

**Results for Announcement to the Market**

**HOMELOANS LIMITED  
APPENDIX 4E**

**Preliminary Final Report  
for the year ended  
30 June 2016**

## Appendix 4E – Preliminary Final Report

for the year ended 30 June 2016

Homeloans Limited and its controlled entities

### Preliminary final report for the year ended 30 June 2016 as required by ASX listing rule 4.3A

#### RESULTS FOR ANNOUNCEMENT TO THE MARKET (All comparisons to year ended 30 June 2015)

	\$'000	Up/ down	Movement %
Revenues from ordinary activities	56,939	up	1.0%
Profit after tax attributable to members	5,253	down	6.3%
Net profit after tax attributable to members	5,253	down	6.3%

#### DIVIDEND INFORMATION

	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking credit %
Interim dividend per share (paid 31 March 2016)	2.0	2.0	30%

#### Final 2016 dividend per share to be determined

The Board of Homeloans Limited expects to declare final dividend of 2.0 cents per share prior to the completion of the Resimac transaction, but in any event no later than 31 October 2016.

The payment of any dividend is subject to certain conditions as outlined in the Scheme Implementation Agreement announced on 20 July 2016.

The Company's Dividend Reinvestment Plan (DRP) will not apply to the final dividend.

	30 June 2016	30 June 2015
Net tangible assets per security	\$0.30	\$0.29

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 consolidated financial statements which are in the process of being audited by Ernst and Young.



**Robert Scott**  
Chairman

17 August 2016

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for the year ended 30 June 2016

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### Statement of Financial Position

as at 30 June 2016

		CONSOLIDATED	
	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents	5	12,604	12,316
Receivables		4,409	5,227
Loans and advances to customers		181,142	200,438
Other financial assets		68,894	63,829
Plant and equipment		607	635
Intangible assets		13,242	13,242
<b>Total assets</b>		<b>280,898</b>	<b>295,687</b>
<b>Liabilities</b>			
Trade and other payables		6,081	4,803
Interest-bearing liabilities		188,857	209,151
Other financial liabilities		30,158	27,782
Derivative financial liability		42	32
Lease incentives		100	100
Deferred income tax liabilities		10,144	9,693
Provisions		797	735
<b>Total liabilities</b>		<b>236,179</b>	<b>252,296</b>
<b>Net assets</b>		<b>44,719</b>	<b>43,391</b>
<b>Equity</b>			
Issued capital		39,391	39,184
Reserves		1,333	1,232
Retained earnings		3,995	2,975
<b>Total equity</b>		<b>44,719</b>	<b>43,391</b>

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### Statement of Comprehensive Income

for the year ended 30 June 2016

		CONSOLIDATED	
	Note	2016 \$'000	2015 \$'000
Interest income	2	16,510	18,274
Interest expense	3	(9,263)	(10,425)
<b>Net interest income</b>		<b>7,247</b>	<b>7,849</b>
Fees and commission income	2	40,082	37,864
Fees and commission expense	3	(23,701)	(22,528)
Other operating income	2	346	244
Employee benefits expense	3	(10,472)	(9,994)
General administrative and other expenses	3	(6,097)	(5,965)
Impairment gains	3	4	406
Gain on re-measurement of loans and advances recognised at amortised cost	2	95	143
<b>Profit before income tax</b>		<b>7,504</b>	<b>8,019</b>
Income tax expense		(2,251)	(2,411)
<b>Net profit after income tax</b>		<b>5,253</b>	<b>5,608</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the parent</b>			
Basic earnings per share (cents per share)	4	4.96	5.33
Diluted earnings per share (cents per share)	4	4.94	5.28

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for the year ended 30 June 2016

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### Statement of Changes in Equity

for the year ended 30 June 2016

	Attributable to equity holders of the parent			
	Issued capital	Retained earnings	Reserves	Total
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2014</b>	39,029	1,568	940	41,537
Net profit after income tax	-	5,608	-	5,608
<b>Total comprehensive income</b>	-	5,608	-	5,608
Shares issued under performance rights	74	-	(74)	-
Dividend reinvestment plan	81	-	-	81
Share-based payments	-	-	366	366
Equity dividends	-	(4,201)	-	(4,201)
<b>Balance at 30 June 2015</b>	39,184	2,975	1,232	43,391
Net profit after income tax	-	5,253	-	5,253
<b>Total comprehensive income</b>	-	5,253	-	5,253
Shares issued under performance rights	207	-	(207)	-
Share-based payments	-	-	308	308
Equity dividends	-	(4,233)	-	(4,233)
<b>Balance at 30 June 2016</b>	39,391	3,995	1,333	44,719

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### Cash Flow Statement

as at 30 June 2016

		CONSOLIDATED	
	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Interest received		16,729	18,573
Interest paid		(9,507)	(11,829)
Receipts from loan fees and other income		35,244	33,077
Payment of employee benefits and other expenses		(36,302)	(34,420)
(Repayments to)/proceeds from warehouse facility <sup>1</sup>		(12,971)	5,488
Repayments to bondholders <sup>1</sup>		(5,578)	(8,140)
Receipts of net loans from borrowers <sup>1</sup>		19,347	3,965
Net payment of income taxes		(1,092)	(2,812)
<b>Net cash flows from operating activities</b>		<b>5,870</b>	<b>3,902</b>
<b>Cash flows from/(used in) investing activities</b>			
Purchases of plant and equipment		(291)	(172)
Proceeds/(payment) from/(in) investment in convertible note		596	(613)
Acquisition of Barnes Home Loans		-	(2,371)
<b>Net cash flows from/(used in) investing activities</b>		<b>305</b>	<b>(3,156)</b>
<b>Cash flows used in financing activities</b>			
Proceeds from borrowings		-	2,662
Repayment of borrowings		(1,660)	(834)
Payment of dividends		(4,227)	(4,056)
<b>Net cash flows used in financing activities</b>		<b>(5,887)</b>	<b>(2,228)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>288</b>	<b>(1,482)</b>
Balance at start of period		12,316	13,798
<b>Balance at end of period</b>	5	<b>12,604</b>	<b>12,316</b>

<sup>1</sup> 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 cash flows. These cash flows are not available for the use of shareholders. The RMT SPV's generated positive operating cash flows of \$434 thousand (2015: positive operating cash flows of \$1,613 thousands) during the financial year.

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### Segment Information

	ORIGINATION AND MANAGEMENT		SECURITISATION OF MORTGAGES		CONSOLIDATED	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue from external customers</b>	<b>46,167</b>	44,372	<b>10,772</b>	12,010	<b>56,939</b>	56,382
Inter-segment revenue	<b>2,525</b>	2,410	-	-	<b>2,525</b>	2,410
<b>Total segment revenue</b>	<b>48,692</b>	46,782	<b>10,772</b>	12,010	<b>59,464</b>	58,792
Inter-segment elimination					<b>(2,525)</b>	(2,410)
<b>Total consolidated revenue</b>					<b>56,939</b>	56,382
Earnings before tax, depreciation, amortisation, finance costs and impairment	<b>6,131</b>	6,231	<b>1,634</b>	1,694	<b>7,765</b>	7,925
Depreciation and amortisation	<b>(321)</b>	(380)	-	-	<b>(321)</b>	(380)
Impairment gain	-	-	<b>4</b>	406	<b>4</b>	406
Gain on re-measurement of loans and advances recognised at amortised cost	-	-	<b>95</b>	143	<b>95</b>	143
Finance costs	<b>(39)</b>	(75)	-	-	<b>(39)</b>	(75)
<b>Profit before income tax</b>	<b>5,771</b>	5,776	<b>1,733</b>	2,243	<b>7,504</b>	8,019
Income tax expense					<b>(2,251)</b>	(2,411)
<b>Net profit after income tax</b>					<b>5,253</b>	5,608

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### Segment information (continued)

	ORIGINATION AND MANAGEMENT		SECURITISATION OF MORTGAGES		CONSOLIDATED	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Other segment information</b>						
Segment assets	95,586	85,477	185,312	210,210	280,898	295,687
<b>Total assets</b>	<b>95,586</b>	<b>85,477</b>	<b>185,312</b>	<b>210,210</b>	<b>280,898</b>	<b>295,687</b>
Segment liabilities	(41,654)	(36,885)	(184,070)	(206,117)	(225,724)	(243,002)
Tax liabilities					(10,455)	9,294
<b>Total liabilities</b>	<b>(41,654)</b>	<b>(36,885)</b>	<b>(184,070)</b>	<b>(206,117)</b>	<b>(236,179)</b>	<b>(233,708)</b>
<b>Net assets</b>	<b>53,932</b>	<b>48,592</b>	<b>1,242</b>	<b>4,093</b>	<b>44,719</b>	<b>61,979</b>
Capital expenditure	291	172	-	-	291	172
Interest expense	2,743	2,915	6,520	7,510	9,263	10,425



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### Notes to Appendix 4E

#### 2. Income

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
<b>(a) Fees and commission income</b>		
Mortgage origination income	14,624	14,215
Loan management income	25,458	23,649
<b>Total fees and commission income</b>	<b>40,082</b>	<b>37,864</b>
<b>(b) Interest income</b>		
Interest received – other persons/corporations	10,590	11,820
Discount unwind on net present value of trail income	5,920	6,454
<b>Total interest income</b>	<b>16,510</b>	<b>18,274</b>
<b>(c) Other income</b>		
Operating lease rental income	19	18
Other	328	226
<b>Total other income</b>	<b>347</b>	<b>244</b>
<b>Total revenue</b>	<b>56,939</b>	<b>56,382</b>
<b>(d) Other income</b>		
Gain on re-measurement of loans and advances recognised at amortised cost	95	143

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### Notes to Appendix 4E

#### 3. Expenses

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
<b>(a) Fees and commission expense</b>		
Mortgage origination expense	12,346	11,564
Loan management expense	11,355	10,964
<b>Total fees and commission expense</b>	<b>23,701</b>	<b>22,528</b>
<b>(b) Interest expense</b>		
Payable to warehouse facility provider	5,996	6,724
Discount unwind on net present value of trail income	2,561	2,805
Payable to bondholders	524	786
Other loans	182	110
<b>Total interest expense</b>	<b>9,263</b>	<b>10,425</b>
<b>(c) Employee benefits expense</b>		
Remuneration, bonuses and on-costs	9,396	8,880
Superannuation expense	768	748
Share-based payments expense	308	366
<b>Total employee benefits expense</b>	<b>10,472</b>	<b>9,994</b>
<b>(d) General administrative and other expenses</b>		
Occupancy costs	1,351	1,330
Depreciation	321	380
Marketing, consultancy and IT	2,301	2,030
Bank fees	89	69
Other	2,035	2,156
<b>Total general administrative and other expenses</b>	<b>6,097</b>	<b>5,965</b>
<b>(e) Impairment gains</b>		
Reversal of impairment of loans and advances	4	406
<b>Total impairment gains</b>	<b>4</b>	<b>406</b>
<b>(f) Gain on derivative financial liability</b>		
Held for trading	10	7
<b>Total gain on derivative financial liability</b>	<b>10</b>	<b>7</b>

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### Notes to Appendix 4E

#### 4. Earnings per share

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Profit attributable to ordinary equity holders of the parent (\$'000)	5,253	5,608
WANOS <sup>1</sup> used in the calculation of basic EPS (shares, thousands)	105,946	105,296
WANOS <sup>2</sup> used in the calculation of diluted EPS (shares, thousands)	106,439	106,168
Basic EPS (cents per share)	4.96	5.33
Diluted EPS (cents per share)	4.94	5.28

<sup>1</sup> Weighted average number of shares.

<sup>2</sup> The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to the share rights outstanding.

#### 5. Cash and cash equivalents

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
Cash at bank and in hand	3,678	3,824
RMT cash collections account <sup>1</sup>	5,977	5,335
Restricted cash <sup>2</sup>	2,949	3,157
<b>Total cash and cash equivalents</b>	<b>12,604</b>	<b>12,316</b>

<sup>1</sup> 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.

<sup>2</sup> Cash held in trust as collateral for the borrowing facilities with Westpac Institutional Bank.

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### **Notes to Appendix 4E**

#### **6. Details of entities over which control has been gained or lost during the year**

N/A

#### **7. Details of associates and joint venture entities**

N/A

#### **8. Any other significant information**

As announced on Wednesday 20 July 2016, Homeloans has entered into a Scheme Implementation Agreement (SIA) with RESIMAC Limited (Resimac) to implement a proposal for a merger of Homeloans and Resimac.

As part of the proposed merger:

- Homeloans will acquire all of the shares in Resimac pursuant to a scheme of arrangement between Resimac and its shareholders (the Scheme); and
- shareholders of Resimac will be issued new shares in Homeloans as consideration (the Transaction) (together, the Merged Group).

RESIMAC is a non-bank financial institution which has been operating in the Australian market for 30 years and more recently within New Zealand. RESIMAC provides branded and third-party lending products through a variety of distribution channels and has a loan book in excess of \$5 billion as at 30 June 2016.

Under the Transaction, RESIMAC shareholders will receive all scrip consideration, through the issue of 285.4 million new ordinary Homeloans shares.

It is expected that upon completion of the Transaction, existing RESIMAC shareholders will hold 72.5% of the Merged Group and existing Homeloans shareholders will hold 27.5% of the Merged Group.

##### **Details of the SIA**

As part of the merger, Homeloans will acquire all shares in RESIMAC pursuant to the Scheme under section 411 of the *Corporations Act* between RESIMAC and the holders of RESIMAC Shares. Existing RESIMAC shareholders will also be issued new Homeloans Shares as scheme consideration.

The implementation of the Transaction is subject to a number of customary conditions including the approval by:

- Homeloans' shareholders at the EGM;
- RESIMAC shareholders at the Scheme Meeting; and
- the Federal Court,

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### **8. Any other significant information (continued)**

and there being no material adverse change or prescribed occurrence in relation to either RESIMAC or Homeloans.

The SIA contains customary exclusivity provisions for the benefit of RESIMAC in relation to Homeloans including no shop and no talk restrictions, a notification obligation and a matching right, subject to the Homeloans directors' fiduciary obligations. The SIA also details circumstances under which a break fee may be payable to RESIMAC, or a reverse break fee payable to Homeloans.

Full details of the conditions to the Scheme and other agreed terms are set out in the SIA.

An Explanatory Booklet containing among other things information relating to the Transaction, reasons for the Directors' unanimous recommendation, a notice of meeting containing details of the EGM and the Independent Expert's report will be sent to shareholders in due course.

Implementation of the Transaction is anticipated by late October 2016, however this remains subject to change, including in relation to the timing of shareholder approvals and the satisfaction of other conditions of the Scheme.

### **9. Foreign entities**

N/A