Homeloans Limited

Appendix 4D (Rule 4.2A)

Half Year report – Period ending 31 December	**2014 $000's**	**2013 $000's**	**Change**
Results for announcement made to market			
Revenues from ordinary activities	**27,491**	27,800	(1.1%)
Profit from ordinary activities after tax attributable to members	**2,632**	3,371	(21.9%)
Net profit for the half-year attributable to members	**2,632**	3,371	(21.9%)
Dividends			
Interim dividend – 100% franked (2013: 100% franked) (cents per share)	**2.0**	3.0	n/a

Record date for determining entitlements to the dividend	1st April 2015
Payment date for dividend	20th April 2015

The directors have determined that the Company's Dividend Reinvestment Plan will be suspended for this dividend payment.

Details of entities over which control was gained or lost during the period

N/A

Details of associates and joint ventures

N/A

Net tangible assets per security

Description	**31 December 2014**	**31 December 2013**
Net tangible assets per security	**27.62 cents**	28.0 cents

This report is based on the consolidated half-year financial report which has been subject to a review by our auditors, Ernst & Young.

Robert Scott
Chairman
19th February 2015

HOMELOANS LIMITED

A.B.N. 55 095 034 003

HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Corporate Information

ABN 55 095 034 003

This half-year report covers the Group comprising Homeloans Limited and the entities that it controlled during the financial period. The Group's functional and presentation currency is AUD ($).

A description of the consolidated operations and principal activities is included in the review of operations in the directors' report on page 3. The directors' report does not form part of the financial report.

Directors
Robert Scott (Appointed Chairman from 17th November 2014 on passing of Timothy Holmes)
Robert Salmon (Non-Executive Director)
Michael Starkey (Non-Executive Director)
Timothy Holmes (Ceased to be Director and Chairman on 17th November 2014)

Company Secretary

Jennifer Murray

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Bankers
Westpac Banking Corporation
Westpac Place, Kent Tower
275 Kent Street
Sydney NSW 2000

Auditors
Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Directors' Report

Your directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Robert Norman Scott (Chairman from 17th November 2014)

Robert Peter Salmon (Non-Executive Director)

Michael Starkey (Non-Executive Director)

Timothy Alastair Holmes (Ceased to be Chairman on 17th November 2014)

Timothy Holmes, who had been Chairman since 2003 and a founding director of the Company, passed away on 15th November 2014. He was replaced as Chairman by Non-Executive Director, Robert Scott.

REVIEW AND RESULTS OF OPERATIONS

Statutory net profit after tax for the half-year was $2,632,000, down from the previous corresponding period result of $3,371,000 but in line with the six months to 30 June 2014 of $2,384,000.

The financial result has been achieved amidst what continues to be a challenging mortgage lending market. Whilst general housing credit growth has been positive, competition in pricing and fees continued to impact the results.

The key drivers of the results are:

- Net fees and commission income are down $680,000 or 8% on the previous corresponding period whilst net interest income was down $415,000 or 9% reflecting the decrease in the securitised loan portfolio in the period combined with margin contraction.
- Due to improvements in housing credit, lending volumes increased 17.2% versus the first half of the 2014 financial year and were up 8.8% on the six months to 30 June 2014 reflecting an increase in residential lending activity heading into the 2015 calendar year.
- Homeloans has significantly grown its own branded loan book, with settlements growth of 37.7% on the previous corresponding period and up 11.5% on the previous half.
- Total operating expenses declined 3.8% compared with the previous corresponding period from $7,928,000 to $7,630,000.
- An adjustment was reflected as part of the periodic re-measurement of future trailing commissions. The change reflects the improved run off rates in the underlying loan portfolio and resulted in an adjustment of $1,415,000 after tax in the current period (see note 3 (b)).

The Group has continued its strategy of strengthening our relationships with Broker networks and increasing our distribution capabilities by:

1) improving efficiency and scalability of assessment and on-boarding process,
2) responding to identified product niches through additional product features and broker education sessions,
3) investing in product development and distribution capabilities, and
4) maintaining customer satisfaction differential.

The Company expects current trading conditions to prevail into the second half of the financial year with the cash rate decrease in February 2015 expected to support settlement volumes in the second half.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class order applies.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, shown at page 20, which forms part of the directors' report.

Signed in accordance with a resolution of the directors.

R.N. Scott
Chairman
Perth 19th February 2015

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2014	Notes	CONSOLIDATED	
		As at 31 DECEMBER 2014 $'000	As at 30 JUNE 2014 $'000
ASSETS			
Cash and cash equivalents		**12,049**	13,798
Receivables		**4,621**	5,253
Loans and advances to customers	7	**200,791**	203,405
Other financial assets		**54,298**	52,016
Plant and equipment		**752**	843
Goodwill		**13,220**	13,220
TOTAL ASSETS		**285,731**	288,535
LIABILITIES			
Payables		**4,603**	5,917
Interest-bearing liabilities	8	**205,849**	209,546
Other financial liabilities		**23,886**	22,785
Derivative financial liability	9	**38**	39
Lease incentives		**101**	101
Deferred income tax liabilities		**8,266**	7,973
Provisions		**674**	637
TOTAL LIABILITIES		**243,417**	246,998
NET ASSETS		**42,314**	41,537
EQUITY			
Issued capital	5	**39,184**	39,029
Reserves		**1,028**	940
Retained earnings		**2,102**	1,568
TOTAL EQUITY		**42,314**	41,537

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	Notes	CONSOLIDATED Half-year ended 31 DECEMBER 2014 $'000	Half-year ended 31 DECEMBER 2013 $'000
Interest Income	3	9,292	9,922
Interest Expense	3	(5,318)	(5,533)
Net Interest Income		3,974	4,389
Fee and Commission income	3	18,076	17,687
Fee and Commission expense	3	(10,732)	(9,663)
Other operating income	3	123	191
Impairment (loss)/gain	3	(24)	147
General administrative expenses	3	(2,708)	(3,132)
Employee benefits	3	(4,882)	(4,769)
Other operating expenses	3	(39)	(27)
Profit before income tax expense		3,788	4,823
Income tax expense		(1,156)	(1,452)
Net profit after tax for the period		2,632	3,371
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE MEMBERS OF HOMELOANS LIMITED		2,632	3,371
Earnings per share			
Basic earnings per share (cents per share)		2.50	3.16
Diluted earnings per share (cents per share)		2.49	3.15

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	Notes	CONSOLIDATED Half-year ended 31 DECEMBER 2014 $'000	Half-year ended 31 DECEMBER 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**9,379**	**10,198**
Interest paid		**(6,005)**	**(5,155)**
Loan fees and other income		**17,349**	**15,737**
Salaries and other expenses		**(18,197)**	**(16,364)**
Net proceeds from/(Repayments to) warehouse facility		**1,681**	**(11,619)**
Repayments to bondholders		**(5,017)**	**(3,934)**
Net loans repaid from borrowers		**3,077**	**14,826**
Income taxes paid		**(1,536)**	**(1,815)**
NET CASH FLOWS FROM OPERATING ACTIVITIES [1]		**731**	**1,874**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(98)**	**(526)**
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(98)**	**(526)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Share buyback program		**-**	**(34)**
Proceeds from borrowings		**85**	**105**
Repayment of borrowings		**(444)**	**(695)**
Payment of dividends		**(2,023)**	**(3,036)**
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(2,382)**	**(3,660)**
NET DECREASE IN CASH HELD		**(1,749)**	**(2,312)**
Add: Opening cash and cash equivalents		**13,798**	**17,175**
CLOSING CASH AND CASH EQUIVALENTS	6	**12,049**	**14,863**

[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 Group's operating cash flows. These cash flows are not available for the use of shareholders. The RMT SPV's generated positive operating cash inflows of $698,000 (2013: operating cash inflow of $1,422,000) during the half year period.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED	Issued Capital	Accumulated Losses	Reserves	Total
	$'000	$'000	$'000	$'000
At 1 July 2013	**66,131**	**(24,189)**	**816**	**42,758**
Profit after tax for the period	-	3,371	-	3,371
Total comprehensive income	-	3,371	-	3,371
Share buy back	(34)	-	-	(34)
Share based payments	-	-	66	66
Dividend reinvestment plan	163	-	-	163
Equity dividends	-	(3,194)	-	(3,194)
At 31 December 2013	**66,260**	**(24,012)**	**882**	**43,130**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED	Issued Capital	Retained Earnings (1)	Reserves	Total
	$'000	$'000	$'000	$'000
At 1 July 2014	**39,029**	**1,568**	**940**	**41,537**
Profit after tax for the period	-	2,632	-	2,632
Total comprehensive income	-	2,632	-	2,632
Share issued	74	-	(74)	-
Share based payments	-	-	162	162
Dividend reinvestment plan	81	-	-	81
Equity dividends	-	(2,098)	-	(2,098)
At 31 December 2014	**39,184**	**2,102**	**1,028**	**42,314**

1) Homeloans Limited reduced the share capital of the company in accordance with Section 258F of the Corporations Act, effective 1 April 2014. The amount of the capital reduction was $25,950,000 representing goodwill written off in 2002 and 2003.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

The half-year consolidated financial report of Homeloans Limited and its controlled entities ('the Group') for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 19th February 2015. Homeloans Limited is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in Note 12.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year consolidated financial report should be read in conjunction with the Annual Financial Report of Homeloans Limited as at 30 June 2014.

It is also recommended that the half-year consolidated financial report be considered together with any public announcements made by Homeloans Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of preparation

The half-year consolidated 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*.

The half-year consolidated financial report has been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

For the purpose of preparing the half-year consolidated financial report, the half-year has been treated as a discrete reporting period.

(b) Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial statements. During the financial period, the Group has reviewed and adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standard Board that are relevant to its operations and effective for the annual reporting period beginning on 1 July 2014.

The adoption of these standards has not resulted in any material changes to the Group's accounting policies and have no material financial impact to the Group.

The Group has not elected to early adopt any new standards or amendments.

Notes to the Consolidated Half-Year Financial Statements

(c) Significant accounting judgments

Consolidation of SPVs

The Group has concluded that the RMT SPVs meet the criteria of being controlled entities under AASB 10 *Consolidated Financial Statements*. The financial instruments within the SPVs do not meet the criteria for de-recognition of financial instruments. Accordingly it has been judged that the value of the securitised loans and corresponding liabilities be recorded in the Statement of Financial Position using the effective interest method with the related interest earned and interest paid recognised through the consolidated Statement of Comprehensive Income.

Recognition of future trailing commission receivable

The recognition of the future trailing commission receivable on the Statement of Financial Position is an area of judgment due to the different recognition criteria existing within the accounting standards. 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 in the prior year and by similar industry participants. The unrealised profit before tax recognised in respect of the future trailing commission assets for the period ended 31 December 2014 was $2,282,000 (2013: $2,006,000).

(d) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Homeloans Limited and its subsidiaries as at 31 December 2014 (‘the Group’).

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	CONSOLIDATED	
	Half-year ended 31 DECEMBER 2014 $'000	Half-year ended 31 DECEMBER 2013 $'000
3. REVENUE, INCOME AND EXPENSES		
(a) Specific Items		
Operating profits before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the Group:		
(i) **Revenues**		
Interest income		
Interest received – other person/corporations	**9,292**	**9,922**
Fee and commission income		
Mortgage origination income	**7,183**	**6,090**
Loan management fees	**10,893**	**11,597**
	18,076	**17,687**
Other operating income	**123**	**191**
Total revenue	**27,491**	**27,800**
(ii) **Expenses**		
Interest expense		
Interest on financial liabilities	**1,408**	**1,358**
Interest expense of securitisation trust	**3,910**	**4,175**
	5,318	**5,533**
Fee and commission expense		
Mortgage origination expense	**5,719**	**4,654**
Loan management fee expense	**5,013**	**5,009**
	10,732	**9,663**
General administrative expenses		
Depreciation	**188**	**203**
Occupancy costs	**602**	**799**
Marketing, consultancy and IT	**919**	**1,032**
Other administration expenses	**999**	**1,098**
	2,708	**3,132**
Employee benefits	**4,882**	**4,769**
Other operating expenses		
Borrowing costs and bank fees	**39**	**27**
(iii) **Impairment loss/(gain)**	**24**	**(147)**

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(b) Change in accounting estimate

The Group receives trailing commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding to which the Group is entitled. The Group also makes trailing commission payments to introducers based on the loan book balance outstanding.

On initial recognition, the fair value of trailing commissions receivable and the corresponding payable to introducers is determined by using the discounted cash flow valuation technique. These calculations require the use of assumptions. The key assumptions underlying the fair value calculation of trailing commissions receivable and the corresponding payable to introducers during the period include the prepayment rate and the discount rate. These assumptions are determined by management as follows:

	Period ended 31 December 2014	Year ended 30 June 2014
Weighted average loan life	4 years and 7 months	4 years and 3 months
Discount rate	12.0%	12.0%

There are a number of parameters that affect these calculations:

- Loan balance
- Prepayment rate

Each of these parameters can change over time and therefore regular revaluations are required, incorporating up to date assumptions for these parameters, to reflect the true value of the discounted assets and liabilities.

In the current period, following the periodic review of the underlying loan book, it was assessed that the actual run-off rate was slower than assumed in the valuation model, and an adjustment to the profit and loss for the period was required to better reflect the actual experience in the portfolio. Assumptions used in the valuation of future trailing commissions were therefore refined to reflect this improved run-off. If these changes had not been made, the net profit after tax result would have been lower by $1,415,000.

A re-measurement of all the receivables and payables using the discounted cash flow valuation technique occurs periodically, usually quarterly but must be completed at each reporting date.

(c) Seasonality of Operations

There is no significant variance in mortgage origination volumes generated by the Group between the first half or the second half of the financial year.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	CONSOLIDATED Half-year ended 31 DECEMBER 2014 $'000	Half-year ended 31 DECEMBER 2013 $'000
4. DIVIDENDS PAID OR PROPOSED ON ORDINARY SHARES		
(a) **Dividends declared and paid during the half-year**		
Final 100% franked ordinary share dividend for financial year 30 June 2014: 2.0 cents (2013: 3.0 cents)	**2,102**	**3,194**
(b) **Dividends proposed and not recognised as a liability**		
Interim 100% franked ordinary share dividends for half- year ended 31 December 2014: 2.0 cents (2013: 3.0 cents)	**2,107**	**3,204**

	As at 31 DECEMBER 2014 $'000	As at 30 JUNE 2014 $'000
5. ISSUED CAPITAL		
(a) Issued and paid up capital		
Ordinary shares fully paid	**39,184**	**39,029**
	39,184	**39,029**

(b) Movements in shares on issue

	Half-year ended 31 December 2014	
Ordinary shares	**No. of shares '000**	**$'000**
At 1 July 2014	**105,114**	**39,029**
Shares issued during the period	**234**	**155**
At 31 December 2014	**105,348**	**39,184**

	Half-year ended 31 December 2013	
Ordinary shares	**No. of shares '000**	**$'000**
At 1 July 2013	**106,655**	**66,131**
Shares issued during the period	**188**	**163**
Shares bought back during the period	**(40)**	**(34)**
At 31 December 2013	**106,803**	**66,260**

(c) Share rights on issue

At 31 December 2014, there were 795,640 share rights on issue (30 June 2014: 854,216 share rights). Number of share rights granted during the period was 42,554 and the number of share rights vested during the period was 101,130.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014	CONSOLIDATED As at 31 DECEMBER 2014 $'000	CONSOLIDATED As at 31 DECEMBER 2013 $'000
6. RECONCILIATION OF CASH		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following;		
Cash at bank and in hand	**4,464**	8,305
RMT Cash Collections Account *	**4,515**	3,580
Restricted Cash **	**3,070**	2,978
	12,049	14,863

* 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.

** Cash held in trust as collateral for the Warehouse facility with Westpac Banking Corporation.

7. LOANS AND ADVANCES TO CUSTOMERS

	CONSOLIDATED As at 31 DECEMBER 2014 $'000	CONSOLIDATED As at 30 JUNE 2014 $'000
Gross loans and advances	**201,659**	204,735
Less: Allowance for impairment loss *	**(868)**	(1,330)
	200,791	203,405

* An allowance for impairment is maintained against the mortgage loan receivables within the RMT Special Purpose Vehicles. The allowance for impairment loss is measured as the difference between the carrying amount of the loan and the present value of expected future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate.

The decrease in the balance of loans and advances to customers reflects the underlying run-off of this loan book and utilisation of the allowance account during the period offset by new loans written.

8. INTEREST-BEARING LIABILITIES

Included in the interest-bearing liabilities is the RMT warehouse facility of $177,933,000 ($176,252,000 as at 30 June 2014).

The RMT warehouse facility is a short term pass through funding facility (typically 12 months) that is renewable annually at the funder's option.

The Group's warehouse facility has been extended for a further 12 months to 30 June 2015 and there continues to be regular discussions with the warehouse provider as to the future utilisation and maturity of the facility. Further supporting this, the Group re-commenced writing new loans into the warehouse facility during the prior financial year. It should be noted that the warehouse facility is structured so that in the highly unlikely event it is not renewed or otherwise defaults, there is only limited recourse to the Group. If the warehouse facility is not renewed or otherwise defaults and the related assets are liquidated, the primary impact for the Group would be the loss of future income streams from excess spread, being the difference between the Group's mortgage rate and the cost of funds and fee income. The directors are satisfied that in the event of either of these scenarios occurring, the Group's ability to continue as a going concern will not be affected.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

9. DERIVATIVE FINANCIAL LIABILITY

	CONSOLIDATED	
	As at 31 DECEMBER 2014 $'000	As at 30 JUNE 2014 $'000
Derivative financial liability classified as held for trading [(1)]	38	39

(1) The Group uses interest rate swaps for interest risk management purposes. Some of the loans and advances within the RMT SPV's have fixed interest rates. In order to protect against rising interest rates, the Group has entered into fixed interest swap contracts under which it has right to receive interest at a variable rate and to pay interest at fixed rates. The swaps are used as an effective alternative to physical assets in order to achieve a desired level of total exposure and as a means to manage interest rate risk.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.
Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The derivative financial liabilities are the only financial instruments carried at fair value and are classified as Level 2 in the fair value hierarchy. There were no transfers between Level 1 and Level 2 during the year.

The Group does not apply hedge accounting. All derivatives are designated as financial instruments – held for trading. Total income recognised from the movement in fair value for the period is $1,000.

The carrying values of the Group's financial assets and liabilities are approximately the same as their fair values.

10. CONTINGENT ASSETS AND LIABILITIES

The directors were not aware of any contingent liabilities or contingent assets since the annual reporting date.

11. SUBSEQUENT EVENTS

In January 2015, the Group issued 712,499 long term incentive employee share rights pursuant to the terms of the Group's Employee Rights Plan. No payment is required on grant or exercise of the share rights. The vesting conditions are based on the Group's Total Shareholder Return and the ASX small ordinary index. The share rights may vest after 31 December 2015 through to 31 December 2017. Any share rights which do not satisfy the performance conditions as at 31 December 2017 will lapse.

On 19th February 2015, the directors announced an interim 100% franked dividend of 2.0 cents per share (2013: interim 100% franked dividend of 3.0 cents per share) payable on all shares.

On 17th February the Company entered into a binding agreement to acquire Barnes Mortgage Management Pty Limited ("Barnes"), for a consideration of $2,450,000. Completion of the acquisition is subject to a number of administrative conditions precedent being satisfied and the transaction is due to be completed on 27th February 2015 with the issue of the payment to the vendor of Barnes.

No other matters or events have arisen since the end of the interim period which have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

12. OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal management reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board of Directors, in conjunction with management, based on the nature of the products and services provided, the nature in which they are organised and managed and the markets to which they serve.

Types of products and services

Origination and management

The origination and management segment originates residential mortgages through external mortgage brokers, satellite offices and internal consultants. The funding for these mortgages is supplied by a pool of funders, with the origination and management segment continuing the ongoing management of the loans after they are processed and settled.

Securitisation of mortgages

The securitisation of mortgages segment is the Group's own funding source. Using a series of mortgage trusts, this segment packages groups of mortgages and sells the income stream via a securitised mortgage trust.

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The following tables present revenue and profit information for reportable segments for the half years ended 31 December 2014 and 31 December 2013. For the comparative period the segment assets are shown as at the last annual reporting date being 30 June 2014.

CONSOLIDATED	**Origination and Management**	**Securitisation of Mortgages**	**Total**
	$'000	**$'000**	**$'000**
Half-year ended 31 December 2014			
Revenue			
Interest Income	3,189	6,103	9,292
Fee and commission income	17,915	161	18,076
Other operating income	123	-	123
Total segment revenue from external	21,227	6,264	27,491
Inter-segment revenue	1,223	-	1,223
Total segment revenue	22,450	6,264	28,714
Inter-segment elimination			(1,223)
Total consolidated revenue			27,491
Result			
Segment results before impairment loss and finance costs	2,941	913	3,854
Impairment loss	-	(24)	(24)
Finance costs	(42)	-	(42)
Segment result before income tax	2,899	889	3,788
Income tax expense			(1,156)
Net profit for the half-year			2,632
Assets			
Segment assets	76,511	209,220	285,731
Total assets			285,731

Notes to the Consolidated Half-Year Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

12. OPERATING SEGMENTS (CONTINUED)

CONSOLIDATED	Origination and Management	Securitisation of Mortgages	Total
	$'000	$'000	$'000
Half-year ended 31 December 2013			
Revenue			
Interest Income	3,103	6,819	9,922
Fee and commission income	17,539	148	17,687
Other operating income	191	-	191
Total segment revenue from external	20,833	6,967	27,800
Inter-segment revenue	1,229	-	1,229
Total segment revenue	22,062	6,967	29,029
Inter-segment elimination			(1,229)
Total consolidated revenue			27,800
Result			
Segment results before impairment and finance costs	3,371	1,381	4,752
Impairment gain	-	147	147
Finance costs	(76)	-	(76)
Segment result before income tax	3,295	1,528	4,823
Income tax expense			(1,452)
Net profit for the half-year			3,371
As at 30 June 2014			
Assets			
Segment assets	74,651	213,884	288,535
Total assets			288,535

Directors' Declaration

In accordance with a resolution of the directors of Homeloans Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Group:

(i) give a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the Group; and

(ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board

R.N. Scott
Chairman

Perth 19th February 2015

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Auditor's Independence Declaration to the Directors of Homeloans Limited

In relation to our review of the financial report of Homeloans Limited for the half-year ended 31 December 2014, 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

Ernst & Young

Peter McIver
Partner
19 February 2015

PM:EH:HLL:031

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Independent review report to the members of Homeloans Limited

Report on the 31 December 2014 Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Homeloans Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 half-year end 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that 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 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 2014 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 and the entities it controlled during the half-year, 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better working world

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 2014 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*.

Ernst & Young

Ernst & Young

Peter McIver

Peter McIver
Partner
Perth
19 February 2015