



HOMELOANS LIMITED

Appendix 4E (rule 4.3A)

Preliminary final report
for the year ended 30 June 2017

ABN: 55 095 034 003

ASX CODE: HOM

APPENDIX 4E (Rule 4.3A)

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(All comparisons to year ended 30 June 2016)	\$'000	Up/ down	Movement from FY16 ¹ %
Revenue from ordinary activities	315,279	up	25%
Profit from ordinary activities after tax attributable to members	15,780	up	21%
Net comprehensive income for the period attributable to members	12,586	unchanged	0%

1 The results for the:

- financial year ended 30 June 2017 reflect RESIMAC Limited (RESIMAC) only for the period 1 July 2016 to 12 October 2016 and the newly formed combined Homeloans Group results of RESIMAC, as well as Homeloans Limited (Homeloans) for the period 13 October 2016 to 30 June 2017; and
- comparative period for the year ended 30 June 2016 reflect RESIMAC only.

Refer to note 7 for more detail.

DIVIDENDS	Amount per share (cents)	Franked amount per security (cents)
Interim dividend	0.75	0.75
Final dividend	0.75	0.75
Total FY17 dividend	1.50	1.50
<i>Previous corresponding period: ¹</i>		
Interim dividend	2.0	2.0
Final dividend	2.0	2.0
Total FY16 dividend	4.0	4.0

1 Relates to dividends paid to Homeloans shareholders in the periods prior to the merger.

Record date for determining entitlements to the dividend
Date the final dividend is payable

20 September 2017
5 October 2017

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRP) will apply to the final dividend payment. The allocation price for shares under the DRP will be calculated at the average of the daily volume weighted average price of Homeloans ordinary shares traded on the ASX over the 6 day trading period comprising the 5 trading days before the record date and the record date. The shares will be issued at a discount of 2.5%. Dividend election notices will be posted out to shareholders on 31 August 2017.

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1) Previous corresponding period

The previous corresponding period is the year ended 30 June 2016 and reflects RESIMAC Limited (RESIMAC) only for that period.

2) Net tangible assets per security

Net tangible assets per security is \$0.30 (FY16: \$0.28).

3) Explanation of results

This information 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.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

Normalised earnings

To reflect the Group's normalised earnings the net profit after tax (NPAT) has been adjusted to separate:

- the acquisition and restructure costs of the merger;
- other merger related tax adjustments; and
- the one off sale of 60% of the company holding in the Finsure Group.

	FY17 \$'000
Statutory NPAT	15,780
Acquisition and restructure costs	4,294
Tax effect and other merger related tax adjustments	(326)
Profit on sale of investment	(1,080)
Normalised NPAT	18,668

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

On 13 October 2016, Homeloans acquired 100% of the shares in RESIMAC.

Refer to note 7 for more detail.

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5) Details of associates and joint venture entities

The company has an investment in the following associates:

Name of associate	Principal activity	Percentage holding (%)
Finsure Holding Pty Limited	Mortgage brokerage	28

On 27 April 2017, the Company reduced its ownership interest in Finsure Holding Pty Ltd from 50% to 28%.

Subsequently, this investment has been reclassified from a joint venture to an investment in an associate.

During the year, the Company partially disposed of its 50% ownership interest in the following joint ventures:

- Finsure Wealth Pty Ltd;
- Finsure Domain Names Pty Ltd; and
- 1300 Homeloans Holdings Pty Ltd.

6) Set of accounting standards used for foreign entities in compiling this report

For the foreign entities of the company, International Financial Reporting Standards (IFRS) are used.

7) Any other significant information

There was no other significant information to disclose at 30 June 2017.

Subsequent event

Subsequent to balance sheet date Homeloans entered into an agreement to purchase the minority shareholdings of 12% of the fully paid ordinary shares in Paywise Pty Limited (Paywise). This will result in Paywise becoming a wholly owned subsidiary. The transaction has not been reflected in the 30 June 2017 accounts.

8) Audit

This report is based on the financial report which is in the process of being audited by Deloitte Touche Tohmatsu.

9) Commentary on results for the year

Commentary on results for the year is contained the press release dated 28 August 2017 accompanying this statement.



Robert Scott

Chairman and Non-executive Director

28 August 2017

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	FY17 \$'000	FY16 \$'000
Interest income	1	278,830	241,158
Interest expense	2	(196,288)	(171,771)
Net interest income		82,542	69,387
Fee and commission income	1	32,084	9,276
Fee and commission expense	2	(31,096)	(13,847)
Other income	1	4,365	1,530
Employee benefits expense	2	(36,677)	(28,293)
Other expenses	2	(26,862)	(20,139)
Loan impairment expense	2	(1,334)	(2,153)
Share of profit from joint ventures	1	-	742
Profit before tax		23,022	16,503
Income tax expense		(7,242)	(3,455)
PROFIT AFTER TAX	6	15,780	13,048
Attributable to:			
Owners of the parent		15,768	13,041
Non-controlling interest		12	7
		15,780	13,048

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	FY17 \$'000	FY16 \$'000
PROFIT AFTER TAX		15,780	13,048
Other comprehensive income, net of income tax			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Reversal of prior year reserve on trust wind up		(22)	(615)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on hedging instruments entered into for cash flow hedges		(3,026)	(612)
Exchange differences on translating foreign operations		(146)	712
Other comprehensive income for the period, net of tax		(3,194)	(515)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12,586	12,533
Attributable to:			
Owners of the parent		12,574	12,526
Non-controlling interest		12	7
		12,586	12,533
		FY17 cents per share	FY16 cents per share
Earnings per share			
Basic	6	4.39	4.57
Diluted	6	4.39	4.57

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	FY17 \$'000	FY16 \$'000
ASSETS			
Cash and cash equivalents	3	187,109	161,494
Trade and other receivables		7,674	3,082
Loans and advances	4	6,642,988	5,245,317
Current tax receivable		105	-
Other financial assets		62,449	443
Derivative financial asset		7,297	45,998
Plant and equipment		1,351	930
Other assets		3,503	5,080
Deferred tax assets		-	4,828
Investments in joint ventures		-	1,173
Intangible assets		22,296	1,331
		6,934,772	5,469,676
LIABILITIES			
Trade and other payables		38,345	23,062
Current tax payable		-	2,022
Interest-bearing liabilities	5	6,708,755	5,349,193
Other financial liabilities		28,328	-
Derivative financial liabilities		4,384	5,214
Other liabilities		2,792	4,321
Deferred tax liabilities		5,716	-
Lease incentives		100	-
Provisions		5,144	3,528
		6,793,564	5,387,340
NET ASSETS			
		141,208	82,336
EQUITY			
Share capital		174,762	134,157
Reverse acquisition reserve	7	(61,541)	(70,189)
Total issued capital		113,221	63,968
General reserves		(3,158)	42
Retained earnings		31,136	18,329
Equity attributable to owners of the parent		141,199	82,339
Non-controlling interest		9	(3)
		141,208	82,336

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 2017

	Share capital \$'000	Reverse acquisition reserve ¹ \$'000	Total issued capital \$'000	General reserves \$'000	Retained earnings \$'000	Attributable to owners of the parent \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 July 2015	134,157	(70,189)	63,968	(410)	6,255	69,813	(10)	69,803
Profit after tax	-	-	-	-	13,041	13,041	7	13,048
Other comprehensive income, net of income tax	-	-	-	452	(967)	(515)	-	(515)
Total comprehensive income for the period	-	-	-	452	12,074	12,526	7	12,533
Balance at 30 June 2016	134,157	(70,189)	63,968	42	18,329	82,339	(3)	82,336
Balance at 1 July 2016	134,157	(70,189)	63,968	42	18,329	82,339	(3)	82,336
Profit after tax	-	-	-	-	15,768	15,768	12	15,780
Other comprehensive income, net of income tax	-	-	-	(3,200)	6	(3,194)	-	(3,194)
Total comprehensive income for the period	-	-	-	(3,200)	15,774	12,574	12	12,586
Fair value of consideration on acquisition of Homeloans Limited	40,605	8,648	49,253	-	-	49,253	-	49,253
Payment of dividends	-	-	-	-	(2,967)	(2,967)	-	(2,967)
Balance at 30 June 2017	174,762	(61,541)	113,221	(3,158)	31,136	141,199	9	141,208

¹ As a result of reverse acquisition accounting, a new equity account was created as a component of equity. This account called 'Reverse acquisition reserve' is similar in nature to share capital. The Reverse acquisition reserve is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's (Homeloans) equity with that of the deemed acquirer (RESIMAC).

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2017

	Note	FY17 \$'000	FY16 \$'000
Cash flows from operating activities			
Interest received		292,965	254,805
Interest paid		(189,023)	(166,930)
Receipts from loan fees and other income		44,976	16,414
Payments to suppliers and employees		(117,860)	(71,357)
Payments of net loans to borrowers		(1,230,045)	(778,692)
Income tax paid		(7,491)	(4,378)
Net cash flows used in operating activities		(1,206,478)	(750,138)
Cash flows from investing activities			
Proceeds from sale of investment securities		-	2,047
Payment for plant and equipment		(402)	(1,068)
Repayment of loans from /(to) related parties		11,820	(3,090)
Cash acquired on acquisition of business		10,345	-
Proceeds from sale of share in joint ventures		2,253	-
Net cash provided by/(used in) investing activities		24,016	(2,111)
Cash flows from financing activities			
Proceeds from borrowings		20,016,927	10,987,964
Repayment of borrowings		(18,803,223)	(10,255,731)
Swap payments		(1,089)	(1,273)
Payment of dividends		(5,118)	-
Net cash provided by financing activities		1,207,497	730,960
Net increase/(decrease) in cash and cash equivalents		25,035	(21,289)
Cash and cash equivalents at the beginning of the year		161,494	181,844
Effects of exchange rate changes on cash balances held in foreign currencies		580	939
Cash and cash equivalents at the end of the period	3	187,109	161,494

The following is an analysis of the Group's revenue and results by reportable operating segment:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	299,013	236,401	12,092	12,340	4,174	3,965	315,279	252,706
Total segment revenue	299,013	236,401	12,092	12,340	4,174	3,965	315,279	252,706
Segment results before tax, depreciation, amortisation, finance costs and impairment	26,787	22,656	1,914	57	471	394	29,172	23,107
Depreciation and amortisation	(731)	(759)	(13)	(32)	(301)	(388)	(1,045)	(1,179)
Loan impairment	(1,241)	(1,982)	(92)	(170)	-	-	(1,333)	(2,152)
Finance costs	(3,662)	(3,146)	(110)	(127)	-	-	(3,772)	(3,273)
Segment results before tax	21,153	16,769	1,699	(272)	170	6	23,022	16,503
Income tax expense							(7,242)	(3,455)
PROFIT AFTER TAX							15,780	13,048

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	AUSTRALIAN LENDING		NEW ZEALAND LENDING		PAYWISE		CONSOLIDATED	
	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment assets	6,662,963	5,267,251	256,201	196,659	15,608	5,766	6,934,772	5,469,676
	6,662,963	5,267,251	256,201	196,659	15,608	5,766	6,934,772	5,469,676
Segment liabilities	(6,525,033)	(5,189,885)	(247,594)	(189,817)	(15,016)	(5,616)	(6,787,643)	(5,385,318)
Tax liabilities	-	-	-	-	-	-	(5,921)	(2,022)
	(6,525,033)	(5,189,885)	(247,594)	(189,817)	(15,016)	(5,616)	(6,793,564)	(5,387,340)
NET ASSETS	137,930	77,366	8,607	6,842	592	150	141,208	82,336

1. Income

	FY17 \$'000	FY16 \$'000
Interest		
Loans and advances	276,578	247,328
Bank deposits	2,194	3,094
Interest received – other persons/corporations	5,615	-
Discount unwind on net present value of trail commission	3,121	-
Interest expense - other	(8,678)	(9,264)
	278,830	241,158
Fee and commission		
Mortgage origination	11,718	488
Loan management	11,778	494
Salary packaging	2,858	2,897
Vehicle financing commission	2,425	2,229
Net loan fees	3,305	3,168
	32,084	9,276
Other	4,365	1,530
Share of profit from joint ventures	-	742
	315,279	252,706

2. Expenses

	FY17 \$'000	FY16 \$'000
Interest		
Debt securities on issue	183,426	164,123
Payable to warehouse provider	3,169	-
Discount on unwind on net present value of trail commission	1,838	-
Fair value movement on interest rate swaps	1,077	1,273
Amortisation – bond issue costs	4,122	3,814
Payable to bondholders	187	-
Other	2,469	2,561
	196,288	171,771
Fee and commission		
Mortgage origination	9,843	-
Loan management	17,481	10,574
Other financing costs	3,772	3,273
	31,096	13,847
Employee benefits		
Remuneration, bonuses and on-costs	33,931	26,175
Superannuation	2,746	2,118
	36,677	28,293
Other		
Marketing, consultancy and IT	14,888	11,560
Occupancy-related	3,463	2,112
Depreciation	1,046	1,179
Other	7,465	5,288
	26,862	20,139
Loan impairment	1,334	2,153
	292,257	236,203

3. Cash and cash equivalents

	FY17 \$'000	FY16 \$'000
Cash at bank and on hand	18,542	12,311
Cash collections account ¹	166,210	149,183
Restricted cash ²	2,357	-
	187,109	161,494

- 1 Cash collections account includes monies in the RMT Special Purpose Vehicles, RESIMAC securitisation trusts and Paywise on behalf of members in those Trusts and various clearing accounts. These funds are not available to Homeloans Limited for operational use.
- 2 Cash held in trust as collateral for the borrowing facilities with Westpac Institutional Bank for the Homeloans business. RESIMAC does not hold cash in trust.

4. Loans and advances

Gross loans and advances	6,648,518	5,253,426
Less: allowance for impairment	(5,530)	(8,109)
	6,642,988	5,245,317

5. Interest-bearing liabilities

Debt securities on issue	6,594,908	5,274,093
Corporate debt facility	20,000	19,000
Issuance facilities	83,442	44,085
Loans from related parties	9,795	11,950
Lease liability	610	65
	6,708,755	5,349,193

6. Earnings per share

	FY17	FY16
Profit attributable to ordinary equity holders of the parent (\$'000)	15,780	13,048
WANOS ¹ used in the calculation of basic EPS (shares, thousands)	359,285	285,439
WANOS ¹ used in the calculation of diluted EPS (shares, thousands)	359,285	285,439
Earnings per share		
Basic (cents per share)	4.39	4.57
Diluted (cents per share)	4.39	4.57

In accordance with specific guidance provided in AASB 3 *Business Combinations*, the weighted average number of shares (WANOS ¹) outstanding has been calculated as follows:

Twelve months to 30 June 2017

The number of ordinary shares issued by:

- **Homeloans to RESIMAC shareholders from 1 July 2016 to 24 October 2016 (90,715,012)**

The number of RESIMAC shares on issue of 22,230,489 multiplied by the exchange ratio established in the acquisition agreement of 12.84 multiplied by ratio of days outstanding (116/365); plus

- **RESIMAC from 25 October 2016 to 30 June 2017 (268,570,090)**

The number of Homeloans shares on issue (393,687,080) multiplied by the ratio of days outstanding (249/365).

Twelve months to 30 June 2016 (285,439,479)

The number of RESIMAC ordinary shares on issue by RESIMAC of 22,230,489 multiplied by the exchange ratio of 12.84.

7. Acquisition of subsidiary

7.1 Merger of Homeloans Limited and RESIMAC Limited

7.1.1 Impact of the merger on the financial report

On 13 October 2016, Homeloans, a listed company completed a merger with RESIMAC, an unlisted company. In accordance with accounting standards, this merger has been accounted for as a reverse acquisition with RESIMAC being deemed the parent entity for accounting purposes.

On 25 October 2016, Homeloans completed the legal acquisition of RESIMAC and its controlled subsidiaries by acquiring 100% of the share capital of RESIMAC in exchange for shares in Homeloans. Following the issue of new shares to RESIMAC, Homeloans now has 393,687,081 shares on issue and RESIMAC pre-acquisition shareholders have voting rights of 72.5%. The acquisition is expected to deliver significant benefits including revenue and cost synergies.

The impact of this is:

- the results for the financial year ended 30 June 2017 reflect RESIMAC only for the period 1 July 2016 to 12 October 2016 and the newly formed combined Homeloans Group results of RESIMAC, as well as Homeloans for the period 13 October 2016 to 30 June 2017; and
- the comparative results for the financial year ended 30 June 2016 reflect RESIMAC only for that period.

Accordingly, under the terms of the merger:

- Homeloans became the legal parent of RESIMAC; and
- RESIMAC became the legal subsidiary of Homeloans.

7.1.2 Reverse acquisition reserve

As a result of reverse acquisition accounting, a new equity account was created as a component of equity called 'Reverse acquisition reserve'. This account is similar in nature to share capital and is not available for distribution. This equity account represents a net adjustment for the replacement of the legal parent's equity with that of the deemed acquirer.

7.2 Summary of acquisition

A summary of the acquisition is as follows:

	\$'000
Equity consideration	49,253
Fair value of identifiable net assets acquired	
Reported at HY17	28,271
Subsequent measurement of provision	(350)
Reported at 30 June 2017	27,921
Goodwill arising on acquisition	21,332

7.3 Contribution of Homeloans to revenue and net profit before tax

From the date of acquisition, Homeloans has contributed to \$34,126,031 of revenue and \$1,441,727 to the net profit before tax of the Group.

7. Acquisition of subsidiary (cont.)

7.4 Goodwill impairment testing

Subsequent to the acquisition accounting, goodwill has been subject to an impairment test for the period ended 30 June 2017. This will be undertaken at least annually, or if and when there are indicators that goodwill may be impaired.

7.5 12 month measurement period

The accounting standards provide a measurement period for the acquisition accounting of up to 12 months following the acquisition date. This acknowledges the time required to gain access to and consolidate information for both entities and to make certain valuations as at the acquisition date.

7.5.1 Subsequent measurement of contingent liability

The initial accounting for the provision of a contingent liability as part of the reverse acquisition was incomplete at 31 December 2016 half-year and thus was determined provisionally. Due to better information being obtained during this measurement period, management have increased this contingent liability by \$500,000 pre-tax (\$350,000 after tax).

Final values are reported in this financial report.