

Director's Report

Your directors submit their report for the half-year ended 31 December 2002.

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.

William J Conn OAM (Non-executive Chairman)

Robert P C Salmon (Joint Managing Director)

Timothy A Holmes (Joint Managing Director)

Robert N Scott (Non-executive Director)

Desmond L Speakman (Non-executive Director)

REVIEW AND RESULTS OF OPERATIONS

The Board of Directors of Homeloans Limited, one of Australia's leading non-bank lenders, announces a net profit after tax of \$1.095 million for the six month period ending 31 December 2002.

The result was achieved on revenue that increased 24.5% from the prior corresponding period to \$19.181 million. The increased revenue resulted from increased originations of new loans and increased management fees from the larger loan book being under management for the full six months.

Net operating cash flow for the six months was \$0.700 million compared with an outflow of \$0.793 million for the prior corresponding period.

Caution should be used when comparing the NPAT figures with the prior corresponding period due to the changes the company made to its accounting policy at the end of the 2002 financial year, namely the treatment of brand awareness advertising. If the adjustments which resulted in the changes of accounting policy were added back, the net profit after tax for the prior corresponding period would have been \$2.596 million not \$3.220 million.

When comparing with the prior corresponding period it should be noted that the results for the six months to December 2001 did not reflect full period expenses associated with many of the initiatives that commenced during that period. In that period offices were opened in Brisbane, Canberra and Adelaide. The company also took over the Access Home Loans group of companies in December of that year.

The increased tax expense due to the utilisation of all carried forward tax losses also impacted on the net profit after tax result.

The net profit after tax of \$1.095 million translates into earnings per share of 2.14 cents on the weighted average number of shares of 51,117,082. On a pre goodwill basis net profit after tax was \$2.081 million or 4.07 cents per share.

A more meaningful comparison would be our results for the six months to June 2002. Profit before tax of \$1.987 million was up 8% on the preceeding six month period. A 128% increase in the tax expense led to a fall in net profit after tax from \$1.451 million to \$1.095 million.

In line with the stated dividend policy the Directors of Homeloans have declared an interim unfranked dividend of 1.2 cents per share, being approximately 60% of the after tax profit. The Dividend Reinvestment Plan has been reactivated for this and future dividends. Shareholders wishing to receive shares at a 5% discount to the prevailing share price in lieu of cash are required to send in a notice of election by the 3rd of April 2003. The dividend will be payable on the 17th of April, 2003 with the books closing on the 3rd of April.

ROUNDING

The amounts contained in this report and in the half-year 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.

Signed in accordance with a resolution of the directors dated 24/2/03.

T A Holmes
Joint Managing Director

R P C Salmon
Joint Managing Director