Homeloans
LTD

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Thursday, 25th November, 2004

Tim Holmes – Chairman's Address
Homeloans Ltd Annual General Meeting

Ladies and Gentlemen,

Thank you for attending this, the fourth annual general meeting of Homeloans Ltd. We are pleased to be holding our meeting in Melbourne, which has long been a very significant contributor to our business.

Please allow me to introduce my fellow directors:
Rob Salmon, Managing Director
Brian Jones, Director of Distribution and Marketing
Rob Scott, Non Executive Director

On behalf of all of us I would now like to welcome Brian Jones to his first Annual General Meeting. We are delighted to have someone with Brian's level of experience and contacts in the mortgage industry join our board. Since joining us in May Brian has already had considerable positive impact on our marketing strategy and our distribution structure.

As outlined in our annual report, Andrew Pridham resigned his position as non-executive director when he took on the role of Managing Director of JP Morgan Australasia. We would like to publicly thank Andrew for his contribution to the board.

John McGee, our former Chief Operating Officer, resigned in July this year and we would like to thank him for his contribution to the company.

Homeloans Ltd recorded a profit after tax and prior to the amortisation of goodwill of $2.0 million for the year ended 30 June 2004. Net profit after tax and amortisation of goodwill was $1.1 million. This compares to a loss after tax and amortisation of goodwill last year of $20.2 million, which included a write down of goodwill.

Operating cash flow for the year under review was up 67% to $2.0m.

Over the past six months we have spent considerable time and effort in restructuring our business to enhance our product delivery. This includes:

- restructuring our alliance with Brett Hartley and Troy Phillips' Mortgage Asset Services Pty Ltd ("MAS"). We are pleased to announce that Troy Phillips of MAS now runs our merged sales team as General Manager, Sales;
- refining our product offering to make it both more relevant and more focused;
- strengthening our business development team to further demonstrate our commitment to the strategic growth of the third party channel;
- improving our underwriting efficiency;
- continuing our focus on cost rationalisation.

Much of this work is continuing and will be ongoing. These steps have led to a more focused and streamlined business with a significantly reduced fixed cost base. The directors are confident on the ability of the company to perform strongly in the medium term. The company will remain profitable in the current period, however our 6 months result will be effected by significant one off restructuring costs.

In line with the new relationship with MAS we have restructured the performance criteria on the previous announced options as the original criteria are no longer relevant. We are also pleased to welcome MAS as a top 20 shareholder.

As stated in the annual report Homeloans Ltd has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). At this stage it is difficult to add to the comments in the annual report as the exact result of a number of policies is still being worked through. We will make another announcement once we can be more definitive. That said, shareholders should be aware that at this stage it is more than likely IFRS will have a very significant effect on your company's balance sheet and potentially its reported earnings. It is important to distinguish this from any change in the company's operations.

For example, at this stage it is likely that the Homeloans managed Residential Mortgage Trust securitisation program will be consolidated onto our balance sheet. This will increase both the assets and liabilities on our balance sheet by around $550 million and increase revenue and expenses by around $40 million. This change will not affect our equity position or reported profit over time but may in effect change the timing of recognition of some revenue and expense items.

It is also likely that the Reset Preference Shares will be treated as debt rather than equity and the dividend paid on these will become an interest expense.

Goodwill will no longer be amortised but will be subject to an annual impairment test.

Prior to the transition we will be communicating with the shareholders in more detail as to the exact effects of these changes.

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Homeloans Ltd is committed to the highest standards of corporate governance. That said, there are some of the ASX Corporate Governance Council Best Practice Recommendations that are not practical for a company of our size, such as the guideline relating to a majority of independent directors. Furthermore we believe that the company is well served by having a couple of directors with "substantial skin in the game" that are committed to improving returns to shareholders.

Whereas no dividend will be paid in the 30 June 2005 financial year directors are keen to return the company to a dividend paying position as soon as possible. At this stage the directors are confident that on current indications we will resume paying dividends in the 2006 financial year.

We will now move to the formal meeting.

Thank you.