



## **HOMELOANS LIMITED**

### **Appendix 4D**

Financial report  
for the half-year ended 31 December 2017

ABN: 55 095 034 003

ASX CODE: HOM

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# HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

## APPENDIX 4D (rule 4.2A)

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to half-year ended 31 December 2016)	\$'000	Up/ down	Movement from HY17 <sup>1</sup> %
Revenue from ordinary activities	188,441	Up	29%
Profit from ordinary activities after tax attributable to members	11,925	Up	111%
Net comprehensive income for the period attributable to members	11,960	Up	127%

1. The results for the:

- Half-year ended 31 December 2017 (HY18) reflect the combined Homeloans Group results of RESIMAC Limited (RESIMAC), as well as Homeloans Limited (Homeloans) for the 6 month period; and
- Comparative period for the half-year ended 31 December 2016 (HY17) reflect RESIMAC only for the period 1 July 2016 to 12 October 2016 and the newly formed combined Homeloans Group results of RESIMAC, as well as Homeloans Limited (Homeloans) for the period 13 October 2016 to 31 December 2016.

Refer to note 14 for more detail.

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim FY18 dividend declared	0.90	0.90
Final FY17 dividend paid	0.75	0.75
	1.65	1.65
<i>Previous corresponding period:</i>		
Interim FY17 dividend declared	0.75	0.75
Final FY16 dividend paid <sup>2</sup>	2.00	2.00
	2.75	2.75

2. Relates to dividends paid to Homeloans shareholders in the period prior to the merger.

Record date for determining entitlements to the dividend  
Date the interim dividend is payable

7 March 2018  
9 April 2018

### Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will apply to the interim dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Homeloans ordinary shares traded on the ASX over the 5 day trading period commencing on the second Business Day after the record date. The shares will be issued at a discount of 2.5%. Dividend election notices will be posted out to shareholders on 28 February 2018.

## HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

### APPENDIX 4D (rule 4.2A)

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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#### 1) Previous corresponding period

The previous corresponding period is the half-year ended 31 December 2016.

#### 2) Net tangible assets per security

Net tangible assets per security is \$0.33 (HY17: \$0.30).

#### 3) Explanation of results

This information should be read in conjunction with the Homeloans Limited 2017 Annual Report and with any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

#### **Normalised earnings**

To reflect the Group's normalised earnings the net profit after tax (NPAT) has been adjusted to separate the write-down of the investment in e-Choice to zero.

	<b>HY18 \$'000</b>
Statutory NPAT	<b>11,925</b>
Write-down of investment in eChoice	<b>443</b>
Tax effect and other eChoice related tax adjustments	<b>483</b>
<b>Normalised NPAT</b>	<b>12,851</b>

#### 4) Details of entities over which control has been gained or lost during the year

Homeloans completed the purchase of the minority shareholding of 12% of the fully paid ordinary shares in Paywise Pty Limited (Paywise) on 4 September 2017. This resulted in Paywise becoming a wholly owned subsidiary.

**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

**5) Details of associates and joint venture entities**

The company has an investment in the following associate:

Name of associate	Principal activity	HY18	HY17
		Percentage holding (%)	Percentage holding (%)
Finsure Holding Pty Limited	Mortgage brokerage	16.24	50
Finsure Wealth Pty Limited	Mortgage brokerage	0	50
1300 Home Loan Holdings Pty Limited	Mortgage lending	0	50
Finsure Domain Names Pty Limited	Mortgage brokerage	0	50

Since 31 December 2016, the Company has disposed of its 50% ownership interest in the following joint ventures:

- Finsure Wealth Pty Ltd;
- Finsure Domain Names Pty Ltd; and
- 1300 Homeloans Holdings Pty Ltd.

On 27 April 2017, the Company reduced its ownership interest in Finsure Holding Pty Limited from 50% to 28%.

Subsequently, this investment was reclassified from a joint venture to an investment in an associate.

The company's holding in Finsure has reduced further from 28% to 16.24% in the current period due to share issues by Finsure.

**6) Set of accounting standards used for foreign entities in compiling this report**

The foreign entities of the company comply with International Financial Reporting Standards (IFRS).

**7) Any other significant information**

There was no other significant information to disclose at 31 December 2017.

**8) Audit**

This report is based on the condensed consolidated half-year financial report which has been subject to a review by our auditors, Deloitte Touche Tohmatsu.

**9) Commentary on results for the year**

Commentary on results for the year is contained in the press release dated 21 February 2018 accompanying this statement.



**Cholmondeley Darvall**  
Chairman and Non-executive Director

Sydney  
21 February 2018

**APPENDIX 4D (rule 4.2A)**

FINAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

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## DIRECTORS' REPORT

## HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

The Directors of Homeloans Limited (Homeloans or the Company) submit herewith the financial report of Homeloans and its subsidiaries (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report is as follows:

## Directors

The names of the Directors of the company during or since the end of the half-year are:

- **Mr Cholmondeley (Chum) Darvall**  
Appointed Chairman on 13 November 2017  
  
Previously Deputy Chairman appointed April 2017
- **Ms Susan Hansen**  
Independent Non-Executive Director
- **Mr Michael Jefferies**  
Independent Non-Executive Director
- **Mr Warren McLeland**  
Non-Executive Director
- **Mr Duncan Saville**  
Appointed Non-Executive Director on 13 November 2017  
  
Previously alternate director appointed February 2017
- **Mr Robert Salmon**  
Resigned as Independent Non-Executive Director on 13 November 2017
- **Mr Robert Scott**  
Resigned as Chairman on 13 November 2017.  
  
Remains as Independent Non-Executive Director

## Key management personnel

The key management personnel are all of the above directors and:

- **Mr Scott McWilliam**  
Joint Chief Executive Officer
- **Ms Mary Ploughman**  
Joint Chief Executive Officer
- **Mr Ian Parkes**  
Chief Financial Officer

## Merger of Homeloans Limited and RESIMAC Limited

On 13 October 2016, Homeloans acquired 100% of the share capital of RESIMAC Limited (RESIMAC) in exchange for shares in Homeloans. The acquisition of RESIMAC was considered a reverse acquisition, with RESIMAC being considered the parent for accounting purposes with the business combination being accounted for under AASB 3 *Business Combinations*.

The consolidated financial statements therefore reflect a continuation of the financial statements of RESIMAC.

As summarised in the table below, the consolidated financial statements for the half-year ended:

- 31 December 2017 (HY18), include the combined results of both RESIMAC and Homeloans for six months; and
- 31 December 2016 (HY17), under reverse acquisition accounting principles, include the results of RESIMAC for the six months and Homeloans for the period from 13 October 2016.

	HY18	HY17
	6 months to 31 Dec 2017	6 months to 31 Dec 2016
Statement of profit or loss and other comprehensive income	RESIMAC + Homeloans	RESIMAC + Homeloans 13 Oct – 31 Dec
Statement of changes in equity	RESIMAC + Homeloans	RESIMAC + Homeloans 13 Oct – 31 Dec
Statement of cash flows	RESIMAC + Homeloans	RESIMAC + Homeloans 13 Oct – 31 Dec
	HY18	FY17
	As at 31 Dec 2017	As at 30 Jun 17
Statement of financial position	RESIMAC + Homeloans	RESIMAC + Homeloans

**DIRECTORS' REPORT**

HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

**Review of operations**

The Group generated a net profit after tax (NPAT) of \$11,925,000 for the half-year ended 31 December 2017. To reflect the Group's normalised earnings the NPAT has been adjusted to separate one-off items, which are included in the result for the six months to 31 December 2017.

The following table reconciles the unaudited normalised earnings to the reported profit before tax for the period in accordance with International Financial Reporting Standards (IFRS).

Management believe the disclosure of the normalised NPAT provides additional insight into the underlying performance for the period.

Unaudited non-IFRS information	HY18 \$'000
Statutory NPAT	11,925
Write-down of investment in eChoice	443
Tax effect and other eChoice related tax adjustments	483
<b>Normalised NPAT</b>	<b>12,851</b>

Total revenues and other income of \$188,441,000 increased 31% on prior year.

Net interest income increased by 27% to \$50,988,330.

Operating expenses decreased by 2% but the previous half-year included the merger transaction and restructure costs. After allowing for these, operating expenses increased by 9%, which reflects a full six months of the combined group's cost base whereas the previous corresponding half contained two months on a merged basis.

Loan impairment expense reduced by 2% to \$859,000.

Total mortgage settlement flows across the Group's combined distribution channels (i.e. both principally funded and non-principally funded) was \$2.2 billion, up 38% on the previous corresponding period (PCP).

- Settlements of principally funded lending of \$1.8 billion increased by 64% on the PCP; and

- Settlements of the non-principally funded portfolio was \$0.4 billion, down 20% on the PCP reflecting the shift in focus to growing the principally funded portfolio;

The highlights of the Group's financial position and the assets under management at 31 December 2017 include:

- Principally funded loans and advances to customers increased 30% on the PCP to \$7.6 billion; and
- Non-principally funded portfolio was \$3.5 billion, down 2.8% on the PCP.

Combined these make up the total Assets under Management portfolio of \$11.1 billion.

The Group's net assets increased by 8% from 30 June 2017, which is largely attributable to underlying profit stemming from growth in the loan portfolios.

**Funding programmes**

The RESIMAC Premier 2017-2 transaction was settled on 3 August 2017 and is a domestic prime issue with a total size of \$750 million.

The RESIMAC Bastille Series 2017-1NC transaction was settled on 26 October 2017 and is a domestic non-conforming issue with a total size of \$750 million.

The RESIMAC Versailles 2017-1 transaction was settled on 16 November 2017 and is a New Zealand prime and non-conforming issue with a total size of NZ\$250 million.

This was the first issue in New Zealand for Homeloans in three years and reflects the growth in the New Zealand operations.

**Significant changes in state of affairs**

There was no significant change in the state of affairs during the period.

**Auditor's independence declaration**

The auditor's independence declaration is included on page 35 of this financial report.

**DIRECTORS' REPORT**

**DIRECTORS' REPORT**

HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

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**Rounding off of amounts**

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with the Corporations Instrument amounts in the Directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors of Homeloans Limited



**Cholmondeley Darvall**

Chairman and Non-executive Director

Sydney,  
21 February 2018



## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	<b>HY18 \$'000</b>	<b>HY17 \$'000</b>
Interest income	1	<b>169,560</b>	134,004
Interest expense	2	<b>(118,572)</b>	(93,740)
<b>Net interest income</b>		<b>50,988</b>	40,264
Fee and commission income	1	<b>18,359</b>	11,296
Fee and commission expense	2	<b>(20,651)</b>	(11,881)
Other income	1	<b>522</b>	1,323
Employee benefits expense	2	<b>(18,514)</b>	(17,510)
Other expenses	2	<b>(12,516)</b>	(14,288)
Loan impairment expense	2	<b>(859)</b>	(880)
<b>Profit before tax</b>		<b>17,329</b>	8,324
Income tax expense		<b>(5,404)</b>	(2,680)
<b>PROFIT AFTER TAX</b>		<b>11,925</b>	5,644
<b>Attributable to:</b>			
Owners of the parent		<b>11,913</b>	5,644
Non-controlling interest		<b>12</b>	-
		<b>11,925</b>	5,644

# FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	HY18 \$'000	HY17 \$'000
<b>PROFIT AFTER TAX</b>		<b>11,925</b>	5,644
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Reversal of prior year reserve on trust wind up		(7)	(26)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in fair value of cash flow hedges		177	(364)
Tax effect		(53)	-
Currency translation differences		(82)	13
<b>Other comprehensive income for the period, net of tax</b>		<b>35</b>	(377)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>11,960</b>	5,267
<b>Attributable to:</b>			
Owners of the parent		11,948	5,267
Non-controlling interest		12	-
		<b>11,960</b>	5,267
		<b>HY18 cents per share</b>	<b>HY17 cents per share</b>
<b>Earnings per share</b>			
Basic	10	<b>3.01</b>	1.62
Diluted	10	<b>3.00</b>	1.62

Refer to Note 14 for the impact of the merger on the consolidated financial statements.

## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	HY18 \$'000	FY17 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3	211,538	187,109
Trade and other receivables		4,752	7,674
Current tax receivable		-	105
Loans and advances	4	7,575,414	6,642,988
Other financial assets	5	60,927	62,449
Derivative financial assets	13	-	7,297
Other assets		3,429	3,503
Plant and equipment		1,069	1,351
Intangible assets	6	22,161	22,296
		<b>7,879,290</b>	<b>6,934,772</b>
<b>LIABILITIES</b>			
Trade and other payables		32,201	38,345
Current tax payable		1,128	-
Provisions		4,430	5,144
Interest-bearing liabilities	7	7,644,586	6,708,755
Other financial liabilities	8	28,630	28,328
Derivative financial liabilities	13	5,725	4,384
Other liabilities		2,746	2,792
Deferred tax liabilities		7,409	5,716
Lease incentives		100	100
		<b>7,726,955</b>	<b>6,793,564</b>
<b>NET ASSETS</b>		<b>152,335</b>	<b>141,208</b>
<b>EQUITY</b>			
Share capital		176,883	174,762
Reverse acquisition reserve		(61,541)	(61,541)
<b>Total issued capital</b>		<b>115,342</b>	<b>113,221</b>
Reserves		(3,116)	(3,158)
Retained earnings		40,109	31,136
<b>Equity attributable to owners of the parent</b>		<b>152,335</b>	<b>141,199</b>
Non-controlling interest		-	9
		<b>152,335</b>	<b>141,208</b>

Refer to Note 14 for the impact of the merger on the consolidated financial statements.

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Share capital	Reverse acquisition reserve <sup>1</sup>	Total issued capital	Reserves <sup>2</sup>	Retained earnings	Attributable to owners of the parent	Non- controlling interest	Total
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2016</b>	134,157	(70,189)	63,968	42	18,329	82,339	(3)	82,336
Profit for the period	-	-	-	-	5,644	5,644	-	5,644
Other comprehensive income, net of income tax	-	-	-	(369)	(8)	(377)	-	(377)
<b>Total comprehensive income for the period</b>	-	-	-	(369)	5,636	5,267	-	5,267
Fair value of consideration on acquisition of Homeloans Limited	40,605	8,648	49,253	-	-	49,253	-	49,253
<b>Balance at 31 December 2016</b>	174,762	(61,541)	113,221	(327)	23,965	136,859	(3)	136,856
<b>Balance as at 1 July 2017</b>	<b>174,762</b>	<b>(61,541)</b>	<b>113,221</b>	<b>(3,158)</b>	<b>31,136</b>	<b>141,199</b>	<b>9</b>	<b>141,208</b>
Profit for the period	-	-	-	-	11,913	11,913	12	11,925
Other comprehensive income, net of income tax	-	-	-	42	(7)	35	-	35
<b>Total comprehensive income for the period</b>	-	-	-	42	11,906	11,948	12	11,960
Derecognition of non-controlling interest	-	-	-	-	20	20	(21)	(1)
Issue of shares under the Dividend Reinvestment Plan	2,121	-	2,121	-	-	2,121	-	2,121
Equity dividends	-	-	-	-	(2,953)	(2,953)	-	(2,953)
<b>Balance at 31 December 2017</b>	<b>176,883</b>	<b>(61,541)</b>	<b>115,342</b>	<b>(3,116)</b>	<b>40,109</b>	<b>152,335</b>	<b>-</b>	<b>152,335</b>

<sup>1</sup> As a result of reverse acquisition accounting, an equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's (Homeloans) equity with that of the deemed acquirer (RESIMAC).

<sup>2</sup> Comprises cash flow hedge reserve and foreign currency translation reserve.

Refer to Note 14 for the impact of the merger on the consolidated financial statements

## FINANCIAL STATEMENTS

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	<b>HY18 \$'000</b>	<b>HY17 \$'000</b>
<b>Cash flows from operating activities</b>			
Interest received		176,136	139,165
Interest paid		(112,072)	(90,035)
Receipts from loan fees and other income		37,550	20,763
Payments to suppliers and employees		(79,593)	(56,171)
Payments of net loans to borrowers		(933,853)	(418,712)
Income tax paid		(1,797)	(2,381)
<b>Net cash used in operating activities</b>		<b>(913,629)</b>	<b>(407,371)</b>
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(203)	(192)
Loans to related parties		(2,416)	(956)
Cash acquired on acquisition of business	14	-	10,345
<b>Net cash (used in)/provided by investing activities</b>		<b>(2,619)</b>	<b>9,197</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		8,633,973	9,504,633
Repayment of borrowings		(7,690,971)	(9,062,260)
Swap payments		(564)	(520)
Payment of dividends	9	(831)	(2,165)
<b>Net cash provided by financing activities</b>		<b>941,607</b>	<b>439,688</b>
<b>Net increase in cash and cash equivalents</b>		<b>25,359</b>	<b>41,514</b>
Cash and cash equivalents at the beginning of the period (1 July)		187,109	161,494
Effects of exchange rate changes on cash balances held in foreign currencies		(930)	140
<b>Cash and cash equivalents at the end of the period</b>	3	<b>211,538</b>	<b>203,148</b>

Refer to Note 14 for the impact of the merger on the consolidated financial statements

### Statement of compliance

The half-year financial report is a general purpose condensed financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 *Interim Financial Reporting*;
- compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*; and
- does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the investments held by associates and certain financial instruments which have been measured at fair value. All amounts are presented in Australian dollars unless otherwise noted.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards (AAS) and with International Financial Reporting Standards.

### Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

There are no new standards that have become effective which have a material impact on the Group.

### Basis of consolidation – Reverse acquisition accounting

The merger of Homeloans and RESIMAC was accounted for as a reverse acquisition business combination for the HY17 comparatives. In applying the requirements of AASB 3 *Business Combinations* to the Group:

- Homeloans became the legal parent entity to the Group; and
- RESIMAC, which is neither the legal parent nor legal acquirer, was deemed to be the accounting parent of the Group.

The consolidated financial information incorporates the assets and liabilities of all entities deemed to be acquired by RESIMAC including Homeloans and the results of these entities for the period from which those entities are accounted for as being acquired by RESIMAC.

The assets and liabilities of Homeloans acquired by RESIMAC were recorded at fair value at acquisition date while the assets and liabilities of RESIMAC were maintained at their book value.

The impact of all transactions between entities in the Group are eliminated in full.

The impact on equity of treating the formation of the Group as a reverse acquisition is discussed in more detail in note 14.

### The condensed notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

**Key numbers:** provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and where required, summarises the accounting policies, judgements and estimates relevant to understanding these line items;

**Capital:** provides information about the shareholder returns for the year;

**Risk:** discusses how the Group determines fair values of various financial assets and liabilities;

**Group structure:** explains aspects of the Group structure and how changes have affected the financial position and performance of the Group;

**Unrecognised items:** provides information about items that are not recognised in the financial statements but could potentially have an impact on the Group's financial position and performance; and

**Other:** provides information on items which require disclosure to comply with AAS and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Group.

### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

#### **a) Critical judgements in applying the entity's accounting policies**

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Business combination accounting;
- Net present value (NPV) of expected future trail commission receivable and payable;
- Loan impairment provision; and
- Goodwill impairment

#### **b) Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

#### **Business combination accounting**

The acquisition on 13 October 2016 of RESIMAC and its controlled subsidiaries by Homeloans was treated as a business combination with reverse acquisition accounting being applied for the half-year ended 31 December 2016 comparatives. The accounting treatment required a detailed fair valuation of Homeloans which included a number of judgements and estimates to arrive at the fair value. These estimates and judgements specifically impacted the amount of goodwill recognised. These included the:

- transaction price used to determine the consideration transferred; and
- total fair value of existing and new identifiable assets.

Refer to note 14 for more detail.

#### **NPV of future trail commission**

The recognition of the future trailing commission receivable in the Statement of financial position is an area of judgment due to the different recognition criteria existing within the accounting standards.

#### **a) The estimation of present value of future cash flows**

The key assumptions underlying this estimate include:

- prepayment and discharge rates; and
- discount rate.

This position will continue to be monitored in future accounting periods having regard to developments in the relevant accounting standards. In this respect, the Directors believe the accounting treatment adopted by the Group in recognising a financial asset is in accordance with the accounting standards and is consistent with the treatment adopted by similar industry participants.

**b) Key sources of estimation uncertainty (cont.)**

***Loan impairment provision***

The calculation of the impairment provision on mortgage assets is based on:

- objective evidence of impairment for a portfolio of receivables using the Group's past experience of collecting payments;
- an increase in the number of delayed payments in the portfolio past the average credit period; and
- observable changes in national or local economic conditions that correlate with default on receivables.

***Goodwill impairment***

The minimum indicators of impairment have been considered by Management. These include both internal and external sources of information such as:

- significant changes (historical and future) in the market, economic, legal or technological environment which would have an adverse impact on the Group;
- interest rate changes which impact the discount rate used in modelling;
- evidence of a worsening financial position; and
- plans to discontinue operations.

Management have assessed that there are no such indicators which would impair the goodwill balance as at 31 December 2017.



AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board and executive management team (the chief operating decision makers (CODM)) in order to allocate resources to the segment and to assess its performance.

The Group has identified three reportable segments based on the nature of the products and services provided, the type of customers for those products and services, the geographies where the business operates and the existence of discrete and separate reporting and management teams. The following summary describes the operations in each of the Group's reportable segments.

Even though the joint CEO's have discrete responsibility for functional departments and areas, they jointly manage the business based on the segments as described below. This is consistent with the Board reporting and management reporting currently in place.

The Group's reportable segments under AASB 8 are therefore as follows:

### **1. Australian Lending business**

This represents the distribution and lending business currently captured under the following primary brands:

- Homeloans;
- RESIMAC; and
- State Custodians.

The segment contains the bulk of the Australian based income and expense from the Australian Lending business. It incorporates the new business settled through the various distribution channels and the margin net of funding costs of the principally funded loan portfolios and the upfront and trail commission on the non-principally funded loan portfolio.

### **2. New Zealand Lending business**

Whilst the nature of the customers and products are similar to the Australian Lending segment, given the different jurisdiction and market conditions, management believe it is appropriate to distinguish the result of New Zealand from Australia.

The support for this as a separate segment include that it has a separate board and management reporting; it has separate regulatory requirements/oversight; and there are staff who are solely accountable for the New Zealand business.

Under AASB 8, this segment cannot be aggregated with the Paywise segment as the aggregation criteria are not met.

### **3. Paywise business**

Paywise is a salary packaging service provider which operates nationally in Australia. It provides services to employers and employees to manage salary packaging arrangements. It receives service fees and commission income.

This segment represents the business outside of the Australian Lending Business. The rationale for separating this business is it is currently managed and monitored independently from the Australian Lending business in the management reporting.

Paywise has its own CEO and Board and separate reporting. It runs relatively independently of the rest of the Australian operations and also has very different customers, sources of income and products than the other two segments.

Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the Group's accounting policies.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** | SEGMENT INFORMATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The company has made a decision to change its segments, and as a result the comparative periods have been restated to align to this change in accounting policy. This decision was made at 30 June 2017.

The following is an analysis of the Group's revenue and results by reportable operating segments:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	HY18	HY17	HY18	HY17	HY18	HY17	HY18	HY17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	179,308	142,384	7,241	5,955	1,892	2,114	188,441	150,453
<b>Total segment revenue</b>	<b>179,308</b>	<b>142,384</b>	<b>7,241</b>	<b>5,955</b>	<b>1,892</b>	<b>2,114</b>	<b>188,441</b>	<b>150,453</b>
Segment results before tax, depreciation, amortisation, finance costs and impairment	19,674	10,688	940	713	461	185	21,075	11,584
Depreciation and amortisation	(501)	(337)	(17)	(32)	(125)	(170)	(643)	(539)
Loan impairment	(786)	(782)	(73)	(98)	-	-	(859)	(880)
Finance costs	(2,166)	(1,793)	(78)	(48)	-	-	(2,244)	(1,841)
<b>Segment results before income tax</b>	<b>16,221</b>	<b>7,776</b>	<b>772</b>	<b>535</b>	<b>336</b>	<b>15</b>	<b>17,329</b>	<b>8,324</b>
Income tax expense							(5,404)	(2,680)
<b>PROFIT AFTER TAX</b>							<b>11,925</b>	<b>5,644</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** | SEGMENT INFORMATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	HY18	FY17	HY18	FY17	HY18	FY17	HY18	FY17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	7,548,665	6,662,963	316,643	256,201	13,982	15,608	7,879,290	6,934,772
	7,548,665	6,662,963	316,643	256,201	13,982	15,608	7,879,290	6,934,772
Segment liabilities	(7,406,869)	(6,525,033)	(298,086)	(247,594)	(13,463)	(15,016)	(7,718,418)	(6,787,643)
Tax liabilities	-	-	-	-	-	-	(8,537)	(5,921)
	(7,406,869)	(6,525,033)	(298,086)	(247,594)	(13,463)	(15,016)	(7,726,955)	(6,793,564)
<b>NET ASSETS</b>	<b>141,796</b>	<b>137,930</b>	<b>18,557</b>	<b>8,607</b>	<b>519</b>	<b>592</b>	<b>152,335</b>	<b>141,208</b>

## 1. Income

	<b>HY18</b> <b>\$'000</b>	<b>HY17</b> <b>\$'000</b>
<b>Interest</b>		
Loans and advances	<b>163,061</b>	129,807
Bank deposits	<b>1,229</b>	1,141
Interest received – other persons/corporations	<b>3,502</b>	1,764
Discount unwind on net present value of trail commission	<b>1,768</b>	1,292
	<b>169,560</b>	134,004
<b>Fee and commission</b>		
Mortgage origination	<b>4,634</b>	3,724
Loan management	<b>9,654</b>	3,289
Salary packaging	<b>1,282</b>	1,476
Vehicle financing commission	<b>1,510</b>	1,106
Net loan fees	<b>1,279</b>	1,701
	<b>18,359</b>	11,296
<b>Other</b>	<b>522</b>	1,323
	<b>188,441</b>	146,623

## 2. Expenses

	Note	<b>HY18 \$'000</b>	<b>HY17 \$'000</b>
<b>Interest</b>			
Bond and warehouse facilities		<b>112,373</b>	89,049
Amortisation – bond issue costs		<b>2,455</b>	2,013
Discount unwind on net present value of trail commission		<b>816</b>	1,005
Net swap payments		<b>547</b>	504
Other		<b>2,381</b>	1,169
		<b>118,572</b>	93,740
<b>Fee and commission</b>			
Mortgage origination		<b>3,710</b>	3,465
Loan management		<b>14,698</b>	6,575
Other financing costs		<b>2,243</b>	1,841
		<b>20,651</b>	11,881
<b>Employee benefits</b>			
Remuneration, bonuses, superannuation and on-costs		<b>18,514</b>	17,510
		<b>18,514</b>	17,510
<b>Other</b>			
Marketing, consultancy and IT		<b>5,703</b>	8,686
Occupancy-related		<b>1,480</b>	1,796
Depreciation and amortisation		<b>643</b>	539
Other		<b>4,690</b>	3,267
		<b>12,516</b>	14,288
<b>Loan impairment</b>		<b>859</b>	880
		<b>171,112</b>	138,299

### 3. Cash and cash equivalents

	<b>HY18</b>	<b>FY17</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	<b>13,206</b>	18,542
Cash collections account <sup>1</sup>	<b>196,525</b>	166,210
Restricted cash <sup>2</sup>	<b>1,807</b>	2,357
	<b>211,538</b>	187,109

1. Cash collections account includes monies in the Special Purpose Vehicles, Securitisation trusts and Paywise on behalf of members in those Trusts and various clearing accounts. These funds are not available for operational use.
2. Cash held in trust as collateral for certain borrowing facilities.

### 4. Loans and advances

Gross loans and advances	<b>7,581,872</b>	6,648,518
Less: allowance for impairment	<b>(6,458)</b>	(5,530)
	<b>7,575,414</b>	6,642,988
<b>Impairment allowances</b>		
Collective allowance	<b>3,111</b>	2,166
Specific allowance	<b>3,347</b>	3,364
	<b>6,458</b>	5,530

### 5. Other financial assets

Present value of future trail commission receivable	<b>60,927</b>	62,006
Unlisted shares	<b>-</b>	443
	<b>60,927</b>	62,449

## 6. Intangible assets

	<b>HY18</b> <b>\$'000</b>	<b>FY17</b> <b>\$'000</b>
<b>Goodwill</b>		
Balance at beginning of the period	<b>21,766</b>	434
Additional amounts recognised from business combinations occurring in the current period	-	21,332
<b>Balance at end of the period</b>	<b>21,766</b>	21,766
<b>Other intangible assets</b>		
Balance at beginning of the period	<b>530</b>	897
Additions	<b>20</b>	164
Amortisation	<b>(155)</b>	(531)
<b>Balance at end of the period</b>	<b>395</b>	530
	<b>22,161</b>	22,296

## 7. Interest-bearing liabilities

Debt securities on issue	<b>7,461,944</b>	6,594,908
Corporate debt facility	<b>25,000</b>	20,000
Issuance facilities	<b>146,935</b>	83,442
Loans from related parties	<b>10,290</b>	9,795
Lease liability	<b>417</b>	610
	<b>7,644,586</b>	6,708,755

## 8. Other financial liabilities

Present value of future trail commission payable	<b>28,630</b>	28,328
	<b>28,630</b>	28,328

## 9. Dividends

	<b>HY18 \$'000</b>	<b>HY17 \$'000</b>
<b>Declared and paid during the period (fully-franked at 30 per cent)</b>		
Final FY17 dividend: \$0.0075 (FY16: \$0.02)	<b>2,953</b>	2,165
	<b>2,953</b>	2,165
<b>Proposed and unrecognised as a liability (fully-franked at 30 per cent)</b>		
Interim FY18 dividend: \$0.009 (Interim FY17: \$0.0075)	<b>3,587</b>	2,953

The Group operates a DRP which allows eligible shareholders to invest dividends in ordinary shares. All holders of Homeloans ordinary shares are eligible to participate in the DRP. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Homeloans ordinary shares traded on the ASX over the 5 day trading period commencing on the second Business Day after the record date.

An issue of shares under the DRP results in an increase in issued capital.



## 10. Earnings per share

	HY18	HY17
Profit attributable to ordinary equity holders of the parent (\$'000)	11,925	5,267
WANOS <sub>1</sub> used in the calculation of basic EPS (shares, thousands)	396,026	325,444
WANOS <sub>1</sub> used in the calculation of diluted EPS (shares, thousands) <sup>2</sup>	397,357	325,444
<b>Earnings per share</b>		
Basic (cents per share)	3.01	1.62
Diluted (cents per share)	3.00	1.62

1. Weighted average number of shares

2. The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to in-substance options

### 10.1 Calculation of WANOS

#### 10.1.1 Basic EPS

##### Six months to 31 December 2017

The number of Homeloans shares issued:

- From 1 July 2017 to 4 October 2017 (205,401,955)**

The number of Homeloans ordinary shares on issue of 393,687,080 multiplied by the ratio of days outstanding (96/184); plus

- From 5 October 2017 to 31 December 2017 (190,624,498)**

- The number of Homeloans shares on issue (393,687,080) at 4 October 2017; plus

- additional shares issued on 5 October 2017 under the DRP (4,891,415);

multiplied by the ratio of days outstanding (88/184).

In accordance with specific guidance provided in AASB 3 *Business Combinations*, the weighted average number of shares (WANOS) outstanding relating to HY17 was calculated as follows:

##### Six months to 31 December 2016

The number of ordinary shares issued by:

- Homeloans to RESIMAC from 1 July 2016 to 24 October 2016 (179,950,976)**

The number of RESIMAC shares on issue of 22,230,489 multiplied by the exchange ratio established in the acquisition agreement of 12.84 multiplied by ratio of days outstanding (116/184); plus

- RESIMAC from 25 October 2016 to 31 December 2016 (145,493,052)**

The number of Homeloans shares on issue (393,687,080) multiplied by the ratio of days outstanding (68/184).

## **10. Earnings per share (cont.)**

### **10.1.2 Diluted EPS**

#### **Six months to 31 December 2017**

The number of Homeloans shares issued:

- **From 1 July 2017 to 17 August 2017 (102,700,977)**

The number of Homeloans ordinary shares on issue of 393,687,080 multiplied by the ratio of days outstanding (48/184); plus

- **From 18 August 2017 to 4 October 2017 (103,170,543)**

- The number of Homeloans shares on issue (393,687,080) at 17 August 2017; plus
- Share options granted on 18 August 2017 (1,800,000)

multiplied by the ratio of days outstanding (48/184).

- **From 5 October 2017 to 31 December 2017 (191,485,367)**

- The number of Homeloans shares on issue (395,487,080) at 4 October 2017; plus
- Shares issued on 5 October 2017 under the DRP (4,891,415)

multiplied by the ratio of days outstanding (88/184).

## **11. Issues of equity securities**

Issued capital at 31 December 2017 was \$176,883,611 representing 398,578,495 ordinary shares (FY17: \$174,762,205 - 393,687,080 shares).

During the period, 4,891,415 shares were issued on 5 October 2017 under the DRP in relation to the FY17 final dividend.

## 12. Fair value of financial instruments

This note provides information about how the Group determines the fair value of various financial assets and liabilities.

### 12.1 Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of those financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following assets and liabilities are measured at fair value by the Group for financial reporting purposes:

	Fair value hierarchy	Valuation technique(s) and key inputs (s)	HY18 \$'000	FY17 \$'000
<b>Financial assets</b>				
Unlisted shares	Level 2	Most recent traded price and other available market information	-	443
Cross currency swaps	Level 2	Discounted cash flow Forward exchange rates, contract forward rates	-	7,297
<b>Financial liabilities</b>				
Interest rate swaps	Level 2	Discounted cash flow Forward interest rates, contract interest rates	(652)	(639)
Cross currency swaps	Level 2	Discounted cash flow Forward exchange rates, contract forward rates	(5,073)	(3,745)

### 12.2 Fair value of financial assets and liabilities that are not measured at fair value (but fair value disclosures are required)

With the exception of the future trail commission receivable and payable that are initially recognised at fair value and subsequently carried at amortised cost, the directors consider that the carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

## 13. Derivative financial assets and liabilities

The carrying values are as follows:

	HY18 \$'000	FY17 \$'000
<b>Derivative financial assets</b>		
Cross currency swaps	-	7,297
	-	7,297
<b>Derivative financial liabilities</b>		
Cross currency swaps	5,073	3,745
Interest rate swaps	652	639
	5,725	4,384

## **14. Acquisition of subsidiary**

### **Merger of Homeloans Limited and RESIMAC Limited**

On 11 October 2016, the merger of Homeloans and RESIMAC was approved by shareholders of each Company at an Extraordinary General Meeting. The transaction was announced to the Australian Stock Exchange on the 13 October 2016. This is the effective date of the acquisition. Control was deemed to have been obtained on the 13 October as:

- The Scheme was approved by all relevant parties;
- All conditions precedent detailed in the Scheme were either satisfied or waived;
- Even though the merged group Board was not appointed until 25 October 2016, RESIMAC had the right to appoint three of the six board members as of the 13 October 2016; and
- During the period of time between the Scheme effective date and the implementation date (25 October 2016), Homeloans was substantially restricted in that management no longer had the power to make material decisions to effect the operations of the business and therefore this period of time reflected the administrative time required to implement the Scheme as opposed to continued control over the business by the pre-acquisition Homeloans management.

On 25 October 2016, Homeloans completed the legal acquisition of RESIMAC and its controlled subsidiaries by acquiring 100% of the share capital of RESIMAC in exchange for shares in Homeloans. Following the issue of new shares to RESIMAC, Homeloans had 393,687,081 shares on issue and RESIMAC pre-acquisition shareholders had voting power of 72.5%.

Accordingly, under the terms of the merger:

- Homeloans became the legal parent of RESIMAC; and
- RESIMAC became the legal subsidiary of Homeloans.

### **Accounting and disclosure implications of the merger**

Under the accounting standards the merger of Homeloans and RESIMAC has been accounted for as a business combination.

Accounting standards require that where two or more entities combine through an exchange of equity for the purposes of business combination, one of the entities must be deemed to be the acquirer. Given relative shareholdings post-merger, Board composition and RESIMAC size relative to Homeloans, RESIMAC is deemed to be the acquirer for accounting purposes. The implications of this reverse acquisition of Homeloans by RESIMAC are:

- Although the financial statements are issued under the name of Homeloans (the legal parent company), RESIMAC is deemed to be the parent company for accounting purposes;
- The HY18 information reflects the combined Homeloans Group results of RESIMAC as well as Homeloans for the 6 month period; and
- The HY17 comparative financial information reflects RESIMAC only for the period 1 July 2016 to 12 October 2016 and the newly formed combined Homeloans Group results of RESIMAC, as well as Homeloans for the period 13 October 2016 to 31 December 2016.
- Under accounting guidance, the consideration that RESIMAC is deemed to have paid for Homeloans is the market value of Homeloans equity at the date of the merger, which was \$49,252,659. This consideration has been allocated to the fair values of Homeloans intangible and tangible assets, liabilities and contingent liabilities.

As a result of reverse acquisition accounting, a new equity account was created as a component of equity. This account called "Reverse acquisition reserve" is similar in nature to share capital and is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's equity with that of the deemed acquirer.

## 14. Acquisition of subsidiary (cont.)

### (a) Summary of acquisition

A summary of the acquisition is as follows:

	\$'000
Equity consideration	49,253
<b>Fair value of identifiable net assets acquired</b>	
Reported at HY17	28,271
Subsequent measurement of provision (net of tax)	(350)
<b>Reported at FY17</b>	27,921
<b>Goodwill arising on acquisition</b>	21,332

### (b) Assets acquired and liabilities assumed at the date of acquisition

	Fair value \$'000
<b>ASSETS</b>	
Cash and cash equivalents	10,345
Trade and other receivables <sup>1</sup>	3,685
Loans and advances <sup>1</sup>	171,604
Other financial assets	66,957
Plant and equipment	711
	253,302
<b>LIABILITIES</b>	
Trade and other payables	5,672
Provisions	2,861
Current tax payables	564
Interest-bearing liabilities	177,715
Other financial liabilities	29,170
Derivative financial liabilities	33
Deferred tax liabilities	9,266
Lease incentives	100
	225,381
<b>Fair value of identifiable net assets acquired (of Homeloans at 13 October 2016)</b>	27,921
<b>Goodwill arising on acquisition <sup>2</sup></b>	21,332
<b>Consideration transferred, satisfied in equity <sup>3</sup></b>	49,253

<sup>1</sup> Carrying value of receivables approximates fair value and is reflective of the gross contractual amount receivable which is expected to be collected in full.

<sup>2</sup> Existing goodwill: \$13,242,557 plus new Homeloans goodwill \$8,089,526.

<sup>3</sup> No contingent consideration arrangements or indemnification assets have been recognised as a result of the transaction.

#### **14. Acquisition of subsidiary (cont.)**

From the date of acquisition to 31 December 2016, Homeloans contributed \$11,065,252 of revenue and \$861,269 to the net profit before tax of the Group. If the acquisition had taken place at the beginning of the year, consolidated revenue would have been \$24,378,428 and the consolidated net loss before tax for the period would have been \$472,515 (\$854,536 profit after excluding the acquisition costs of \$1,327,051). This does not include benefits or synergies which arose subsequent to the merger.

The goodwill has been assessed as not being deductible for tax purposes.

Subsequent to the acquisition accounting, goodwill becomes subject to impairment tests which are undertaken at least annually, or if and when there are indicators that goodwill may be impaired.

The accounting standards provide a restatement window for the acquisition accounting of up to 12 months following the acquisition date. This acknowledges the time required to gain access to and consolidate information for both entities and to make certain valuations as at the acquisition date. Final values were reported in the full year 30 June 2017 financial report.

## **15. Subsequent events**

### **15.1 Financial dividend declared**

The Board of Homeloans Limited declared a fully-franked interim dividend of 0.9 cents per share. The Record Date is 7 March 2018. The payment date will be 9 April 2018. The dividend has not been provided for in this financial report.

### **15.2 Funding programmes**

The RESIMAC Premier Series 2017-3 transaction was settled on 12 January 2018 and is a prime issue with a total size of \$1 billion.

## 16. Other accounting policies

### 16.1 Application of new and revised accounting standards

#### (a) New and amended standards adopted by the Group

In the opinion of management there are no standards or amendments mandatorily applicable for the current reporting period which have had any impact on the current period or any prior period, or are likely to affect future periods.

#### (b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2017 reporting period and have not been early adopted by the Group.

The Group's assessment of the impact of these new standards and interpretations is set out below.

#### ***AASB 15 Revenue from contracts with customers: effective for annual reporting periods beginning on or after 1 January 2018***

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

Management has established an AASB 15 cross-functional project team in order to assess the implications of the new standard and to implement the new standard to ensure appropriate and consistent application across the Company's range of financial activities.

Work to date has focused primarily on:

- Identifying the Company's relevant revenue stream under AASB 15; and
- Forming an initial expectation on which revenue stream will be most affected by the standard.

As the Company has not concluded the initial impact assessment, and as the effect that the new standard could have on the financial results of the Company will change as the circumstances of the Company change up to the point of initial adoption, it is not yet practical to reliably estimate the financial impact on the financial statements.

Unless early adopted the standard is effective for financial periods starting on or after 1 January 2018. The Company intends to report under AASB 15 for the first time in the half-year financial report as at 31 December 2018.

#### ***AASB 9 Financial instruments: effective for annual reporting periods beginning on or after 1 January 2018***

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 includes revised guidance on:

- the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets;
- new general hedge accounting requirements; and
- recognition and de-recognition of financial instruments carried forward from AASB 139.

Unless early adopted the standard is effective for financial periods starting on or after 1 January 2018. The Company intends to report under AASB 9 for the first time in the half-year financial report as at 31 December 2018.

Management has established an AASB 9 cross-functional project team in order to assess the impact of the new standard on the Company and its results. The team is also responsible for the subsequent implementation of the new standard to ensure appropriate and consistent application across the Company's range of financial activities.

As the Company has not concluded the initial impact assessment and as the effect the new standard could have on the financial results of the Company will change as the circumstances of the Company change up to the point of initial adoption, it is not yet practical to reliably estimate the financial impact on the financial statements.



## **16. Other accounting policies (cont.)**

### **16.2 Reclassified HY17 comparative information**

To align the policies of the consolidated group, the classification of a number of items in the

- Consolidated statement of profit or loss and other comprehensive income;

as presented in the HY17 comparative period group accounts has been amended.

These changes include:

#### **16.2.1 Consolidated statement of profit or loss and other comprehensive income**

##### **Fee and commission income (HY17), (\$624,306)**

Previously disclosed under fee and commission income, has now been included within the following lines.

- Other income, (\$694,785); and
- Other expenses, \$70,479

##### **Fee and commission expense (HY17), (\$1,496,511)**

Previously disclosed under fee and commission expense, has now been included within the following lines.

- Fee and commission income, (\$1,550,326); and
- Other expenses, \$53,815

**SIGNED REPORTS**

**DIRECTORS' DECLARATION**

HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

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The Directors declare that:

- (a) in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors made pursuant to s.303 (5) of the *Corporations Act 2001*.

On behalf of the Directors



**Cholmondeley Darvall**

Chairman and Non-executive Director

Sydney,  
21 February 2018

**INDEPENDENT AUDITOR'S DECLARATION**  
HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

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The Board of Directors  
Homeloans Limited  
Level 9,  
45 Clarence Street  
Sydney, NSW 2000

21 February 2018

Dear Board Members

**Homeloans Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Homeloans Limited.

As lead audit partner for the review of the financial statements of Homeloans Limited for the financial half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Delarey Nell".

Delarey Nell  
Partner  
Chartered Accountants



Deloitte Touche Tohmatsu  
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## **Independent Auditor's Review Report to the Members of Homeloans Limited**

We have reviewed the accompanying half-year financial report of Homeloans Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Homeloans Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Homeloans Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

**INDEPENDENT AUDITOR'S REVIEW REPORT**  
HOMELOANS LIMITED AND ITS CONTROLLED ENTITIES

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*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Homeloans Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read "Delarey Nell".

Delarey Nell  
Partner  
Chartered Accountants  
Sydney, 21 February 2018

