Annual Report 2004 / 2005

Homeloans LTD

CORPORATE INFORMATION

Directors
Timothy Holmes
(Executive Chairman)

Robert Salmon
(Managing Director)

Brian Jones
(Executive Director)

Robert Scott
(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 7
BT Tower
1 Market Street
Sydney NSW 2000
Phone: (02) 8267 2000
Facsimile: (02) 8267 2045

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

Postal Address
PO Box 7216
Cloisters Square
Perth WA 6850

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

Auditors
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

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

ASX Code
Ordinary shares - HOM
Reset Preference shares - HOMPA

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
HLL Pty Ltd
St Michael Investments Pty Ltd
Match Funds Management Limited

THIS PAGE IS INTENTIONALLY LEFT BLANK

CONTENTS

CHAIRMAN'S REPORT

Improvements made to our distribution network and management processes will be built upon and strengthened in the year ahead

On behalf of your Board I am pleased to present the 2005 annual report for Homeloans Ltd.

The Board has revised the previously issued financial report to the Australian Stock Exchange as, subsequent to balance date, the company has reached settlement with the Western Australian Office of State Revenue ("OSR") with respect to the assessment of $1,788,512 of Stamp Duty, paid in 2003. The settlement resulted in the OSR refunding $951,490 to Homeloans Ltd.

In 2003 Homeloans Ltd received the assessment in relation to the transfer of the assets of IF&I Securities Pty Ltd as trustee for the IF&I Securities Unit Trust to Homeloans Ltd on its inception in December 2000.

Based on strong legal advice Homeloans appealed the assessment and was proceeding towards judicial determination of the matter. The amount paid on the assessment was previously recognised as a current receivable in our financial statements for the year end at 30th June 2005. The Board also recognised in its Statement B to the 4E that under the Australian equivalents of the International Financial Reporting Standards (AIFRS) that the contingent asset was probable but not virtually certain, the asset would not be recognised under AIFRS.

The Board believe that the settlement was in the best interests of the company rather than face a costly and protracted legal process.

Although this settlement has occurred subsequent to the June 2005 results being released the Board has formed the view that the accounting result under AGAAP at 30 June 2005 should be restated to reflect the adjustment to reduce the NPAT from $1,387,762 to $515,554. This change is a one off adjustment and has no impact on operating earnings or cash flow. The directors have resolved to amend and reissue the financial report for the year ended 30 June 2005 given the quantum of the adjustment and the fact that it is information that clarifies the recoverability of a receivable that existed at 30 June 2005. The final dividend for 2005 will not be affected.

Under AIFRS, the settlement will have a positive impact of increased revenue of $951,490 for the 30 June 2006 result.

For the year ending 30 June 2005 Homeloans Ltd recorded Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $4.0 million.

Prior to the revision, net profit after tax and amortisation of goodwill was $1.4 million, an increase of 30.3% on the prior corresponding period.

As forecast at the last Annual General Meeting, the directors are pleased to announce a 115% increase in the operating cashflow to $4.2m (up $2.2m on 2004). The Net Tangible Asset backing increased by 1.31 cents (4.0%) to 33.67 cents per share.

In light of the favourable result the Directors are pleased to announce the resumption of dividends on the ordinary shares. The final dividend is 1.5 cents per share. The dividend is unfranked and was paid to all shareholders as of record date 7 October 2005.

The year in review has again seen your Company focus on the delivery of improved operational and cost efficiency. The Board expects the culmination of the improvements made in 2005 including the appointment of several key senior managers, a focus on third party distribution and the consolidation of our product portfolio, ongoing cost control and continued operational efficiency to reflect favourably in subsequent financial years.

Your Board is confident that the considerable advances and improvements made to our distribution network and management processes will be built upon and strengthened in the year ahead. In particular increased market recognition of our own funding line the Residential Mortgage Trust and its improved product range. Our role as a wholesale funder will compliment and enhance our existing mortgage management and origination business.

In closing, I would like to thank my fellow Directors and the staff of Homeloans Ltd for their dedication and focus during the year.

Yours faithfully,

Timothy Alastair Holmes
Chairman

MANAGING DIRECTOR'S REPORT

The year in review was one of significant positive change for your Company and its staff. The improvements to your Company's underwriting efficiency and the sales model, together with stronger market positioning and an ongoing focus on cost efficiency has resulted in significant improvements to Homeloans Ltd's performance.

In August 2004 Troy Phillips (formerly BNZA/HomeSide Head of Sales) was appointed General Manager of Sales and in October 2004 Les McDonald, (former Head of Underwriting and Regional Sales Manager for BNZA/HomeSide) was appointed Head of Underwriting. Both of these positions are based in Sydney, consistent with Homeloans strategy of growing the business on the eastern seaboard.

A key area of business growth for Homeloans Ltd continues to be the third party channel through the wholesale distribution of loans via mortgage brokers. Currently this accounts for approximately 55% of our business. The past twelve months has seen strategic initiatives aimed at increasing Homeloans Ltd's presence in the broker market. The strengthening of our broker friendly proposition in this market has delivered significant improvement in Homeloans acceptance with key broker groups and we expect to see the rewards of our efforts in the year ahead and beyond.

At the same time we have continued to consolidate our strengths in the retail sales channel through increased support of our existing satellite offices and mobile lenders, providing brand presence at the local and community level in particular in our traditional strengths of Western Australia and South Australia.

The establishment of our underwriting area as a stand alone division in October 2004 signifies the importance Homeloans places on our relationship with funders, risk management and deal processing speed.

The last twelve months has seen several important improvements to funding. This includes significant improvements and focus on our proprietary funding line, and a consolidation of our product portfolio, focusing on our strengths and niches, aimed at simplifying the product proposition. Becoming more self reliant in our product funding and development continues to be a key strategy going forward.

The new products and improvements to Homeloans Ltd's proprietary funding line are being well received by the market and our sales team, resulting in considerable growth in share of sales.

2006 will see continued focus on processes, systems, productivity and cost management. Distribution will be strengthened by further development of alliances with key groups, development of our own funding vehicle, and increased coverage. The Company remains committed to increasing shareholder wealth, to providing our customers with excellence in personal service and our staff with challenging and exciting careers.

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

Yours faithfully

Robert Peter Salmon
Managing Director

The year in review was one of significant positive change for your Company and its staff.

THIS PAGE IS INTENTIONALLY LEFT BLANK

THE YEAR IN REVIEW

THE YEAR IN REVIEW

"Better Broker Support" advertising campaign featuring Homeloans Ltd sales staff

PROFIT/LOSS

Prior to the revision of the financial statements for the stamp duty settlement the Company made a net profit after tax (NPAT) and amortisation of goodwill of $1.4 million.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $4.9 million.

The net tangible asset (NTA) backing increased 9.4% to 35.40 cents per share (CPS).

After revision to the financial statements these numbers are:

NPAT	$515,554
EBITDA	$4,018,403
NTA	+4.0% to 33.7 CPS

DIVIDEND

The final dividend is 1.5 cents per share. The dividend is unfranked and was paid to all shareholders as of record date 7 October 2005.

EARNINGS PER SHARE

Prior to revision of the financial statements for the stamp duty settlement, earnings per share prior to the amortisation of goodwill and after the deduction of preference dividends was 3.6 cents based on an average of 50.4 million shares. Earnings per share after tax and amortisation of goodwill was 1.76 cents.

After revision to the financial statments earnings per share prior to the amortisation of goodwill and after the deduction of preference dividends was 1.86 cents based on an average of 50.4 million shares. Earnings per share after tax and amortisation of goodwill was 0.02 cents.

CHANGES TO BOARD OF DIRECTORS

There have been no changes to the Board of Directors in the year ending 30 June 2005.

PERSONNEL

Homeloans Ltd has 143 full time staff and 22 direct consultants nationally.

Troy Phillips was appointed General Manager of Sales in August 2004, consolidating the Retail and Broker divisions under one national head of sales. Les McDonald was appointed National Head of Underwriting in October 2004.

MORTGAGES—DISTRIBUTION AND MARKETING

Homeloans Ltd originates and manages a comprehensive range of loans for home owners and investors. We provide our customers with a unique Homeloans Ltd experience, from guiding them through the loan process, to ongoing management of the loan, and delivering personalised customer service for the life of the loan.

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

THIRD PARTY—BROKER CHANNEL

The Third Party sales channel presents considerable opportunity for growth in the lending market. Homeloans Ltd is committed to delivering a broker friendly model. 2005 saw the launch of our "Better Broker Support" program which encapsulates our proposition to brokers, providing them the support they need to help grow their businesses.

Central to this is the delivery of a solid product offering and personalised service supported by sales, marketing and underwriting teams dedicated to delivering the promise to our customers, thereby developing strong and loyal relationships with brokers at multiple points in the delivery process.

Homeloans Ltd's team of Business Development Managers has been expanded to 16 to enable further penetration into capital city markets nationally as well as other key markets including Newcastle, Canberra, Wollongong and major regionals in Queensland and Victoria.

THE YEAR IN REVIEW

The year in review saw much improvement in our service proposition to the Third Party market with a particular emphasis on technology. LoanZone, our broker website was launched in February 2005 and enables brokers to receive loan status updates by SMS and email, it provides 24/7 access to view loan status, product and rate information and provides brokers with the ability to customise their own reports.

Its take-up by our existing brokers has been considerable and extremely positive. It has also aided business development with brokers who have not previously used Homeloans, as a tool that simplifies the broker's dealings with us.

DIRECT SALES

Throughout the year in review Homeloans Ltd consolidated its direct sales channel to enable concentration of efforts on our strengths in this market and to control costs. Local area marketing initiatives are developed by Homeloans Ltd in conjunction with licensees and sales managers to build awareness at a local level and deliver quality leads to the mobile lenders and satellite offices. Homeloans Ltd provides a marketing consultancy service to the licensees and mobile consultants and ensures their marketing efforts are consistent with the Homeloans Ltd brand.

OUR PRODUCTS AND FUNDING

Homeloans offers a comprehensive range of products. Over the year in review significant improvements have been made to our proprietary funding line to enable Homeloans Ltd to become more self sufficient in funding. The "All Purpose Saver" was launched, a basic rate loan with the flexibility of a standard loan, the low documentation line of loans were also improved, and across the board our proprietary products are competitively priced in our portfolio. The funding line is now available to both sales channels and the last quarter saw a significant increase in take-up of these products both from our sales teams and the broker market.

In 2006 Homeloans will continue to strengthen our own funded products and focus on these and our niche products from other funders which provide us with competitive advantage in the market.

SPONSORSHIP AND THE COMMUNITY

Homeloans Ltd continues to support community and cultural events at the community level. This year your Company sponsored the inaugural Great Bike Ride in Perth. 1350 participants cycled 53 kilometres, raising $27,000 for The Lighthouse Project.

Sculpture by the Sea, well known to Sydneysiders, this year launched its Western Australian counterpart at Cottesloe Beach. Homeloans Ltd was a proud partner of the exhibition.

Homeloans also continues to support other charitable causes such as "Telethon" and Radio 6PR's "Children's Christmas Party".

MOSAIC

Homeloans Ltd's subsidiary, Access Home Loans Pty Ltd has joined forces with three other well respected mid-sized broker groups to establish an aggregation company, Mosaic Financial Services Pty Ltd. Commencing October 2005, Access will aggregate its broker-generated loans through Mosaic.

This move will enable Homeloans to continue to focus on the broader broker market, whilst ensuring Access effectively services it's existing customer base.

CUSTOMER RETENTION

For the second year in a row, the year in review saw a tightening of the mortgage market. This resulted in an increased focus by our competitors on refinancing borrowers from other lenders. We are pleased to advise that in an increasingly competitive market our retention levels have improved due to an assertive retention strategy and ongoing commitment to providing the best possible personal service to our customers.

Great Bike Ride - Perth with Homeloans Ltd as naming rights sponsor

THIS PAGE IS INTENTIONALLY LEFT BLANK

DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2005.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Timothy Alastair Holmes
Executive Chairman
Appointed Chairman on 1 July 2003.

Tim has 37 years experience in the finance and banking industry, is a fellow of the Australian Institute of Company Directors, and Honorary Consul of Austria in WA. He is also the former International President of the Young Presidents' Organisation and former Vice President of The WA Chamber of Commerce and Industry.

Robert Peter Salmon
Managing Director
Appointed 9 November 2000.

Rob has 35 years experience in the finance and banking industry. Rob was an executive for leading fund manager Armstrong Jones from 1976 until 1985. In 1985, he joined with Tim Holmes to establish International Financing and Investment Pty Ltd, the predecessor to Homeloans Ltd. He has a Bachelor of Economics from the University of Western Australia

Brian Donald Jones
Executive Director
Appointed 28 May 2004.

Brian has 39 years experience in the finance and banking industry. Brian was a senior executive with National Australia Bank from 1993 to 2003. Most recently he was head of the bank's Australian third party mortgage origination arm, HomeSide Lending. Prior to this he held senior positions with the bank's subsidiary, Bank of New Zealand Australia including Head of Consumer Markets and Head of Banking Services. He has a Master of Business Administration from the AGSM.

Robert Norman Scott
Non-Executive Director
Appointed 9 November 2000.

Rob is a Chartered Accountant with over 38 years experience. Rob was an International Partner with Arthur Andersen. Since retiring in 1995, Rob now consults on taxation to Perth based Gooding Pervan Chartered Accountants.

During the past three years Rob has also served as a director of the following other listed companies:

- Amadeus Energy Ltd (Appointed 30 October 1996)* - Chairman
- BioMD Limited (Appointed 23 June 1999)* - Chairman
- Australian Renewable Fuels Limited (Appointed 24 December 2002)* - Chairman
- Evans & Tate Limited (Appointed 18 July 2005)*

* Denotes current directorship.

Company Sectretary
Jennifer Murray

Jennifer Murray was appointed company secretary to Homeloans Ltd on 9 November 2000. She is a Chartered Secretary and has over 22 years experience in providing corporate secretarial services for both public and proprietary companies. She is presently the Senior Manager, Corporate Secretarial Services for Perth based Gooding Pervan Chartered Accountants.


Robert Salmon


Tim Holmes

DIRECTORS' REPORT

Brian Jones

Robert Scott

Interests in the shares and options of the company and related bodies corporate

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

	Ordinary Shares	10% Reset Preference Shares	Options over Ordinary shares
T. A. Holmes	8,869,781	170,750	-
R. P. Salmon	8,665,366	170,441	-
R. N. Scott	1,489,794	29,458	300,000
B. D. Jones	50,000	-	1,375,000

EARNINGS PER SHARE

	Cents
Basic Earnings Per Share	0.02
Diluted Earnings Per Share	0.77

DIVIDENDS

	Cents per share	$'000
Final dividend recommended		
• On ordinary shares	1.5	755
• On reset preference shares	Nil	-
		755
Dividends paid in the year		
• Interim dividend (2005) on ordinary shares	Nil	-
• 10% dividend on reset preference shares*	100.0	504
		504
Final dividend for 2004 shown as recommended in the 2004 report		
On ordinary shares	Nil	-
On reset preference shares	Nil	-
		-

* Dividends paid on reset preference shares are paid every six months on 30 November and 31 May of each year.

DIRECTORS' REPORT

CORPORATE INFORMATION

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

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

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

Employees
The consolidated entity employed 143 employees as at 30 June 2005 (2004: 174 employees).

REVIEW AND RESULTS OF OPERATIONS

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

Performance Indicators
Management and the Board monitor the group's overall performance, from its implementation of the strategic plan through to the performance of the company against operating plans and financial budgets. The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitor KPIs on a regular basis. Directors receive the KPIs for review prior to each monthly board meeting allowing all directors to actively monitor the group's performance. Directors also have access to an on-line reporting database allowing access to details of performance against KPIs on a daily, month to date, and year to date basis.

Operating results for the Year
The consolidated entity profit after providing for income tax and the amortisation of goodwill for the financial year was $515,554 (2004: profit of $1,064,961).

Review of Financial Condition
Capital Structure
There were no capital issues during the financial year.

The group continues to have a sound capital structure. This is again reflected in the debt/equity ratio, which is 12.7% in the current year and was 18.4% in the previous year.

Cash from Operations
Net cash flows from operating activities increased from $1,937,273 in the previous year to $4,166,976 in the current year. The increase in cash from operating activities was largely due to the continuation of tighter controls imposed on expenditure across the group's operations, new fees introduced, and more consistent fee charges across the group's product range.

There was an increase in receipts from customers of approximately 1.7% (2004: decrease of 4.3%) and the ratio of payments to suppliers as a percentage of receipts from customers improved with a 4.7% decrease in this measure (2004: 2.4% decrease).

Liquidity and Funding
The group has an overdraft facility of $900,000, which was unutilised at 30 June 2005. The group has sufficient funds to finance its operations and maintains the overdraft facility primarily to allow the group to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure. The group also has a cash advance facility with its bankers at 30 June 2005 of $5,100,000 which was only drawn down to the extent of $2,975,000. At the date of this report this drawing had been fully paid down to $Nil.

DIRECTORS' REPORT

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

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS
There were no significant changes in the state of affairs of the group during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE
As disclosed in Note 33 subsequent to year end the company reached settlement with the Western Australian Office of State Revenue ("OSR") with respect to the outstanding $1,788,512 Stamp Duty Assessment. The settlement will result in the OSR refunding $951,490 to Homeloans Ltd.

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.

ENVIRONMENTAL REGULATION AND PERFORMANCE
The group is not subject to any specific licence or agreement to comply with the requirements of environmental protection authorities in Australia.

SHARE OPTIONS
Unissued shares
As at the date of this report, there were 8,130,000 unissued ordinary shares under options. Refer to note 25 of the financial statements for further details of the options outstanding.

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Homeloans Limited against a liability incurred in their role as directors of the company, except where:

a) the liability arises out of conduct involving a wilful breach of duty; or
b) there has been a contravention of Sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

Terms, conditions and rates are commensurate with the market.

The policy prohibits disclosure of the nature of the indemnification and insurance cover, and the amount of the premium.

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

REMUNERATION REPORT
This report outlines the remuneration arrangements in place for directors and executives of Homeloans Limited (the company).

Remuneration philosophy
The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives.
- Link executive rewards to shareholder value.
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks.
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration committee

In the interest of efficiency and due to the small size of the Board, the functions of the Remuneration Committee are performed by the Board of Directors. The Board is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer (CEO) and the senior management team. The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers 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.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. There has been no change in the initial determination outlined in the constitution of Homeloans Limited adopted on 22 December 2000 in which the fees payable to non-executive directors was specified as not to exceed $250,000 per year. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company. No additional fee is paid for each board committee on which a director sits.

Non-executive directors have long been encouraged by the board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company whose board he or she sits. The remuneration of non-executive directors for the period ending 30 June 2005 is detailed in Table 1 on page 15 of this report.

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:·

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board will from time to time engage an external consultant to provide independent advice both in the form of a written report detailing market levels of remuneration for comparable executive roles as well as the participation of the independent consultant in the meeting from which the Committee makes its recommendations to the Board. Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - Short Term Incentive ('STI'); and
  - Long Term Incentive ('LTI').

DIRECTORS' REPORT

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Board. Table 2 on page 15 details the variable component of the 5 most highly remunerated senior managers.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. As noted above, the Board has access to external advice independent of management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company. The fixed remuneration component of the 5 most highly remunerated senior managers is detailed in Table 2 on page 15.

Variable Remuneration—Short Term Incentive (STI)

Objective

The objective of the STI program is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

Actual STI payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, customer service, risk management, product management, and leadership/team contribution.

The company has predetermined benchmarks which must be met in order to trigger payments under the short term incentive scheme. On an annual basis, after consideration of performance against KPIs, an overall performance rating for the company and each individual business unit is approved by the Board.

The individual performance of each executive is also rated and all three ratings are taken into account when determining the amount, if any, of the short term incentive pool that is allocated to each executive. The aggregate of annual STI payments available for executives across the company is subject to the approval of the Board. Payments made are usually delivered as a cash bonus.

Variable Pay—Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives are delivered in the form of options. These options vest with the executive over varying periods and are not usually subject to a performance hurdle. They usually have a life from date of grant of five years, and are exercisable at specific dates and proportions set at the time of granting the options. Usually 50% of these options are exercisable after two years with the other 50% exercisable after three years. Table 3 on page 16 provide details of options granted, the value of options, vesting periods and lapsed options under the LTI plan.

Employment Contracts

No executives are currently employed under a fixed term contract.

Table 1: Director remuneration for the year ended 30 June 2005

		Primary benefits			Post Employment		Equity	Other	Total
		Salary & Fees	Non Monetary	Cash STI	Superannuation	Retirement Benefits	Options		
T.A.Holmes	2005	160,218	2,986	-	89,629	-	-	-	252,833
	2004	130,992	3,900	-	87,008	-	-	-	221,900
R.P.Salmon	2005	160,218	2,986	-	89,629	-	-	-	252,833
	2004	130,992	3,900	-	87,008	-	-	-	221,900
B.D.Jones	2005	231,528	4,612	300,000	20,838	-	103,030	-	660,008
	2004	13,973	238	-	-	-	-	-	14,211
R.N.Scott	2005	42,500		-	-	-	-	-	42,500
	2004	42,500		-	-	-	3,805	-	46,305

Table 2: Remuneration of the 5 named executives who receive the highest remuneration for the year ended 30 June 2005

		Primary benefits			Post Employment		Equity	Other	Total
		Salary & Fees	Non Monetary	Cash STI	Superannuation	Retirement Benefits	Options		
J. McGee	2005	316,944	121	-	28,525	-	18,490	-	364,080
	2004	299,885	7,615	-	26,990	-	42,299	-	376,789
J. Smith	2005	229,410	4,612	40,000	24,247	-	21,953	-	320,222
	2004	200,169	1,282	40,000	21,615	-	24,969	-	288,035
P. Sealy*	2005	286,307	1,188	-	25,768	-	-	-	313,263
	2004	140,000	2,913	5,000	11,776	-	1,200	-	160,889
T. Phillips **	2005	73,020	-	-	-	-	148,222	-	221,242
G. McFadden	2005	129,987	-	5,000	12,149	-	1,412	-	148,548

* Phillip Sealy was National Sales Manager (External) until he left the company in September 2004. His remuneration included trailing commission on home loans originated by him during his time with the group.

** Troy Phillips is a director of Mortgage Asset Services Pty Ltd (MAS). Troy's services as General Manager Sales for the group are remunerated by way of a commission payment to MAS monthly based on mortgages settled during the previous month. This amounted to $73,020 in the current financial year. MAS also holds 2,750,000 options over unissued shares in Homeloans Limited. The amortised value of these options during the year has been included. None of the remuneration noted above was actually paid directly to Troy Phillips.

The options on issue to MAS include 750,000 options exercisable any time from grant date with the balance subject to performance hurdles. These hurdles are as follows:
1,000,000 exercisable if home loan settlements in any 3 month period prior to 31 March 2006 exceed an average $175m per month
1,000,000 exercisable if home loan settlements in any 3 month period prior to 31 March 2007 exceed an average $225m per month

DIRECTORS' REPORT

Table 3: Options granted as part of remuneration for the year ended 30 June 2005 (in accordance with the LTI plan)

	Grant Date	Grant Number	Vest	Value per option at grant date #	Exercised Number	Value per option at exercise date	Value at date option lapsed	% of remuneration
B. D. Jones	1 Dec 2004	375,000	1 Dec 2004	$0.1019	Not applicable	Not applicable	Not applicable	5.8%
	1 Dec 2004	500,000	1 Jun 2005	$0.0959	Not applicable	Not applicable	Not applicable	7.3%
	1 Dec 2004	500,000	1 Jun 2006	$0.0872	Not applicable	Not applicable	Not applicable	2.6%
J. Smith	14 Jan 2005	100,000	14 Dec 2006	$0.1420	Not applicable	Not applicable	Not applicable	1.1%
	14 Jan 2005	100,000	14 Dec 2007	$0.1420	Not applicable	Not applicable	Not applicable	0.7%
T. Phillips**	7 Dec 2004	750,000	7 Dec 2004	$0.1098	Not applicable	Not applicable	Not applicable	37.2%
	7 Dec 2004	1,000,000	31 Mar 2006	$0.1010	Not applicable	Not applicable	Not applicable	19.6%
	7 Dec 2004	1,000,000	31 Mar 2007	$0.0924	Not applicable	Not applicable	Not applicable	10.2%
G. McFadden	14 Jan 2005	25,000	14 Dec 2006	$0.1420	Not applicable	Not applicable	Not applicable	0.6%
	14 Jan 2005	25,000	14 Dec 2007	$0.1420	Not applicable	Not applicable	Not applicable	0.4%

From 1 July 2002, options granted as part of senior manager remuneration have been valued using a Binomial option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

Fair values of options: The fair value of each option is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions used for grants made:

Grant Date	29 Apr 2002	2 May 2002	2 May 2002	1 Apr 2003	1 Dec 2004	7 Dec 2004	14 Jan 2005
Dividend yield	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Expected volatility	38%	44%	44%	38%	45%	45%	45%
Risk-free interest rate	5.532%	5.442%	5.518%	4.700%	4.905%	4.900%	5.005%
Expected life of option	4.4 years	4.4 years	4.4 years	4.3 years	4.3 years	4.5 Years	4.4 years

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on period from grant date to expiry as so far no options have been exercised, and is therefore not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The resulting weighted average fair values per option for those options vesting after 1 July 2004 are:

Number	Grant Date	Vesting date	Weighted Average Fair Value	Vesting Details
100,000	29 Apr 2002	1 Apr 2005	$0.2724	100% vested
250,000	2 May 2002	1 Apr 2005	$0.2867	100% vested
200,000	1 Apr 2003	21 Jan 2005	$0.1398	100k vested on 21 Jan 2005 and 100k to vest on 21 Jan 2006
1,375,000	1 Dec 2004	1 Dec 2004	$0.0944	375k vested on 1 Dec 2004, 500k vested on 1 Jun 2005, & 500k to vest on 1 Jun 2006
2,750,000	7 Dec 2004	7 Dec 2004	$0.1003	750k vested 7 Dec 2004, 1m to vest 31 Mar 2006, & 1m to vest 31 Mar 2007
950,000	14 Jan 2005	14 Dec 2006	$0.1420	475k to vest on 14 Dec 2006 and 475k to vest on 14 Dec 2007

Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of $312,875 for the 2005 financial year (2004: $172,227). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).

DIRECTORS' REPORT

COMPANY PERFORMANCE & SHAREHOLDERS RETURNS

The group is pleased to report that return to shareholders, both through dividends and stabilisation of the share price, is now reflecting the numerous changes effected by the Board and management over the past 18 months. This is highlighted by the significant improvement in most financial measures for the current year as listed below:

	2005	2004	2003	2002
Basic earnings per share (cents)	0.02*	1.73	(40.01)	11.05
Return on assets (%)	0.8 %*	1.7 %	(35.6 %)	6.1 %
Return on equity (%)	1.4 %*	2.9 %	(64.9 %)	8.6 %
Net debt/equity ratio (%)	8.8 %	16.7 %	28.8 %	9.6 %
Dividend payout ratio (%)	146.5 %^	0.0 %	0.0 % **	69.9 %
Total Shareholder Return (TSR)				
Share price (cents)	0.000	(0.075)	(0.325)	(0.460)
Dividends (cents)	0.015	0.000	0.012	0.075
	0.015	(0.075)	(0.313)	(0.385)

^Dividend was declared based on announced NPAT of $1.4m. This represented a payment ratio of 54.4%.

* Before the revision to the group result as a result of the settlement of the Stamp Duty claim with the OSR each of these measures represented an improvement on the prior year. These were Basic Earnings: 1.76 cents per share, Return on Assets: 2.2% and Return on Equity: 3.7%.

** Dividend paid of 1.2 cents per share cannot be measured against reported loss for the relevant financial year.

The share price stabilised during the financial year under review and at the date of this report had shown the benefit of our improved performance with a strong appreciation since the end of the financial year. It is pleasing to see this reflected in the Total Shareholder Return measure which is now showing a positive trend. The Board is confident that as a result of the initiatives in place to increase mortgage origination volumes, including the recent restructuring of the sales force, a repositioning of the group's broker proposition under the "Better Broker Support" banner, and the successful re-launch of the Homeloans managed securitisation vehicle, will, along with continued cost control and further debt reduction, see the group continue to improve profitability, and along with this, see favourable movements in the share price.

DIRECTORS' MEETINGS

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

	Directors' Meetings	Audit Committee
Number of meetings held:	11	2
Number of meetings attended:		
T. A. Holmes	11	2
R. P. Salmon	11	2
R. N. Scott	10	2
B. D. Jones	11	1 (by invitation)

Committee Membership

As at the date of this report, the company had an Audit Committee.

Members acting on the committees of the Board during the year were:
Audit
R.N Scott (Chairman)
T.A.Holmes
R.P.Salmon

TAX CONSOLIDATION

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

Homeloans Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime when it lodged its 30 June 2004 consolidated tax return.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the required declaration from the auditor of Homeloans Limited as to their compliance with auditor independence requirements of the Corporations Act. This declaration is shown on the next page of this report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$115,554
Accounting advice	$6,800

Signed in accordance with a resolution of the directors

Timothy A. Holmes
Executive Chairman

Perth, 17 October 2005

DIRECTORS' REPORT

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF HOMELOANS LIMITED

In relation to our audit of the financial report of Homeloans Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

RA Kirkby
Partner

Perth 17 October 2005

THIS PAGE IS INTENTIONALLY LEFT BLANK

CORPORATE GOVERNANCE & FINANCIALS

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Board of Homeloans Ltd is committed to maintaining the highest standards of corporate governance. Corporate Governance establishes the framework for how the Board oversees the company and performs its functions on behalf of shareholders. The Board believes that good governance should be fully embedded in the company's framework and culture.

The Principles of Good Corporate Governance and Best Practice Recommendations published in March 2003 by the Australian Stock Exchange Corporate Governance Council, the Commonwealth Government's CLERP 9 reforms and the Australian Standard AS8000 Good Governance Principles have been examined in developing the company's corporate governance principles.

Due to the size of the company's operations, the Board is of the belief that a number of the ASX's recommendations are not appropriate or in the best interest of shareholders. In these cases, the board has elected not to follow the recommendations.

Homeloans Limited's corporate governance practices were in place throughout the year ended 30 June 2005 and were fully compliant with the Council's best practice recommendations except where noted.

For further information on corporate governance policies adopted by Homeloans Limited refer to our website:
www.homeloans.com.au/Corp/CorporateGovernance.aspx

Board Composition

The Board consists of directors with an appropriate mix of skill and experience, from different backgrounds, who together provide the necessary breadth and depth of experience to meet the board's roles and responsibilities.

The size of the board is determined by the company's constitution which specifies a minimum of 3 and a maximum of 7 directors. The Board presently consists of 1 non-executive director, and 3 executive directors.

Board Responsibilities

The Board of Homeloans Ltd has the following responsibilities:

- oversee the conduct of the company's business to evaluate whether the business is being properly managed and to ensure that it is conducted in an honest and ethical manner;
- ensure that adequate procedures are in place to identify the principal risks of the company's business and delegate the implementation of appropriate systems to manage these risks to Board Committees and management;
- select, appoint, evaluate the performance of, determine the remuneration of, plan for the successor of, and removal of the Managing Director;
- ensure that adequate plans and procedures are in place for succession planning, including appointing, training and monitoring the performance of senior management;
- adopt a strategic planning process and review the company's financial objectives and major corporate plans and actions; and
- perform other function as prescribed by law, or assigned to the Board to maximise shareholder value.

The Board of Directors may delegate the above responsibilities to its committees, a director or any other person of authority to perform any of its functions and exercise any of its powers.

Ultimate responsibility for the management and control of the company is vested in the directors, who may then delegate their power to management. The Board has a Delegation of Authority schedule in place, which is reviewed regularly.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board Independence

An independent director is a non-executive director (i.e. is not a member of management) and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three years has not been employed in an executive capacity by the company or another group member;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the company or another group member other than as a director of the company; and
- is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

It is the Board's view that Mr R.N. Scott is an independent non-executive director. The Board does not consist of a majority of independent directors.

The Board of Directors believes that it is hard to justify a larger Board given the size of the company's operations. They are also of the opinion that the company is actually benefiting from having the company's founders give of their experience in the industry, have a financial interest, and an active interest in the management of the company.

Chairman of the Board

The Chairman of the Board is an executive director. Due to the size of the company's operations, Homeloans Limited believes an executive chairman with vast financial services experience and, who is one of the company's founding members, better serves the shareholders' interests.

Succession Planning

The Board plans succession of its own members in conjunction with the Board Nomination and Remuneration Committees, taking into account the skill and experience of current board members and the company's future direction and needs.

The Board retains overall responsibility for succession planning of the Managing Director, via the Nomination and Remuneration Committee. The Nomination and Remuneration Committee and the Managing Director are responsible for the succession planning of other senior executives.

Review of Board and Senior Executives' Performance

The Board reviews its overall performance, the performance of Board Committees and the performance of each individual director annually. The performance of directors is subject to annual peer review.

The Managing Director's performance is reviewed annually by the Board and is assessed on achievement of the targets and budget applicable.

Senior executives participate in an annual performance review process which involves the establishment of performance objectives and measures, and the review of achievement. The process also involves assessment of remuneration tied to the company achieving its goals.

Conflict of Interest

Directors are required to disclose private or other business interests and any other matters which may lead to potential or actual conflict of interest to the Board.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Director's dealings with the company will always be at arm's length to avoid the possibility of actual and perceived conflict of interest.

Any director who has a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

Nomination and Appointment of New Directors

The Board's Nomination and Remuneration Committee has the responsibility for reviewing the membership of the Board on an annual basis to ensure the appropriate skill mix of the board as a whole.

Procedure for the selection and appointment of new directors:

- The Nomination and Remuneration Committee identifies the required skills, experience, and other qualities required of new directors;
- Potential candidates are then interviewed by members of the Nomination and Remuneration Committee and a short list prepared;
- The Board meets to consider the potential candidates, which is followed by Board members having the opportunity to interview any prospective candidate; and
- An appointment is then made by the Board.

Rotation of Directors

The company's constitution specifies that one third of the Board, excluding the Managing Director, must retire from the office and stand for re-election at each Annual General Meeting. Further, each director, excluding the Managing Director, must stand for re-election every 3 years.

Board Access to Information and Advice

All directors have access to any employees, company advisers, records and information they may require to carry out their duties. The Board also receive regular financial and operational reports from executive management.

Directors have the right to seek independent professional advice in connection with their duties and responsibilities at the company's expense, to help them carry out their responsibilities. Prior notification to the Chairman, or the Board's approval is required.

Board Education

The Board is committed to ensuring that new directors are familiar with the company's businesses. New directors are provided with an orientation and education program. Directors may undertake continuing education courses at the company's expense, with the prior approval of the Chairman or the Board.

Board Committees

There is currently one Board Committee whose powers and procedures are governed by the company's Constitution and the relevant Committee's charter. Other Committees may be established from time to time to consider matters of special importance.

The Board uses its committees to support it in matters which require more intensive review. Each committee has a written charter, approved by the Board defining its duties, reporting procedures and authority. Minutes from all Committee meetings are tabled at Board meetings.

Copies of the Board Committee charters are available on the company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Audit Committee
The Audit Committee consists of Mr R.N. Scott (Chairman), Mr R.P. Salmon and Mr T.A. Holmes. The primary functions of the Audit Committee are to:
- evaluate the adequacy and effectiveness of the internal control system and implement a risk management framework;
- appoint, monitor and review the activities of the company's external auditors;
- monitor the effectiveness and independence of the auditors;
- review and report to the board on the company's annual and half-year financial statements, and its accounting policies and principles adopted;
- ensure adequate compliance controls; and
- review and recommend any appropriate amendments to corporate governance policies and framework.

For details of the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to page 17 of the Directors' Report.

Auditor
The Board's Audit Committee appoints, monitors and reviews the activities of the company's auditors, including the scope and effectiveness of the audit and the independence of the auditor.

Ernst & Young agree to rotate the audit engagement partner after no more than five years. The present audit engagement partner for Homeloans Ltd's audit is R.A. Kirkby who assumed this responsibility in 2004.

A representative from Ernst & Young attends the Annual General Meeting and is available to answer shareholder questions.

During the financial year ending 30 June 2005, the following fees were paid to Ernst & Young:

For audit related work	$90,150
For non-audit related work (tax)	$122,354

Nomination and Remuneration Committee
In the interest of efficiency and due to the small size of the Board, the Nomination and Remuneration Committee functions are performed by the Board of Directors.

The primary duties of the committee are to:
- review the Board size and composition (mix of skill, experience and other competencies);
- determine and review position descriptions of directors and the Managing Director;
- develop and implement a process for the orientation and education of new directors;
- review and advise the Board on the remuneration of directors and senior management in light of company goals and objectives;
- recommend to the Board the succession plan for key senior management positions; and
- evaluate the effectiveness of the Board, its Committees and individual directors.

Code of Conduct
Directors, employees, contractors and consultants working within Homeloans Ltd are expected to adhere to the Code of Conduct. The Code of Conduct provides the essential framework for equal employment opportunity, discrimination, harassment, confidentiality and safety policies. These policies are aimed at ensuring the maintenance of high standards of honesty and integrity.

Share Trading Policies
Both Directors and employees are restricted to dealing in the company's securities if they are in possession of inside information. Inside information is information that if it were known to the market would have a material effect on the price or value of the securities of the company.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

In addition to the above restriction, the company has share-trading policies in place, which restrict the dates when Directors or senior employees can trade in Homeloans Limited's securities.

Risk Management

The Board is responsible for overseeing the establishment and implementation by management of risk management systems and reviewing the effectiveness of these systems. The Board is assisted in this process by the Audit Committee, which has in its charter, responsibility for overseeing the effective operation of the company's risk management framework.

The fundamental aim of the company's risk management strategy is to balance risk against reward, and to optimise returns to all stakeholders. The company recognises 3 main types of risk:

- Market risk—the risk of change in earnings from changes in market factors such as interest rates, housing market and economic conditions;
- Operational risk —the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events; and
- Liquidity risk—the risk of failure to adequately fund cash demand in the short term.

The Managing Director and Finance Director periodically provide formal statements to the Board that in all material aspects:

- The company's financial statements present a true and fair view of the company's financial condition and operational results; and
- The risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Homeloans Limited's corporate governance practices were in place throughout the year ended 30 June 2005 and were fully compliant with the Council's best practice recommendations (except where noted).

ASX Corporate Governance Council Best Practice Recommendations

	ASX Principle	Compliance
Principle 1:	Lay solid foundations for management and oversight	
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Comply
Principle 2:	Structure the board to add value	
2.1	A majority of the Board should be independent directors.	Not comply
2.2	The Chairperson should be an independent director.	Not comply
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	Comply
2.4	The Board should establish a Nomination Committee.	Comply#
2.5	Provide the information indicated in Guide to reporting on Principle 2.	Comply
Principle 3:	Promote ethical and responsible decision-making	
3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:	
3.1.1	The practices necessary to maintain confidence in the company's integrity.	Comply
3.1.2	The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Comply
3.3	Provide the information indicated in Guide to reporting on Principle 3.	Comply
Principle 4:	Safeguard integrity in financial reporting	
4.1	Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Comply
4.2	The Board should establish an Audit Committee.	Comply

The full Board of Directors considers all nominations and appointments of directors. A separate Nomination Committee was not required

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX Corporate Governance Council Best Practice Recommendations

	ASX Principle	Compliance
4.3	Structure the Audit Committee so that it consists of: • only non-executive directors; • a majority of independent directors; • an independent chairperson, who is not chairperson of the board; • at least three members.	Not comply
4.4	The Audit Committee should have a formal charter.	Comply
4.5	Provide the information indicated in Guide to reporting on Principle 4.	Comply
Principle 5:	Make timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Comply
5.2	Provide the information indicated in Guide to reporting on Principle 5.	Comply
Principle 6:	Respect the rights of shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Comply
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Comply
Principle 7:	Recognise and manage risk	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.	Comply
7.2	The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the Board in writing that:	
7.2.1	The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance control which implements the policies adopted by the board.	Comply
7.2.2	The company's risk management internal compliance and control system is operating efficiently and effectively in all material respects.	Comply
7.3	Provide the information indicated in Guide to reporting on Principle 7.	Comply

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX Corporate Governance Council Best Practice Recommendations

	ASX Principle	Compliance
Principle 8:	Encourage enhanced performance	
8.1	Disclose the process for performance evaluation of the Board, its Committees and individual directors, and key executives.	Comply
Principle 9:	Remunerate fairly and responsibly	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand: - the costs and benefits of those policies; and - the link between remuneration paid to directors and key executives and corporate performance.	Comply
9.2	The Board should establish a Remuneration Committee.	Comply^
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Comply
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	Comply
9.5	Provide the information indicated in Guide to reporting on Principle 9.	Comply
Principle 10:	Recognise the legitimate interests of stakeholders	
10.1	Establish and disclose a code of conduct to guide with legal and other obligations.	Comply

^ The full Board of Directors considers the remuneration of directos and executives. A separate Remuneration Committee was not required.

FINANCIALS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Homeloans Limited	
	Notes	2005 $	2004 $	2005 $	2004 $
REVENUES FROM ORDINARY ACTIVITIES	2	36,633,991	35,949,054	34,935,566	31,843,688
Salaries and employee benefits expense		11,535,928	12,331,415	11,535,725	12,311,097
Commissions and valuation fees		12,236,332	10,112,018	14,251,805	8,236,198
Consultancy and corporate affairs		991,681	482,684	638,207	427,144
Depreciation and amortisation	3	2,024,607	1,674,696	1,098,979	748,632
Borrowing costs	3	595,358	789,570	583,170	766,072
Advertising expenses		949,887	1,901,676	949,887	1,901,676
Occupancy costs		1,770,642	1,823,336	1,770,642	1,822,369
Portfolio management fees		1,145,813	1,351,217	-	-
Printing and stationery		262,525	432,852	260,174	425,647
Telephone costs		711,719	901,609	713,395	889,851
Insurance		382,078	452,343	372,417	452,343
Write down of investment in controlled entities	3	-	-	-	863,535
Stamp duty settlement	3	918,272	-	918,272	-
Other expenses from ordinary activities		1,562,968	1,765,571	1,235,573	1,548,518
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		1,546,181	1,930,067	607,320	1,450,606
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	1,030,627	865,106	471,349	705,864
NET PROFIT ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED	18	515,554	1,064,961	135,971	744,742
Share issue costs	17	-	(264,147)	-	(264,147)
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED AND RECOGNISED DIRECTLY IN EQUITY		-	(264,147)	-	(264,147)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF HOMELOANS LIMITED		515,554	800,814	135,971	480,595
Basic earnings per share	24	0.02 cents	1.73 cents		
Diluted earnings per share	24	0.77 cents	1.83 cents		
Unfranked dividend per share					
—Ordinary shares	5	0.0 cents	0.0 cents		
—Reset preference shares	5	100.0 cents	38.0 cents		

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
CURRENT ASSETS					
Cash assets		1,468,061	623,078	769,313	34,377
Receivables	8	9,544,815	11,931,039	8,803,592	9,432,933
Prepaid expenses	7	8,581,701	8,991,720	7,182,556	8,129,207
TOTAL CURRENT ASSETS		19,594,577	21,545,837	16,755,461	17,596,517
NON-CURRENT ASSETS					
Receivables	11	649,208	862,214	215,866	329,550
Prepaid expenses	7	26,179,715	23,059,937	21,911,420	20,882,951
Investments	8	-	-	19,178,326	18,838,346
Plant and equipment	9	1,957,186	2,808,854	1,957,186	2,807,381
Intangibles	10	15,071,223	15,716,144	-	-
TOTAL NON-CURRENT ASSETS		43,857,332	42,447,149	43,262,798	42,858,228
TOTAL ASSETS		63,451,909	63,992,986	60,018,259	60,454,745
CURRENT LIABILITIES					
Payables	12	4,123,276	4,387,319	6,885,286	5,861,473
Non-interest bearing liabilities	13	81,242	87,372	81,242	87,372
Unearned revenue	14	2,713,895	2,867,196	2,271,021	2,586,082
Interest bearing liabilities	15	554,135	624,240	554,135	624,240
Provisions	16	547,707	600,350	547,707	600,350
TOTAL CURRENT LIABILITIES		8,020,255	8,566,477	10,339,391	9,759,517
NON-CURRENT LIABILITIES					
Deferred income tax liabilities	4	5,611,282	4,596,808	5,611,282	4,596,808
Non-interest bearing liabilities	13	583,485	521,794	583,485	521,794
Unearned revenue	14	8,279,127	7,352,458	6,928,079	6,643,332
Interest bearing liabilities	15	4,136,849	6,130,886	4,136,849	6,130,886
Provisions	16	25,174	40,852	25,174	40,852
TOTAL NON-CURRENT LIABILITIES		18,635,917	18,642,798	17,284,869	17,933,672
TOTAL LIABILITIES		26,656,172	27,209,275	27,624,260	27,693,189
NET ASSETS		36,795,737	36,783,711	32,393,999	32,761,556
EQUITY					
Contributed equity	17	53,395,348	53,395,348	53,395,348	53,395,348
Accumulated losses	18	(16,599,611)	(16,611,637)	(21,001,349)	(20,633,792)
TOTAL EQUITY		36,795,737	36,783,711	32,393,999	32,761,556

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		40,826,207	40,160,492	30,042,742	37,561,510
Payments to suppliers and employees		(36,306,296)	(37,608,445)	(25,760,074)	(33,252,308)
Interest received		110,406	88,741	71,431	50,796
Borrowing costs		(451,177)	(711,742)	(451,170)	(711,742)
Taxation paid		(12,164)	8,227	-	-
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	19(a)	4,166,976	1,937,273	3,902,929	3,648,256
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		(168,077)	(1,717,739)	(168,077)	(1,717,739)
Acquisition of Match Funds Management Limited	19(e)	(261,550)	(28,600)	(261,550)	(28,600)
Residential mortgage set up costs		(154,000)	(420,602)	-	-
Payment of stamp duty in dispute		-	(1,788,512)	-	(1,788,512)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(583,627)	(3,955,453)	(429,627)	(3,534,851)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	5,035,280	-	5,035,280
Payment of share issue costs		-	(264,147)	-	(264,147)
Proceeds from borrowings		-	3,795,787	-	2,151,966
Repayment of borrowings		(1,500,000)	(4,954,459)	(1,500,000)	(5,144,459)
Repayment of principal on finance lease and hire purchase agreements		(734,838)	(744,591)	(734,838)	(744,591)
Payment of dividends		(503,528)	(191,340)	(503,528)	(191,340)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(2,738,366)	2,676,530	(2,738,366)	842,709
NET INCREASE/(DECREASE) IN CASH HELD		844,983	658,350	734,936	956,114
Opening cash brought forward		623,078	(35,272)	34,377	(921,737)
CLOSING CASH CARRIED FORWARD	19(b)	1,468,061	623,078	769,313	34,377

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

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.

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 2005 and at balance date.

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

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

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

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

d) Cash and cash equivalents

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

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

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

e) Receivables

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

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

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

f) Investments

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

g) Recoverable amount

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

h) Plant and equipment

Cost and valuation

Items of plant and equipment are measured at cost.

Depreciation

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

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

i) Leases

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

Operating leases

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

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

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 –10 years) at the interest rate implicit in the lease.

Finance leases

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

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

j) Goodwill

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

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

k) Trade and other payables

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

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

l) Loans and borrowings

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

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

m) Provisions

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

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

n) Share capital

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

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

o) Revenue recognition

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

- Application fee revenue received is deferred and recognised at a rate that matches the cost of origination and management of the underlying specific loans over the average loan life. Currently this rate is 2.335% per month (2004: 2.335%) on a reducing balance basis.
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Direct mortgage origination costs

Mortgage origination costs that are directly attributable to establishing specific loans, and which would not have been incurred had these contracts not been entered into, have been deferred. These costs are recognised at a rate that matches the receipt of management fees and the amortisation of deferred application fee revenue on the underlying specific loans over the average loan life. Currently this rate is 2.335% per month (2004: 2.335%) on a reducing balance basis.

q) Taxes

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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the costs of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Employee benefits

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

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

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

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

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

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

s) Earnings per share

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

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

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- 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 (Refer note 24 for detailed calculations of this measure).

t) Comparatives

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
2. REVENUES FROM ORDINARY ACTIVITIES					
Revenues from operating activities					
Mortgage origination income		17,248,232	17,337,907	16,320,234	17,115,585
Loan management fees		19,621,781	20,207,600	12,200,125	10,700,869
(Increase)/decrease in unearned mortgage origination income		(773,369)	(1,829,308)	30,313	(2,116,645)
Total revenues from operating activities		36,096,644	35,716,199	28,550,672	25,699,809
Revenues from outside the operating activities					
Interest received—other person/corporations		182,892	89,957	143,916	50,279
Other income		354,455	142,898	6,240,978	6,093,600
Total revenues from outside the operating activities		537,347	232,855	6,384,894	6,143,879
Total revenue from ordinary activities		36,633,991	35,949,054	34,935,566	31,843,688

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
3. EXPENSES AND SIGNIFICANT ITEMS					
(a) Expenses					
Depreciations and amortisation					
Plant and equipment		37,745	136,517	37,517	125,335
Plant and equipment under lease		524,486	623,297	524,486	623,297
Recoverable amount write-down					
Plant and equipment		347,098	-	347,098	-
Plant and equipment under lease		189,878	-	189,878	-
Amortisation of goodwill		925,400	914,882	-	-
Total depreciation and amortisation		2,024,607	1,674,696	1,098,979	748,632
Borrowing costs					
Borrowing costs and bank fees		147,743	159,228	135,555	135,730
Interest on bank loan		447,615	630,342	447,615	630,342
Total interest expense		595,358	789,570	583,170	766,072
Operating lease rental		1,547,980	1,545,471	1,547,980	1,545,471
(b) Significant items					
Profit from ordinary activities before income tax expense includes the following material expenses whose disclosure is relevant in explaining the financial performance of the entity:					
Write-down of investment in controlled entities		-	-	-	863,535
Stamp duty assessment	33	918,272	-	918,272	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
4. INCOME TAX					
The prima facie tax on profit from ordinary activites differs from the income tax provided in the financial statements as follows:					
Prima facie tax on profit from ordinary activities at 30%		463,854	579,020	182,196	435,213
Add/(less) tax effect of permanent differences:					
Goodwill amortisation		277,620	274,495	-	-
Stamp duty settlement		275,482	-	275,482	-
Entertainment expenses		34,507	36,044	34,507	36,044
Write-down investment in controlled entities		-	-	-	259,060
Other		(20,836)	(24,453)	(20,836)	(24,453)
Income tax expense attributable to ordinary activities		1,030,627	865,106	471,349	705,864
Deferred tax assets and liabilities					
Current tax payable		-	-	-	-
Deferred income tax liabilities		5,611,282	4,596,808	5,611,282	4,596,808

Tax consolidation

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

Homeloans Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime when it lodged its 30 June 2004 consolidated tax return.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES AND RESET PREFERENCE SHARES					
Dividends paid during the year					
i) Current year interim:					
Unfranked dividends					
Ordinary shares (Nil cents per share) (2004: Nil cents per share)		-	-	-	-
Reset preference shares (50 cents per share) (2004: 38.0 cents per share)		251,764	191,340	251,764	191,340
		251,764	191,340	251,764	191,340
ii) Previous year final:					
Unfranked dividends					
Ordinary shares (Nil cents per share) (2004: Nil cents per share)		-	-	-	-
Reset preference shares (50 cents per share) (2004: Nil cents per share)		251,764	-	251,764	-
		251,764	-	251,764	-
		503,528	191,340	503,528	191,340
6. RECEIVABLES					
(CURRENT)					
Fees receivable					
Non-related parties	6(i)	7,296,586	7,434,844	4,814,879	5,381,848
Related parties:					
Wholly-owned group					
—controlled entity	6(ii)	-	-	2,188,111	105,390
		7,296,586	7,434,844	7,002,990	5,487,238
Prepaid royalties and trailing commissions	6(iii)	85,390	363,371	76,475	353,038
Loan book receivable (Eurofinance)	6(iv)	248,760	948,702	248,760	948,702
Stamp Duty Assessment	33	936,045	1,788,512	936,045	1,788,512
Prepayments and other	6(v)	978,034	1,395,610	539,322	855,443
		9,544,815	11,931,039	8,803,592	9,432,933

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

6. RECEIVABLES (CONTINUED)

Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Fees receivable are non-interest bearing and on settlement terms of between 4 to 60 days
(ii) Details of the terms and conditions of related party receivables are set out in Note 28.
(iii) Prepaid royalties and trailing commissions represent the buyout of royalty and trailer commitments. These are amortised over the average loan life of 50 months (See Note 11).
(iv) Cost of acquiring the Eurofinance loan book is amortised over the average loan life of 50 months. There are just over 3 months remaining to be amortised at balance date (See Note 11).
(v) Prepayments and other are non-interest bearing and include GST refunds due in the ordinary course of business within 30 days.

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
7. PREPAID EXPENSES					
CURRENT					
Prepaid commissions and valuation fees		8,581,701	8,991,720	7,182,556	8,129,207
NON-CURRENT					
Prepaid commissions and valuation fees		26,179,715	23,059,937	21,911,420	20,882,951

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
8. INVESTMENTS					
Shares in unlisted company —at cost		-	-	19,178,326	18,838,346
		-	-	19,178,326	18,838,346

Particulars relating to controlled entities:

	Country of Incorporation	Percentage held by consolidated entity 2005 %	Percentage held by consolidated entity 2004 %	Chief Entity Investment 2005 $	Chief Entity Investment 2004 $
Chief Entity					
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:				11,723,223	11,723,223
- Access Network Management Pty Ltd	Australia	100	100		
- Access Home Loans Pty Ltd	Australia	100	100		
- HLL Pty Ltd	Australia	100	100		
St Michael Investments Pty Ltd	Australia	100	100	-	-
Match Funds Management Limited	Australia	100	-	339,980	-
				19,178,326	18,838,346

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
9. PLANT AND EQUIPMENT					
Plant and equipment					
—At cost		334,615	1,278,226	334,615	1,276,753
—Provision for depreciation		(45,165)	(784,903)	(45,165)	(784,903)
		289,450	493,323	289,450	491,850
Plant and equipment under lease					
—At cost		4,709,031	5,051,822	4,709,031	5,051,822
—Provision for amortisation		(3,041,295)	(2,736,291)	(3,041,295)	(2,736,291)
		1,667,736	2,315,531	1,667,736	2,315,531
Total plant and equipment		1,957,186	2,808,854	1,957,186	2,807,381

(a) Assets pledged as security

All balances of Plant & Equipment have been granted first mortgages as security over bank loans (see note 15). The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The first mortgage holder also requires all assets to be fully insured at all times.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
9. PLANT AND EQUIPMENT (CONTINUED)					
(b) Reconciliations					
Plant and equipment					
Carrying amount at beginning		493,323	495,572	491,850	424,659
Additions		214,723	1,702,228	214,723	1,700,756
Additions through acquisition of Match Funds Management		3,877	-	-	-
Transferred to plant and equipment under lease		-	(1,493,000)	-	(1,493,000)
Disposals		(37,630)	(74,960)	(32,508)	(15,230)
Recoverable amount write down*		(347,098)	-	(347,098)	-
Depreciation expense		(37,745)	(136,517)	(37,517)	(125,335)
		289,450	493,323	289,450	491,850
Plant and equipment under lease					
Carrying amount at beginning		2,315,531	1,378,548	2,315,531	1,378,548
Additions		70,000	1,563,747	70,000	1,563,747
Disposals		(3,431)	(3,467)	(3,431)	(3,467)
Recoverable amount write down*		(189,878)	-	(189,878)	-
Amortisation expense		(524,486)	(623,297)	(524,486)	(623,297)
		1,667,736	2,315,531	1,667,736	2,315,531

* During the financial year a complete review of assets recorded in the group's asset register identified a number of assets that needed to be written down to nil value. The majority of these related to office fit-outs and miscellaneous office furniture and equipment that could not be used on the closure and relocation of various Homeloans offices during the financial year.

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
10. INTANGIBLES (NON-CURRENT)					
Goodwill at cost		44,528,200	44,247,721	25,950,083	25,950,083
Accumulated amortisations		(29,456,977)	(28,531,577)	(25,950,083)	(25,950,083)
		15,071,223	15,716,144	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
11. RECEIVABLES (NON-CURRENT)					
Prepaid royalties and trailing commission	6(iii)	128,908	36,301	115,908	3,579
Loan book receivable (Eurofinance)	6(iv)	-	248,760	-	248,760
Refundable rent deposits	11(i)	700	17,444	700	15,444
Prepayments and other	6(vi)	519,600	559,709	99,258	61,767
		649,208	862,214	215,866	329,550

Terms and conditions:
Terms and conditions relating to the above financial instruments:

(i) Rent deposits are refundable on termination of the lease with a term to expiry of 5 years.

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
12. PAYABLES (CURRENT)					
Trade creditors	12(i)	515,078	597,400	515,078	590,323
Payable to related parties:					
Wholly-owned group					
—controlled entity		-	-	3,118,236	1,764,489
Accrued commissions	12(ii)	1,549,165	1,970,594	1,510,640	1,982,431
Cash flow claim creditors	12(iii)	194,851	212,086	194,851	212,086
Sundry creditors and accruals	12(iv)	1,864,182	1,607,239	1,546,481	1,312,144
		4,123,276	4,387,319	6,885,286	5,861,473

Terms and conditions:
Terms and conditions relating to the above financial instruments:
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Accrued commissions are non-interest bearing and are payable between 30 and 90 days.
(iii) Cash flow claim creditors are non-interest bearing and payable within 12 months.
(iv) Sundry creditors and accruals are non-interest bearing and payable within 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
13. NON-INTEREST BEARING LIABILITIES					
CURRENT					
Deferred lease incentive	13(i)	81,242	87,372	81,242	87,372
NON-CURRENT					
Deferred lease incentive	13(i)	583,485	521,794	583,485	521,794

Terms and conditions:
Terms and conditions relating to the above financial instruments:
(i) Net rental incentives were received or are receivable in the form of an upfront cash incentive and rent-free periods by the consolidated entity for entering into a non-cancellable operating lease for premises occupied by the chief entity. This was entered into in September 2003 in respect of the Head Office of the chief entity.

The lease term for the Head Office premises is 10 years. The value of these incentives has been deferred and amortised against occupancy costs over the lease term.

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
14. UNEARNED REVENUE					
CURRENT					
Unearned application fees		2,713,895	2,867,196	2,271,021	2,586,082
NON-CURRENT					
Unearned application fees		8,279,127	7,352,458	6,928,079	6,643,332

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Homeloans Limited	
	Notes	2005 $	2004 $	2005 $	2004 $
15. INTEREST-BEARING LIABILITIES					
CURRENT					
Lease liability—secured	15(ii)	498,078	585,942	498,078	585,942
HP liability—secured	15(ii)	56,057	38,298	56,057	38,298
		554,135	624,240	554,135	624,240
NON-CURRENT					
Bank loans—secured	15(iii)	2,975,000	4,475,000	2,975,000	4,475,000
Lease liability—secured	15(ii)	1,060,587	1,558,665	1,060,587	1,558,665
HP liability—secured	15(ii)	101,262	97,221	101,262	97,221
		4,136,849	6,130,886	4,136,849	6,130,886

Terms and conditions:

Terms and conditions relating to the above financial instruments

(i) 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

(ii) Finance leases and hire purchases have an average lease term of 4 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 8.14% (2004: 8.6%). The lease liability is secured by a charge over the leased assets.

(iii) The bank loan facility expires on 31 December 2007. Interest is charged at the bank's floating rate plus a margin. The bank loans are secured by way of registered first mortgages over all assets and undertakings of the Company and its controlled entities. Interest is recognised at an average rate of 6.6% (2004: 6.3%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
16. PROVISIONS					
CURRENT					
Employee entitlements	25	547,707	590,350	547,707	590,350
Other	16(i)/(ii)	-	10,000	-	10,000
		547,707	600,350	547,707	600,350
NON-CURRENT					
Employee entitlements	25	25,174	40,852	25,174	40,852

(i) Represents provision for amount payable against professional indemnity insurance cover on current legal matters.

(ii) Movements in provisions:

	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
Other				
Carrying amount at the beginning of the financial year	10,000	30,700	10,000	30,700
Additional provision	-	-	-	-
Amounts utilised during the year	(10,000)	(20,700)	(10,000)	(20,700)
Carrying amount at the end of the financial year	-	10,000	-	10,000

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
Ordinary shares fully paid	48,624,215	48,624,215	48,624,215	48,624,215
Reset preference shares fully paid	4,771,133	4,771,133	4,771,133	4,771,133
	53,395,348	53,395,348	53,395,348	53,395,348

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005		2004	
	Number of shares	$	Number of shares	$
17. CONTRIBUTED EQUITY (CONTINUED)				
(b) Movements in shares on issue				
Ordinary shares				
Beginning of the financial year	50,354,063	48,624,215	50,354,063	48,624,215
Issued during the year				
—Dividend reinvestment scheme	-	-	-	-
—Shares bought back	-	-	-	-
End of the financial year	50,354,063	48,624,215	50,354,063	48,624,215
Reset preference shares				
Beginning of the financial year	503,528	4,771,133	-	-
Issued during the year				
—Public equity raising	-	-	503,528	5,035,280
less transaction costs		-		(264,147)
End of the financial year	503,528	4,771,133	503,528	4,771,133

(c) Share Options

There were 5,175,000 options (2004: Nil) over ordinary shares granted during the financial year

At the end of the year there were 8,130,000 (2004: 3,270,000) 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.

Reset preference shares

Reset preference shares carry a cumulative entitlement to an unfranked dividend of 10% per annum payable half yearly (31 May and 30 November) in arrears until conversion to ordinary shares or into cash.

The first reset date is 30 November 2006. Reset dates after the first reset date are expected to be every three years. If the dividend is franked to any extent it will be reduced so that the after tax return to the holder is the same as it would have been if the dividend were unfranked.

Reset preference shares do not entitle their holder to a vote at a meeting of the company, except in certain circumstances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Homeloans Limited	
	Notes	2005 $	2004 $	2005 $	2004 $
18. (ACCUMULATED LOSSES)/ RETAINED PROFITS					
Balance at the beginning of the year		(16,611,637)	(17,485,258)	(20,633,792)	(21,187,194)
Net profit attributable to members of Homeloans Limited		515,554	1,064,961	135,971	744,742
Total available for appropriation		(16,096,083)	(16,420,297)	(20,497,821)	(20,442,452)
Dividends provided for or paid		(503,528)	(191,340)	(503,528)	(191,340)
Balance at end of the year		(16,599,611)	(16,611,637)	(21,001,349)	(20,633,792)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
19. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit/(loss) after tax to the net cashflows from operations		515,554	1,064,961	135,971	744,742
Non cash items					
Depreciation of non-current assets		1,099,207	759,814	1,098,979	748,632
Amortisation					
—goodwill		925,400	914,882	-	-
—prepaid commissions		341,964	447,318	326,735	447,318
—loan book acquired		948,702	948,702	948,702	948,702
—bond distribution costs		303,379	212,785	-	-
Loss on sale of assets		35,316	63,198	32,667	3,467
Write down investment in controlled entities		-	-	-	863,535
Changes in assets and liabilities					
(Increase)/decrease in receivables		1,134,763	(1,159,398)	(532,412)	(865,907)
Increase in deferred expenses		(2,709,759)	(5,297,581)	(81,818)	(7,058,633)
Increase in plant & equipment		(114,778)	(40,007)	(113,374)	(38,534)
Increase in investments		-	-	(78,430)	-
Increase/(decrease) in deferred revenue		773,368	1,829,308	(30,314)	2,116,645
Increase in non-interest bearing liabilities		55,561	609,166	55,561	609,166
Increase/(decrease) in payables and provisions		(330,859)	999,335	955,492	2,779,039
Increase/(decrease) in interest bearing liabilities		170,696	(282,461)	170,696	1,551,360
Increase in deferred income tax liability		1,018,462	867,251	1,014,474	798,724
Net cash flows from operating activities		4,166,976	1,937,273	3,902,929	3,648,256

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Homeloans Limited	
	Notes	2005 $	2004 $	2005 $	2004 $
19. STATEMENT OF CASH FLOWS (CONTINUED)					
(b) Reconciliation of cash					
—Cash on hand		3,250	3,250	3,250	3,250
—Cash at bank		1,464,811	619,828	766,063	31,127
—Bank overdraft		-	-	-	-
Closing cash balance		1,468,061	623,078	769,313	34,377
(c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available:					
Total facilities					
—Bank overdraft		900,000	900,000	900,000	900,000
—Cash advance		5,100,000	4,975,000	5,100,000	4,975,000
		6,000,000	5,875,000	6,000,000	5,875,000
Facilities used at reporting date					
—Bank overdraft		-	-	-	-
—Cash advance		2,975,000	4,475,000	2,975,000	4,475,000
		2,975,000	4,475,000	2,975,000	4,475,000
Facilities unused at reporting date					
—Bank overdraft		900,000	900,000	900,000	900,000
—Cash advance		2,125,000	500,000	2,125,000	500,000
		3,025,000	1,400,000	3,025,000	1,400,000

(d) Non-cash financing and investing activities

Finance Lease & Hire Purchase transactions:

During the year the consolidated entity acquired plant and equipment by means of a hire purchase contract with an aggregate fair market value of $77,000 (2004: $1,591,574 by means of finance leases).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Homeloans Limited 2005 $	Homeloans Limited 2004 $

19. STATEMENT OF CASH FLOWS (CONTINUED)

(e) Acquisition of controlled entity

On 16 September 2004, Homeloans Ltd acquired 100% of the voting share capital of Match Funds Management Limited, a public company incorporated in Australia, that holds an Australian Financial Services Licence to operate as a Responsible Entity. The components of the acquisition cost were:

	2005 $	2004 $
Consideration		
— cash paid in the year ended 30 June 2004	28,600	
— cash paid in the year ended 30 June 2005	314,885	
	343,485	
Net Assets acquired		
- cash	53,335	
- trade debtors	299	
- plant and equipment	3,877	
- other financial assets	3,990	
	61,501	
- trade creditors	(2,000)	
- fair value of net tangible assets acquired	59,501	
- goodwill arising on acquisition	280,479	
Carrying value of investment	339,980	
- GST paid on acquisition costs	3,505	
	343,485	
Net cash effect		
Cash consideration paid	314,885	
Cash included in net assets acquired	(53,335)	
Net cash paid for purchase of controlled entity	261,550	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
20. EXPENDITURE COMMITMENTS					
(a) Finance lease and hire purchase commitments					
Payable:					
—not later than one year		675,456	791,726	675,456	791,726
—later than one year but not later than five years		1,317,268	1,925,894	1,317,268	1,925,894
—later than five years		-	-	-	-
Minimum lease payments		1,992,724	2,717,620	1,992,724	2,717,620
Less future finance charges		(276,741)	(437,494)	(276,741)	(437,494)
		1,715,983	2,280,126	1,715,983	2,280,126
Total lease liability accrued for:					
Current liability		554,135	624,240	554,135	624,240
Non-current liability		1,161,848	1,655,886	1,161,848	1,655,886
		1,715,983	2,280,126	1,715,983	2,280,126
(b) Operating leases (non-cancellable):					
Minimum lease payments					
—not later than one year		1,534,837	1,519,594	1,534,837	1,519,594
—later than one year but not later than five years		6,163,681	4,804,683	6,163,681	4,804,683
—later than five years		4,042,987	4,973,356	4,042,987	4,973,356
Aggregate lease expenditure contracted for at balance date but not provided for		11,741,505	11,297,633	11,741,505	11,297,633

(c) Finance leases have an average lease term of 4 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 8.14% (2004: 8.6%). 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

21. SEGMENT INFORMATION

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

22. FUNDS 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.

23. ECONOMIC DEPENDENCY

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

		Consolidated	
	Notes	2005 $	2004 $
24. EARNINGS PER SHARE			
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:			
Net Profit		515,554	1,064,961
Adjustments:			
Reset preference share dividend		(503,528)	(191,340)
Earnings used in calculating basic earnings per share		12,026	873,621
Add back: reset preference share dividend		503,528	191,340
Earnings used in calculating diluted earnings per share		515,554	1,064,961
		No. of shares	No. of shares
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share		50,354,063	50,354,063
Effect of dilutive securities:			
Share options	24(i)	-	-
Reset preference shares	24(ii)	16,975,589	7,809,469
Adjusted weighted average number of ordinary shares on issue used in the calculation of diluted EPS		67,329,652	58,163,532

(i) The 8,130,000 options outstanding at 30 June 2005 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.

(ii) On 14 January 2004 503,528 reset preference shares were issued with the potential for conversion to ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlements liability is comprised of:					
Accrued wages and salaries		274,407	283,344	274,407	283,344
Provisions (current)	16	547,707	590,350	547,707	590,350
Provisions (non-current)	16	25,174	40,852	25,174	40,852
		847,288	914,546	847,288	914,546

Employee Option Plan

An employee option plan exists 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 36 members of this plan of whom 32 are current employees or directors.

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:

	2005 Number of options	2005 Weighted average exercise price $	2004 Number of options	2004 Weighted average exercise price $
Balance at the beginning of the year	3,270,000	1.03	3,600,000	1.03
—granted	5,175,000	0.43	-	-
—cancelled	(315,000)	0.80	(330,000)	1.01
Balance at the end of the year	8,130,000	0.66	3,270,000	1.03
Exercisable at the end of the year	4,580,000	0.82	2,720,000	1.07

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

25. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2004:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price $
400,000	9 March 2001	19 March 2002	9 March 2006	1.00
400,000	9 March 2001	19 March 2003	9 March 2006	1.15
400,000	9 March 2001	19 March 2004	9 March 2006	1.30
335,000	27 March 2001	27 March 2003	27 March 2006	1.01
335,000	27 March 2001	27 March 2004	27 March 2006	1.01
100,000	29 April 2002	1 April 2004	1 April 2007	0.99
100,000	29 April 2002	1 April 2005	1 April 2007	0.99
250,000	2 May 2002	27 March 2003	27 March 2006	1.01
250,000	2 May 2002	27 March 2004	27 March 2006	1.01
250,000	2 May 2002	1 April 2004	1 April 2007	0.99
250,000	2 May 2002	1 April 2005	1 April 2007	0.99
100,000	1 April 2003	21 January 2005	21 January 2008	0.52
100,000	1 April 2003	21 January 2006	21 January 2008	0.52
3,270,000				1.03

(b) Options granted during the period:

The following table summarises information about options granted by Homeloans Limited during the year (None were issued in the 2004 financial year):

Favouree	Grant Date	Number Granted	Vesting date	Expiry date	Weighted average exercise price $
Director	1 December 2004	375,000	1 December 2004	1 December 2009	0.40
	1 December 2004	500,000	1 June 2005	1 December 2009	0.45
	1 December 2004	500,000	1 June 2006	1 December 2009	0.50
Mortgage Asset Services Pty Ltd	7 December 2004	750,000	7 December 2004	7 December 2009	0.40
	7 December 2004	1,000,000	31 March 2006[A]	7 December 2009	0.45
	7 December 2004	1,000,000	31 March 2007[B]	7 December 2009	0.50
Staff	14 January 2005	525,000	14 December 2006	14 December 2009	0.35
	14 January 2005	525,000	14 December 2007	14 December 2009	0.35
Total		5,175,000			0.43

A – Only exercisable if average mortgage settlements in any three (3) month period prior to 31 March 2006 exceeds $175 million per month.
B – Only exercisable if average mortgage settlements in any three (3) month period prior to 31 March 2006 exceeds $225 million per month.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

25 EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS (CONTINUED)

(c) Options exercised

No options were exercised by employees during the year ended 30 June 2005, or during the previous year ended 30 June 2004.

(d) Options held as at the end of the reporting period

The following table summarise information about options held by employees as at 30 June 2005:

Number of options	Grant date	Vesting date	Expiry date	Weighted average exercise price $
400,000	9 March 2001	19 March 2002	9 March 2006	1.00
400,000	9 March 2001	19 March 2003	9 March 2006	1.15
400,000	9 March 2001	19 March 2004	9 March 2006	1.30
227,500	27 March 2001	27 March 2003	27 March 2006	1.01
227,500	27 March 2001	27 March 2004	27 March 2006	1.01
100,000	29 April 2002	1 April 2004	1 April 2007	0.99
100,000	29 April 2002	1 April 2005	1 April 2007	0.99
250,000	2 May 2002	27 March 2003	27 March 2006	1.01
250,000	2 May 2002	27 March 2004	27 March 2006	1.01
250,000	2 May 2002	1 April 2004	1 April 2007	0.99
250,000	2 May 2002	1 April 2005	1 April 2007	0.99
100,000	1 April 2003	21 January 2005	21 January 2008	0.52
100,000	1 April 2003	21 January 2006	21 January 2008	0.52
375,000	1 December 2004	1 December 2004	1 December 2009	0.40
500,000	1 December 2004	1 June 2005	1 December 2009	0.45
500,000	1 December 2004	1 June 2006	1 December 2009	0.50
750,000	7 December 2004	7 December 2004	7 December 2009	0.40
1,000,000	7 December 2004	31 March 2006#	7 December 2009	0.45
1,000,000	7 December 2004	31 March 2007#	7 December 2009	0.50
475,000	14 January 2005	14 December 2006	14 December 2009	0.35
475,000	14 January 2005	14 December 2007	14 December 2009	0.35
8,130,000				0.66

Performance hurdles are involved in the conditions for vesting of these options (see note 25(b) above)

(e) 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 of up to 9% of employees' wages and salaries are not legally enforceable other than those payable in terms of ratified award obligations required by the Occupational Superannuation Act. The assets of the funds are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans and voluntary or compulsory termination of employment of each employee. There are currently 143 employees who are eligible for this scheme.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

T.A.Holmes	Chairman
R.P.Salmon	Managing Director
B.D.Jones	Director
R.N.Scott	Director (non-executive)

(ii) Specified executives

J.McGee	Chief Operating Officer (left the company 3 August 2004)
J.Smith	Finance Director
P.Sealy	National Sales Manager – External (left the company 25 September 2004)
T.Phillips	General Manager Sales (also a Director of MAS)
G.McFadden	Financial Controller

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Board of Directors of Homeloans Limited is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

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

In addition, all executives are entitled to annual bonuses payable upon the achievement of KPIs and annual corporate profitability measures, the most important being return on shareholder's equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(ii) Remuneration of Specified Directors and Specified Executives

		Primary			Post Employment	Equity	Total
		Salary & Fees $	Cash Bonus $	Non-Monetary Benefits $	Super-annuation $	Options (Amortised value) $	$
Specified Directors							
T.A.Holmes	2005	160,218	-	2,986	89,629	-	252,833
	2004	130,992	-	3,900	87,008	-	221,900
R.P.Salmon	2005	160,218	-	2,986	89,629	-	252,833
	2004	130,992	-	3,900	87,008	-	221,900
B.D.Jones	2005	231,528	300,000	4,612	20,838	103,030	660,008
	2004	13,973	-	238	-	-	14,211
R.N.Scott	2005	42,500	-	-	-	-	42,500
	2004	42,500	-	-	-	3,805	46,305
Total Remuneration: Specified Directors							
	2005	594,464	300,000	10,584	200,096	103,030	1,208,174
	2004	318,457	-	8,038	174,016	3,805	504,316
Specified Executives							
J. McGee	2005	316,944	-	121	28,525	18,490	364,080
	2004	299,885	-	7,615	26,990	42,299	376,789
J. Smith	2005	229,410	40,000	4,612	24,247	21,953	320,222
	2004	200,169	40,000	1,282	21,615	24,969	288,035
P.Sealy	2005	286,307	-	1,188	25,768	-	313,263
	2004	140,000	5,000	2,913	11,776	1,200	160,889
T.Phillips*	2005	73,020	-	-	-	148,222	221,242
G.McFadden	2005	129,987	5,000	-	12,149	1,412	148,548
Total Remuneration: Specified Executives							
	2005	1,035,668	45,000	5,921	90,689	190,077	1,367,355
	2004	640,054	45,000	11,810	60,381	68,468	825,713

* Troy Phillips is a director of Mortgage Asset Services Pty Ltd (MAS). Troy's services as General Manager Sales for the group are remunerated by way of a commission payment to MAS monthly based on home loans settled during the previous month. This amounted to $73,020 in the current financial year. MAS also holds 2,750,000 options over unissued shares in Homeloans Limited. The amortised value of these options during the year has been included. None of the remuneration noted above was actually paid directly to Troy Phillips.

HOMELOANS LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(c) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified directors and specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at various exercise prices. The options may only be exercised immediately on vesting and expire between one and five years after vesting. The options granted vest at various times up to three years from grant. All options granted during the financial year are not subject to meeting key performance criteria except for those issued to Mortgage Asset Services (MAS). The benefit of MAS options is disclosed as part of the remuneration for the specified executive, Troy Phillips.

	Vested	Granted	Terms & Conditions for Each Grant				
	Number	Number	Grant date	Value per option at grant date ($)	Exercise Price per share ($)	First Exercise Date	Last Exercise Date
Specified Directors							
B.D.Jones	375,000	375,000	1 Dec 2004	0.1019	0.40	1 Dec 2004	1 Dec 2009
	500,000	500,000	1 Dec 2004	0.0959	0.45	1 Jun 2005	1 Dec 2009
	-	500,000	1 Dec 2004	0.0872	0.50	1 Jun 2006	1 Dec 2009
Specified Executives							
J.Smith	100,000	-	29 Apr 2002	0.2724	0.994	1 Apr 2005	1 Apr 2007
	100,000	-	1 Apr 2003	0.1398	0.52	21 Jan 2005	21 Jan 2008
	-	100,000	14 Jan 2005	0.1420	0.35	14 Dec 2006	14 Dec 2009
	-	100,000	14 Jan 2005	0.1420	0.35	14 Dec 2007	14 Dec 2009
T.Phillips^	750,000	750,000	7 Dec 2004	0.1098	0.40	7 Dec 2004	7 Dec 2009
	-	1,000,000	7 Dec 2004	0.1010	0.45	31 Mar 2006	7 Dec 2009
	-	1,000,000	7 Dec 2004	0.0924	0.50	31 Mar 2007	7 Dec 2009
J.McGee	250,000	-	2 May 2002	0.2867	0.994	1 Apr 2005	1 Apr 2007
G.McFadden	-	25,000	14 Jan 2005	0.1420	0.35	14 Dec 2006	14 Dec 2009
	-	25,000	14 Jan 2005	0.1420	0.35	14 Dec 2007	14 Dec 2009
Total	2,075,000	4,375,000					

^ The options on issue to MAS include 750,000 options exercisable any time from grant date with the balance subject to performance hurdles. These hurdles are as follows:
- 1,000,000 exercisable if mortgage settlements in any 3 month period prior to 31 March 2006 exceed an average $175m per month
- 1,000,000 exercisable if mortgage settlements in any 3 month period prior to 31 March 2007 exceed an average $225m per month

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(d) Option Holdings of Specified Directors* and Specified Executives*

	Balance at beginning of period	Granted as Remuneration	Options Exercised	Net Change Other #	Balance at end of period	Vested at 30 June 2005		
	1 July 2004	Year ended 30 June 2005			30 June 2005	Total	Not Exercisable	Exercisable
Specified Directors								
R.N.Scott	300,000	-	-	-	300,000	300,000	-	300,000
B.D.Jones	-	1,375,000	-	-	1,375,000	1,375,000	500,000	875,000
Specified Executives								
J. McGee	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000
P. Sealy	40,000	-	-	(40,000)	-	-	-	-
J. Smith	400,000	200,000	-	-	600,000	600,000	300,000	300,000
T.Phillips[A]	-	2,750,000			2,750,000	2,750,000	2,000,000	750,000
G.McFadden	-	50,000	-		50,000	50,000	50,000	-
Total	1,740,000	4,375,000	-	(40,000)	6,075,000	6,075,000	2,850,000	3,225,000

Includes forfeits and offer to all employees under the Employee Share Scheme – refer to Note 25 for details of the Scheme.
* Does not include options on issue to ex-directors, non-specific executives and other employees that are included in the 8,130,000 options outstanding at balance date referred to in Note 25.
A—Troy Phillips , General Manager Sales, whilst a specified executive, does not hold options in his name. He does however have an interest as Director and major shareholder in Mortgage Asset Services Pty Ltd which was granted 2,750,000 options during the financial year.

(e) Shareholdings of Specified Directors and Specified Executives

Shares held in Homeloans Limited	Balance 1 July 2004		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2005	
	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
Specified Directors										
T.A.Holmes	8,776,281	170,750	-	-	-	-	93,500	-	8,869,781	170,750
R.P.Salmon	8,665,366	170,441	-	-	-	-	-	-	8,665,366	170,441
B.D.Jones	50,000	-	-	-	-	-	-	-	50,000	-
R.N.Scott	1,489,794	29,458	-	-	-	-	-	-	1,489,794	29,458
Specified Executives										
J. Smith	20,766	208	-	-	-	-	46,957	-	67,723	208
T.Phillips[B]	377,322	-	-	-	-	-	2,042,134	-	2,419,456	-
Total	19,379,529	370,857	-	-	-	-	2,182,591	-	21,562,120	370,857

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

26. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(e) Shareholdings of Specified Directors and Specified Executives (continued)

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

B—Troy Phillips, General Manager Sales, whilst a specified executive, does not hold shares in the company in his name. He does however have an interest as Director and major shareholder in Mortgage Asset Services Pty Ltd which held 2,419,456 ordinary shares in the company at 30 June 2005.

	Notes	Consolidated 2005 $	Consolidated 2004 $	Homeloans Limited 2005 $	Homeloans Limited 2004 $
27. AUDITORS' REMUNERATION					
Amounts received or due and receivable					
by Ernst & Young for:					
—an audit or review of the financial report of the entity and any other entity in the consolidated entity		90,150	73,003	80,150	73,003
—other advisory services in relation to the entity and any other entity in the consolidated entity:					
—tax compliance		115,554	183,501	115,554	183,501
—accounting advice		6,800	2,055	6,800	2,055
		122,354	185,556	122,354	185,556
		212,504	258,559	202,504	258,559

28. RELATED PARTY DISCLOSURES

Wholly-owned group transactions

During the year management fees totalling $450,000 (2004: $4,916) were charged to Access Network Management Pty Ltd by Homeloans Limited and $5,466,583 (2004: $5,886,930) were charged to FAI First Mortgage Pty Ltd by Homeloans Limited.

At balance date, Homeloans owed Access Network Management $3,116,432 (2004: $1,764,489). FAI First Mortgage Pty Ltd owed Homeloans $2,188,111 at balance date (2004: $107,156). Homeloans Limited owed St Michael Investments Pty Ltd $1,804 at balance date (2004: $1,767).

Ultimate parent

Homeloans Limited is the ultimate Australian parent company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

29. CONTINGENT LIABILITIES

The directors were not aware of any contingent liabilities as at the end of the financial year or arising since balance date.

30. SUBSEQUENT EVENTS

On 18 August 2005 Homeloans Limited announced that its subsidiary, Access Home Loans Pty Ltd ("Access"), had entered into an agreement to aggregate its broker generated loans through Mosaic Financial Services Pty Ltd ("Mosaic"). Mosaic is a newly formed service provider established by Access in conjunction with The Mortgage Detective, Auspak Financial Services and Required Finance. The founding members will be principal shareholders in Mosaic.

On 23 August 2005, the directors of Homeloans Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is $755,311 which is unfranked. The dividend has not been provided for in the 30 June 2005 financial statements.

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

As disclosed in Note 33 subsequent to year end the company reached settlement with the Western Australian Office of State Revenue ("OSR") with respect to the outstanding $1,788,512 Stamp Duty Assessment. The settlement will result in the OSR refunding $951,490 to Homeloans Ltd.

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:

		Fixed Interest Rate Maturing in:					
FINANCIAL INSTRUMENT	FLOATING INTEREST RATE $	1 YEAR OR LESS $	OVER 1 TO 5 YEARS $	MORE THAN 5 YEARS $	NON-INTEREST BEARING $	TOTAL $	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
30 JUNE 2005							
(i) FINANCIAL ASSETS							
Cash assets	1,464,811	-	-	-	3,250	1,468,061	5.2%
Receivables	-	-	-	-	7,545,346	7,545,346	
Stamp Duty Receivable	-	936,045	-	-	-	936,045	6.0 %
Total Financial Assets	1,464,811	936,045	-	-	7,548,596	9,949,452	
Payables	-	-	-	-	4,123,277	4,123,277	
Interest bearing liabilities	4,690,984	-	-	-	-	4,690,984	7.2%
Total Financial Liabilities	4,690,984	-	-	-	4,123,277	8,814,261	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

31. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE $	Fixed Interest Rate Maturing in: 1 YEAR OR LESS $	OVER 1 TO 5 YEARS $	MORE THAN 5 YEARS $	NON-INTEREST BEARING $	TOTAL $	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE
30 JUNE 2004							
(I) FINANCIAL ASSETS							
Cash assets	619,828	-	-	-	3,250	623,078	5.0%
Receivables	-	-	-	-	8,383,546	8,383,546	N/A
Total Financial Assets	619,828	-	-	-	8,386,796	9,006,624	
(II) FINANCIAL LIABILITIES							
Payables	-	-	-	-	4,387,319	4,387,319	N/A
Interest bearing liabilities	6,755,126	-	-	-	-	6,755,126	7.1%
Total Financial Liabilities	6,755,126	-	-	-	4,387,319	11,142,445	

(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	
	2005 $	2004 $	2005 $	2004 $
(I) FINANCIAL ASSETS				
Cash	1,468,061	623,078	1,468,061	623,078
Receivables	8,481,391	8,383,546	8,481,391	8,383,546
Total Financial Assets	9,949,452	9,006,624	9,949,452	9,006,624
(II) FINANCIAL LIABILITIES				
Payables	4,123,277	4,387,319	4,123,277	4,387,319
Interest bearing liabilities	4,690,984	6,755,126	4,690,984	6,755,126
Total Financial Liabilities	8,814,261	11,142,445	8,814,261	11,142,445

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

31. FINANCIAL INSTRUMENTS (CONTINUED)
(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.

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

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS
Homeloans Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AIFRS. As Homeloans has a 30 June year-end, priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, Homeloans' transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when Homeloans prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate (where it is possible to give a reliable estimate) of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed (if any) are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Goodwill
Under AASB 3 - *Business Combinations*, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition. In the year ended 30 June 2005 the amortisation of goodwill of $925,400 would not have been recognised under AIFRS.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONTINUED)

Impairment of Assets
Under AASB 136 - *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. Whilst the group's current accounting policy determines the recoverable amount of an asset on the basis of discounted cash flows, AASB 136 is more definitive on the basis of this calculation. The Group is currently assessing whether this will result in an impact on adoption of AIFRS.

Share Based Payments
Under AASB 2 - *Share Based Payments*, the company would recognise the fair value of options issued to employees and other related parties as remuneration and recognise an expense in the Income Statement. It applies to all share-based payments issued after November 2002, which have not vested as at 1 January 2005. At the date of this report the appropriate model/s to be used to value the options have yet to be agreed upon due to the varying nature of performance hurdles required before some options can be exercised. It is likely that the models used will be one of or a mixture of Black-Scholes and Binomial methods.

Consolidation of Residential Mortgage Trust
AASB 139 - *Financial Instruments*, requires a reporting entity to consolidate all controlled entities including special purpose entities ("SPE") under AASB 127 - Consolidated and Separate Financial Statements and SIC-12 - Consolidation – Special Purpose Entities, before it considers whether it can derecognise financial assets and liabilities from its consolidated balance sheet. AASB 127 requires reporting entities to prepare consolidated financial statements that include the results of all subsidiaries of the parent. A subsidiary is defined as an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

The Residential Mortgage Trust is a series of trusts established by the group for the purpose of originating and funding loans secured by residential mortgages. Currently there is uncertainty as to the accepted accounting practice within the industry for the treatment of securitised mortgage trusts and therefore the Group has yet to determine the appropriate accounting treatment. It is however expected that the trusts will be consolidated.

At 30 June 2005 the total assets of the Residential Mortgage Trust were $513.2 million (2004: $588.2 million) and the total liabilities were $513.2 million (2004: $588.2 million).

Deferred Revenue Recognition and Deferred Mortgage Origination Costs
AASB 138 – *Intangible Assets*, states that internally generated costs, identifiable as intangible assets, must be expensed. The group currently has an accounting policy of deferring application fee revenue and capitalising the direct selling expenses incurred in originating a home loan (includes commission and advertising) and then amortising them over the average life of home loans in the Homeloans loan book. Currently there is uncertainty as to the accepted accounting practice within the industry for the treatment of deferred revenue and deferred mortgage origination costs and therefore the Group has yet to determine the appropriate accounting treatment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

32. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONTINUED)

Financial Instruments

Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures, and AASB 139 Financial Instruments: Recognition and Measurement, for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The Financial Instruments project team is in the process of determining the impact that adopting the standards would have on the financial statements of the Group.

Reset Preference Shares

AASB 132 – *Financial Instruments – Disclosure and Presentation* contains a stricter definition of a financial liability than is determined under current AGAAP. Subject to a valuation of the Reset Preference Shares to calculate the value , if any, of the instrument itself (being capable of conversion to ordinary shares in certain circumstances), it is likely that the majority of the Reset Preference Shares currently classified as equity, will be reclassified as debt under AIFRS. It is not possible to quantify this amount at this stage until the valuation is complete. It is clear however that any payment made to Reset Preference shareholders would be classified as an interest charge under AIFRS and would therefore affect reported profits and Diluted Earnings Per Share. In the year ended 30 June 2005, dividends of $503,528 were paid to the Reset Preference Shareholders which would, if AASB 132 were applicable, have been classified as interest expense.

Accounting for Derivatives

AASB 139 - *Financial Instruments – Recognition and Measurement*, requires all derivatives, including interest rate swaps, to be recognised at fair value at transition date.

The group does not currently enter into any derivative contracts but if, as expected, the Residential Mortgage Trust is consolidated as part of the Homeloans Group, it will have to account for some derivative products. The group expects to account for derivatives as held for trading with the fair value being recognised in the profit and loss.

Accounting for Income Tax

Under AASB 112—*Income Taxes*—the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Balance Sheet or a tax-based balance sheet. The company is currently completing its tax based balance sheet to determine the financial impact (if any) of this change.

Contingent Assets

AASB 137 - *Provisions, Contingent Liabilities and Contingent Assets* prohibits the recognition of a contingent asset unless it has become virtually certain that an inflow of economic benefit will arise in respect of the asset in the future. In contrast current AGAAP requires that a contingent asset be recognised when it has become probable that an inflow of economic benefits will arise. Where the inflow of economic benefits arising from a contingent asset is probable but not virtually certain, such an asset will no longer be recognised under AIFRS.

In respect of the stamp duty assessment in dispute with the Western Australian Office of State Revenue, such an asset will no longer be recognised under AIFRS. Whilst the directors believe recovery is highly probable at 1 July 2004, because of the likelihood of litigation they have concluded that it is not virtually certain. Therefore the amount of $1,788,512 will be adjusted against retained earning at 1 July 2004.

Any future recovery will therefore be reflected through the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

33. REVISED FINANCIAL STATEMENTS

For the reasons noted below, the revised financial statements as at 30 June 2005 and for the year then ended replace the original financial statements approved by the directors on 30 September 2005.

In 2003, Homeloans Ltd received a Stamp Duty Assessment from the Western Australian Office of State Revenue (“OSR”) for $1,788,512. The assessment related to the transfer of the assets of IF&I Securities Pty Ltd as trustee for the IF&I Securities Unit Trust to Homeloans Ltd on its inception in December 2000.

Homeloans Ltd appealed the assessment and based upon legal advice were of the view that the assessment was incorrect. In October 2005, Homeloans Ltd settled the dispute with the OSR for an amount of $918,272. After adjusting for interest through to the date of settlement, Homeloans Ltd will receive a refund of $951,490.

The directors have concluded that, although the above information was not known to them on or before 30 September 2005, it is information that clarifies the recoverability of a receivable that existed at 30 June 2005. Furthermore, if the directors had known about this new information at the time of preparing the original financial report, the decrease in the receivable would have been recognised. Consequently and in view of the monetary size of the adjustment, the directors have resolved to amend and reissue the financial report for the year ended 30 June 2005.

The following amendments have been processed and incorporated into the revised financial statements:

Decrease in Receivables	$852,467
Increase in Deferred Tax Liability	$19,741
Net Decrease in Net Profit After Tax for the year	$872,208

The effect of this adjustment has been to reduce the previously reported consolidated net assets by $872,208 to $36,795,737. Furthermore, the reported basic and diluted earnings per share for the year ended 30 June 2005 have decreased from 1.76 cents and 2.06 cents to 0.02 cents and 0.77 cents respectively.

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 2005 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) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

3) 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

Timothy A. Holmes
Chairman

Perth, 17 October 2005

FINANCIALS

ERNST & YOUNG

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HOMELOANS LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Homeloans Limited ("the company") and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

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

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

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

ERNST & YOUNG

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HOMELOANS LIMITED

Audit opinion

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

(a) the Corporations Act 2001, including:
  (i) giving a true and fair view of the financial position of Homeloans Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
(b) other mandatory financial reporting requirements in Australia.

Revision of financial statements

Without qualification to the opinions expressed above, attention is drawn to Note 33 to the financial statements. For the reasons fully described in that note, the previously issued financial report of Homeloans Ltd for the year ended 30 June 2005 has been revised. Accordingly, this audit report replaces our audit report dated 30 September 2005 in which we originally reported on the financial report for the year ended 30 June 2005.

Ernst & Young

RA Kirkby
Partner

17 October 2005

ASX 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.

(a) Distribution of shareholders and their holdings as at 19th September 2005

Size of holdings of holders	Ordinary shares Number of holders	Reset preference shares Number of holders
1 – 1,000	78	102
1,001 – 5,000	391	9
5,001 – 10,000	133	2
10,001 – 100,000	192	6
100,001 and over	35	2
TOTAL	829	121
Unmarketable parcel of shares	109	47

A marketable parcel of shares is defined by the ASX as a parcel worth more than $500.00

ASX ADDITIONAL INFORMATION (CONTINUED)

(b) Top 20 holders of Ordinary Shares as at 19th September 2005

Name	Listed Ordinary shares	
	Number of shares	% of ordinary shares
Tico Pty Ltd (TA Holmes Family Fund A/c)	8,316,406	16.52
Peterlyn Pty Ltd (Salmon Family Account)	8,299,155	16.48
Redbrook Nominees Pty Ltd	7,227,804	14.35
Gemtrick Pty Ltd (Harris Family Fund A/c)	2,651,630	5.27
Westpac Banking Corporation	2,625,528	5.21
Mortgage Asset Services Pty Ltd	2,518,811	5.00
UBS Private Clients Australia Nominees Pty Ltd	2,467,692	4.90
J.P.Morgan Nominees Australia Limited	1,677,115	3.33
National Nominees Limited	1,050,880	2.09
Carpenter Nominees Pty Ltd (Robert Scott Family A/c)	1,050,367	2.09
Ferber Holdings Pty Ltd (Scott Super Fund A/C)	438,455	0.87
Jamac Holdings Pty Ltd	429,955	0.85
Mr Timothy Alastair Holmes	423,211	0.84
Mr Robert Peter Cockburn Salmon	366,211	0.73
Bellwood Limited	325,935	0.65
Pythagoras Investment Corporation Pty Ltd	300,000	0.60
Mr John Benjamin	250,000	0.50
Challenger Group Pty Ltd	250,000	0.50
Beecraft Pty Ltd	225,000	0.45
Sigma Chemicals (1986) Pty Ltd	200,000	0.40
Cumulative Total after Top 20 Shareholders	41,094,155	81.63

ASX ADDITIONAL INFORMATION (CONTINUED)

(c) Top 20 holders of Reset Preference Shares as at 19th September 2005

	Listed Reset Preference shares	
Name	Number of shares	% of reset preference shares
Tico Pty Ltd (TA Holmes Family Fund A/c)	167,088	33.18
Peterlyn Pty Ltd (Salmon Family Account)	166,779	33.12
UBS Private Clients Australia Nominees Pty Ltd	49,531	9.84
Redbrook Nominees Pty Ltd	42,989	8.54
Ferber Holdings Pty Ltd (Scott Super Fund A/c)	20,970	4.16
J.P.Morgan Nominees Australia Limited	10,145	2.01
Carpenter Nominees Pty Ltd (Robert Scott Family A/c)	8,488	1.69
Beecraft Pty Ltd	4,020	0.80
Mr Timothy Alastair Holmes	3,662	0.73
Mr Robert Peter Cockburn Salmon	3,662	0.73
Pythagoras Investment Corporation Pty Ltd	2,270	0.45
Mrs Jean Ackland	1,426	0.28
Edplas Pty Ltd	1,125	0.22
YSCA Nominees Pty Ltd (YSCA Super Fund A/c)	1,031	0.20
Mrs Dorothy Mary McGee	1,000	0.20
Mr Eric Hewitt Dick	1,000	0.20
Mrs Sandra Kennard	1,000	0.20
Ms Janic Leigh Forbes-Madden & Mr Felix Grant (Forbes Jan Forbes Madden Super a/c)	950	0.19
Mr Neville Clyde Martin Mr Lauren Carol Martin (The Martin Family A/c)	850	0.17
Mr Robert Douglas Lewin	800	0.16
Cumulative Total after Top 20 Shareholders	488,786	97.07

ASX ADDITIONAL INFORMATION (CONTINUED)

(d) Substantial Shareholders details as at 19th September 2005 were:

Set out below is an extract of the Company's register of substantial shareholders, showing the substantial shareholders and the number of equity securities in which they have a relevant interest as disclosed by notices received by the Company under Part 6.7 of the Corporations Act 2001.

Holder of Relevant Interest	Number of ordinary shares in which interest held
Timothy Alastair Holmes, Tico Pty Ltd (TA Holmes Family Fund A/C), Tico Pty Ltd (TA Holmes Superfund A/C), Joanna Mary Holmes, Tiffany Eliza Farrar Holmes, Lucy Caroline Holmes and Carol Mary Holmes	8,869,781
Robert Peter Cockburn Salmon, Peterlyn Pty Ltd (Salmon Family Fund A/C), Peterlyn Pty Ltd (Salmon Superfund A/C)	8,665,366
Redbrook Nominees Pty Ltd	7,227,804
Westpac Banking Corporation	2,625,528
Mortgage Asset Services Pty Ltd	2,518,811

The number of holders of each class of security

There are 829 holders of Ordinary shares

There are 121 holders of Reset Preference shares

There are 3 holders of Non-Executive Directors' Options

There are 36 holders of Employee Options

There are 2 holders of Other Executive Options

There is 1 holder of Other Options

ASX ADDITIONAL INFORMATION (CONTINUED)

(e) Voting rights

The Company has Ordinary Shares and Reset Preference Shares on issue. All of the Ordinary Shares and Reset Preference Shares are fully paid.

The holders of Ordinary Shares are entitled to attend and vote at all general meetings and are entitled to be represented at the meeting. On a show of hands every member present has one vote and on a poll every member present has one vote for every ordinary share held.

The holders of the Reset Preference Shares are entitled to attend general meetings. However they are not entitled to vote at general meeting except in any one or more of the following circumstances:

1. if, at the commencement of that meeting a Dividend (or part of a Dividend) payable on the Reset Preference Shares held by that Holder is in arrears;
2. on any proposal to reduce the Company's share capital;
3. on any resolution to approve the terms of a buyback agreement;
4. on the proposal that affects rights attaching to the Reset Preference Shares held by that Holder;
5. on any resolution for the winding up of the Company;
6. on a proposal for the disposal of the whole of the Company's property, business and undertaking;
7. during the winding up of the Company; and
8 any other circumstances in which the ASX Listing Rules require holders of preference shares to be entitled to vote;

in which case the Holder has, on a show of hands, one vote, and on a poll, one vote for every Reset Preference Share held and has the same right to be represented at any meting as the holders of Ordinary Shares.

(f) Share Trading

The Company's shares are listed on the Australian Stock Exchange Limited and the Home Exchange is Perth. Ordinary shares are traded under the code HOM. Reset Preference shares are traded under the code HOMPA.