

Results for Announcement to Market

**Homeloans Limited
Appendix 4E
Preliminary Final Report
Year ended 30 June 2014**

Reporting period and previous corresponding period details

Reporting period: 30 June 2014
 Previous corresponding reporting period: 30 June 2013

Results for announcement to the market**Financial Report for the year ended 30 June 2014****\$'000s**

Revenue from continuing activities	Down 10.9% from \$59,769 to \$53,260
Profit after tax attributable to members	Down 19.8% from \$7,736 to \$6,205
Net profit after tax for the year attributable to members	Down 19.8% from \$7,736 to \$6,205
Dividends	
Interim dividend – fully franked (cents per share)	3.0
Proposed final dividend – fully franked (cents per share)	2.0
Total dividends per share for the year (cents per share)	5.0
Record date for determining entitlements to the final dividend to be paid	15 September 2014
Last date for receipt of election notices for Dividend Reinvestment Plan	16 September 2014
Payment date for final dividend	3 October 2014

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan will apply to the final dividend payment. The allocation price for shares under the Plan will be calculated at the weighted average sale price per share of Homeloans Limited ordinary shares traded on the ASX over the 5 day trading period commencing from the second day after the record date which is the 17th September 2014. The shares will be issued at a discount of 5%. Dividend election notices will be posted out to shareholders on 1st September 2014.

Refer to Appendix 1 ASX Appendix 4E on page 12 for disclosures required under ASX Listing Rules.

This report should be read in conjunction 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.

This report is based on the Annual Financial Report which is in the process of being audited. The report covers Homeloans Limited (the Company) and its controlled entities (the Group).

Except where otherwise stated, all figures relate to the full year ended 30 June 2014 and comparatives to the full year ended 30 June 2013.



Timothy Holmes
 Chairman
 25 August 2014

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

CONSOLIDATED

	Note	2014 \$'000	2013 \$'000
ASSETS			
Cash and cash equivalents	5	13,798	17,175
Receivables		5,253	4,301
Loans and advances to customers		203,405	219,353
Other financial assets		52,016	49,757
Plant and equipment		843	627
Goodwill		13,220	13,220
TOTAL ASSETS		288,535	304,433
LIABILITIES			
Payables		5,917	5,768
Interest-bearing liabilities		209,546	226,346
Other financial liabilities		22,785	21,412
Derivative financial liability		39	66
Lease incentives		101	47
Deferred income tax liabilities		7,973	7,435
Provisions		637	601
TOTAL LIABILITIES		246,998	261,675
NET ASSETS		41,537	42,758
EQUITY			
Issued capital		39,029	66,131
Reserves		940	816
Retained earnings/(accumulated losses)		1,568	(24,189)
TOTAL EQUITY		41,537	42,758

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED

	Note	2014 \$'000	2013 \$'000
Interest income	2.1	19,220	23,887
Interest expense	2.3	(10,816)	(14,194)
Net interest income		8,404	9,693
Fees and commission income	2.1	33,664	34,666
Fees and commission expense	2.3	(18,782)	(19,458)
Other operating income	2.1	376	1,216
Employee benefits	2.3	(9,407)	(9,635)
General administrative expenses	2.3	(5,773)	(6,707)
Other operating expenses	2.3	(49)	(71)
Profit on sale of associate	2.2	-	1,407
Impairment gain/(loss)	2.3	257	(265)
Gain on re-measurement of loans and advances recognised at amortised cost	2.2	204	292
Profit before income tax		8,894	11,138
Income tax expense		(2,689)	(3,402)
Total comprehensive income for the year attributable to members of Homeloans Limited		6,205	7,736

Earnings per share for profit attributable to the ordinary equity holders of the parent

Basic earnings per share (cents per share)	3	5.84	7.26
Diluted earnings per share (cents per share)	3	5.82	7.25
Fully franked interim dividend (cents per share)	4	3.0	3.0
Proposed fully franked final dividend (cents per share)	4	2.0	3.0

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the parent			
	Issued Capital	Retained Earnings /(Accumulated Losses)	Reserves	Total
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
At 1 July 2012	66,114	(25,008)	816	41,922
Profit after tax for the year	-	7,736	-	7,736
Total comprehensive income	-	7,736	-	7,736
Share buyback	(208)	-	-	(208)
Dividend reinvestment plan	225	-	-	225
Equity dividends	-	(6,917)	-	(6,917)
At 1 July 2013	66,131	(24,189)	816	42,758
Profit after tax for the year	-	6,205	-	6,205
Total comprehensive income	-	6,205	-	6,205
Share buyback	(1,449)	-	-	(1,449)
Dividend reinvestment plan	297	-	-	297
Capital reduction ¹	(25,950)	25,950	-	-
Share-based payments	-	-	124	124
Equity dividends	-	(6,398)	-	(6,398)
At 30 June 2014	39,029	1,568	940	41,537

- 1) The Group performed a capital reduction during the 2014 financial year. This was permissible due to the goodwill impairment charges taken by Homeloans (at a parent entity level) during the 2002 and 2003 financial years of \$25.9m in aggregate.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED	
	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Interest received		19,725	24,717
Interest paid		(10,699)	(14,910)
Loan fees and other income		30,261	32,737
Salaries and other expenses		(31,125)	(32,179)
Repayments of warehouse facility ¹		(6,719)	(61,069)
Repayments to bondholders ¹		(8,892)	(13,587)
Net loans repaid from borrowers ¹		16,265	69,736
Income taxes paid		(2,796)	(1,981)
Net cash flows from operating activities		6,020	3,464
Cash flows from investing activities			
Purchase of plant and equipment		(659)	(251)
Sale of National Mortgage Brokers Pty Ltd		-	1,619
Net cash flows (used in)/from investing activities		(659)	1,368
Cash flows from financing activities			
Share buyback program		(1,449)	(208)
Proceeds from borrowings		149	812
Repayment of borrowings		(1,332)	(1,636)
Payment of dividends		(6,106)	(6,709)
Net cash flows used in financing activities		(8,738)	(7,741)
Net decrease in cash and cash equivalents		(3,377)	(2,909)
Add: Opening cash and cash equivalents		17,175	20,084
Closing cash and cash equivalents	5	13,798	17,175

1) – The cash flows of the group include those arising within the RMT special purpose vehicles (SPVs) and have a significant effect on the interpretation of the consolidated entity's operating cash flows. These cash flows are not available for the use of shareholders. The RMT SPV's generated positive operating cash flows of \$1,749,000 (2013: negative operating cash flows of \$6,326,000) during the financial year. Therefore, if RMT had not been consolidated, total Group operating cash inflows would have been \$4,271,000 (2013: \$9,790,000).

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Notes to Appendix 4E

1. OPERATING SEGMENTS

The following tables present revenue and profit information and certain asset and liability information regarding operating segments for the years ended 30 June 2014 and 30 June 2013.

Year ended 30 June 2014

	Origination and Management	Securitisation of Mortgages	Total
	\$'000	\$'000	\$'000
Revenue			
Interest Income	6,168	13,052	19,220
Fee and commission income	33,361	303	33,664
Other operating income	376	-	376
Total segment revenue from external	39,905	13,355	53,260
Inter-segment revenue	2,510	-	2,510
Total segment revenue	42,415	13,355	55,770
Inter-segment elimination			(2,510)
Total consolidated revenue			53,260
Result			
Segment results before impairment and finance costs	6,238	2,327	8,565
Impairment gain	-	257	257
Gain on re-measurement of loans and advances recognised at amortised cost	-	204	204
Finance costs	(132)	-	(132)
Segment results before income tax	6,106	2,788	8,894
Income tax expense			(2,689)
Net profit for the year			6,205
Assets and liabilities			
Segment assets	74,651	213,884	288,535
Total assets			288,535
Segment liabilities	28,435	209,841	238,276
Unallocated liabilities (tax balances)			8,722
Total liabilities			246,998

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Notes to Appendix 4E

1. OPERATING SEGMENTS (continued)

Year ended 30 June 2013

	Origination and Management	Securitisation of Mortgages	Total
	\$'000	\$'000	\$'000
Revenue			
Interest Income	5,932	17,955	23,887
Fee and commission income	34,042	624	34,666
Other operating income	1,216	-	1,216
Total segment revenue from external	41,190	18,579	59,769
Inter-segment revenue	2,314	-	2,314
Total segment revenue	43,504	18,579	62,083
Inter-segment elimination			(2,314)
Total consolidated revenue			59,769
Result			
Segment results before impairment and finance costs	7,382	3,936	11,318
Impairment loss	-	(265)	(265)
Gain on re-measurement of loans and advances recognised at amortised cost	-	292	292
Finance costs	(207)	-	(207)
Segment results before income tax	7,175	3,963	11,138
Income tax expense			(3,402)
Net profit for the year			7,736
Assets and liabilities			
Segment assets	75,133	229,300	304,433
Total assets			304,433
Segment liabilities	28,320	224,527	252,847
Unallocated liabilities (tax balances)			8,828
Total liabilities			261,675

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Notes to Appendix 4E

2. REVENUE, INCOME AND EXPENSES

Operating profits before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:

2.1 Revenues

Interest income

Interest received – other person/corporations

Fee and commission income

Mortgage origination income

Loan management fees

Other operating income

Total revenue

2.2 Other income

Profit on sale of associate

Gain on re-measurement of loans and advances recognised at amortised cost

2.3 Expenses

Interest expense

Interest on financial liabilities

Interest expense of securitisation trust

Fee and commission expense

Mortgage origination expense

Loan management fee expense

General administrative expenses

Depreciation

Occupancy costs

Other administration expenses

Employee benefits

Other operating expenses

Borrowing costs and bank fees

Total operating expenses

Impairment gain/(loss)

Gain on derivative financial liability classified as held for trading^a

a) Gain included under 'Interest expense of securitisation trust' line above.

	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
	19,220	23,887
	12,784	11,135
	20,880	23,531
	33,664	34,666
	376	1,216
	53,260	59,769
	-	1,407
	204	292
	2,696	2,470
	8,120	11,724
	10,816	14,194
	9,814	8,868
	8,968	10,590
	18,782	19,458
	443	350
	1,403	2,201
	3,927	4,156
	5,773	6,707
	9,407	9,635
	49	71
	15,229	16,413
	257	(265)
	27	135

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Notes to Appendix 4E

3. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Net profit attributable to ordinary equity holders of the parent	6,205	7,736
Net profit attributable to ordinary equity holders used in the calculation of basic and diluted EPS	6,205	7,736
	No. of shares 30 June 2014	No. of shares 30 June 2013
Weighted average number of ordinary shares for basic earnings per share	106,294,189	106,578,937
Effect of dilution: Share rights	395,121	101,130
Weighted average number of ordinary shares adjusted for the effect of dilution used in calculation of diluted EPS	106,689,310	106,680,067

4. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	Year ended 30 June 2014 \$'000	Year ended 30 June 2013 \$'000
Declared and paid during the year:		
Franked dividends:		
Fully franked final dividend on ordinary shares for 2013 – 3.0 cents per share (2012:3.5 cents)	3,194	3,721
Fully franked interim dividend on ordinary shares for 2014 – 3.0 cents per share (2013: 3.0 cents)	3,204	3,196
	6,398	6,917
Proposed and not recognised		
Dividends on ordinary shares:		
Final fully franked dividend for 2014 – 2.0 cents (2013: 3.0 cents)	2,102	3,194

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Notes to Appendix 4E

5. RECONCILIATION OF CASH

	CONSOLIDATED	
	2014	2013
	\$'000	\$'000
<i>Cash and cash equivalents comprise the following;</i>		
Cash at bank and in hand	6,910	12,037
RMT Cash Collections Account ¹	3,895	3,635
Restricted Cash ²	2,993	1,503
	<u>13,798</u>	<u>17,175</u>

1) RMT Cash Collections Account includes monies held in the RMT Special Purpose Vehicles on behalf of investors in those Trusts and is not available to Homeloans Limited.

2) Cash held in trust as collateral for the borrowing facilities with Westpac Institutional Bank.

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Appendix 1 – ASX Appendix 4E

Other Disclosures

Dividend reinvestment plan

The Company's dividend reinvestment plan was in operation for the interim dividend and will also apply for the final dividend payment.

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

Refer to 'Other significant information'

Details of associates and joint ventures

N/A

Other significant information

N/A

Post balance date events

On 25th August 2014, the Directors of the Company declared a final dividend in respect of the year ended 30 June 2014 of 2.0 cents per share, fully franked.

Foreign Entities

Not applicable

Net tangible assets per security

Description	30 June 2014 \$	30 June 2013 \$
Net assets	41,537,396	42,758,308
Net tangible assets	28,316,941	29,537,854
Ordinary shares	105,114,424	106,655,805
Net assets per security	0.3952	0.4009
Net tangible assets per security	0.2694	0.2769