ANNUAL REPORT 2013

RHG

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AGM Information

Date and time of AGM

29 November 2013 at 10.00am

Venue

The Grace Hotel

77 York Street

SYDNEY NSW 2000

Chairman's Report

RHG Limited continues to operate its mortgage book as a closed book and will not be returning to the mortgage market to originate new loans. Our primary objective continues to be to maximise the net worth of the Company whilst at the same time ensuring the needs of all of our stakeholders, being our home loan customers, shareholders, staff, service providers and funders are considered and addressed.

In the year to 30 June 2013 the Company earned a net profit after tax of $30 million compared with a profit in the previous financial year of $41 million. Due to the declining mortgage book, the net profit after tax will be substantially lower in future years.

The business continues to generate healthy cash flows. In determining free cash flows, the board takes a conservative view of future cash needs and ensures that a suitable cash buffer is maintained to meet stakeholders' potential requirements now and in the future. In line with our stated policy of distributing free cash flows to shareholders, during the period from July 1 last year to date, the Company has declared and paid fully franked dividends amounting to, in aggregate, 22 cents per share. The fully franked dividends comprised 10 cents per share on 17 October 2012, 9 cents per share on 10 April 2013 and 3 cents per share on 22 August 2013.

The total fully franked dividends paid to shareholders since 2011 is 121.5 cents. These shareholder returns would not have been possible without the dedication and total commitment from staff and strong support from stakeholders.

During the last financial year, the Company initially received bids for the acquisition of the assets of the Company. The final bid for the assets of the Company was withdrawn on 18 April 2013. Two competing proposals were received by the Company for the acquisition of all of its issued shares. On 6 July 2013 a Merger Implementation Deed was entered into between the Company and a syndicate comprising Resimac Limited and Australian Mortgage Acquisition Company Pty Limited (the Resimac Syndicate), whose proposal the board determined to be superior. Since that date, as disclosed by the Company, it has received competing proposals from Pepper Australia Pty Ltd and Cadence Capital Limited and responses to those proposals from the Resimac Syndicate. Further updates about the acquisition of the Company will be provided in my address to shareholders at the Company's annual general meeting and announced to the ASX in compliance with the Company's disclosure obligations.

The company has a dedicated team of professional staff who have remained committed to the business over some very challenging periods and I wish to personally thank them for their ongoing support. Without their commitment the results achieved to date would not have occurred.

Glenn Goddard
10 October 2013
Chairman

Corporate Directory

BOARD OF DIRECTORS

Glenn Goddard	-	Chairman
Paul Jensen	-	Non-executive Director
John Kean OAM	-	Non-executive Director
Richard Nott AM	-	Non-executive Director
Gabriel Radzyminski	-	Non-executive Director

CHIEF EXECUTIVE OFFICER

Glenn Goddard

COMPANY SECRETARY

Nicholas J V Geddes
Australian Company Secretaries Pty Limited
Level 3
70 Pitt Street
Sydney NSW 2000

ADMINISTRATION AND REGISTERED OFFICE

RHG Limited
Level 6
222 Pitt Street
Sydney NSW 2000
(02) 8028 2333

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
60 Carrington Street
Sydney NSW 2000
(02) 8234 5000

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

SOLICITORS

King & Wood Mallesons
1 Farrer Place
Sydney NSW 2000

This financial report from page 5 to 61 was lodged on 20 August 2013 for the year ended 30 June 2013. Events subsequent to this must be considered when reviewing this financial report.

For further developments refer to the website www.rhgl.com.au for the latest ASX Announcements.

RHG Limited

ABN 22 055 136 564

Financial Report
for the year ended 30 June 2013

Contents **Page**

These financial statements cover the consolidated entity consisting of RHG Limited and its controlled entities. The financial statements are presented in the Australian currency.

RHG Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6
222 Pitt Street
Sydney NSW 2000

RHG Limited's shares were listed on the Australian Securities Exchange on 27 July 2007.

The financial statements were authorised for issue by the directors on 20 August 2013. The directors have the power to amend and reissue the financial statements.

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on pages 7 to 14.

Directors' report

The directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of RHG Limited (the "Company") and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were directors of RHG Limited during the financial year and up to the date of this report:

- GW Goddard
- PD Jensen
- JW Kean OAM
- RG Nott AM (appointed 6 June 2013)
- GF Radzyminski

The following person was a director of RHG Limited during the financial year:

- T Loewensohn (resigned 12 March 2013)

Principal activities and significant changes in the nature of these activities

During the year the principal continuing activities of the Group involved funding and servicing of residential home loans in Australia. The Group ceased originating new mortgage loans on its own behalf on 16 November 2007.

Result

The consolidated profit from ordinary activities, after income tax, attributable to members for the financial year ended 30 June 2013 was $30 million (2012: $41 million).

Dividends

Dividends paid to members during the financial year were as follows:

	2013	2012
	$'000	$'000
Ordinary dividend paid during the financial year ended 30 June 2013	**58,612**	63,240
	58,612	63,240

On the 15 October 2012 the company paid to members a fully franked ordinary dividend of $0.10 per share. The total cost of $30,848,318 was deducted from retained profits. On the 10 April 2013 the company paid to members a fully franked ordinary dividend of $0.09 per share. The total cost of $27,763,486 was deducted from retained profits. The total number of shares on issue at 30 June 2013 was 308,483,177 (2012: 308,483,177).

The directors have declared the payment of a fully franked dividend of $0.03 per share. The total cost of $9,254,495 will be deducted from retained profits. The dividend was declared on the 8 July 2013 and will be paid on 22 August 2013.

As previously announced to the market on 15 July 2013, following a number of earlier proposals, RHG entered into an amended Merger Implementation Deed in respect of a proposal from Australian Mortgage Acquisition Company Pty Limited ("AMAC") and Resimac Limited ("Resimac") (together the "Resimac Syndicate") to acquire all of the issued shares in RHG for cash consideration of 48.0 cents per share (the "Resimac Syndicate proposal") under the Scheme of Arrangement to be implemented by RHG ("Scheme").

The directors of RHG unanimously agreed to accept Resimac Syndicate proposal having determined the offer provided an outcome that was superior for RHG's shareholders as a whole compared with any other existing proposal and this proposal will (subject to a Superior Proposal and the Independent Expert continuing to recommend the proposal) be put to a shareholder vote in due course. A draft Scheme Booklet was lodged with ASIC on 16 August 2013 in respect of the proposal.

The Directors note that they received a competing proposal to that of the Resimac Syndicate after the market closed on 15 August 2013 as set out in the ASX Announcement of 16 August 2013, which they are currently assessing (the "Pepper/Cadence Syndicate proposal"). The RHG directors have not yet determined whether that proposal is a Superior Proposal. The Resimac Syndicate has a right under the amended Merger Implementation Deed to have an opportunity to submit a superior counterproposal. Once the RHG directors have assessed the Pepper/Cadence Syndicate proposal, and subject to any further proposal being received, any appropriate changes will be made to the draft Scheme Booklet lodged with ASIC on August 16 2013. It is possible in the current environment with the level of interest in RHG as a target for acquisition that other offers may be made for the Company. No adjustment has been made to the accounts in relation to these potential transactions.

Review of operations

The Group's mortgage book is closed and in run-off. The Group will continue to manage and service its mortgage book. It is important to note that the revenue of the business will reduce over time in line with the rundown of the Group's mortgage book. The directors expect the profit for future years to be materially lower.

The Group's funding mix as at 31 July 2013 was:	$'000
Warehouse facilities	1,435,924
Residential Mortgage Backed Securities ("RMBS")	556,985

During the year the Company was able to roll all warehouse facilities with similar financial conditions when they were due for renewal. The market for RMBS which would allow RHG to convert existing warehouse facilities to term facilities has offered no opportunity for refinance on a satisfactory economic basis.

A default will likely arise if a warehouse cannot be renewed and the mortgages are not sold. This could result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. If this were to occur, the cash flow available to the Group from excess spread would be deferred until the facility is repaid in full.

Each warehouse facility has been structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a 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, fee income and write-off of any unamortised balance of deferred transaction costs.

The directors are satisfied that any sale of mortgages in repayment of warehouse facilities or an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

The Group provides limited support in respect of the warehouse facilities and RMBS programs by way of representations and warranties. To the extent that the Group breaches any of these representations or warranties, the Group may be exposed to losses. In addition the Group provides limited credit support and undertakes a range of services in respect of the warehouse facilities and RMBS programs.

Each RMBS may be repaid at the Group's option at their call date. We currently have seven RMBS issues that have passed call dates and have not been called.

As at 30 June 2013 the Group's significant liabilities (excluding liabilities of the Group's securitisation vehicles) include trail commissions payable to brokers of $8.0 million (2012: $10.5 million).

The directors are satisfied that the Group will have sufficient cash resources to settle its liabilities as and when they fall due.

It is important to note that revenue will reduce over time as the Group's mortgage book ages and amortises.

As at 30 June 2013 the Group has a provision for individually assessed loan losses of $4.1 million (2012: $4.8 million). Additionally a collective provision of $1.4 million (2012: $2.3 million) has been booked to reduce the carrying value of loans that have not been individually assessed to their estimated recoverable amount.

As at 30 June 2013 the Group's mortgage book, including deferred transaction costs was $2.1 billion (2012: $2.8 billion). The Group's mortgage book remains closed and in run-off.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group for the 2013 financial year.

Matters subsequent to the end of the financial year

The Group remains in discussion with its various warehouse providers in regards to future maturity dates. Future results are dependent on the outcomes of these negotiations.

Except for the matters discussed above, no other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

(a) the group's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the group's state of affairs in future financial years.

Likely developments and expected results of operations

The Company expects to see a materially lower profit for the next financial year as well as further declines in future years as the book is closed and in run-off. In the foreseeable future the Group's focus will be on maximising the return on the assets currently controlled by the Group.

Environmental regulation

The Group has assessed whether there are any particular or significant environmental regulations that apply to it and has determined there are none.

Information on directors

Glenn Goddard - chairman

Glenn joined RHG in December 2003 in the role of Treasurer and was appointed as Chief Executive Officer in January 2008. Glenn was appointed as Managing Director and Chairman of the Board on 11 November 2011. Glenn has over 25 years experience in retail and investment banking. Prior to joining RHG Glenn was a Divisional Director at Macquarie Bank.

Glenn holds a Bachelor of Business from the University of Technology NSW and is a Fellow of CPA Australia.

Paul Jensen - independent non-executive director

Paul joined the Board as a non-executive director on 11 May 2011. He is a Fellow of the Australian Institute of Company Directors and holds a Bachelor degree in Accounting and Commercial Law. Paul has over 25 years of international experience in finance, investment management and banking, with specific expertise in strategy formation, governance and financial performance. He has held senior executive positions with Clime Investment Management Limited, HFA Holdings Limited; Director, Lend Lease Corporate Services Limited, Travelex Limited and the Lloyds TSB banking group in New Zealand, United Kingdom and Australia. Paul is also an independent non-executive Director of WAM Capital Limited and Murchison Metals Limited.

John Kean - independent non-executive director OAM

John has a background in Chartered Accounting and was a founding partner of WHK Group. John joined Pinpoint Pty Ltd, Australia's largest Marketing Services Company, as Executive Chairman in 2000. He is a director of Haddon Rig Pty Ltd, Baldwin Health Care Group and the Victor Chang Cardiac Research Institute. He is a Fellow of the Institute of Chartered Accountants and the Australian Institute of Company Directors.

John is the chairman of the Audit and Risk Committee.

Trevor Loewensohn – non-executive director

Trevor Loewensohn is Co-Founder and Managing Director of Alceon Group Limited, a specialist advisory, investment and capital raising company. Trevor has over 30 years of investment and banking experience - mostly for leading global investment banks including Vice Chairman at UBS Investment Bank, after moving from the position of Head of Investment Banking and Joint CEO at JP Morgan, and prior to that as a Director of Schroders Australia Limited. Trevor has advised many leading global and Australian companies on mergers and acquisitions, disposals, capital raisings and corporate and financial strategy.

Trevor commenced his career and qualified as a Chartered Accountant at Arthur Andersen & Co. Prior to founding Alceon, Trevor was the Global Head of Capital Markets at Babcock & Brown, where he established a global capital raising and advisory capability. Following the impact of the Global Financial Crisis, Trevor led the Babcock & Brown asset sale programme, reporting to the banking syndicate and successfully completing the sale of more than 20 major funds, companies and assets. Trevor is also a director of AMAC a private company.

Trevor holds a Bachelor of Commerce from The University of NSW, is a member of the Institute of Chartered Accountants and a Fellow of the Securities Institute of Australia.

Richard Nott AM - independent non-executive director

Richard has held senior positions in the Finance and Insurance industries for over 30 years. Richard is well regarded for his business acumen and professional expertise by Australian regulators.

Richard is also Managing Director of MGIC a Lenders Mortgage Insurer, Director and Chair Audit Committee of First American Title Insurance Company of Australia Ltd, Director of First Mortgage Services Pty Limited, and Director and Audit Chair for MarcarthurCook group.

Richard holds a BSc(Hons) and Masters degrees in Business, Commerce ,Insurance and Risk Management. He is a Fellow of professional Insurance, Banking, Accounting, Secretarial and Management bodies

Gabriel Radzyminski - independent non-executive director

Gabriel is founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is portfolio manager of the Sandon Capital Activist Fund, an activist fund as well as for other discrete portfolios. Sandon Capital also provides advisory services to shareholders seeking to implement activist strategies.

Gabriel currently serves as Chairman of Armidale Investment Corporation Limited, is an executive director of Mercantile Investment Company Ltd and a non-executive director of Murchison Metals Ltd, each an ASX-listed investment company.

Gabriel is chairman of the Nomination and Remuneration Committee.

Company Secretary
Nick Geddes – FCA, FCIS Company Secretary.

Nick is the principal of Australian Company Secretaries, a company secretarial practice he formed in 1993. Nick is a past President of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Nick is a Chartered Accountant (Fellow of the Institute of Chartered Accountants in England & Wales) and Fellow of the Institute of Chartered Secretaries (Chartered Secretaries Australia).

Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Number of meetings held while a director	Number of meetings attended
GW Goddard	16	16
PD Jensen	16	16
JW Kean OAM	16	15
T Loewensohn (resigned 12 March 2013)	10	10
RG Nott AM (appointed 6 June 2013)	2	-
GF Radzyminski	16	16

Remuneration Report

A. Principles

Non-executive directors

Fees and payments to non-executive directors aim to reflect the responsibilities and time demands which are made of the respective director. These fees have been determined by reference to the Remuneration committee, having taken into account appropriate market comparisons. Non-executive directors' fees are reviewed annually by the Nomination and Remuneration Committee. Fees for non-executive directors do not have a direct link to the financial performance of the Group. Directors have not received additional remuneration for representation on board committees. Non-executive directors do not receive retirement allowances. Superannuation contributions in accordance with superannuation guarantee legislation are paid on non-executive directors' remuneration.

Executives

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. To create value, the Group must attract, motivate and retain highly competent, experienced and skilled executives.

To this end, the Group embodies the following principles in its remuneration framework applied by the Nomination and Remuneration Committee:

- provide competitive rewards to attract and retain appropriate calibre executives;
- link executive rewards to the creation of shareholder value;
- have a material portion of the executive remuneration 'at risk', dependent upon meeting Group and role specific performance targets; and
- acceptability to shareholders.

Remuneration of executives consists of the following components:

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration for the Chief Executive Officer (CEO) is reviewed annually by the Nomination and Remuneration Committee. Fixed remuneration for other executives is reviewed annually by the CEO and ratified by the Nomination and Remuneration Committee. Fixed remuneration is inclusive of the legislated superannuation guarantee.

Short term incentive

Key executives participate in an annual discretionary cash bonus scheme. The achievement of a bonus is principally linked to the achievement of individual performance targets and corporate objectives. The CEO determines the bonus amounts payable and the CEO's determinations are ratified by the Nomination and Remuneration Committee.

Long term incentive

In July 2008 the CEO was granted 10 million options as part of his remuneration package. All options have been exercised by the CEO and no further options have been awarded to the CEO. The final package of 2,000,000 options vested in 2011. These shares form part of the opening balance of shares owned by the CEO as disclosed in note 25.

B. Details of Remuneration

Details of the remuneration of the directors and the key management personnel (as defined in *AASB 124 Related Party Disclosures)* of RHG Limited are set out in the following tables.

Remuneration includes all consideration paid, payable or provided by the Group in exchange for services rendered to the entity by the directors and the key management personnel during the relevant financial year.

The key management personnel of the Company include the directors as per page 7.

The key management personnel of the Group include the directors as per page 7 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity:

- WG Williams - Treasurer
- DS Hadlow - Head of Operations

Key Management Personnel and other executives of the Company include:

Company- Key Management Personnel and other executives

2013	Short term benefits			Post employment benefits		Total
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	
	$	$	$	$	$	$
Executive director						
GW Goddard (chairman)	677,542	383,500	-	39,469	16,746	1,117,257
Non-executive directors						
PD Jensen	80,000	-	-	-	-	80,000
JW Kean OAM	73,395	-	-	6,605	-	80,000
T Loewensohn (resigned 12 March 2013)	55,046	-	-	4,954	-	60,000
RG Nott AM (appointed 6 June 2013)	6,667	-	-	-	-	6,667
GF Radzyminski	73,395	-	-	6,605	-	80,000
Total executive / non-executive directors	**966,045**	**383,500**	**-**	**57,633**	**16,746**	**1,423,924**

2012	Short term benefits			Post employment benefits		Total
Name	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Long service leave	
	$	$	$	$	$	$
Executive director						
GW Goddard (chairman)	606,927	283,500	-	54,623	24,311	969,361
Non-executive directors						
PD Jensen	80,000	-	-	-	-	80,000
GK Jones	27,005	-	-	2,431	-	29,436
JW Kean OAM	73,395	-	-	6,605	-	80,000
JA Kinghorn	60,160	-	-	-	-	60,160
T Loewensohn	49,777	-	-	4,480	-	54,257
JV McGuigan	27,005	-	-	2,431	-	29,436
GF Radzyminski	73,395	-	-	6,605	-	80,000
Total executive / non-executive directors	**997,664**	**283,500**	**-**	**77,175**	**24,311**	**1,382,650**

Note - All key management personnel are employed by RHG Home Loans Pty Limited.

Group - Key Management Personnel and other executives

2013 Employee benefits	Short-term				Post employment	Long-term	Termination benefits	Share-based payments	
Name	Salary and fees	Retention Payment	Performance bonus	Non monetary benefits	Superannuation	Long service leave		Options	Total
Executive director	$	$	$	$	$	$	$	$	$
GW Goddard (chairman)	677,542	283,500	100,000	-	39,469	16,746	-	-	1,117,257
Non-executive directors									
PD Jensen	80,000	-	-	-	-	-	-	-	80,000
JW Kean OAM	73,395	-	-	-	6,605	-	-	-	80,000
T Loewensohn (resigned 12 March 2013)	55,046	-	-	-	4,954	-	-	-	60,000
RG Nott AM (appointed 6 June 2013)	6,667	-	-	-	-	-	-	-	6,667
GF Radzyminski	73,395	-	-	-	6,605	-	-	-	80,000
Sub-total executive / non-executive directors	**966,045**	**283,500**	**100,000**	**-**	**57,633**	**16,746**	**-**	**-**	**1,423,924**
Other key management personnel									
WG Williams *	211,009	-	160,000	-	18,991	5,861	-	-	395,861
DS Hadlow *	160,550	-	100,000	-	14,780	5,076	-	-	280,406
Sub-total key management personnel	**371,559**	**-**	**260,000**	**-**	**33,771**	**10,937**	**-**	**-**	**676,267**
Total executive / non-executive directors and key management personnel	**1,337,604**	**283,500**	**360,000**	**-**	**91,404**	**27,683**	**-**	**-**	**2,100,191**

2012 Employee benefits	Short-term				Post employment	Long-term	Termination benefits	Share-based payments	
Name	Salary and fees	Retention payment	Performance bonus	Non monetary benefits	Superannuation	Long service leave		Options	Total
Executive director	$	$	$	$	$	$	$	$	$
GW Goddard (chairman)	606,927	283,500	-	-	54,623	24,311	-	-	969,361
Non-executive directors									
PD Jensen	80,000	-	-	-	-	-			80,000
GK Jones	27,005	-	-	-	2,431	-	-	-	29,436
JW Kean OAM	73,395	-	-	-	6,605	-	-	-	80,000
JA Kinghorn	60,160	-	-	-	-	-	-	-	61,160
T Loewensohn	49,777	-	-	-	4,480	-	-	-	54,257
JV McGuigan	27,005	-	-	-	2,431	-	-	-	29,436
GF Radzyminski	73,395	-	-	-	6,605	-	-	-	80,000
Sub-total non-executive directors	**997,664**	**283,500**	**-**	**-**	**77,175**	**24,311**	**-**	**-**	**1,382,650**
Other key management personnel									
WG Williams *	204,128	-	160,000	-	18,372	5,756	-	-	388,256
DS Hadlow *	156,345	-	100,000	-	14,309	10,517	-	-	281,171
Sub-total key management personnel	**360,473**	**-**	**260,000**	**-**	**32,681**	**16,273**	**-**	**-**	**669,427**
Total executive / non-executive directors and key management personnel	**1,358,137**	**283,500**	**260,000**	**-**	**109,856**	**40,584**	**-**	**-**	**2,052,077**

* Denotes the executives of the Group who had authority and responsibility for planning, directing and controlling the activities of the entity during the year.

Fixed remuneration includes salary and fees, non monetary benefits, superannuation and long service leave. At risk remuneration includes all short-term bonus amounts. Performance bonuses are discretionary and amounts payable are determined by the CEO after consideration of achievement of individual performance targets and corporate objectives. The CEO's determinations are ratified by the Nomination and Remuneration Committee. Disclosure of the Chairman's 2012 retention payment has been amended in the current period. The value has been reduced from $567,000 to $283,500 to reflect the vesting of the payment.

C. Service Agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the terms of the appointment, including compensation, relevant to the office of director.

All of the key executives are permanent employees of RHG Home Loans Pty Limited. Each executive has an employment contract in place with no fixed end date. Any executive may resign from their position and thus terminate their contract by giving appropriate written notice. On resignation, any annual cash bonus potential for the respective financial year is forfeited. RHG Home Loans Pty Limited may terminate an employment contract by providing written notice and making payment in lieu of notice in accordance with the Company's termination policies. RHG Home Loans Pty Limited may terminate an employment contract at any time if serious misconduct has occurred.

Directors' benefits

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Indemnification and insurance of officers

To the maximum extent permitted by law, the Company has indemnified current and former directors, secretaries and officers of the Company and its subsidiaries out of the property of the Company against:

a) any liability incurred by the person in that capacity (except a liability for legal costs);
b) legal costs incurred in defending or resisting (or otherwise in connection with) proceedings, whether civil or criminal or of an administrative nature, in which the person becomes involved because of that capacity; and
c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties as an officer of the Company or a subsidiary, if that expenditure has been approved in accordance with the Company's policy.

The Company may pay or agree to pay, whether directly or through an interposed entity, a premium for a contract insuring a person who is or has been an officer of the Company or a subsidiary against liability incurred by the person in that capacity, including a liability for legal costs, unless the Company is forbidden by law to do so.

During the financial year, the Group paid a premium to insure the directors and officers of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The directors are satisfied that the provision of non-audit services by the auditor would not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES110 *Code of Ethics for Professional Accountants.*

Fees paid or payable for services provided during the year by the auditor (PricewaterhouseCoopers) of the parent entity, its related practices and non-related audit firms, are shown in Note 26 to the consolidated financial statements.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Rounding of amounts

The entity is of a kind referred to in Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

…………………………………………
GW Goddard
Chairman

Sydney
20 August 2013

Auditor's Independence Declaration

As lead auditor for the audit of RHG Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RHG Limited and the entities it controlled during the year.

Colin Heath

CJ Heath
Partner
PricewaterhouseCoopers

Sydney
20 August 2013

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Corporate Governance statement

RHG Limited (the “Company”) became an ASX listed entity on 27 July 2007.

The Company and the board are committed to achieving and demonstrating the highest standards of corporate governance and disclosure. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

On 27 October 2008, the Company adopted committee charters and other policies (corporate governance documents) which substantially complied with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations, 2nd Edn 2007" and those corporate governance documents have been reviewed and amended and re-launched as required to remain compliant with 2010 amendments to ASX Corporate Governance Principles and Recommendations. Where the Company has departed in any way from these principles, it is indicated and explained below.

1. Lay solid foundations for management and oversight

1.1 Roles and responsibilities of the board and management

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Group.

The key responsibilities of the board are:
- overseeing the development of, and reviewing, the Group’s strategic direction, and monitoring implementation of its strategic plans;
- oversight of management of the Group;
- ensuring effective communication with, and reporting to, shareholders and facilitating effective exercise of shareholders’ rights;
- ensuring proper corporate governance and ethical standards;
- overseeing the Group’s accounting and financial management systems, monitoring financial results and approving financial reports;
- approving decisions concerning the capital (including capital restructures) and dividend policies of the Group, and approving and monitoring major capital expenditure, major acquisitions and divestitures and material commitments;
- ensuring that appropriate risk management, internal controls and reporting systems and compliance frameworks are in place and are operating effectively;
- the appointment and if appropriate, removal of the Managing Director (MD) and the outsourced entity which provides the company secretary services; and
- compliance with reporting and other requirements of the law.

The board has confirmed the role and responsibilities of the board, the Chairman, the MD and the Company Secretary in a written board charter.

As contemplated by the board charter, the board has delegated to the MD the authority to manage the day to day operations of the Company.

1.2 Other information

A copy of the board charter is available on the Group’s website.

The Company has undertaken a performance evaluation for senior executives in the reporting period. The MD’s remuneration package was considered in the reporting period by the Nomination and Remuneration Committee as was his performance.

The Company has undertaken a performance evaluation for senior executives in the reporting period.

2. Structure the board to add value

2.1 Composition of the board

The constitution of the Company provides that the number of directors must be not less than three. There are presently five directors, four of whom are non-executive directors and the other an executive director.

The directors are:
- Mr Glenn Goddard (chairman) was appointed 11 November 2011. Mr Goddard is an executive director.
- Mr Paul Jensen was appointed on 11 May 2011 and is an independent director.
- Mr John Kean OAM was appointed on the 10 May 2011 and is an independent director.
- Mr Richard Nott AM was appointed 6 June 2013 and is an independent director.
- Mr Gabriel Radzyminski was appointed on 11 May 2011 and is an independent director.

During the reporting period Mr Trevor Loewensohn resigned on March 12, 2013 and was a non-independent director.

The board consists of four independent directors and one non-independent director. The board believes the directors (including the chairman) can make, and do make, quality and independent judgments in the best interest of the Group on all relevant issues, notwithstanding that the directors are not all independent.

The directors are able to obtain independent advice at the expense of the Company.

The skills, experience and expertise of the directors are set out on page 9 in the directors’ report.

The board considers a director to be an independent director if that director is a non-executive director (i.e. is not a member of management) and:

(i) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
(ii) within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
(iii) within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
(iv) is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
(v) has no material contractual relationship with the Company or another Group member other than as a director of the Company;
(vi) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
(vii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

2.2 Chairman of the board

The chairman, Mr Glenn Goddard, is an executive director, and not considered to be independent, which is not in line with Principle 2 of the ASX corporate governance principles. Mr Goddard replaced Mr Kinghorn as chairman in November 2011 and at the time of Mr Goddard's appointment as chairman he was also appointed MD of the Company. The chairman has also been MD of another RHG Home Loans Pty Limited Group entity from 2007. In considering Mr Goddard's dual appointment as chairman and MD and the fact that he was not an independent chairman, the board noted that, Mr Goddard's appointment was not compliant with ASX Corporate Governance Principles and Recommendations as the role of chairman and MD would not be split and the chairman was not independent. Nonetheless, the board considered the risks associated with that appointment and the board was satisfied that the primary goal was to protect the assets of the business and that Mr Goddard was the most appropriately qualified person and was extremely well experienced to manage the Company's investments. Further the board considers that the chairman is able to, and does bring quality and independent judgment to all relevant issues falling within the scope of the role of chairman.

2.3 Management of the business of the Group

The roles of chairman and MD are combined in the Group's management structure. The day-to-day management of the business of the Group is conducted by Mr Goddard and by employees to whom management functions have been delegated by the board or MD. Mr Goddard consults the board on matters that are sensitive, extraordinary or of a strategic nature.

2.4 Committee to oversee nomination

The Nomination and Remuneration Committee consists of two independent members. The chairman of the Nomination and Remuneration Committee is not the chairman of the board of directors.

As at the date of this report, the Company's Nomination and Remuneration Committee consists as follows:

- GF Radzyminski (chairman)
- PD Jensen

The responsibilities of the committee include advising the board on the selection and appointment of suitable persons as members of the board, board composition, overseeing implementation of evaluation processes, and reviewing board and senior management succession plans. The board has confirmed the role and responsibilities of the committee in a written charter adopted by the board.

2.5 Board, board committee and directors' performance

The board will assess the performance of individual directors, board committees and the board as a whole as outlined in the board charter. The board did not evaluate its performance in the reporting period and will do so before the next financial year end.

2.6 Other information

A copy of the Board Charter and the Nomination and Remuneration Committee Charter is available on the Group's website.

3. Promote ethical and responsible decision-making

The Company has:
(i) identified the standards of ethical behaviour required of directors and key executives (that is, officers and employees who have the opportunity to materially influence the integrity, strategy and operation of the business and its financial performance) and encourages the observance of those standards; and
(ii) published the position of the Company concerning the issue of board and employee trading in Company securities.

3.1 Code of conduct

The Company has established a code of conduct to guide the non-executive directors, the chief executive officer and other key executives as to:
(i) the practices and ethical standards necessary to maintain confidence in the integrity of the Company; and
(ii) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The code of conduct deals with the following matters:
(i) conflicts of interest - managing situations where the interest of a private individual interferes or appears to interfere with the interests of the Company as a whole;
(ii) corporate opportunities - preventing directors and key executives from taking advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
(iii) confidentiality - restricting the use of non-public information except where disclosure is authorised or legally mandated;
(iv) privacy - respecting the privacy of personal information held by the Company, and complying with the Privacy Act (Cth) 1988;
(v) fair dealing - by all employees with the customers, suppliers, competitors and employees of the Company;
(vi) no discrimination harassment or bullying - to maintain a work environment where everyone is treated fairly and with respect;
(vii) protection and proper use of the assets of the Company - protecting and ensuring efficient use of assets for legitimate business purposes;
(viii) compliance with laws and regulations - active promotion of compliance; and
(ix) encouraging the reporting of unlawful or unethical behavior - active promotion of ethical behavior and protection for those who report violations in good faith;
(x) approach to disclosure and financial reporting – the Company is committed to providing timely, balanced and readily available information to its shareholders, relevant regulators, other key stakeholders, and the investing community generally; and
(xi) diversity policy – the directors adopted a diversity policy during December 2010.

3.2 Diversity

The Company has a diversity policy and is committed to workplace diversity and recognises that diversity includes but is not limited to attributes associated with gender, age, ethnicity and cultural background. The Policy complements other employment policies and practices that support and promote diversity and apply to all who work at RHG. The board has delegated to the Nomination and Remuneration Committee the responsibility for developing measurable objectives and strategies to meet the objectives for achieving gender diversity ("Measurable Objectives") and monitoring the progress of the Measurable Objectives through monitoring, evaluation and reporting mechanisms.

The board established and conferred delegated responsibility to 4 Committees one of which is chaired by a female. There are 13 employees, 12 of whom are full time and 1 part time. Of the 13 employees; there are 3 females one of whom holds an executive position. Additionally, more generous flexible workplace arrangements have been extended to all employees. There are also 3 female contractors who comprise Legal & Credit group all of whom have flexible workplace arrangements and two of whom hold executive positions.

3.3 Trading in Company securities by directors, officers and employees

The Company has a share trading policy which applies to directors, officers and employees. All directors and staff are required to comply with insider trading laws at all times.

The policy restricts the buying or selling of Company securities by directors and senior management (and their associates) to periods that are not prohibited. If directors, officers or employees propose to deal in the Company's Securities in a Prohibited Period they must notify the chairman, or the chairman of the Audit and Risk Committee (as appropriate) before they or their close relatives buy or sell Company Securities.

3.4 Other information

A copy of the code of conduct, diversity policy and the trading policy are each available on the Group's website.

4. Safeguard integrity in financial reporting

The Company has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the financial position of the Company. The structure includes:
(i) review and consideration of the accounts by the Audit and Risk Committee; and
(ii) a process to ensure the independence and competence of the external auditors of the Company.

The board requires the MD and the CFO to state in writing to the board that the financial reports of the Company present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.

4.1 Audit and Risk Committee

The board has established an Audit and Risk Committee.

The committee provides assistance to the board in fulfilling the corporate governance and oversight responsibilities of the board to verify and safeguard the integrity of the financial reporting of the Company. The Audit and Risk Committee maintains free and open communication between the committee, the auditors and management of the Company.

The Audit and Risk Committee's functions and purpose include:
(i) oversight of the performance of external audit functions, and a review of the audit plans and the audit results;
(ii) oversight of the integrity of the Company's external financial reporting and financial statements, including reviewing and approving the half-year financial report and the annual financial report;
(iii) meeting with the external auditors in private session, without management, at least annually;
(iv) assessing whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
(v) reviewing management's processes supporting external reporting;
(vi) making recommendations to the board on procedures for the selection and appointment of the external auditor and for the rotation and engagement of external audit partners;
(vii) making recommendations for the appointment or removal of an auditor;
(viii) assessment of the performance and independence of the external auditors and whether the Audit and Risk Committee is satisfied that the independence of this function has been maintained having regard to the provision of any non audit services; and
(ix) reviewing risk management and internal compliance and control systems.

The Audit and Risk Committee makes a report to the board in relation to matters relevant to the role and responsibilities of the committee, after each committee meeting. It is empowered to investigate any matter brought to the attention of the Audit and Risk Committee with full access to the Company's documents and records, external auditors and personnel of the Company, as the Audit and Risk Committee determines necessary to carry out the duties of the committee.

The Audit and Risk Committee meet with the external auditor to review the results of the audit of the Company's financial report and discuss any issues identified as part of the audit.

4.2 Composition of the committee

The Audit and Risk Committee consists of three independent members. The chairman of the Audit and Risk Committee is not the chairman of the board of directors, and is independent.

As at the date of this report, the Company's Audit and Risk Committee consists as follows:

- JW Kean OAM (chairman)
- PD Jensen
- GF Radzyminski

At least one member of the Audit and Risk Committee has financial expertise (i.e. is a qualified accountant or other financial professional with experience in financial and accounting matters), and members who have an understanding of the industry in which the Company operates. The qualifications of the members of the Audit and Risk Committee are set out on page 9 in the directors' report.

4.3 Meetings of Audit and Risk Committee

The following meetings were held during the 2013 financial year.

Member	No. Meetings Held	No. Meetings Attended
JW Kean OAM	2	2
PD Jensen	2	2
GF Radzyminski	2	2

The MD and auditor attend and participate in meetings by invitation.

4.4 Audit and Risk Committee charter

The board confirmed the role and responsibilities of the Audit and Risk Committee in a written charter, which was formally adopted at a meeting of directors of the Company held 27 October 2008.

4.5 Other information

A copy of the Audit and Risk Committee's charter is available on the Group's website.

5. Timely and balanced disclosure

5.1 Written disclosure policies

The Company has established written policies and procedures designed to ensure compliance with the ASX Listing Rule requirements (including disclosure requirements) so that:

(i) all investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance; and
(ii) Company announcements are factual and presented in a clear and balanced way.

The policies and procedures are designed to ensure accountability at a senior management level for compliance with ASX Listing Rule disclosure requirements. The board authorises all disclosures necessary to ensure compliance with these requirements.

5.2 Other information

The Company's disclosure and communication policy is available on the Group's website.

6. Respect the rights of shareholders

6.1 Communications policy

The Company has a communications strategy to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting confidential commercial information, and encourage effective participation at general meetings. This strategy is reflected in the Company's disclosure and communication policy. The Company requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

6.2 Other information

A copy of the Company's disclosure and communication policy is available on the Group's website.

7. Recognise and manage risk

7.1 Policy on risk oversight and management

The board and the Audit and Risk Committee have established practices on risk oversight and management.

7.2 Risk management and reporting

The board requires the Audit and Risk Committee to oversee the Company's risk management system and processes, and evaluates the effectiveness of internal control systems. As part of this function, the Audit and Risk Committee:

(i) reviews the financial reporting process of the Company on behalf of the board, and reports to the board;
(ii) discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk;
(iii) reviews with the external auditor any audit problems or difficulties and the response of management;
(iv) receives reports from the external auditor;
(v) makes recommendations to the board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors;
(vi) reviews and assesses the independence of the external auditor;
(vii) reviews and discusses with the board the half-year financial report, Appendix 4E and other reports required to be lodged with the ASX, prior to the filing of these documents with the ASX; and
(viii) establishes procedures for the receipt, retention and treatment of complaints or reports received by the Company (if any) regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.

7.3 Statement regarding foundation for integrity of financial statements

The chief executive officer and the chief financial officer have each stated to the board in writing that:

(i) the accounts are true and fair and comply with accounting standards and are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
(ii) the Company's risk management and internal compliance is operating efficiently and effectively in all material respects.

The systems of internal financial control have been determined by senior management of the Company and are designed to provide reasonable, but not absolute protection against fraud, material misstatement or loss. These controls are intended to identify, in a timely manner, control issues that require attention of the board or Audit and Risk Committee.

7.4 Other information

The Audit and Risk Committee charter is available on the Group's website.

8. Remunerate fairly and equitably

The Company intends to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

8.1 Nomination and Remuneration Committee

The Company has a Nomination and Remuneration Committee, which consists of two independent directors. (see 2.4, above).

As at the date of this report, the Company's Nomination and Remuneration Committee consists as follows:

- GF Radzyminski (chairman)
- PD Jensen

The board believes that the members of the Nomination and Remuneration Committee can make, and do make, quality and independent judgments in the best interests of the Group on remuneration issues. It believes that the current chair of the committee is well placed to facilitate the efficient review and assessment of remuneration policies.

The board confirmed the role and responsibilities of the Nomination and Remuneration Committee in an amended written charter, which was adopted on October 27 2008.

The responsibilities of the Nomination and Remuneration Committee include the review and making of recommendations to the board on Group policies relating to:
(i) executive remuneration and incentive policies;
(ii) remuneration packages of senior management;
(iii) the recruitment, retention and termination policies of the Group and procedures for senior management;
(iv) incentive schemes;
(v) superannuation arrangements; and
(vi) the remuneration framework for directors.

8.2 Structure of non-executive and executive remuneration

The remuneration policy of the Group has been designed so that the policy:
(i) motivates directors and management to pursue the best possible return to shareholders within an appropriate control framework; and
(ii) demonstrates a clear relationship between key executive performance and remuneration.

The performance of the MD is evaluated by the Nomination and Remuneration Committee using such criteria as business performance, accomplishment of short and long-term strategic objectives and the development of management. The Remuneration Committee takes this evaluation into account when considering the MD's remuneration package to ensure that it is reasonable and competitive. The MD is responsible for reviewing the remuneration of all senior executives and staff. Senior executive remuneration typically includes a discretionary bonus component which is linked to performance against personal and corporate KPIs.

Non-executive directors are remunerated by means of a fee. Non-executive directors are not entitled to any retiring allowance payable upon their retirement as a director of the Company.

8.3 Meetings of Nominations and Remuneration Committee

The following meetings were held during the 2013 financial year.

Member	No. Meetings Held	No. Meetings Attended
GF Radzyminski (chairman)	2	2
PD Jensen	2	2

8.4 Other information

The Nomination and Remuneration Committee charter is available on the Group's website.

Statements of comprehensive income

For the year ended 30 June 2013

		Consolidated		Parent entity	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue from continuing operations					
Interest income		**172,560**	278,291	**3**	53
Interest expense		**(116,800)**	(207,667)	**-**	-
Net interest income	5	**55,760**	70,624	**3**	53
Fee income	5	**3,833**	3,591	**-**	-
Dividends received		**-**	-	**58,612**	63,240
Total income net of interest expense		**59,593**	74,215	**58,615**	63,293
Total operating expenses excluding interest	6	**(16,300)**	(16,068)	**(3)**	-
Profit before income tax		**43,293**	58,147	**58,612**	63,293
Income tax expense	8	**(12,990)**	(17,447)	**-**	(16)
Profit for the year		**30,303**	40,700	**58,612**	63,277
Other comprehensive income		**-**	-	**-**	-
Total comprehensive income		**30,303**	40,700	**58,612**	63,277
Profit for the year attributable to:					
Owners of RHG Limited		**30,303**	40,700	**58,612**	63,277
Non-controlling interest		**-**	-	**-**	-
		30,303	40,700	**58,612**	63,277
Total comprehensive income for the year attributable to:					
Owners of RHG Limited		**30,303**	40,700	**58,612**	63,277
Non-controlling interest		**-**	-	**-**	-
		30,303	40,700	**58,612**	63,277

Earnings per share for profit from continuing operations attributable to ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	33	**9.8**	13.2
Diluted earnings per share		**9.8**	13.2

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets

As at 30 June 2013

		Consolidated		Parent entity	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Assets					
Cash and cash equivalents	9	**115,854**	196,378	**205**	205
Loan assets held at amortised cost	10	**2,071,713**	2,790,055	**-**	-
Derivative financial assets	11	**-**	-	**-**	-
Other assets	12	**3,403**	4,803	**116**	-
Investments in controlled entities	13	**-**	-	**21,275**	21,275
Due from related parties	29	**-**	-	**114**	3,181
Plant and equipment	14	**119**	56	**-**	-
Deferred tax assets	19	**1,164**	3,209	**-**	-
Total assets		**2,192,253**	2,994,501	**21,710**	24,661
Liabilities					
Debt issued at amortised cost	15	**2,067,360**	2,773,832	**-**	-
Derivative financial liabilities	11	**18,020**	73,211	**-**	-
Financial liabilities at amortised cost	16	**8,041**	10,467	**-**	-
Other liabilities	17	**7,590**	14,291	**-**	-
Provisions	18	**1,622**	4,771	**114**	3,233
Due to related parties	29	**-**	-	**17,536**	17,368
Total liabilities		**2,102,633**	2,876,572	**17,650**	20,601
Net assets		**89,620**	117,929	**4,060**	4,060
Equity					
Contributed equity	20	**3,784**	3,784	**3,784**	3,784
Retained profits	21	**85,634**	113,943	**276**	276
Reserves	23	**202**	202	**-**	-
Total equity		**89,620**	117,929	**4,060**	4,060

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June 2013

Consolidated

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2011	**3,584**	**202**	**136,483**	**140,269**	**-**	**140269**
Profit for the year	-	-	40,700	40,700	-	40,700
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**40,700**	**40,700**	**-**	**40,700**
Transactions with owners in their capacity as owners:						
Employee share options - value of employee service	-	-	-	-	-	-
Buy-back of shares	-	-	-	-	-	-
Dividends provided for or paid	-	-	(63,240)	(63,240)	-	(63,240)
Proceeds on exercise of options	200	-	-	200	-	200
Balance at 30 June 2012	**3,784**	**202**	**113,943**	**117,929**	**-**	**117,929**
Profit for the year	-	-	30,303	30,303	-	30,303
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**30,303**	**30,303**	**-**	**30,303**
Transactions with owners in their capacity as owners:						
Buy-back of shares	-	-	-	-	-	-
Dividends provided for or paid	-	-	(58,612)	(58,612)	-	(58,612)
Proceeds on exercise of options	-	-	-	-	-	-
Balance at 30 June 2013	**3,784**	**202**	**85,634**	**89,620**	**-**	**89,620**

Parent entity

	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2011	**3,584**	**-**	**239**	**3,823**	**-**	**3,823**
Profit for the year	-	-	63,277	63,277	-	63,277
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	**63,277**	**63,277**	**-**	**63,277**
Transactions with owners in their capacity as owners:						
Buy-back of shares	-	-	-	-	-	-
Dividends provided for or paid	-	-	(63,240)	(63,240)	-	(63,240)
Proceeds on exercise of options	200	-	-	200	-	200
Balance at 30 June 2012	**3,784**	**-**	**276**	**4,060**	**-**	**4,060**
Profit for the year	-	-	58,612	58,612	-	58,612
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**58,612**	**58,612**	**-**	**58,612**
Transactions with owners in their capacity as owners:						
Buy-back of shares	-	-	-	-	-	-
Dividends provided for or paid	-	-	(58,612)	(58,612)	-	(58,612)
Proceeds on exercise of options	-	-	-	-	-	
Balance at 30 June 2013	**3,784**	**-**	**276**	**4,060**	**-**	**4,060**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2013

		Consolidated		Parent entity	
		2013	2012	**2013**	2012
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Interest received		**174,458**	275,930	**3**	53
Interest paid and other costs of finance		**(123,135)**	(215,999)	**-**	-
Receipts from customers		**4,559**	5,686	**-**	-
Payments to suppliers		**(18,884)**	(18,068)	**(3)**	-
Income tax (paid)/received		**(14,064)**	(43,892)	**-**	(5,784)
Net cash inflow from operating activities	32	**22,934**	3,657	**-**	(5,731)
Cash flows from investing activities					
Payments for plant and equipment		**(116)**	(7)	**-**	-
Net decrease in mortgages and receivables		**715,446**	1,021,153	**-**	-
Net cash inflow from investing activities		**715,330**	1,021,146	**-**	-
Cash flows from financing activities					
Proceeds on exercise of options		**-**	200	**-**	-
Dividend payment		**(58,612)**	(63,240)	**-**	-
Net repayments to bondholders and warehouse providers		**(760,176)**	(1,031,732)	**-**	-
Net cash (outflow) from financing activities		**(818,788)**	(1,094,772)	**-**	-
Net (decrease)/increase in cash and cash equivalents		**(80,524)**	(69,969)	**-**	(5,731)
Cash and cash equivalents at the beginning of the financial year		**196,378**	266,347	**205**	5,936
Cash and cash equivalents at the end of the financial year	9	**115,854**	196,378	**205**	205

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
30 June 2013

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Notes to the financial statements
30 June 2013

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements cover the consolidated entity consisting of RHG Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. RHG Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements and notes of the Company also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Parent Entity financial statements also comply with the International Financial Reporting Standards.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative financial instruments) carried at fair value through profit and loss.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of RHG Limited ("Company" or "Parent Entity") and its controlled entities as at 30 June 2013 and the results of all subsidiaries and its controlled entities for the year ended on that date. RHG Limited and its subsidiaries together are referred to in this financial statement as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(f)).

When assessing whether the Group controls (and therefore consolidates) a special purpose entity (SPE), judgement is required about risks and rewards as well as the Group's ability to make operational decisions for the SPE. The range of factors that are considered in assessing control are whether: (a) a majority of the benefits of an SPE's activities are obtained; (b) a majority of the residual ownership risks related to the SPE's assets are obtained; (c) the decision-making powers of the SPE vest with the Group; and (d) the SPE's activities are being conducted on behalf of the Group and according to its specific business needs.

Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated on consolidation.

Investments in subsidiaries are accounted for at the lower of cost or recoverable amount in the individual financial statements of the Company.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). RHG Limited's financial statements are presented in Australian dollars, which is the consolidated entity's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except where they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale financial assets are included in the fair value reserve in equity.

(iii) Group entities

The results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expense are translated at the date of the transactions) and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold or any borrowings which are part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale as applicable.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

(d) Revenue recognition

Interest income is recognised in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability (which includes the unamortised balance of transaction costs).

Transaction costs

Transaction costs are fees and costs that are incremental and directly attributable to the origination of mortgages. They include:

- Direct costs of loan origination;
- Settlement fees paid to outsourced service providers; and
- Upfront and trail commissions paid to brokers.

Fee revenue is recognised when it is due and payable except in relation to fees which are an integral part of the return on the loan asset which form part of the effective interest method calculations. Dividends are recognised when the right to receive payment in established.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised as deductible as temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity.

Tax Consolidation legislation
The Company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The Company and the wholly owned Australian controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone tax payer in its own right.

In addition to its own current and deferred tax amounts, the Company, as head entity of the tax consolidated group, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under the tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

(g) Impairment of assets

(i) Assets at amortised cost

Collectability of mortgage loans is assessed on an ongoing basis. An individually assessed allowance account (provision for losses) is used when there is objective evidence that the Group will not be able to collect all amounts due under the terms of the loan. Significant financial difficulties of the borrower, probability that the borrower will enter bankruptcy or financial reorganisation and the existence of arrears are all indicators that the asset is impaired. The amount of the provision allowance is the difference between the asset’s carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Discounting is not performed when the effect of discounting is immaterial. Mortgage loan balances that are known to be uncollectable are written off by reducing the carrying amount directly. Any such write-off is recognised in the statement of comprehensive income in other expenses.

In addition to individually assessed provisions, a collective provision is also maintained in respect of loans that are not subject to an individually assessed provision to reduce their carrying amount to their estimated recoverable amount.

Other assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable and at each reporting date. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(ii) Financial assets carried at fair value through profit or loss

The expected net cash flows included in determining the recoverable amount of financial assets are discounted to their present value and cash flows are reviewed at each balance date with the asset value adjusted to fair value.

All assumptions used in determining the recoverable amount are reviewed annually.

(h) Leases

Leases entered into by the Group in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The total payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(i) Acquisition of assets

The acquisition method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(k) Investments and other financial assets

All receivables and other financial assets are recognised at the amounts receivable and all related bad debts are written off in the period in which they are recognised and specific provisions made for doubtful debts.

The Group classifies its financial assets as loan assets held at amortised cost. Loan assets held at amortised cost are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when a mortgage loan is originated on the Group's balance sheet. These are accounted for at amortised cost using the effective interest method (note 1(d)).

(l) Derivative financial instruments and hedging

The Group enters into derivative financial instruments, comprising interest rate swaps and cross currency swaps, to manage its exposure to fluctuations in interest and foreign exchange rates.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to both the effective and ineffective portions of fair value swaps are recognised in the statement of comprehensive income within interest expense, together with changes in the fair value of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

The Group has designated cross currency swaps as fair value hedges of foreign currency borrowings and the interest rate swaps as fair value hedges of fixed rate mortgages.

(ii) Non qualifying derivatives

Certain derivative instruments including some interest rate swaps do not qualify for hedge accounting. Changes in the fair value of any derivative instrument are recognised immediately. These amounts are disclosed in interest expense in the statement of comprehensive income.

(m) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair values of derivative financial instruments quoted in an active market, are obtained from quoted market prices, including recent market transactions, and valuation techniques, including discounted cash flow models. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques including discounted cash flow models. Discount rates used in these valuations are determined by reference to available market data for similar assets.

Except as shown in note 3 the fair value of financial assets and financial liabilities approximates their carrying values.

(n) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Office equipment 2 to 5 years
- Furniture and fixtures 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(o) Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors. Operating segments are reported in a manner consistent with internal reports provided to the chief decision maker who relies on the consolidated Group's statement of comprehensive income and balance sheet as the main report for decision making. The Group operates in a single business segment of provision of funding and servicing of residential mortgages in a single geographic segment of Australia.

(p) Software development costs

Costs incurred to update existing systems or to design, develop and implement new systems are charged as expenses as incurred, except where they result in an enhancement of future economic benefits and are therefore recognised as an asset.

(q) Financial liabilities

The Group has on issue debt securities and instruments, which are initially recognised at fair value, net of transaction costs incurred. These debt securities and instruments are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Interest expense on such items is recognised in the statement of comprehensive income as interest expense.

(r) Trail commissions liability

The Group may have a liability to pay trail commissions to brokers who originated mortgage receivables for the benefit of RHG Limited. They are accounted for as financial liabilities at amortised cost.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(t) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefit will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting expected future cash flows at a market rate. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

Liabilities for unpaid salaries, salary related costs and provisions for annual leave are recorded in the balance sheet at the salary rates plus related on-costs, which are expected to be paid when the liability is settled.

Provisions for long service leave are recognised at the present value of expected future payments. In determining this amount, consideration is given to expected future salary levels and employee service history. Expected future payments are discounted to their net present value using interest rates on Commonwealth Government securities with terms that match as closely as possible to the expected future cash flows.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options excludes the impact of any non-market vesting conditions such as participants' continued employment by the Group. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

(w) Rounding

The entity is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit and loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(y) Earnings per share

(i) Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(aa) Changes to comparatives

Certain comparative figures have been reclassified to be consistent with the current year's presentation and disclosure.

(bb) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods.

The Group's and the Company's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*).

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

AASB 10 *Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013).

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and *AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group will apply the new standard when it becomes operative, being from 1 July 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2. Segment information

The Group operates in a single business segment of provision of funding and servicing of residential mortgages in a single geographic segment of Australia. The Group ceased origination of mortgages in which it holds beneficial interest on 16 November 2007.

In accordance with *AASB 8 – Operating Segments*, it is appropriate to detail the information used by the Board of Directors to monitor the business. Below is set out the corporate balance sheet which represents a consolidation of the Group that excludes non-recourse mortgage vehicles. These are excluded on the basis that the assets and related funding of these vehicles do not represent the rights or obligations of the shareholders of the Group except to the extent that excess income is earned. This balance sheet is not prepared in accordance with Australian Accounting Standards.

Net Tangible Assets

	2013 $'000	2012 $'000
Cash and cash equivalents and intercompany receivables	**40,396**	54,533
Subordinated debt	**12,000**	14,600
Collateral deposits	**24,608**	39,513
Investment in impaired mortgages	**12,000**	16,300
Floats and security deposits	**2,736**	3,437
Sundry receivables and accruals	**556**	609
Property, plant and equipment	**119**	56
	92,415	129,048
Accounts payable and accruals	**3,038**	6,607
Provision for losses - Specific	**4,107**	4,805
- General	**1,396**	2,305
Provision for income tax	**114**	3,233
Provision for broker trail expense	**8,041**	10,467
	16,696	27,417
Net tangible assets	**75,719**	101,631
Net intangible assets*	**13,901**	16,298
Shareholders' equity	**89,620**	117,929

* represented predominantly by deferred transaction costs.

Reconciliation between total assets and total liabilities between the statutory balance sheet and the corporate balance sheet:

	2013 ($'000)		2012 ($'000)	
	Assets	**Liabilities**	Assets	Liabilities
Total per the statutory balance sheet	**2,192,253**	**2,102,633**	2,994,501	2,876,572
Less: loans, derivatives, notes and associated balances of securitised trusts	**(2,099,838)**	**(2,085,937)**	(2,865,453)	(2,849,155)
Total tangible assets/liabilities	**92,415**	**16,696**	129,048	27,417

The balance sheet above does not consider a number of factors – they are set out below:

- the rights to future income that might be derived from the book of mortgage receivables managed by the Company;
- an ongoing obligation to service the mortgages and bear the costs associated with mortgage servicing;
- the extent to which future losses on the mortgages may exceed the residual income from the mortgages and
- any actions that may be taken by warehouse providers as described in Note 3(c).

3. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group can use derivative financial instruments such as cross currency swaps and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risks to which it is exposed. These methods include ageing analysis for credit risk, a maturity analysis for liquidity risk and a sensitivity analysis for market risk.

Risk management is carried out by a central Treasury department (Treasury) under policies approved by the board of directors and the Group's Asset and Liability Committee. Treasury identifies, evaluates and attempts to hedge its financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when the Group obtains funding in a foreign currency. The Group's policy is to ensure swaps are in place with an appropriately rated counterparty to eliminate the potential impact of adverse movements in exchange rates.

The Group's exposure to foreign exchange risk at the reporting date was fully hedged through the use of cross currency swaps. All cross currency swaps have been designated as 'fair value' hedges. The table below illustrates the value of the Group's financial assets and liabilities denominated in foreign currencies:

	30 June 2013		30 June 2012	
	USD $'000	**EUR €'000**	USD $'000	EUR €'000
Debt issued at amortised cost	**-**	**80,822**	5,814	160,047
Notional principal of cross currency swaps	**-**	**(80,822)**	(5,814)	(160,047)
Other Liabilities – accrued interest	**-**	**101**	2	309

Accrued interest on foreign denominated debt is covered by the cross currency swaps.

The carrying value of the Parent Entity's financial assets and liabilities are all denominated in Australian dollars, and are therefore not subject to foreign exchange risk.

Sensitivity

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 20% against the EURO with all other variables held constant, the Group's post tax profit for the year would have been $4,000 higher/$4,000 lower (2012: 20% sensitivity $11,000 higher/$11,000 lower), mainly as a result of changes in the fair value of cross currency swaps, offset by changes in the fair value of the hedged liability. The impact on other components of equity would be nil due to the fact that the cross currency hedges are all fair value hedges. Unless new foreign denominated debt is issued after the reporting date, the impact in future reporting periods is expected to be lower than the sensitivities set out above due to the fact that the foreign currency funding and associated swaps are amortising.

(ii) Interest rate risk

The Group's main interest rate risk arises from mortgage loans, cash deposits and interest bearing liabilities. All of the Group's borrowings are issued at variable rates and expose the Group to interest rate risk. Mortgage loans that are written at variable rates and cash deposits also expose the Group to interest rate risk, however the risk is largely hedged by the variable rate borrowings. Mortgages written at fixed interest rates are hedged with interest rate swaps to match the borrowings used to fund the mortgages. It is Company policy to hedge the outstanding balance of fixed rate loans. Such interest rate swaps have the economic effect of converting mortgage loans from fixed rates to floating rates.

A portion of the Group's borrowings are priced relative to the 90 day BBSW. The Group's mortgage receivables are priced relative to the Reserve Bank of Australia Cash Rate, which has a closer correlation to the 30 day BBSW than to the 90 day BBSW.

The following table demonstrates the Group's exposure to interest rate risk at the reporting date:

	30 June 2013			30 June 2012		
	Weighted average interest rate %	**Floating interest rate balance $'000**	**Fixed interest rate balance $'000**	Weighted average interest rate %	Floating interest rate balance $'000	Fixed interest rate balance $'000
Cash and cash equivalents	**3.00%**	**115,854**	**-**	3.76%	196,378	-
Mortgage loans	**6.75%**	**2,048,652**	**12,603**	7.50%	2,684,369	94,178
Notional principal value of interest rate swaps	**3.92%** **2.77%**	**10,777**	**(10,777)**	7.01% 3.53%	94,656	(94,656)
Interest bearing other assets	**1.87%**	**2,946**	**-**	3.00%	3,957	-
Interest bearing debt	**4.43%**	**(2,085,097)**	**-**	5.23%	(2,845,328)	-
Net exposure to interest rate risk		**93,132**	**1,827**	-	134,032	(478)

The following table demonstrates the Parent's exposure to interest rate risk at the reporting date:

	30 June 2013			30 June 2012		
	Weighted average interest rate %	**Floating interest rate balance $'000**	**Fixed interest rate balance $'000**	Weighted average interest rate %	Floating interest rate balance $'000	Fixed interest rate balance $'000
Cash and cash equivalents	**0.15%**	**205**	**-**	0.70%	205	-
Net exposure to interest rate risk		**205**	**-**		205	-

Group sensitivity

Based on balances at 30 June 2013, if interest rates (i.e. both the cash rate and BBSW) had changed by +/- 50 basis points from year end rates with all other variables held constant, post-tax profit for the year would have been $394,000 higher/lower (2012: change of +/-50 bps: $650,000 higher/lower), mainly as a result of higher interest income offset by higher interest expense. The impact on other components of equity would have been nil.

Parent sensitivity

Based on balances at 30 June 2013, if interest rates had changed by +/- 50 basis points from year end rates with all other variables held constant, the impact on post-tax profit for the year and equity would have been less than $1,000 (2012: change of +/- 50 bps: less than $1,000 impact).

(iii) Other Price Risk

Other price risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Neither the Parent nor the Group are exposed to other price risk.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group. Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and mortgage loans.

The carrying value of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral or mortgage insurance obtained.

The Group has no significant concentrations of mortgage customer credit risk. Mortgage loans consist of a large number of customers spread across diverse geographical areas within Australia. The Group has policies in place to ensure that sales of mortgage products were made to customers with an appropriate credit history and security. The Group retains the registered mortgages over security property until the mortgage loans are repaid. The Group is entitled to take possession of and enforce the sale of security property in the event that the customer defaults under the terms of their mortgage. In the event that the sale proceeds are insufficient to extinguish the mortgage balance, the Group may make a claim for the shortfall (subject to certain terms and conditions) against the mortgage insurer.

Derivative counterparties, cash transactions and mortgage insurance providers are limited to high credit quality financial institutions and insurers. The external credit ratings (where available) of counterparties and mortgage insurers will provide some indication of the credit quality of financial assets.

The following table demonstrates the split of the Group's mortgage loans by rating of mortgage insurer or reinsurer:

	Consolidated	
Ratings	**2013 $'000**	2012 $'000
Rated AAA	**17,482**	24,848
Rated AA-	**2,043,773**	2,753,698
Total mortgage loans	**2,061,255**	2,778,546

As at the reporting date, receivables under derivative financial instruments are with swap counterparties with a rating of A- or higher (2012: A- or higher). The Group's SPEs had invested in CP term deposits and deposits with ADI's rated A1+ (2012: A1+) and Group entities other than the Group's SPEs at A1 or higher (2012: A1or higher). All quoted ratings by Standard and Poors are published ratings.

It should be noted in regard to mortgage loan balances that a registered mortgage is held over security property (being land and buildings) with an assessed value of $3,988,272,253 (2012: $5,040,549,889) at the reporting date. The valuations of the underlying security properties have been performed at the later of the original loan application date or subsequent loan variation date, and do not take into account any realisation costs.

The following table demonstrates the arrears status of the mortgage loan balances at the reporting date:

Arrears status	**Mortgage loan balance 2013 $'000**	Mortgage loan balance 2012 $'000
Under-limit	**1,973,610**	2,675,606
Over-limit days:		
30-59	**18,751**	25,050
60-89	**15,753**	17,370
90-179	**23,123**	20,240
180+	**30,018**	40,280
Total mortgage loans	**2,061,255**	2,778,546

Included in the above ageing analysis are mortgage loan balances of $11,082,679 (2012: $18,079,554) against which a provision of $4,107,000 (2012: $4,805,000) has been raised. Of the balance of these loans, $1,275,561 is in the less than 180 days status category; $5,325,699 is in the 180+ arrears status category with the remaining balance of $4,481,419 in the Under-limit category.

Arrears are assessed by the Group on an 'over-limit' basis. A mortgage loan is classified as being in arrears if the excess of the mortgage balance over the amortised credit limit at the report date represents more than 30 days worth of minimum required repayments. The 'over-limit' method of reporting arrears is used on the basis that it best represents the credit risk to the Group.

An individually assessed impairment loss is recognised in regard to mortgage loans if the total expected recoveries in regard to a loan do not exceed the mortgage balance. In the event that the actual or expected net sale proceeds ensuing from an enforced sale of the security property do not exceed the mortgage loan balance, the shortfall may be claimed against the mortgage insurer (subject to certain terms and conditions). Instances where shortfalls may not be claimable against the insurer include shortfalls that constitute the fees and charges component of a mortgage balance (rather than principal or interest), cases involving fraud, fair wear and tear, misrepresentation or cases involving certain administrative errors. The Group has recognised individually assessed provisions for impairment at 30 June 2013 of $4,107,000 (2012: $4,805,000) in relation to expected un-claimable mortgage shortfalls.

In addition to the individually assessed provision, a collective provision is maintained and is intended to cover losses on the existing overall credit portfolio which has not yet been specifically identifiable. At 30 June 2013 this amounts to $1,395,570 (2012: $2,305,303).

At the reporting date, the Group has taken possession of security properties with a last assessed fair value of $5,331,007 (2012: $17,463,000). These properties act as security for mortgage loans of $5,498,746 (2012: $18,690,952) that will remain in the balance sheet until the security properties are sold and any potential shortfall is claimed from the mortgage insurer.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group's Treasury department aims to ensure that sufficient cash and credit facilities are maintained to meet funding requirements, however this has become increasingly difficult to achieve given the global financial crisis. While the Group continues to maintain sufficient cash reserves within its SPEs to fund redraws and additional advances on existing loans it has no unused warehouse facility limits at the reporting date. Surplus funds are generally only invested in at call bank accounts or instruments with maturities of less than 90 days.

The Group's Finance department also monitors forecast and actual cash flows to ensure that sufficient cash resources and/or financing facilities are in place to ensure the Group can meet its corporate debts as and when they fall due.

The Group's mortgage loan balances are typically repayable over 25 or 30 years. In contrast, the Group borrows funds from various sources with differing maturity profiles:

Term Bonds payable
Term bonds payable are residential mortgage backed securities (RMBS) issued by the Group's SPEs. They are 30-32 year pass through securities that may be repaid early (i.e. at the call date) by the issuer in certain circumstances.

Warehouse facilities
Warehouse facilities are typically short term funding facilities (typically 364 days) that are renewable at the funder's option.

The Group's Treasury department aims to maintain flexibility in funding by keeping surplus un-drawn warehouse facilities available, however the current global financial crisis has made this increasingly difficult to achieve. At 30 June 2013 the Group has no un-drawn warehouse facilities.

The Group has access to un-drawn facilities, consisting of bank overdrafts, at the reporting date of $25,000,000 (2012: $35,000,000). The bank overdraft facilities may be utilised at anytime however they may be terminated by the bank without notice. These overdrafts are for operational purposes to cover overnight timing differences and are not available for corporate or SPE funding. The Parent Entity does not have access to any un-drawn facilities.

Going forward, the Group is reliant on the renewal of existing warehouse facilities, the negotiation of new warehouse facilities or the issuance of new residential mortgage backed securities.

During the year the Group was able to roll all warehouse facilities with similar conditions when they were due for renewal. The Group remains in discussions with its various warehouse providers in regards to future maturity dates.

A default will likely arise if a warehouse cannot be renewed and the mortgages are not sold. This would result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. As a result the cash flow available to the Group from excess spread would be deferred until the facility is repaid in full.

Each warehouse facility has been structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a 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 our mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transactions costs.

The directors are satisfied that any sale of mortgages in repayment of warehouse facilities or an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

The maturity profile of financial liabilities and net settled derivative financial instruments of the Group is presented in the following table. Derivative financial liabilities have not been analysed separately from non derivative liabilities on the basis that all liabilities are settled on a net basis.

Group – at 30 June 2013	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 & 2 years $'000**	**Between 2 & 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Interest bearing financial liabilities inclusive of associated derivative instruments	**506,020**	**259,157**	**813,077**	**422,075**	**309,191**	**2,309,520**	**2,085,380**
Non interest bearing financial liabilities	**8,893**	**1,076**	**1,675**	**2,597**	**1,390**	**15,631**	**15,631**
Total financial liabilities	**514,913**	**260,233**	**814,752**	**424,672**	**310,581**	**2,325,151**	**2,101,011**

Group – at 30 June 2012	Less than 6 months $'000	6 – 12 months $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Interest bearing financial liabilities inclusive of associated derivative instruments	1,261,430	236,627	552,008	595,955	588,629	3,234,649	2,847,044
Non interest bearing financial liabilities	15,965	1,505	2,417	4,037	2,638	26,562	24,759
Total financial liabilities	1,277,395	238,132	554,425	599,992	591,267	3,261,211	2,871,802

The above analysis is based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are undiscounted cash flows based on the earliest date at which repayment is required, however it should be noted that funding is arranged on a 'pass through' basis and therefore there is an element of principal amortisation in each funding facility prior to repayment. The expected principal-pass-through to the funders is based on the expected principal receipts from mortgage loans. Calculations of expected principal receipts on mortgage loans have been derived using prepayment assumptions that are based on historic actual experience.

In the case of warehouse facilities, the above maturity analysis reflects contractual maturity dates effective at the reporting date. Refer to the 'Events occurring after balance sheet date' note for details of any extensions affected after the reporting date. In the case of RMBS, the maturity analysis assumes that the issuer (being one of the Group's SPEs) will not opt to repay the securities at the call date, but rather, that they will be repaid at their respective maturity dates.

The Parent's financial liabilities at the reporting date are expected to be repaid within a year.

(d) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. From 1 July 2009, the Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's and the Parent Entity's assets and liabilities measured and recognised at fair value at balance date:

Group – as 30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative financial assets	**-**	**-**	**-**	**-**
Derivative financial liabilities	**-**	**18,020**	**-**	**18,020**

Group – as 30 June 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	73,211		73,211

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3. There has been no movement between levels during the year.

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values:

	Consolidated 30 June 2013		Consolidated 30 June 2012	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Financial Assets:				
Cash and cash equivalents	**115,854**	**106,309**	196,378	181,651
Loan assets held at amortised cost	**2,071,713**	**2,055,913**	2,790,055	2,772,846
Financial Liabilities:				
Debt issued at amortised cost	**2,067,360**	**2,052,321**	2,773,832	2,720,087
Financial liabilities at amortised cost	**8,041**	**8,041**	10,467	10,467

The financial statements of the Parent include investments in controlled entities. Investments in controlled entities are carried at cost and further details are included in note 13. These amounts represent the equity (being ordinary shares) held in controlled entities. Fair value cannot be reliably measured on the basis that the relevant entities do not have a quoted market price in an active market. As at the reporting date, the Parent does not have an intention to dispose of the remaining balance of the investments in controlled entities.

Assumptions used in determining fair value of financial assets and liabilities:

The carrying value of Cash and cash equivalents differs from its fair value by those amounts held on deposit that are used as credit support and subordinated to various warehouse providers and are not expected to be repaid in full. There is a requirement to support various loan facilities with subordinated debt and collateral deposits. In the current environment, it is believed that a reduction in the carrying value of cash and cash equivalents and loan assets is appropriate. An adjustment of $9.5 million (2012: $15 million) is reflected in the above table.

The carrying value of Other assets, Due to/from related parties, Other liabilities and Other provisions are assumed to approximate their fair values due to their short term nature.

The fair value of Loans held at amortised cost for disclosure purposes has been estimated by discounting the estimated future cash flows at the current market rates for similar financial instruments. These range from 6.00% to 9.12% (2012: 4.85% to 8.42%).

The fair value of derivative financial assets and liabilities are calculated as the present value of the estimated future cash flows, taking into account the difference between the swapped and market rates at the reporting date.

The fair value of Debt issued at amortised cost for disclosure purposes has been estimated by discounting the future contractual cash flows at the current interest rate that is available to the Group for similar financial instruments. At the reporting date, discount rates varying from 4.37% to 4.67% (2012: 5.58% to 6.18%) have been used depending on the type of borrowing. In the half year leading up to the current reporting period there were a number of RMBS issues that were used by management in their assessment of the current market rate for the Group's issued debt.

The fair value of financial liabilities at amortised cost has been estimated by discounting the future estimated cash flows by 5.59% (2012: 5.57%) at the reporting date.

4. Critical accounting estimates and judgements

The preparation of the financial statements in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The notes to the financial statements set out areas involving a high degree of judgement or complexity or areas where assumptions are significant to the Group and Parent Entity financial report such as:

- Consolidation of special purpose entities (note 1(b));
- Trail commissions liability (note 1(r));
- Deferred transaction cost (note 7);
- Effective interest rate (note 1(d)); and
- Impairment of assets (note 1(g)).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Management believes the estimates used in preparing the financial report are reasonable. Actual results in the future may differ from those reported.

5. Revenue

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Net interest income				
Interest income	**164,841**	267,503	**3**	53
Change in accounting estimate (note 7)	**7,719**	10,788	**-**	-
Interest income	**172,560**	278,291	**3**	53
Interest expense (before hedging adjustments)	**(116,983)**	(207,323)	**-**	-
Gain/(Loss) arising on derivatives not in a designated fair value relationship	**238**	(392)	**-**	-
Gain/(Loss) arising on derivatives in a designated fair value relationship	**54,953**	10,765	**-**	-
Gain/(Loss) arising on adjustment to hedged items in a designated fair value relationship	**(55,008)**	(10,717)	**-**	-
Net interest income	**55,760**	70,624	**3**	53
Fee income				
Loan fee revenue	**3,662**	6,595	**-**	-
Loan fee expense	**-**	(3,370)	**-**	-
Sundry revenue	**171**	366	**-**	-
Dividend received	**-**	-	**58,612**	63,240
Fee income	**3,833**	3,591	**-**	-
Total income	**59,593**	74,215	**58,615**	63,293

6. Operating expenses

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Fee commission expense	**(5,624)**	(7,698)	**-**	-
Employee benefits	**(4,256)**	(4,378)	**-**	-
Funding expenses	**(346)**	(331)	**-**	-
Trustee fees	**(322)**	(560)	**-**	-
Professional fees	**(2,356)**	(2,809)	**-**	-
Impairment expense	**(2,071)**	1,081	**-**	-
Other expenses	**(1,325)**	(1,373)	**(3)**	-
	(16,300)	(16,068)	**(3)**	-

7. Change in accounting estimate

During the year the Group made a change to its assumptions in relation to estimated average loan life. The impact of the change in accounting estimate in 2013 is as follows:

- Increase profit before tax of $7.7m (2012: $10.8m), increase tax expense of $2.3m (2012: $3.2m) and increase profit after tax of $5.4m (2012: $7.6m);

The carrying value of remaining deferred transaction costs of $15.8m (2012: $17.2m) has been estimated based on assumptions including the remaining expected life of mortgage loans. During the year the Company was able to extend the term of warehouse facilities as they fell due, and revised the minimum loan balance required to profitably service the loan book.

Any change in the assumptions adopted may result in a changed amortisation profile which would impact the carrying value of the deferred transaction costs on the balance sheet with a corresponding charge through the Statement of comprehensive income.

8. Income tax

(a) Income tax expense

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Current tax	**10,945**	16,127	**-**	16
Deferred tax	**2,045**	1,320	**-**	-
Adjustment to current tax - prior period tax return amendment	**-**	-		-
Tax expense	**12,990**	17,447	**-**	16
Income tax expense is attributable to:				
Profit from continuing operations	**12,990**	17,447	**-**	16
Adjustment to current tax - prior period tax return amendment	**-**	-	**-**	-
Aggregate income tax expense	**12,990**	17,447	**-**	16
Deferred income tax expense included in income tax expense comprises:				
Change in deferred tax assets (note 19)	**2,045**	1,320	**-**	-

(b) Numerical reconciliation of income tax expense to prima facie tax payable:

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Profit from continuing operations before income tax expense	**43,293**	58,147	**58,612**	63,292
Tax at the Australian tax rate of 30% (2012 - 30%)	**12,988**	17,444	**17,584**	18,988
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Dividends	**-**	-	**(17,584)**	(18,972)
Sundry items	**2**	3	**-**	-
Income tax expense	**12,990**	17,447	**-**	16

(c) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities implemented the tax consolidation legislation from 1 July 2003. The accounting policy in relation to this legislation is set out in note 1(e).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the Company as head entity.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (see note 29).

9. Cash and cash equivalents

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**46,007**	36,394	**205**	205
Deposits at call and commercial paper	**69,847**	159,984	**-**	-
	115,854	196,378	**205**	205

Total Cash and cash equivalents includes $37,980,094 (2012: $43,062,769) held by Group entities other than the Group's SPEs. Cash held by the Group's SPEs predominantly represents principal receipts on mortgage loans of $47,052,315 (2012: $103,141,077) which will be passed to bondholders and warehouse providers on the next payment date for each funding facility. Amounts set aside by the Group's SPEs include liquidity reserves $5,207,123 (2012: $9,738,475) and loan redraw reserves $1,016,200 (2012: $1,453,500). The Group has also provided credit support of $24,597,977 (2012: $38,982,677). This credit support is in addition to any subordinated debt provided by the Group.

The Group's exposure to interest rate risk is discussed in note 3.

10. Loan assets held at amortised cost

	Consolidated		Parent entity	
	2013	**2012**	2013	2012
	$'000	**$'000**	$'000	$'000
Mortgage loans	**2,061,255**	2,778,546	**-**	-
Loan loss provision – individually assessed	**(4,107)**	(4,805)	**-**	-
Loan loss provision – collectively assessed	**(1,396)**	(2,305)	**-**	-
Interest rate swap hedges fair value adjustment	**161**	1,409	**-**	-
Deferred transaction costs	**15,800**	17,210	**-**	-
	2,071,713	2,790,055	**-**	-

(a) Mortgage loans

Mortgages are taken out for a period not exceeding 30 years and regular repayments are required throughout the term.

(b) Bad and doubtful mortgage loans

The Group has recognised an individually assessed provision for loss of $4,107,000 (2012: $4,805,000) in respect of mortgage loans. The Group has also recognised a collective provision of $1,395,570 (2012: $2,305,303) in respect of mortgage loans. AASB 139 allows for a collective provision to be created in respect of groups of receivables with similar credit risk characteristics. The provisions expense has been included in 'Impairment' expenses in the statement of comprehensive income. The collective provision is an estimation of expected losses on loans that are currently in arrears, net of amounts that are specifically provided for. It is based on an estimation of the percentage of loans in arrears that will lead to a default, and the historical experience of the level of payout by each mortgage insurer.

	Consolidated		Parent entity	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Movement in provisions for impairment are as follows				
Opening balance as at 1 July 2012	**(7,110)**	(11,218)	**-**	-
Net amounts written off during the year	**1,607**	4,108	**-**	-
Closing balance as at 30 June 2013	**(5,503)**	(7,110)	**-**	-

(c) Interest rate swaps at fair value

Interest rate swaps are used to hedge the fair value of the interest rate risk of the mortgage loans. The carrying value of mortgage loans is adjusted for changes in the fair value of the asset where such hedges are highly effective. There is an offsetting fair value adjustment in derivative financial liabilities (note 11).

(d) Risk exposures

Information about the Group's exposure to risks in relation to Loan assets held at amortised cost is provided in note 3.

(e) Deferred transaction costs

Fees and costs that are incremental and directly attributable to the origination or acquisition of a financial instrument are recorded against the asset/liability. The Group uses the effective interest method whereby the net transaction costs are amortised to profit over the life of the loans. Any unamortised transaction costs form part of the carrying value of the loan.

11. Derivative financial instruments

The following table provides details of the Group's outstanding derivatives used for hedging purposes as at reporting date.

	Consolidated 2013		**Parent entity 2013**	
	Notional principal $'000	**Fair Value $'000**	**Notional principal $'000**	**Fair value $'000**
Derivative financial liabilities				
Interest rate swaps	**10,776**	**313**	**-**	**-**
Cross currency swaps	**133,632**	**17,707**	**-**	**-**
	144,408	**18,020**	**-**	**-**

	Consolidated 2012		Parent entity 2012	
	Notional principal $'000	Fair value $'000	Notional principal $'000	Fair value $'000
Derivative financial liabilities				
Interest rate swaps	94,656	1,800	-	-
Cross currency swaps	277,327	71,411	-	-
	371,983	73,211	-	-

With the exception of undesignated interest rate swaps all derivative financial assets and liabilities are highly effective and, in such cases, hedge accounting has been applied. There is an offsetting fair value adjustment to hedged assets and liabilities where hedges are highly effective (notes 10,15).

Information about the Group's and the Parent Entity's exposure to credit risk, foreign exchange and interest rate risk and use of derivatives is provided in note 3.

12. Other assets

	Consolidated		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Receivables / sundry debtors	**297**	689	**-**	-
Security deposits	**2,828**	3,592	**-**	-
Rental bonds	**117**	364	**116**	-
Prepayments	**161**	158	**-**	-
	3,403	4,803	**116**	-

At the reporting date, included in the Receivables / sundry debtors balance is an amount of $205,217, which represents accrued interest income on monies deposited in banks rated A1 or higher. The remaining balance of $91,016 is with unrated entities. Rental bonds are with banks rated AA- (2012: A1+). The security deposits balance comprised $210,000 of swap collateral (2012: $520,000) held with banks rated AA- (2012: AA-). The remaining security deposit balances are held with institutions rated BBB+ or higher.

None of the receivables in this category are either past due or impaired.

13. Investments in controlled entities

	Consolidated		**Parent entity**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
RHG Home Loans Pty Limited	**-**	-	**20,000**	20,000
Receivables Servicing Pty Limited	**-**	-	**1,000**	1,000
RHG Treasury Services Pty Limited	**-**	-	**275**	275
	-	-	**21,275**	21,275

Other controlled entities in the Group (note 30) are not directly owned by the Parent Entity.

14. Plant and equipment

Consolidated	Furniture and equipment $'000	Total $'000
At 30 June 2011		
Cost	409	409
Accumulated depreciation	(323)	(323)
Net book amount	86	86
Year ended 30 June 2012		
Opening net book amount	86	86
Additions	7	7
Depreciation	(37)	(37)
Closing net book amount	56	56
At 30 June 2012		
Cost	416	416
Accumulated depreciation	(360)	(360)
Net book amount	56	56
Year ended 30 June 2013		
Opening net book amount	**56**	**56**
Additions	**116**	**116**
Disposals	**(279)**	**(279)**
Depreciation	**226**	**226**
Closing net book amount	**119**	**119**
At 30 June 2013		
Cost	**253**	**253**
Accumulated depreciation	**(134)**	**(134)**
Net book amount	**119**	**119**

15. Debt issued at amortised cost

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Term bonds payable	**596,743**	885,702	**-**	-
Cross currency swap hedges fair value adjustment	**(17,736)**	(71,496)	**-**	-
Warehouse facilities	**1,488,353**	1,959,626	**-**	-
Total debt issued at amortised cost	**2,067,360**	2,773,832	**-**	-

The above debts are secured against the assets of the Group's SPEs.

Term bonds payable

Term bonds payable are residential mortgage backed securities issued by the Group's SPEs. They are 30 to 32 year variable rate pass through securities. Term bonds may be repaid early by the issuer in certain circumstances.

Cross currency swaps and Interest rate swaps fair value adjustment

The cross currency swaps are used to hedge the fair value of movement attributable to EUR interest rates and AUD/EUR exchange rate. The carrying value of debt is adjusted for changes in the fair value of the liability where such hedges are highly effective. There is an offsetting fair value adjustment contained in derivative financial assets and derivative financial liabilities (note 11).

Risk exposures

Details of the Group's exposures to risk arising from Debt issued at amortised costs are set out in note 3.

Warehouse facilities

The Warehouse facilities are used to fund mortgages and are renewable at the funder's option.

Note 3 contains a maturity analysis of financial liabilities that reflects agreements in place at reporting date.

(a) Assets pledged as security

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
The carrying amounts of assets pledged as security are:				
Cash and cash equivalents	**74,993**	152,981	**-**	-
Other assets	**104**	747	**-**	-
Mortgages	**2,051,897**	2,762,742	**-**	-
Total assets pledged as security	**2,126,994**	2,916,470	**-**	-

RHG Mortgage Corporation Limited and RHG Mortgage Securities Pty Limited have granted security over all of its assets in favour of a security trustee for the benefit of various financiers funding the mortgage loans held by those entities.

(b) Financing arrangements

	Consolidated	
	2013	2012
	$'000	$'000
Warehouse facilities		
Used at balance date (fully drawn) refer note 3	**1,488,353**	1,959,626

16. Financial liabilities at amortised cost

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trail commission liability	**8,041**	10,467	**-**	-

Liability is recognised for the future trail commissions that may be payable to mortgage brokers for mortgages they have originated on behalf of the Group.

The following methods and significant assumptions have been applied in determining the liability for future trail commissions:

- liability value has been estimated using valuation models;
- prepayment rates on underlying mortgages are assumed to align with recent experience; and
- the proportion of fixed rate mortgages and mortgages in arrears are assumed to align with recent experience.

17. Other liabilities

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Interest accruals due to bond holders and warehouses providers	**5,114**	8,633	**-**	-
Trade and other creditors	**2,476**	5,658	**-**	-
	7,590	14,291	**-**	-

18. Provisions

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Employee entitlements	**1,394**	1,333	**-**	-
Lease costs	**114**	180	**-**	-
Income tax provision	**114**	3,233	**114**	3,233
Other	**-**	25	**-**	-
	1,622	4,771	**114**	3,233

(a) Lease provisions

Provision is made for operating lease rentals on a straight line basis.

(b) Movements in provisions

Movements in each class of provisions during the financial year, other than employee benefits, are set out below:

	Lease costs	Other	Income tax	Total
Consolidated – 2013	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount at 1 July 2012	**180**	**25**	**3,233**	**3,438**
Additional provision	**26**	**355**	**114**	**495**
Utilisation / release of provisions	**(92)**	**(380)**	**(3,233)**	**(3,705)**
Carrying amount at 30 June 2013	**114**	**-**	**114**	**228**
Parent – 2013				
Carrying amount at 1 July 2012	**-**	**-**	**3,233**	**3,233**
Additional provision	**-**	**-**	**114**	**114**
Utilisation of provisions	**-**	**-**	**(3,233)**	**(3,233)**
Carrying amount at 30 June 2013	**-**	**-**	**114**	**114**

19. Deferred tax assets/liabilities

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit and loss				
Deferred tax assets				
Mortgage insurance	**136**	178	-	-
Depreciation and amortisation	**273**	149	-	-
Trail commission liability	**2,412**	3,140	-	-
Provisions and accruals	**2,164**	3,669	-	-
Effective interest rate revenue adjustments	**919**	1,236	-	-
Total deferred tax assets	**5,904**	8,372	-	-
Deferred tax liabilities				
Deferred transaction costs	**(4,740)**	(5,163)	-	-
Deferred tax liability	**(4,740)**	(5,163)	-	-
Net deferred tax (liability)/asset	**1,164**	3,209	-	-
Movements:				
Opening balance at 1 July	**3,209**	4,529	**-**	-
Movement for the year	**(2,045)**	(1,320)	**-**	-
Closing balance at 30 June	**1,164**	3,209	**-**	-

20. Contributed equity

(a) Share capital	**2013 Shares**	**2013 $'000**	2012 Shares	2012 $'000
Ordinary shares Fully paid	**308,483,177**	**3,784**	308,483,177	3,784
Total	**308,483,177**	**3,784**	308,483,177	3,784

(b) Movements in ordinary share capital

Date	**Details**	**Number of shares**	**Average price $**	**$'000**
1 July 2012	Opening balance	**308,483,177**		**3,784**
	Exercised options	**-**	**-**	**-**
30 June 2013	Closing balance	**308,483,177**		**3,784**

(c) Capital risk management

The Group's and Parent Entity's objective when managing capital is to safeguard the ability of the Group to continue as a going concern, so that they can provide the best possible return to shareholders in wind down.

The directors will continue to evaluate alternative capital management approaches (i.e. dividends, buy-backs, etc.) to provide the best possible return to shareholders.

The Group and Parent Entity are not subject to any gearing covenants.

21. Retained profits / (accumulated losses)

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Movements in retained profits/ (accumulated losses) were as follows:				
Balance 1 July	**113,943**	136,483	**276**	239
Net profit for the year	**30,303**	40,700	**58,612**	63,277
Dividends paid	**(58,612)**	(63,240)	**(58,612)**	(63,240)
Balance at 30 June	**85,634**	113,943	**276**	276

22. Dividends

(i) Dividends not recognised at year end

Since year end, the directors have recommended the payment of a fully franked dividend of $0.03 per share, which was declared on the 8 July 2013. The aggregate amount of the dividend declared on 8 July out of retained profits, but not recognised as a liability at year end was $9,254,495.

(ii) Franked dividends

The franked portion of any future dividend will be franked out of existing credits or out of franking credits arising from the future payments of income tax.

	Parent entity	
	2013	2012
	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	**2,989**	14,045

The above available amounts are based on the balance of the dividend franking account at year-end. The ability to distribute franking credits is dependent upon there being sufficient capacity to declare future dividends. After the $0.03 per share dividend is paid on the 22 August there will be $3,226 franking credits available for distribution.

23. Reserves

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Movements in share-based payments reserve were as follows:				
Balance 1 July	**202**	202	**-**	-
Option expense	**-**	-	**-**	-
Balance 30 June	**202**	202	**-**	-

The share based payments reserve is used to recognise the fair value of options issued to employees.

24. Maturity analysis of assets and liabilities

The following table contains a breakdown of the balance sheet according to when the assets and liabilities are expected to be recovered or settled.

	Due within one year $'000	Greater than one year $'000	No specific maturity $'000	Total $'000
Consolidated 2013				
Assets:				
Cash and cash equivalents	**87,679**	**28,175**	**-**	**115,854**
Loan assets held at amortised cost	**548,090**	**1,523,623**	**-**	**2,071,713**
Other assets	**2,093**	**1,100**	**210**	**3,403**
Plant and equipment	**-**	**119**	**-**	**119**
Deferred tax assets	**1,164**	**-**	**-**	**1,164**
Total assets	**639,026**	**1,553,017**	**210**	**2,192,253**
Liabilities:				
Debt issued at amortised cost	**684,412**	**1,382,948**	**-**	**2,067,360**
Derivative financial liabilities	**7,359**	**10,661**	**-**	**18,020**
Financial liabilities at amortised cost	**7,189**	**401**	**-**	**7,590**
Other liabilities	**2,379**	**5,662**	**-**	**8,041**
Provisions	**1,406**	**216**	**-**	**1,622**
Total liabilities	**702,745**	**1,399,888**	**-**	**2,102,633**
Consolidated 2012				
Assets:				
Cash and cash equivalents	153,517	42,861	-	196,378
Loan assets held at amortised cost	653,149	2,136,906	-	2,790,055
Other assets	2,683	1,600	520	4,803
Plant and equipment	-	56	-	56
Deferred tax assets	2,231	978	-	3,209
Total assets	811,580	2,182,401	520	2,994,501
Liabilities:				
Debt issued at amortised cost	1,363,231	1,410,601	-	2,773,832
Derivative financial liabilities	40,094	33,117	-	73,211
Financial liabilities at amortised cost	3,199	7,268	-	10,467
Other liabilities	13,894	397	-	14,291
Provisions	4,592	179	-	4,771
Total liabilities	1,425,010	1,451,562	-	2,876,572

	Due within one year $'000	Greater than one year $'000	No specific maturity $'000	Total $'000
Parent Entity 2013				
Assets:				
Cash and cash equivalents	**205**	**-**	**-**	**205**
Investments in controlled entities	**-**	**-**	**21,275**	**21,275**
Other assets	**-**	**116**	**-**	**116**
Due from related parties	**114**	**-**	**-**	**114**
Total assets	**319**	**116**	**21,275**	**21,710**
Liabilities:				
Provisions	**114**	**-**	**-**	**114**
Due to related parties	**17,536**	**-**	**-**	**17,536**
Total liabilities	**17,650**	**-**	**-**	**17,650**

	Due within one year	Greater than one year	No specific maturity	Total
	$'000	$'000	$'000	$'000
Parent Entity 2012				
Assets:				
Cash and cash equivalents	205	-	-	205
Investments in controlled entities	-	-	21,275	21,275
Due from related parties	3,181	-	-	3,181
Total assets	3,386	-	21,275	24,661
Liabilities:				
Provisions	3,233	-	-	3,233
Due to related parties	17,368	-	-	17,368
Total liabilities	20,601	-	-	20,601

The above table should be read in conjunction with note 3(c).

25. Key management personnel disclosures

(a) Directors

The following persons were directors of RHG Limited during the year:

(i) Executive director
GW Goddard - chairman

(ii) Non-executive directors
PD Jensen
JW Kean OAM
T Loewensohn (resigned 12 March 2013)
RG Nott AM (appointed 6 June 2013)
GF Radzyminski

(b) Other key management personnel

The following personnel also had authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, during the year:

Name	Position	Employer
WG Williams	Treasurer	RHG Home Loans Pty Limited
DS Hadlow	Head of Operations	RHG Home Loans Pty Limited

All of the above persons were key management persons during the year ended 30 June 2013.

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$	$	**$**	$
Short-term employee benefits	**1,981,104**	2,185,137	**-**	-
Post-employment benefits	**91,404**	109,856	**-**	-
Long-term benefits	**27,683**	40,584	**-**	-
Total	**2,100,191**	2,335,577	**-**	-

The Company has adopted AASB 2008-4, which relieves the Company from replicating certain detailed remuneration disclosures which can be found in the remuneration report on pages 10 to 13.

2013	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at end of the year**
Executive directors				
GW Goddard	**2,000,000**	**-**	**(800,000)**	**1,200,000 ***
Non executive directors				
GF Radzyminski	**90,000**	**-**		**90,000**
T Loewensohn	**60,221,372**	**-**	**(60,221,372)**	**-**
RG Nott AM	**-**	**-**	**50,000**	**50,000**
Key management personnel				
WG Williams	**2,000**	**-**	**-**	**2,000**
Total	**62,313,372**	**-**	**(61,971,372)**	**1,342,000**

2012	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Non executive directors				
GW Goddard	-	2,000,000	-	2,000,000
Non executive directors				
PD Jensen	34,000	-	(34,000)	-
GF Radzyminski	15,000	-	75,000	90,000
T Loewensohn	-	-	60,221,372	60,221,372
Key management personnel				
WG Williams	2,000	-	-	2,000
Total	51,000	2,000,000	60,262,372	62,313,372

* 800,000 shares were transferred on the 15 April 2013 but not reflected in Computershare data files as at 30 June 2013.

26. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

	Consolidated		**Parent entity**	
	2013	2012	**2013**	2012
	$	$	**$**	$
Audit services				
Half year review of the financial reports	**90,000**	115,000	**-**	-
Full year audit of the financial reports	**290,000**	310,000	**95,451**	105,368
Total audit services	**380,000**	425,000	**95,451**	105,368
Non Audit services				
Professional services	**45,000**	-	**-**	-
Total non audit services	**45,000**	-	**-**	-
Total Audit Services	**425,000**	425,000	**95,451**	105.368

The remuneration for the current year also includes fees in relation to RHG Home Loans Pty Limited, Receivables Servicing Pty Limited, RHG Mortgage Corporation Limited, RHG Mortgage Securities Pty Limited atf RMS Trust 2002-1, RMS Trust 2003-1E, RMS Trust 2004-1E and RHG Mortgage Securities Trust;, RHG Treasury Services Pty Limited and RHG Mortgage Securities Pty Limited. All fees for the Group are paid by RHG Home Loans Pty Limited.

27. Contingencies

Contingent liabilities

(i) Warehouse facilities

The Group provides support in respect of the warehouse facilities by way of representations and warranties, the provision of credit support and undertaking a range of services. To the extent that the Group breaches any of these representations or undertakings, the Group may be exposed to losses.

The Group continues to provide credit support on some warehouse facilities, either as a contractual requirement or as a new condition to roll or increase these facilities. Total credit support provided, including sub debt is $36.6 million. The terms of the credit support subordinate the Group's rights to those of warehouse providers and vary according to the terms of each warehouse.

An assessment under *AASB 137: Provisions, Contingent Liabilities and Contingent Assets* has been made and no provision has been made in the accounts in respect of these balances, however under certain circumstances a loss may be incurred. Rights to distribute the cash from the warehouses to the group may be restricted for up to 27 years, dependent upon re-financing terms in each trust. The loans are held at amortised cost; however no adjustment is made to the financial statements to reflect that the estimated fair value of the credit support is lower than its carrying amount. An appropriate provision for incurred losses on the loans has been recognised.

(ii) Residential mortgage backed securities

The Group provides limited support in respect of the RMBS facilities by way of representations and warranties, the provision of limited credit support and undertaking a range of services. To the extent that the Group breaches any of these representations or undertakings, the Group may be exposed to losses.

(iii) Share sale agreement

On 4 January 2008 the Group completed the sale of RAMS Franchising Pty Limited. The Associated Share Sale Agreement contained various representations and warranties which if breached may result in warranty claims against the Group.

28. Commitments

	Consolidated		**Parent entity**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
(a) Lease expenditure commitments:				
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities,				
Not later than one year	**206**	193	**-**	-
Later than one year but not later than five years	**561**	-	**-**	-
	767	193	**-**	-

(b) Outsourcing agreements

The Group has maintained an outsourcing agreement with a third party under which various services are provided to the Group. If the Group terminates this agreement the group must pay 10% of the minimum monthly charge of $250,000 from the date of termination multiplied by the number of months until 31 December 2013.

29. Related party transactions

(a) Parent entity

The Parent Entity within the Group is RHG Limited.

(b) Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

- GW Goddard
- PD Jensen
- JW Kean OAM
- T Loewensohn (resigned 12 March 2013)
- RG Nott AM (appointed 6 June 2013)
- GF Radzyminski

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2013 and 2012 is set out below. The key management personnel are all the directors of the Group and executives with the greatest authority for the strategic direction and management of the Group.

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$	$	**$**	$
Short-term employee benefits	**1,981,104**	2,185,137	**-**	-
Post-employment benefits	**91,404**	109,856	**-**	-
Long-term benefits	**27,683**	40,584	**-**	-
Total	**2,100,191**	2,335,577	**-**	-

(d) Transactions with related parties

The aggregate amounts recognised in respect of the following types of transactions and class of related entities involved were:

		Parent entity	
Transaction type	**Class of other related entities**	**2013** **$**	2012 $
Current year tax payable assumed from wholly owned tax consolidated entities	Controlled entities	**113,649**	3,232,513
Dividend paid by RHG Home Loans Pty Limited	Controlled entities	**58,611,804**	63,239,051

(e) Balances with related parties

Loans advanced to controlled entities and other related entities are interest free and repayable at call, except for non current loans advanced from controlling and other related entities.

The following balances are outstanding at the reporting date in relation to transactions with related parties;

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$	$	**$**	$
Current receivable from/(payable to) RHG Home Loans Pty Limited (tax funding agreement)	**-**	-	**112,354**	3,178,758
Current receivable from RHG Treasury Services Pty Limited (tax funding agreement)	**-**	-	**1,108**	2,228
Current (payable)/receivable from RHG Home Loans Pty	**-**	-	**(17,536,476)**	(17,368,850)
	-	-	**(17,423,014)**	(14,187,864)

30. Interests in controlled entities

Name of entity	Country of incorporation	Class of shares/units	Equity holding 2013 %	2012 %
Controlled entities				
RHG Home Loans Pty Limited	AUD	Ordinary	**100**	100
Receivables Services Pty Limited	AUD	Ordinary	**100**	100
RHG Treasury Services Pty Limited	AUD	Ordinary	**100**	100
RHG Mortgage Securities Pty Limited atf				
RMS Trust 2002-1	AUD	Ordinary	**90.9**	90.9
RMS Trust 2003-1E	AUD	Ordinary	**93.4**	93.4
RMS Trust 2004-1E	AUD	Ordinary	**93.4**	93.4
RHG Mortgage Securities Trust	AUD	Ordinary	**90.9**	90.9
Prime Insurance Group Limited	BMU	Ordinary	**100**	100
RHG Mortgage Corporation Limited	AUD	Ordinary	**-**	-

Refer to note 13 regarding investments in controlled entities.

31. Events occurring after balance sheet date

During the year the Company was able to roll warehouse facilities with similar financial conditions. The Group remains in discussion with its various warehouse providers in regards to future maturity dates.

A default will likely arise if a warehouse cannot be renewed and the mortgages are not sold. This will result in a higher margin and all principal, interest and fee collections on mortgages funded through the warehouse after payment of security trustee, servicer and manager expenses being returned to the warehouse facility provider in order to accelerate repayment of the facility. As a result the cash flow available to the Group from excess spread would be deferred until the facility is repaid in full.

Each warehouse facility has been structured so that if it is not renewed or otherwise defaults there is only limited recourse to the Group. If a 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 stream from excess spread, being the difference between the Group's mortgage rate and the cost of funds, fee income and write-off of any unamortised balance of deferred transaction costs.

The directors are satisfied that any sale of mortgages in repayment of a warehouse facility or an event of default in relation to the Group's warehouse facilities will not affect the Group's ability to continue as a going concern.

Since year end, the directors have recommended the payment of a fully franked dividend of $0.03 per share, which was declared on the 8 July 2013. The aggregate amount of the dividend declared on 8 July out of retained profits, but not recognised as a liability at year end was $9,254,495.

As previously announced to the market on 15 July 2013, following a number of earlier proposals, RHG entered into an amended Merger Implementation Deed in respect of a proposal from Australian Mortgage Acquisition Company Pty Limited ("AMAC") and Resimac Limited ("Resimac") (together the "Resimac Syndicate") to acquire all of the issued shares in RHG for cash consideration of 48.0 cents per share (the "Resimac Syndicate proposal") under the Scheme of Arrangement to be implemented by RHG ("Scheme").

The directors of RHG unanimously agreed to accept Resimac Syndicate proposal having determined the offer provided an outcome that was superior for RHG's shareholders as a whole compared with any other existing proposal and this proposal will (subject to a Superior Proposal and the Independent Expert continuing to recommend the proposal) be put to a shareholder vote in due course. A draft Scheme Booklet was lodged with ASIC on 16 August 2013 in respect of the proposal.

The Directors note that they received a competing proposal to that of the Resimac Syndicate after the market closed on 15 August 2013 as set out in the ASX Announcement of 16 August 2013, which they are currently assessing (the "Pepper/Cadence Syndicate proposal"). The RHG directors have not yet determined whether that proposal is a Superior Proposal. The Resimac Syndicate has a right under the amended Merger Implementation Deed to have an opportunity to submit a superior counterproposal. Once the RHG directors have assessed the Pepper/Cadence Syndicate proposal, and subject to any further proposal being received, any appropriate changes will be made to the draft Scheme Booklet lodged with ASIC on August 16 2013. It is possible in the current environment with the level of interest in RHG as a target for acquisition that other offers may be made for the Company. No adjustment has been made to the accounts in relation to these potential transactions.

32. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Profit/(loss) for the year after income tax	**30,303**	40,700	**58,612**	63,277
Depreciation and amortisation – fixed assets	**43**	37	**-**	-
Non cash employee benefit	**-**	-	**-**	-
Amortisation – loan assets	**1,410**	(45)	**-**	-
Amortisation – securitisation costs	**-**	-	**-**	-
Dividends	**-**	-	**(58,612)**	(63,240)
Other non cash movement	**10**	-		-
Change in operating assets and liabilities:				
(Increase)/decrease in future income tax benefit	**2,045**	1,320	**-**	-
(Increase)/decrease in other assets	**1,401**	(769)	**-**	-
Increase/(decrease) in operating liabilities	**(6,702)**	(7,112)	**-**	(5,768)
Increase/(decrease) in provisions	**(3,149)**	(27,701)	**-**	-
Increase/(decrease) in financial liabilities	**(2,427)**	(2,773)	**-**	-
Net cash inflow/(outflows) from operating activities	**22,934**	3,657	**-**	(5,731)

33. Earnings per share

	Consolidated	
	2013	2012
	$'000	$'000
Reconciliation of earnings used in calculating earnings per share		
Net profit after tax per statement of comprehensive income from continuing operations	**30,303**	**40,700**
Profit from continuing operations attributable to ordinary equity holders of the Company used in calculating basic and diluted earnings per share	**30,303**	**40,700**

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 58 are in accordance with the Corporations Act 2001*,* including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

GW Goddard
Chairman

Sydney
20 August 2013

Independent auditor's report to the members of RHG Limited

Report on the financial report

We have audited the accompanying financial report of RHG Limited (the company), which comprises the balance sheet as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for RHG Limited the consolidated entity. The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
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Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of RHG Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 13 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of RHG Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers.

PricewaterhouseCoopers

Colin Heath

CJ Heath
Partner

Sydney
20 August 2013

Supplementary information

Pursuant to the listing requirements of the Australian Securities Exchange.

ORDINARY SHAREHOLDERS AS AT 9 OCTOBER 2013

As at 9 October there are 4,543 shareholders of 308,483,177 Ordinary Shares recorded in the share register. The proportion of shares held by the twenty largest shareholders is 53.69%. There are 540 shareholders who hold less than a marketable parcel.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options do not carry any voting rights.

DISTRIBUTION OF SHAREHOLDERS AND SHAREHOLDINGS AS AT 9 OCTOBER 2013

Size of Holding	Number of holders	% of Total
1 - 1,000	533	0.11
1,001 - 5,000	1,396	1.36
5,001 - 10,000	799	2.20
10,001 – 100,000	1,562	17.39
100,001 and over	253	78.94
Total	4,543	100.00

SUBSTANTIAL SHAREHOLDERS

The following information is extracted from the Company's Register of substantial shareholders as at 9 October 2013.

Name	Relevant interest in fully paid shares	Percentage
1 Citicorp Nominees Pty Limited	69,784,727	22.62
2 RBC Investor Services Australia Nominees Pty Limited	10,493,438	3.40

TOP 20 SHAREHOLDERS AS AT 9 OCTOBER 2013

Registered Holder	Number of ordinary shares	% of Total Shares
1. Citicorp Nominees Pty Limited	69,784,727	22.62
2. RBC Investor Services Australia Nominees Pty Limited	10,493,438	3.40
3. JP Morgan Nominees Australia Limited	10,463,955	3.39
4. KTAP Pty Limited	8,769,903	2.84
5. UBS Nominees Pty Ltd	8,684,695	2.82
6. HSBC Custody Nominees (Australia) Limited	7,977,715	2.59
7. HSBC Custody Nominees (Australia) Limited – A/C 3	7,470,693	2.42
8. Dirdot Pty Limited	4,243,380	1.38
9. KTAP Pty Ltd	4,140,064	1.34
10. Rudie Pty Ltd	3,699,103	1.20
11. National Nominees Limited	3,628,652	1.18
12. Mr Peter Alexander Brown	3,582,322	1.16
13. Suburban Holdings Pty Ltd	3,507,742	1.14
14. CS Fourth Nominees Pty Ltd	3,500,000	1.13
15. J P Morgan Nominees Australia Limited	3,124,784	1.01
16. FJP Pty Ltd	3,000,000	0.97
17. Mr David Terrence Hamilton Clarke & Mrs Judith Margaret Clarke	2,600,000	0.84
18. UBS Wealth Management Australia Nominees Pty Ltd	2,492,859	0.81
19. C E Consultants Pty Ltd	2,329,796	0.76
20. Colvend Pty Ltd	2,130,000	0.69

Glossary

Company or RHG	means RHG Limited (ABN 22 055 136 564)
RHG Group	means the Company and its Subsidiaries