

Operating results for the Year

The consolidated entity profit after providing for income tax for the financial year was \$4,670,938 (2001: \$1,947,148).

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 Ltd were:

Share distribution

	Ordinary Shares	Options over Ordinary shares
W. J. Conn	419,441	600,000
T. A. Holmes	8,533,504	-
R. P. Salmon	8,454,688	-
D. L. Speakman	31,458	300,000
R. N. Scott	1,540,693	300,000

Earnings per share

	Cents
Basic Earnings Per Share	11.05
Diluted Earnings Per Share	11.05

Dividends paid or proposed

	Cents per share	\$'000
Final dividend recommended On ordinary shares	2.50	1,303.00
		1,303.00
Dividends paid in the year:		
Interim dividend on ordinary shares	2.50	1,150.00
Special dividend on ordinary shares	2.50	875.00
		2,025.00

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company acquired the Access Home Loan group of companies and the funds under management of Eurofinance Corporation Pty Ltd.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen in the period between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors, to significantly affect the operations of the consolidated entity, or the state of affairs of the consolidated entity in the subsequent financial year.

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 3,885,000 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 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.

The total amount of insurance contract premiums paid was \$28,708.

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.

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 such as motor vehicles.

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 follows:

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 category 'Other' includes the value of any non-cash benefits provided. Options granted are valued at the market price of the shares less exercise price times the number of options granted.

Where the options are out of the money, a value of nil is attributed.

DIRECTORS' MEETINGS

During the year 13 directors' meetings were held and the audit committee and remuneration committee met 3 times.

The number of meetings attended by each director were as follows:

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 Corporate Governance.

The company's Corporate Governance Statement is contained in the additional Australian Stock Exchange information section of this annual report.

Signed in accordance with a resolution of the directors



W. J. Conn
Chairman

Melbourne, 25 September 2002

Emoluments of directors

	Annual Emoluments		Long Term Emoluments		Total
	Base Fee	Other	Super-annuation	Options Granted	
	\$	\$	\$	\$	\$
W. J. Conn	70,000	-	-	-	70,000
T. A. Holmes	200,000	-	16,000	-	216,000
R. P. Salmon	200,000	-	16,000	-	216,000
D. L. Speakman	35,000	-	-	-	35,000
R. N. Scott	42,500	-	-	-	42,500

Emoluments of executive officers

	Annual Emoluments		Long Term Emoluments		Total
	Base Fee	Other	Super-annuation	Options Granted	
	\$	\$	\$	No	\$
G. Driscoll	133,269	-	10,661	-	143,930
I. Forbes	169,230	-	13,538	-	182,768
J. McGee	235,000	-	18,800	1,000,000*	253,800
J. Mehnert	118,181	-	9,454	-	127,635
D. White	110,635	-	8,850	-	119,485

* 500,000 options which were previously held were cancelled during the year. These were reissued at the same exercise price during the year.

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	13	11	3	3		
T. A. Holmes	13	13				
R. P. Salmon	13	13	3	2	3	3
D. L. Speakman	13	13			3	3
R. N. Scott	13	12	3	3	3	2

5

Section 5
Homeloans Limited
Annual Report
2001/02

Independent Audit Report

Scope

We have audited the financial report of Homeloans Limited for the financial year ended 30 June 2002, as set out on pages 14 to 45, including the Directors' Declaration. The financial report includes the financial statements of Homeloans Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, in Australia, so as

to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

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 company's and consolidated

entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements.

Ernst & Young

G. E. Angove
Partner

Perth, 25 September 2002

Directors' 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 2002 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

W. J. Conn
Chairman

Melbourne, 25 September 2002

6

Section 6
Homeloans Limited
Annual Report
2001/02

Homeloans Limited and Controlled Entities Statement of Financial Performance for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	8 Months Ended 2001 \$	2002 \$	8 Months Ended 2001 \$
REVENUES FROM ORDINARY ACTIVITIES	2	34,089,459	11,134,299	25,013,189	8,024,715
Salaries and employee benefits expense		11,870,921	3,022,283	10,360,856	2,824,289
Commissions and valuation fees		3,157,947	846,762	2,581,237	820,658
Consultancy and Corporate Affairs		511,356	94,598	520,920	74,180
Depreciation and amortisation	3	3,864,311	1,191,423	3,033,855	1,109,564
Borrowing costs	3	373,914	248,455	371,944	244,815
Advertising expenses		838,918	140,696	833,308	126,609
Occupancy costs		1,484,389	508,804	1,241,483	491,618
Portfolio management fees		1,564,153	542,716	-	-
Printing and Stationery		424,435	137,778	391,693	134,540
Telephone costs		834,831	393,594	702,181	362,491
Insurance		483,693	196,028	316,886	169,723
Write off of deferred brand awareness expenditure		1,496,176	-	1,496,176	-
Other expenses from ordinary activities		1,479,475	1,879,833	1,099,542	1,432,612
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		5,704,940	2,291,329	2,063,108	233,616
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	1,034,002	344,181	1,037,049	344,181
PROFIT/ (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED	18	4,670,938	1,947,148	1,026,059	(110,565)
Basic earnings per share	24	11.05 cents	6.56 cents		
Diluted earnings per share	24	11.05 cents	6.05 cents		

Homeloans Limited and Controlled Entities
Statement of Financial Position at 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
CURRENT ASSETS					
Cash assets		1,191,569	2,785,192	93,929	1,109,463
Receivables	5	7,446,434	4,846,526	4,358,188	3,434,295
Prepaid Expenses	6	5,103,534	1,386,194	4,340,908	1,336,322
Other	7	1,459,056	615,012	1,457,686	615,012
TOTAL CURRENT ASSETS		15,200,593	9,632,924	10,250,711	6,495,092
NON-CURRENT ASSETS					
Prepaid expenses	6	11,287,440	3,549,276	9,246,705	3,399,684
Investments	8	-	31,499	23,789,042	7,142,319
Plant and equipment	9	1,857,731	1,075,686	1,746,052	1,074,686
Intangibles	10	45,357,869	31,551,944	23,787,576	25,085,080
Other	11	2,991,806	1,070,788	2,989,706	1,070,788
TOTAL NON-CURRENT ASSETS		61,494,846	37,279,193	61,559,081	37,772,557
TOTAL ASSETS		76,695,439	46,912,117	71,809,792	44,267,649
CURRENT LIABILITIES					
Payables	12	3,183,304	2,581,662	2,421,928	2,062,650
Non-interest bearing liabilities	13	2,044,862	4,666,667	5,051,237	4,666,667
Unearned revenue	14	1,607,777	763,864	1,347,780	746,920
Interest bearing liabilities	15	975,748	834,461	975,748	834,461
Provisions	16	455,481	233,043	439,934	233,043
TOTAL CURRENT LIABILITIES		8,267,172	9,079,697	10,236,627	8,543,741
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	4	1,841,652	344,181	1,381,230	344,181
Unearned revenue	14	3,958,968	1,071,133	3,266,880	1,020,334
Interest bearing liabilities	15	5,431,493	1,416,939	5,431,493	1,416,939
Non-interest bearing liabilities	13	2,916,667	-	2,916,667	-
Provisions	16	-	44,167	-	44,167
TOTAL NON-CURRENT LIABILITIES		14,148,780	2,876,420	12,996,270	2,825,621
TOTAL LIABILITIES		22,415,952	11,956,117	23,232,897	11,369,362
NET ASSETS		54,279,487	34,956,000	48,576,895	32,898,287
EQUITY					
Contributed equity	17	49,686,343	33,008,852	49,686,343	33,008,852
Retained profits/(accumulated losses)	18	4,593,144	1,947,148	(1,109,448)	(110,565)
TOTAL EQUITY		54,279,487	34,956,000	48,576,895	32,898,287

Homeloans Limited and Controlled Entities
Statement of Cash Flows for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	8 Months Ended 2001 \$	2002 \$	8 Months Ended 2001 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		35,656,528	12,989,005	22,017,388	10,728,733
Payments to suppliers and employees		(34,937,824)	(14,546,478)	(28,345,689)	(13,281,871)
Interest received		77,002	86,456	45,989	86,456
Borrowing costs		(373,914)	(143,329)	(371,944)	(127,378)
Taxation Paid		(22,000)	-	-	-
NET CASH FLOWS FROM/USED IN OPERATING ACTIVITIES	19(a)	399,792	(1,614,346)	(6,654,256)	(2,594,060)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for trailing commissions/loan book		(3,952,925)	(1,455,856)	(3,952,925)	(1,455,856)
Loan to other entities		-	(229,786)	-	(229,786)
Loan repaid by other entities		-	846,502	-	846,502
Proceeds from sale of plant and equipment		-	43,034	-	-
Purchase of property, plant and equipment		(146,526)	(313,866)	(133,584)	(313,866)
Acquisition of business entities	19(e)	(10,869,500)	(3,171,081)	(10,869,500)	(3,824,062)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(14,968,951)	(4,281,053)	(14,956,009)	(4,977,068)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of Shares		11,000,000	9,860,000	11,000,000	9,860,000
Payment of share issue costs		(414,955)	(1,679,405)	(414,955)	(1,679,405)
Payment for share buy back		(8,000)	-	(8,000)	-
Proceeds from borrowings		5,019,315	1,530,000	12,638,510	1,530,000
Repayment of borrowings		(2,029,663)	(1,030,004)	(2,029,663)	(1,030,004)
Payment of dividends		(591,161)	-	(591,161)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		12,975,536	8,680,591	20,594,731	8,680,591
NET (DECREASE)/INCREASE IN CASH HELD		(1,593,623)	2,785,192	(1,015,534)	1,109,463
Opening cash brought forward		2,785,192	-	1,109,463	-
CLOSING CASH CARRIED FORWARD	19(b)	1,191,569	2,785,192	93,929	1,109,463

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.

b) Changes in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to earnings per share and deferment and amortisation of brand awareness expenditure.

The consolidated entity has adopted the revised Accounting Standard AASB 1027 "Earnings Per Share" and has for the first time, determined basic and diluted earnings per share in accordance with the revised Standard. Basic earnings per share (EPS) was previously calculated by dividing the profit from ordinary activities after tax and preference dividends by the weighted average number of ordinary shares outstanding during the financial year. In accordance with the revised AASB 1027, basic EPS is now 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 was previously determined by dividing the profit from ordinary activities after tax and preference dividends adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year. In accordance with AASB 1027, diluted EPS is now 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; and
- other non-discretionary changes in revenues or 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.

The revised policy has had no effect on basic and diluted EPS for the 2002 financial year. The revised policy has had the effect of increasing diluted earnings per share for 2001 from 6.04 cents per share to 6.05 cents per share.

The Company and the consolidated entity have changed the accounting policy in respect of the deferment and amortisation of brand awareness expenditure. Expenditure incurred in respect of brand awareness is expensed in the period it is incurred. Previously, brand awareness expenditure was deferred and amortised over 24 months.

The effect of this change in accounting policy is an increase in brand awareness expenditure during the 2002 financial year amounting to \$1,496,176.

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 2002 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.

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

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) Trade and other 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.

f) Investments

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

g) Recoverable amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

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.

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 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.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

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

j) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired as 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

Dividends payable are recognised when a legal obligation to pay the dividend arises, typically following the approval of the dividend at a meeting of the Board of Directors.

Other provisions are provided for when it is likely that an obligation exists at 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 over the weighted average term of the loan, currently taken as 50 months.

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 deferred and recognised over the weighted average term of the loan, currently taken as 50 months. 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.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

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

r) Employee entitlements

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

Liabilities arising in respect of wages and salaries, annual leave, long service leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement 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 interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

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

The value of the employee option scheme described in note 25 is not being charged as an employee entitlement expense.

In respect of the consolidated entity's superannuation plans, any contributions made to the superannuation funds by entities within the consolidated entity are charged 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 as a result of the first-time application of revised account standard AASB 1027 'Earnings per Share'.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	CONSOLIDATED		HOMELoANS LIMITED	
	2002	8 Months Ended 2001	2002	8 Months Ended 2001
Notes	\$	\$	\$	\$
2. REVENUES FROM ORDINARY ACTIVITIES				
Revenues from operating activities				
Mortgage origination income	18,910,399	5,698,756	15,084,311	5,563,653
Loan management fees	18,967,731	6,746,438	12,048,332	3,720,166
Increase in unearned mortgage origination income	(4,148,505)	(1,446,242)	(3,236,163)	(1,378,499)
Total revenues from operating activities	33,729,625	10,998,952	23,896,480	7,905,320
Revenues from outside the operating activities				
Interest received – other person/corporations	77,002	81,871	45,989	65,919
Dividends – controlled entities	-	-	1,000,000	-
Proceeds from sale of plant and equipment	-	43,034	-	-
Book value of plant and equipment disposed	-	(43,034)	-	-
Other income	282,832	53,476	70,720	53,476
Total revenues from outside the operating activities	359,834	135,347	1,116,709	119,395
Total revenue from ordinary activities	34,089,459	11,134,299	25,013,189	8,024,715

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	CONSOLIDATED		HOMELoANS LIMITED	
	2002	8 Months Ended 2001	2002	8 Months Ended 2001
Notes	\$	\$	\$	\$
3. EXPENSES AND SIGNIFICANT ITEMS				
(a) Expenses				
Depreciations and amortisation				
Plant and equipment	171,799	66,745	132,742	66,745
Motor vehicles	375	34	375	34
Plant and equipment under lease	495,290	177,782	495,290	177,782
Amortisation of goodwill	2,088,903	946,862	1,297,504	865,003
Amortisation of prepaid trailing commissions	238,300	-	238,300	-
Amortisation of acquired loan book	869,644	-	869,644	-
Total depreciation and amortisation	3,864,311	1,191,423	3,033,855	1,109,564
Borrowing costs				
Finance lease charges	92,995	7,417	92,995	7,417
Borrowing costs and bank fees	37,142	90,809	37,142	87,169
Interest on bank loan	243,777	150,229	241,807	150,229
Total interest expense	373,914	248,455	371,944	244,815
Operating lease rental	1,192,802	417,012	1,027,050	405,007
(b) Significant items				
Profit from ordinary activities before income tax expense includes the following material expense whose disclosure is relevant in explaining the financial performance of the entity:				
Deferred brand awareness expenditure written off in accordance with the change in accounting policy described in Note 1 (b):	1,496,176	-	1,496,176	-

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
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%					
		1,711,482	79,429	618,932	79,429
Add/(less) tax effect of permanent differences:					
Goodwill amortisation		626,671	294,101	389,251	294,101
Entertainment expenses		30,506	16,541	29,347	16,541
Other		(931)	-	(481)	-
Non-rebateable intercompany dividend		300,000	-	-	-
Unrecognised tax losses recouped in current year		(1,580,300)	-	-	-
Over provision of prior years		(53,426)	-	-	-
Net gain attributable to change in income tax rate		-	(45,890)	-	(45,890)
<hr/>					
Income tax expense attributable to ordinary activities		1,034,002	344,181	1,037,049	344,181
<hr/>					
Deferred tax assets and liabilities					
Current tax payable		-	-	-	-
Deferred income tax liabilities		1,841,652	344,181	1,381,230	344,181
<hr/>					
Income tax losses					
Future income tax benefit arising from tax losses of a controlled entity not brought to account at balance date as realisation of the benefit is not regarded as virtually certain					
		-	1,580,300	-	-

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
5. RECEIVABLES					
CURRENT					
Fees receivable		6,485,440	4,326,710	3,410,167	3,012,201
Less provision for doubtful debts		-	-	-	-
		6,485,440	4,326,710	3,410,167	3,012,201
<hr/>					
Other debtors		960,994	519,816	948,021	422,094
		7,446,434	4,846,526	4,358,188	3,434,295
<hr/>					
Fees receivables are on settlement terms of between 4 to 30 days. Other debtors have various maturities.					
6. PREPAID EXPENSES					
CURRENT					
Prepaid commissions and valuation fees		5,103,534	1,386,194	4,340,908	1,336,322
		5,103,534	1,386,194	4,340,908	1,336,322
<hr/>					
NON-CURRENT					
Prepaid commissions and valuation fees		11,287,440	3,549,276	9,246,705	3,399,684
		11,287,440	3,549,276	9,246,705	3,399,684
<hr/>					
7. OTHER CURRENT ASSETS					
Prepaid royalties and trailing commissions		404,875	396,427	404,875	396,427
Loan book receivable (Eurofinance)		948,702	-	948,702	-
Prepayments and other		105,479	218,585	104,109	218,585
		1,459,056	615,012	1,457,686	615,012

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
8. INVESTMENTS					
Shares in unlisted company					
- at cost		-	-	23,789,042	7,110,820
- capitalised pre-acquisition costs		-	31,499	-	31,499
		-	31,499	23,789,042	7,142,319

Particulars relating to controlled entities:

Chief Entity	Country of Incorporation	PERCENTAGE HELD BY CONSOLIDATED ENTITY		CHIEF ENTITY INVESTMENT	
		2002 %	2001 %	2002 \$	2001 \$
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	-	16,644,482	
- Access Network Management Pty Ltd	Australia				
- Access Home Loans Pty Ltd	Australia				
- HLL Pty Ltd	Australia				
* St Michael Investments Pty Ltd	Australia	100	-	29,525	

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
9. PLANT AND EQUIPMENT					
Motor Vehicles					
- At cost		1,700	1,700	1,700	1,700
- Provision for depreciation		(409)	(34)	(409)	(34)
		1,291	1,666	1,291	1,666
Plant and equipment					
- At cost		1,000,565	717,245	849,829	716,245
- Provision for depreciation		(582,021)	(410,222)	(542,964)	(410,222)
		418,544	307,023	306,865	306,023
Plant and equipment under lease					
- At cost		2,976,712	1,810,523	2,976,712	1,810,523
- Provision for amortisation		(1,538,816)	(1,043,526)	(1,538,816)	(1,043,526)
		1,437,896	766,997	1,437,896	766,997
Total plant and equipment		1,856,440	1,074,020	1,744,761	1,073,020
Total property, plant and equipment		1,857,731	1,075,686	1,746,052	1,074,686

(a) Assets pledged as security

All balances of property, plant and equipment have been granted first mortgages as security over bank loans (see note 15). The terms of the first mortgages requires all assets to be fully insured at all times.

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

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)					
(b) Reconciliations					
Motor Vehicles					
Carrying amount at beginning		1,666	-	1,666	-
Additions		-	1,700	-	1,700
Disposals		-	-	-	-
Depreciation expense		(375)	(34)	(375)	(34)
		1,291	1,666	1,291	1,666
Plant and equipment					
Carrying amount at beginning		307,023	-	306,023	-
Additions		185,023	170,798	133,584	170,798
Additions through acquisition of entities		98,297	246,004	-	201,970
Disposals		-	(43,034)	-	-
Depreciation expense		(171,799)	(66,745)	(132,742)	(66,745)
		418,544	307,023	306,865	306,023
Plant and equipment under lease					
Carrying amount at beginning		766,997	-	766,997	-
Additions		1,166,189	142,367	1,166,189	142,367
Additions through acquisition of entities		-	802,411	-	802,411
Disposals		-	-	-	-
Amortisation expense		(495,290)	(177,781)	(495,290)	(177,781)
		1,437,896	766,997	1,437,896	766,997

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
10. INTANGIBLES (NON-CURRENT)					
Goodwill at cost		48,393,634	32,498,806	25,950,083	25,950,083
Accumulated amortisations		(3,035,765)	(946,862)	(2,162,507)	(865,003)
		45,357,869	31,551,944	23,787,576	25,085,080
11. OTHER (NON-CURRENT)					
Prepaid royalties and trailing commission		812,681	1,059,429	812,681	1,059,429
Loan book receivable (Eurofinance)		2,134,579	-	2,134,579	-
Refundable rent deposits		44,546	11,359	42,446	11,359
		2,991,806	1,070,788	2,989,706	1,070,788
12. PAYABLES (CURRENT)					
Trade creditors		165,449	349,220	104,399	327,809
Accrued commissions		884,673	803,575	884,673	780,575
Cash flow claim creditors		314,444	407,364	300,443	407,364
Sundry creditors and accruals		1,818,738	1,021,503	1,132,413	546,902
		3,183,304	2,581,662	2,421,928	2,062,650
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 (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
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		-	4,666,667	-	4,666,667
Loan - other		44,862	-	-	-
		2,044,862	4,666,667	5,051,237	4,666,667
NON-CURRENT					
Deferred settlement – Access Home Loans	(ii)	2,916,667	-	2,916,667	-
<p>(i) Intercompany loans are non interest bearing and repayable on demand.</p> <p>(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.</p>					
14. UNEARNED REVENUE					
CURRENT					
Unearned application fees		1,607,777	375,107	1,347,780	358,163
Loan management fee received in advance		-	388,757	-	388,757
		1,607,777	763,864	1,347,780	746,920
NON-CURRENT					
Unearned application fees		3,958,968	1,071,133	3,266,880	1,020,334

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
15. INTEREST BEARING LIABILITIES					
CURRENT					
Bank overdraft		5,432	-	5,432	-
Lease liability – secured		472,167	334,461	472,167	334,461
Bank loans – secured		-	500,000	-	500,000
Loan		498,149	-	498,149	-
		975,748	834,461	975,748	834,461
NON-CURRENT					
Bank loans - secured		4,094,580	1,030,000	4,094,580	1,030,000
Lease liability – secured		915,759	386,939	915,759	386,939
Loan		421,154	-	421,154	-
		5,431,493	1,416,939	5,431,493	1,416,939
<p>Terms and conditions</p> <p>Terms and conditions relating to the above financial instruments</p> <p>(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.</p> <p>(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.</p> <p>(iii) 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.</p> <p>(iv) The loan expires on 27 December 2005. Interest is charged at a floating rate, currently 5.85%. The loan is secured by the loan book receivable shown in notes 7 and 11.</p>					

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
16. PROVISIONS					
CURRENT					
Employee entitlements	25	424,781	202,343	409,234	202,343
Other		30,700	30,700	30,700	30,700
		455,481	233,043	439,934	233,043
NON-CURRENT					
Employee entitlements	25	-	44,167	-	44,167

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid	49,686,343	33,008,852	49,686,343	33,008,852
----------------------------	------------	------------	------------	------------

(b) Movements in shares on issue

	Number of shares	2002		2001	
		\$	Number of shares	\$	Number of shares
Beginning of the financial year	34,994,000	33,008,852	-	-	-
Issued during the year					
- Founding shareholders	-	-	25,000,000	25,000,000	
- Public equity raising	10,476,191	11,000,000	9,860,000	9,860,000	
Less: transaction costs		(414,955)		(1,985,148)	
- Dividend reinvestment scheme	1,394,573	1,433,781	-	-	
- Conversion of notes on issue	5,251,056	4,666,665	-	-	
- Employee option scheme	-	-	134,000	134,000	
- Shares bought back	(10,000)	(8,000)	-	-	
End of the financial year	52,105,820	49,686,343	34,994,000	33,008,852	

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

17. CONTRIBUTED EQUITY (Cont'd)

At 30 June 2001 the Company had 20,000,000 shares in escrow. 50% the shares were in 12 months escrow and 50% of the shares in 24 months escrow. The 12 months escrow period ended for 9,999,999 shares on 19 March 2002. The Company presently has the following shares in escrow which will end on 19 March 2003:

Shareholders	No. of Shares Held	Exclusion ('permitted transferees')
Robert Peter Salmon	145,349	No exclusion
Peterlyn Pty Ltd as Trustee for Salmon Family Trust	3,837,213	Transfer to Robert Peter Salmon
Timothy Alastair Holmes	145,349	No exclusion
Tico Pty Ltd as Trustee for the TA Holmes Family Trusts	3,837,213	Transfer to Timothy Alastair Holmes
Gemtrick Pty Ltd as trustee for the John Maxwell Harris Family Trust	1,308,137	Transfer to John Maxwell Harris
Carpenter Nominees Pty Ltd as Trustee for the Robert Scott Family Trusts	726,740	Transfer to Robert Norman Scott
Total	10,000,001	

If any of those Shares are transferred during the voluntary escrow period to any of the permitted transferees listed above, each of the permitted transferees provides the Company with a similar undertaking that they will not deal with or otherwise dispose of any of those shares before the expiry of the voluntary escrow period.

(c) Share Options

Options over ordinary shares:

During the year, 500,000 options previously issued to the Company's chief operating officer were cancelled. Fifty percent (50%) of the options were exercisable on or after 27 March 2003 and the remaining 50% were exercisable after 27 March 2004. The exercise price was \$1.01. The options expire on 27 March 2006. A replacement issue of 500,000 options was made during the current year with the exact same terms and conditions.

A further 500,000 options were issued to the Company's chief operating officer, fifty percent (50%) of the options are exercisable on or after 1 April 2004 and the remaining 50% are exercisable after 1 April 2005. The exercise price is \$0.994. The options expire on 1 April 2007.

During the year 200,000 options were issued to the Company's finance director, fifty percent (50%) of the

options are exercisable on or after 1 April 2004 and the remaining 50% are exercisable after 1 April 2005. The exercise price is \$0.994. The options expire on 1 April 2007.

At the end of the year there were 3,885,000 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 (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
18. RETAINED PROFITS /(ACCUMULATED LOSSES)					
Balance at the beginning of the year		1,947,148	-	(110,565)	-
Net profit attributable to members of Homeloans Limited		4,670,938	1,947,148	1,026,059	(110,565)
Total available for appropriation		6,618,086	1,947,148	915,494	(110,565)
Dividends provided for or paid		(2,024,942)	-	(2,024,942)	-
Balance at end of year		4,593,144	1,947,148	(1,109,448)	(110,565)
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		4,670,938	1,947,148	1,026,059	(110,565)
Non cash items					
Depreciation of non-current assets		667,464	244,561	628,407	244,561
Amortisation of goodwill		2,088,903	946,862	1,297,504	865,003
Amortisation of prepaid commissions		238,300	-	238,300	-
Amortisation of loan book acquired		869,644	-	869,644	-
Intercompany dividend		-	-	(1,000,000)	-
Intercompany management fee		-	-	(3,567,957)	-
Changes in assets and liabilities					
Increase in receivables		(2,087,677)	(1,727,064)	(840,504)	(592,341)
Increase in deferred expenses		(11,395,652)	(4,023,555)	(9,323,409)	(3,827,317)
Increase in deferred revenue		3,731,748	1,834,997	2,458,649	1,767,254
Increase/(Decrease) in payables and provisions		582,122	(1,181,476)	522,002	(1,284,836)
Increase in deferred income tax liability		1,034,002	344,181	1,037,049	344,181
Net cash flows from operating activities		399,792	(1,614,346)	(6,654,256)	(2,594,060)

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
19. STATEMENT OF CASH FLOWS (Cont'd)					
(b) Cash balances comprises					
- Cash on hand		4,550	2,500	89,779	2,500
- Cash at bank		1,187,019	2,782,692	4,150	1,106,963
		1,191,569	2,785,192	93,929	1,109,463
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available					
Total facilities:					
- Bank overdraft		900,000	500,000	900,000	500,000
- Tape negotiation authority facility		-	145,000	-	145,000
- Cash advance		6,475,000	1,530,000	6,475,000	1,530,000
- Standby Letter of Credit Facility		-	1,000	-	1,000
		7,375,000	2,176,000	7,375,000	2,176,000
Facilities used at balance date:					
- Bank overdraft		5,432	-	5,432	-
- Tape negotiation authority facility		-	-	-	-
- Cash advance		4,094,580	1,530,000	4,094,580	1,530,000
- Standby Letter of Credit Facility		-	-	-	-
		4,100,012	1,530,000	4,100,012	1,530,000
Facilities unused at balance date:					
- Bank overdraft		894,568	500,000	894,568	500,000
- Tape negotiation authority facility		-	145,000	-	145,000
- Cash advance		2,380,420	-	2,380,420	-
- Standby Letter of Credit Facility		-	1,000	-	1,000
		3,274,988	646,000	3,274,988	646,000

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
19. STATEMENT OF CASH FLOWS (Cont'd)					
(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 \$1,166,189.					
(e) Business Acquired					
On 27 December 2001, Homeloans Limited acquired 100% of the Access Home Loan Group, which operate a mortgage origination and management business.					
On 28 February 2002 Homeloans Limited acquired 100% of the shares of St Michael Investments Pty Ltd.					
Details of the acquisitions are as follows:					
		Access	St Michael	Total	
Consideration paid					
Cash paid	10,487,467		29,350	10,516,817	
Deferred settlement	4,916,667		-	4,916,667	
		15,404,134	29,350	15,433,484	
Fair value of net assets acquired					
Cash	162,336		8,597	170,933	
Receivables	430,865		1,447	432,312	
Plant and equipment	82,252		16,035	98,287	
Creditors	(174,992)		(799)	(175,791)	
Deferred Income Tax Liability	(463,469)		-	(463,469)	
Bank overdraft	(523,616)		-	(523,616)	
Goodwill arising on acquisition	15,890,758		4,070	15,894,828	
		15,404,134	29,350	15,433,484	
Net cash effect:					
Cash consideration paid	10,487,467		29,350	10,516,817	
Less/add:					
(Cash)/overdraft balance included in the net assets acquired	361,280		(8,597)	352,683	
	10,848,747		(21,753)	10,869,500	

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMELOANS LIMITED	
		2002 \$	2001 \$	2002 \$	2001 \$
20. EXPENDITURE COMMITMENTS					
(a) Finance lease commitments					
Payable:					
- not later than one year		569,347	385,472	569,347	385,472
- later than one year but not later than five years		1,007,574	425,107	1,007,574	425,107
- later than five years		-	-	-	-
Minimum lease payments		1,576,921	810,579	1,576,921	810,579
Less future finance charges		(188,995)	(89,179)	(188,995)	(89,179)
		1,387,926	721,400	1,387,926	721,400
Total lease liability accrued for:					
Current liability		472,167	334,461	472,167	334,461
Non-current liability		915,759	386,939	915,759	386,939
		1,387,926	721,400	1,387,926	721,400
(b) Operating leases (non-cancellable):					
Minimum lease payments					
- not later than one year		983,596	723,537	983,596	723,537
- later than one year but not later than five years		1,577,860	1,704,295	1,577,860	1,704,295
- later than five years		-	-	-	-
- aggregate lease expenditure contracted for at balance date but not provided for		2,561,456	2,427,832	2,561,456	2,427,832

(c) Finance leases have an average lease term of 3½ 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.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

21. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from mortgage origination and loans management. The consolidated entity operates predominantly within the one 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. (2001:\$2.3billion)

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	
	2002	2001
	\$	\$
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net Profit	4,670,938	1,947,148
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	4,670,938	1,947,148
	No. of Shares	No. of Shares
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	42,282,795	29,702,186
Effect of dilutive securities:		
Share options	-	2,460,851
Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted EPS	42,282,795	32,163,037

The 3,885,000 options outstanding at 30 June 2002 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 (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002	2001	2002	2001
		\$	\$	\$	\$
25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlements liability is comprised of:					
Accrued wages and salaries		166,914	112,581	166,914	112,581
Provisions (current)	16	424,781	202,343	409,234	202,343
Provisions (non-current)	16	-	44,167	-	44,167
		591,695	359,091	576,148	359,091

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 71 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:

	2002		2001	
	Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at the beginning of the year	3,370,000	1.06	-	-
- granted	1,200,000	1.00	3,370,000	1.06
- forfeited	(185,000)	1.01	-	-
- cancelled	(500,000)	1.01	-	-
Balance at the end of the year	3,885,000	1.05	3,370,000	1.06
Exercisable at the end of the year	400,000	1.00	-	-

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.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002	8 Months Ended 2001	2002	8 Months Ended 2001
		\$	\$	\$	\$
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		579,500	438,085		
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				579,500	438,085
The number of directors of Homeloans Limited whose remuneration (including superannuation contributions) falls within the following bands is:					
		No.	No.	No.	No.
\$ 30,000 - \$ 39,999		1	2	1	2
\$ 40,000 - \$ 49,999		1	-	1	-
\$ 70,000 - \$ 79,999		1	1	1	1
\$140,000 - \$ 149,999		-	2	-	2
\$210,000 - \$ 219,999		2	-	2	-

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

	Notes	CONSOLIDATED		HOMEOANS LIMITED	
		2002	8 Months Ended 2001	2002	8 Months Ended 2001
		\$	\$	\$	\$
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:		802,583	278,075		
Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any related party, whether as an executive officer or otherwise:				802,583	278,075
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands is:					
		No.	No.	No.	No.
\$110,000 - \$119,999		1			
\$120,000 - \$129,999		1	1	2	1
\$140,000 - \$149,999		1	-	1	-
\$150,000 - \$159,999		-	1	-	1
\$180,000 - \$189,999		1	-	1	-
\$250,000 - \$259,999		1	-	1	-

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

Notes	CONSOLIDATED		HOMELOANS LIMITED	
	2002 \$	2001 \$	2002 \$	2001 \$
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	51,000	20,000	16,500	16,000
- other services in relation to the entity and any other entity in the consolidated entity	14,000	96,700	14,000	96,700

29. RELATED PARTY DISCLOSURES

Directors

The directors of Homeloans Limited during the financial year were:

William John Conn
 Timothy Alastair Holmes
 Robert Peter Salmon
 Desmond Lee Speakman
 Robert Norman Scott

Wholly-owned group transactions

During the year management fees totalling \$3,567,957 were paid by Access Home Loans Pty Ltd to Homeloans Limited.

During the year a dividend of \$1,000,000 was declared by FAI First Mortgage Pty Ltd.

At year end, loans totalling \$3,051,237 were owing by Homeloans Limited to group companies. These loans are interest free and have no fixed terms of repayment.

Director related entity transactions

Acquisition of St Michael Investments Pty Ltd

During the year Homeloans Limited acquired 100% of the shares of St Michael Investments Pty Ltd a company that was 50% owned by related entities of Mr R. Salmon and Mr T. Holmes. Total consideration paid was \$29,350. The purchase was made at market value.

Services

Homeloans Limited has an office lease agreement with St Michael Investments Pty Ltd. The total lease payments for the year ended 30 June 2002 was \$178,200 (2001: \$38,000). Of the \$178,200 Homeloans Limited paid a sum of \$59,400 during the period when St Michael Investments Pty Ltd was a wholly owned subsidiary of the Company and \$118,800 prior to this period. The lease was made under normal terms and conditions.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

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		OPTIONS	
	2002 Number	2001 Number	2002 Number	2001 Number
W. J. Conn	419,441	400,000	600,000	600,000
T. A. Holmes	8,533,504	8,045,123	-	-
R. P. Salmon	8,454,688	8,015,123	-	-
D. L. Speakman	31,458	30,000	300,000	300,000
R. N. Scott	1,540,693	1,453,480	300,000	300,000

Movement in directors' equity holdings

Mr R. P. Salmon through his related entities acquired 439,565 shares at an average price of \$1.05/share.
 Mr T. A. Holmes through his related entities acquired 488,381 shares at an average price of \$1.05/share.
 Mr W. J. Conn through his related entity acquired 19,441 shares at an average price of \$1.04/share.
 Mr D. L. Speakman through his related entity acquired 1,458 shares at an average price of \$1.04/share.
 Mr R. N. Scott through his related entity acquired 87,213 shares at an average price of \$1.05/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. SUBSEQUENT EVENTS

There has not arisen in the period between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the consolidated entity, or the state of affairs of the consolidated entity in the subsequent financial year.

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

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:

30 JUNE 2002

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE	Fixed Interest Rate Maturing in:				TOTAL	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
		1 YEAR OR LESS	OVER 1 TO 5 YEARS	MORE THAN 5 YEARS	NON-INTEREST BEARING		
(i) FINANCIAL ASSETS							
Cash assets	1,191,569				-	1,191,569	3.55%
Receivables	-				7,446,434	7,446,434	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

30 JUNE 2001

(i) FINANCIAL ASSETS							
Cash assets	2,785,192					2,785,192	3.55%
Receivables					4,846,526	4,846,526	N/A
Goods and Services Tax					123,747	123,747	N/A
Total Financial Assets	2,785,192				4,970,273	7,755,465	N/A
(ii) FINANCIAL LIABILITIES							
Payables					2,581,662	2,581,662	N/A
Non-interest bearing liabilities					4,666,667	4,666,667	N/A
Interest bearing liabilities	2,251,400					2,251,400	7.54 %
Total Financial Liabilities	2,251,400				7,248,329	9,499,729	N/A

Homeloans Limited and Controlled Entities
Notes to the Financial Statements (Cont'd) for the Year Ended 30 June 2002

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		AGGREGATE NET FAIR VALUE	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(i) FINANCIAL ASSETS				
Cash	1,191,569	2,785,192	1,191,569	2,785,192
Receivables	7,446,434	4,970,273	7,446,434	4,970,273
Total Financial Assets	8,638,003	7,755,465	8,638,003	7,755,465
(ii) FINANCIAL LIABILITIES				
Payables	3,183,304	2,581,662	3,183,304	2,581,662
Non interest bearing liabilities	4,961,529	4,666,667	4,961,529	4,666,667
Interest bearing liabilities	6,407,241	2,251,400	6,407,241	2,251,400
Total Financial Liabilities	14,552,074	9,499,729	14,552,074	9,499,729

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. Some agreements with lenders also contain provisions enabling the lender to require the consolidated entity to pay installments 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 risks in this area is mitigated by insurance policies. The consolidated entity is not materially exposed to any individual lender.

7

Section 7
Homeloans Limited
Annual Report
2001/02

Homeloans Limited Corporate Governance Statement for the Year Ended 30 June 2002

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 directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least every second month 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
W. J. Conn, OAM	Non-Executive Chairman
T. A. Holmes	Joint Managing Director
R. P. Salmon	Joint Managing Director
D. L. Speakman	Non-Executive Director
R. N. Scott	Non-Executive Director

Audit Committee

The board has established an audit committee, which operates under a charter. The committee meets at least twice a year to ensure that the board continues to operate within the established guidelines, including where necessary selecting candidates for the position of director. The audit committee comprised Mr R.N. Scott as Chairman and Mr. W.J. Conn and Mr R.P. Salmon as members.

Auditors

The company's auditors Ernst & Young, Chartered Accountants were last appointed at the annual general

meeting of the company on 27 November 2001. The audit committee will make arrangements with the auditors for the timely rotation of the audit engagement partners.

Remuneration Committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the executive team. The remuneration committee comprised Mr D.L. Speakman as Chairman and Mr R. P. Salmon and Mr R. N. Scott as members.

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.

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 chairman.

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 and Investments Commission;
- the quarterly report to the Australian Stock Exchange Limited (as applicable) to meet the requirements of the Listing Rules of the ASX;
- the annual general meeting and other meetings so called to obtain approval of board action as appropriate;
- continuous disclosure to the stock market of price sensitive information;
- continuous communication with shareholders through the company's web site.

8

Section 8
Homeloans Limited
Annual Report
2001/02

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

Substantial Shareholders details as at 16 September 2002 were:

Holder of Relevant Interest	Number of ordinary shares in which interest held
Timothy Alastair Holmes, Tico Pty Ltd (TA Holmes Family Fund A/C)	
Joanna Mary Holmes, Tiffany Eliza Farrar Holmes, Lucy Caroline Holmes and Carol Mary Holmes	8,533,504 shares
Robert Peter Cockburn Salmon, Peterlyn Pty Ltd (Salmon Family Fund A/C) and Julie Kathleen Salmon	8,454,688 shares
Permanent Trustee Australia Limited (HUN0004 A/C)	
(PAR0002 A/C)	4,488,447 shares
Portfolio Partners Limited and entities in the CGNU Plc Group	3,467,186 shares
Gemtrick Pty Ltd	2,691,043 shares
Westpac Banking Corporation and Associates	2,625,528 shares

There are 1,154 holders of ordinary shares
There are 3 holders of non-executive directors options
There are 63 holders of employee options
There are 2 holders of other executive options

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Size of Holding	Number of ordinary shareholders
1 – 1000	116
1001 – 5000	562
5001 – 10000	208
10001 – 100000	230
100001 – and over	38

There are 34 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 share in the Company as at 16 September 2002 were:

Name	Number of Shares	% of issued capital
Peterlyn Pty Ltd	8,047,432	15.48%
Tico Pty Ltd	8,047,432	15.48%
Permanent Trustee Australia Limited (HUN0004 A/C)	3,870,901	7.45%
JP Morgan Nominees Australia Limited	3,723,637	7.16%
Gemtrick Pty Ltd	2,691,043	5.18%
Westpac Banking Corporation	2,625,528	5.05%
National Nominees Limited	1,707,150	3.28%
FAI Insurances Limited	1,425,528	2.74%
Carpenter Nominees Pty Ltd	1,064,683	2.05%
RBC Global Services Australia Nominees Pty Limited (PP A/C)	917,382	1.76%
Equity Trustees Limited (SGH PI Smaller Co's Fund)	750,000	1.44%
Fortis Clearing Nominees Pty Ltd (Settlement A/C)	742,189	1.43%
MF Custodians Ltd	700,000	1.35%
Bellwood Limited	645,935	1.24%
Invia Custodian Pty Limited (WAM Equity Fund A/C)	633,330	1.22%
Permanent Trustee Australia Limited (PAR0002 A/C)	618,146	1.19%
Invia Custodian Pty Limited (White A/C)	500,000	0.96%
Feber Holdings Pty Ltd (Scott Super Fund A/C)	455,038	0.88%
Jamac Holdings Pty Ltd	419,441	0.81%
Invia Custodian Pty Limited (WAM Capital Limited A/C)	413,132	0.79%

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 27 March 2002 that it will be engaging 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.

During the financial year ending 30 June 2002 Homeloans Limited has used its cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.