
08
Annual Report
MORTGAGE
CHOICE

Mortgage Choice is Australia's leading mortgage broker. We offer professional advice to help clients find a suitable home loan with one of Australia's leading banks or lenders on our panel.

Mortgage Choice was established in 1992 with the aim of simplifying the whole process of getting a home loan.

Co-founders Rod and Peter Higgins had a vision of building a national Franchise Network of ethical and professional residential property mortgage brokers – that local communities could trust with service and who didn't 'play favourites'.

Today we provide specialist home loan advice on over 300 residential home loan products from a panel of lenders. As the Australian home loan market gets bigger every year, helping make the home loan process simple becomes more and more important.

In our 16 years we have helped more than 200,000 customers to find their home loan.

Mortgage Choice has always been on the side of the customer, ensuring that our consumer protection initiatives are of the highest standard. We were the first broker to launch a customer charter, in which we fully disclose our service, all commissions paid, our privacy policy and complaints procedure.

Our high standards mean we have been recognised by numerous industry awards and accolades over the years.

We have grown to be Australia's leading mortgage broker and we are the only specialist mortgage broker listed on the Australian Stock Exchange.

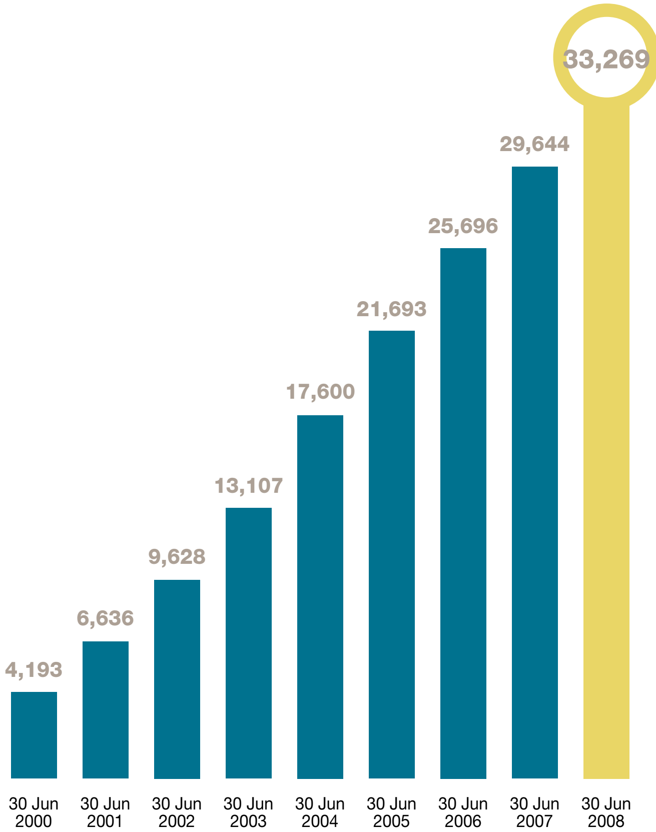
Mortgage Choice Limited
ABN 57 009 161 979

contents

Key Messages

- **Solid financial performance in a challenging year**
- **Lending environment likely to remain subdued** for at least the first half of 2008/9
- **Mortgage Choice's business model is robust and well positioned** to take opportunities in a testing twelve months ahead particularly in relation to our competition **– due to our strong brand, geographic spread, and industry leading productivity.**


Financial Highlights



Mortgage Choice Loanbook
($M)

* Net profit after tax $19.3 million, a marginal decrease on FY2007 of $19.6 million.
* Total revenue $161.4 million, up 2.7% on previous period.
* Earnings per share 16.4 cents compared to 16.6 cents per share in FY2007.
* A final dividend of 8 cents per share brings the total out of FY2008 profits to 14 cents per share.
* Cash received for trailing commission was $81.5 million being 55.3% of total commissions received for FY2008 compared with 52.4% in FY2007.
* Mortgage Choice generated $11 billion in housing loan approvals during FY2008 and continues to achieve industry high productivity levels per broker.
* The loan book now stands at $33.27 billion, 12.2% up on FY2007; this compares to system growth of 10.1% year on year.
* A total of 64.6% of commission revenues was paid to franchise owners compared to 66.1% for the previous period.
* Net assets at 30 June 2008 were $55.1 million compared to $52.2 million in the previous corresponding period.
* Cash flow from operating activities during the year was $17.0 million compared to $16.7 million in the previous year.

Chairman's Report

IN THIS OUR SIXTEENTH YEAR OF OPERATION, I AM DELIGHTED TO REPORT THAT DESPITE CHALLENGING MARKET CONDITIONS MORTGAGE CHOICE HAS DELIVERED ANOTHER SOLID RESULT.

PETER RITCHIE, CHAIRMAN

The housing market during the last financial year has seen unprecedented upheaval primarily driven by the US sub-prime crisis and its subsequent impact on Australia. While Mortgage Choice has no products of its own and therefore no debt on its balance sheet, we were not immune to the impact on local financial markets of the US situation and interest rate increases, which dampened demand for housing finance.

Whilst the Board is confident the Company will continue to be profitable, it will be a challenging time ahead in view of a weakened domestic housing market.

The financial result for the year to 30 June 2008 was a net profit after tax (AIFRS) of $19.3 million.

The Board has declared a second half fully franked dividend of 8 cents per share, bringing the total ordinary dividend for the year to 14 cents per share.

This represents a payout ratio of 97% out of AGAAP profits for the year to 30 June 2008. This is on par with the dividend paid out of FY2007 profits.

Earnings per share were 16.4 cents compared to 16.6 cents per share in FY2007.

Our housing loan approvals during the financial year to 30 June 2008 totalled $11.0 billion marginally down on the previous year of $11.1 billion.

Our loan book has grown to $33.27 billion at year's end, 12.2% up on the previous year. The expected average life of loans has increased to 3.7 years on existing loans. This is an outstanding result in a challenging market.

The total broker network increased to 671 as at 30 June 2008, up from 663 in the previous year.

Franchise growth improved marginally on the prior year, with net franchise numbers increasing to 447 as at 30 June 2008. The current state of the employment market, the competition for new franchisees and a continuing and deliberate focus on quality candidates over quantity, continues to create a challenging environment for recruitment.

The Mortgage Choice business is built on a series of partnerships. A critical partnership is the one we have with our franchise network, a team of committed, entrepreneurial, independent businesspeople who put enormous energy and time into meeting their customers' needs and, as a result, grow their own businesses. I have had the opportunity to meet many franchisees and their staff during my time as Chairman and I am always impressed by their drive, energy and passion for their customers and their businesses.

Our lender partners are also critical, as they provide us with the products and services demanded by customers. Our overriding objective is to work in a mutually beneficial relationship with our lenders.

To our staff, my warmest congratulations. Their commitment to supporting the franchise network is unparalleled. Managing Director Paul Lahiff has again led the team brilliantly through a difficult yet successful year.

The Board was delighted the Company was recognised as the *MFAA 2008 Operator of the Year* (Best in the Mortgage and Finance industry). This award is clear recognition of the standards established and maintained by all levels of the Company.

The strategies put in place to grow the business over the next twelve months and beyond fundamentally embrace generic growth. However, we must remain vigilant to the environmental changes facing the industry. Notwithstanding this, the Board is of the view that our strategies will establish a strong platform to compete and grow the business.

I look forward to continuing to work alongside a motivated team of high achieving franchisees and their staff, successful lending partners and a talented management team and staff, and achieving even greater success for Mortgage Choice in future years.

Managing Director's Overview

MORTGAGE CHOICE AND ITS FRANCHISEES HAVE CONTINUED TO PROMOTE THE BENEFITS OF A WIDE-RANGING CHOICE OF LENDER ALTERNATIVES.

PAUL LAHIFF, MANAGING DIRECTOR

The US led sub-prime crisis surfaced In August 2007 and while initial readings were that it would be largely confined to the US, it was subsequently felt in Australia.

It did send shockwaves through the housing and finance markets and as a consequence, the residential mortgage landscape underwent a dramatic change in the period. The non-banks saw their competitive advantage weaken; some lenders withdrew from the broker channel while others discontinued their mortgage divisions; mortgage interest rates were increased independently of the Reserve Bank and mortgage lending policies were tightened, all of which had a profound effect on the Australian mortgage market.

Strategy in brief

- ✱ **ORGANIC GROWTH**
- ✱ **MAKING THE BUSINESS MODEL EVEN MORE EFFECTIVE**
- ✱ **EMBRACING ENVIRONMENTAL CHANGES**
- ✱ **STRATEGIES EVER EVOLVING**

Market Forces and Strategy

In last year's annual report, we outlined the revamping of our corporate strategy, focusing on organic growth by Mortgage Choice in the mortgage broking sector, with increased investments in lead generation, lead conversion, and franchisee recruitment, with the objective of achieving medium term growth in profitability and market share.

Other parts of this report comment on the achievements created in each of these three key areas, and the Mortgage Choice Board is satisfied that this approach was both appropriate and timely.

The world, however, has fundamentally changed over the past twelve months. The US sub-prime market collapse and its impact on global credit and equities markets, has clearly altered the landscape in which Mortgage Choice operates.

Also, with a national problem of low rental vacancy rates, increasing rents and an unstable equities market, **it should augur well for a resurgent investment housing market.**

Also, in the financial year to the 30 June 2008, we saw four twenty-five basis point official cash rate increases, the last of which was in March 2008.

The latest ABS Housing Finance data (June 2008) has reported a continued weakening of demand for both owner-occupier and investment housing finance. With house prices lower in some parts of Sydney than in 2003, Perth house price growth stagnating, and rental vacancy rates nationally at record lows, it is a challenging time.

In a difficult market, the percentage of first homebuyer participation is still at solid levels. The Federal Government's Budget contained some incentives for First Home Buyers and in particular the introduction of the First Home Savers Account, which will come into effect on 1 October 2008. At the same time, further stamp duty concessions at state level were introduced. Any initiative, which assists the aspiration of this important category of borrower, is welcomed.

In the period under review, we saw fixed rate loan demand soar in the first six months of the financial year as concern about the direction of interest rates were realised. Fixed interest rates increased yet it didn't dampen demand as borrowers sought repayment certainty. The situation eased in the latter part of the year as many borrowers were turned off by the high fixed interest rates and, the view that the top of the interest rate cycle was close.

A sleeper in the housing finance market is the number of borrowers who are coming out of low fixed rates into a higher interest rate product. What effect the situation might have in terms of "mortgage stress" and/or housing prices is uncertain. Some relief was offered with the Federal Government's tax cuts, which came into effect on 1 July 2008.

Ironically, the economic fundamentals are in place – sound economy, strong net migration, low unemployment, stable wages growth – all of which should underpin the housing market.

The Reserve Bank of Australia whilst it remains watchful on inflation has given its strongest indication yet that official interest rates might be reduced in coming months.

Also, with a national problem of low rental vacancy rates, increasing rents and an unstable equities market, it should augur well for a resurgent investment housing market.

Significantly, there has been a realignment of mortgage business between mainstream lenders and non-bank lenders, although Mortgage Choice and its franchisees have continued to promote the benefits of a wide-ranging choice of lender alternatives.

There has also been a realignment of broker commission structures that are still being finalised. Some lenders have decided to retain their current commission schedules, while others have made adjustments. Throughout all of the discussions with our key lending partners, Mortgage Choice has emphasised the quality it brings to the table which has been reflected in the commission structures offered to Mortgage Choice which are at the highest level available.

Criteria such as electronic lodgement, conversion, and submission quality are all important parts of our operating model that franchisees have embraced and which places us at the forefront of the industry. Hence, recent commission changes whilst having an impact on income, reinforce Mortgage Choice's premier position in the market, and align with the type of behaviours lenders are wishing to reward.

Finally, the Mortgage Choice Board has noted the recent slowing of the overall economy, and specifically its impact on housing loan approval levels. Notwithstanding this easing of growth, the Company remains confident that it will continue to generate solid business volumes, given the underlying robustness of our business model.

NATIONAL REGULATION

Mortgage Choice has been calling for national uniform regulation since 2002. The Federal Government has announced there will be a national approach to regulation with ASIC to have a primary role in the licensing of mortgage brokers.

A Financial Services and Credit Reform Green Paper was released in May 2008.

In summary, our response to this paper was:

- Mortgage Choice supports uniform regulation of mortgage brokers on a national basis.
- The draft regulatory provisions proposed as the second option in the Green Paper are largely endorsed.
- The regulatory framework proposed in the NSW Government draft National Finance Broking Bill of November 2007 and referenced is also supported, with some exceptions.
- Regulatory reform needs to recognise that it is appropriate that the person providing mortgage advice to a consumer be competent to provide that advice irrespective of whether they represent an Authorised Deposit-taking institution, a non-deposit taking institution or a mortgage broker.
- It is a misconception to attribute excess consumer debt levels to mortgage brokers. Lenders are appropriately responsible for determining the borrowers capacity to repay as they assume the credit risk.

The final point is intended to address a consistent theme among many of the government reviews, which is that mortgage brokers are responsible for consumers incurring more debt than they can afford to repay. At every opportunity, we have argued that it is the lender that is ultimately responsible for assessing a customer's ability to repay.

“**Mortgage Choice was delighted to be recognised as the MFAA 2008 Operator of the Year** by the Mortgage and Finance Association of Australia.

Outlook

Strategy inevitably evolves as it must to adapt to differing circumstances. So too must the Mortgage Choice strategy.

The underlying principles, however, remain constant; a focus on doing a limited number of initiatives particularly well; clarity around our strategy; simplicity; and consistency with past strategy where it's proven to be effective.

Looking forward, the Company will continue to focus on increased lead generation, enhanced lead conversion, and selectively growing the franchisee base.

At the same time, there will be a strong emphasis on helping franchisees to improve their productivity.

> **"Their commitment to the vision and ideals of the Company have made a profound contribution** to the success of the Company.

Based on current government projections, it would appear a White Paper will issue in late 2008 and new regulation introduced in mid/late 2009 or early 2010.

PROVEN BUSINESS MODEL

The strength and reputation of our business model and our Franchise Network has once again been recognised through yet another industry accolade.

Mortgage Choice was delighted to be recognised as the *MFAA 2008 Operator of the Year* by the Mortgage and Finance Association of Australia. This award was especially significant because it positions us as the best in the mortgage and finance Industry.

The relationship with our franchise partners is of paramount importance.

The principal vehicle through which high-level discussion takes place is through our democratically elected Franchise Advisory Council (FAC). The FAC continues to be highly effective and provides a valuable conduit between franchisor and franchisee. This important body meets throughout the year and with the Board, twice a year.

A pleasing aspect of our business is the growing number of franchise owners completing ten years or more service with the Company. Considering the Company commenced franchising in 1994, this is a significant achievement.

Naturally, the results we detail in this report require two further effective partnerships: the constant innovation and flexibility of our lender panel and the enthusiasm and dedication of our staff.

Finally, I want to acknowledge the support of the Board throughout the past year.

I look forward to driving the business to another successful year for its stakeholders in FY2009.

PAUL LAHIFF
MANAGING DIRECTOR

Other key parts of the strategy include:

* review and realignment of our payments model to franchisees to incentivise growth and investment;
* achievement of the objectives of our new enterprise wide software system, Discovery;
* enhancement of our commercial lending offering, and the introduction of a personal loan offering to facilitate franchisees wishing to offer these products to their clients;
* the provision of financial assistance and other tools to assist nominated franchisees to acquire local mortgage broking businesses;

If opportunities come up that don't address or assist the achievement of these strategic focal points, they will not be considered.

Summary

Mortgage Choice is confident that it is well placed to achieve profitable growth in the coming year. Our approach to business opportunities and a singular focus on the strategies outlined will clearly assist in this.

Review of Operations

MORTGAGE CHOICE IS COMMITTED TO DELIVERING THE MOST KNOWLEDGEABLE, COMPETENT AND ETHICAL MORTGAGE BROKERS IN THE INDUSTRY.

FRANCHISE OPERATIONS

Mortgage Choice licenses the use of the Mortgage Choice brand and business systems to its Franchise Network.

Accredited mortgage brokers comprise franchisees, their loan consultants and staff.

The relationship between Mortgage Choice and its franchisees is governed by a Franchise Agreement and an Operations Manual that sets out the Company's policies and procedures, including minimum performance standards. We abide by the Franchising Code of Conduct, which is regulated by the ACCC.

Mortgage Choice restricts the number of franchisees it recruits in each geographic region under its broker resource model, which segments the market into postcode-defined marketing areas.

This model analyses the number of households and the residential lending market size (based on Census data) in each postcode, and allocates franchises based on target market share in each area.

Mortgage Choice franchisees come from a variety of backgrounds and the Company believes that sales ability, inter-personal skills, commitment, energy and aspiration are often more important than previous industry experience.

LEARNING AND DEVELOPMENT

Mortgage Choice is committed to delivering the most knowledgeable, competent and ethical mortgage brokers in the industry, by providing a continuous and powerful learning and development program that is respected by lenders, competitors and professional associations.

The learning program involves the delivery of skills, knowledge and tools to enable the network to be the best they can be at what they do.

On joining Mortgage Choice, all franchisees and loan consultants undertake comprehensive training (accredited by the MFAA), which now includes Certificate IV in Financial Services (Finance & Mortgage Broking), lender accreditation and an in-the-field mentoring program. Once the initial training is completed, brokers receive regular updates and support from the state office infrastructure and at conferences.

Our e-Learning platform delivers ongoing mortgage origination, sales and office productivity training for franchisees and their staff.

ROOKIE DEVELOPMENT AND MENTOR PROGRAM

The Rookie Development Program has been carefully designed to guide new franchisees through their first twelve months of operation.

The program provides the rookie with the training, information, tools and support they will need to acquire the competencies necessary to be successful in their new business.

The rookies are appointed a mentor franchisee who is a selected high performer from the network. It is mandatory that every rookie spends a minimum of nine days in the mentor's business. The objective is to ensure that all rookies have a basic understanding of broking and home loan lending prior to the two week induction course.

Also, it allows rookies to develop a collaborative working relationship with their mentor and opportunities to better develop their skills and knowledge.

A FOCUS ON THE CUSTOMER

In 2008 we launched our BEAGLE Professional Selling program across the country to great acclaim and uptake from the network. It is the first time many of our franchisees had participated in such a program and one specifically

Our Competitive Advantage

Mortgage Choice believes that the combination of the fundamental components of its business model provide it with significant competitive advantages over other brokers in the marketplace:

1 **FRANCHISE BUSINESS MODEL** Mortgage Choice operates through a national network of franchises. This approach delivers leverage within the services industry, because the people who run the business own the business;

2 **HIGH QUALITY SERVICE** The Mortgage Choice model has been carefully framed to reward both business volume and quality, which results in efficiency and high levels of customer satisfaction. Mortgage Choice continually aims to provide a high level of support to its franchisees in marketing, training and professional development, legal and compliance, and technology;

3 **BRAND** Mortgage Choice is recognised as a leading consumer brand, which has been built upon a proposition of knowledgeable people, choice, and customer advocacy;

4 **NO PRODUCT OF ITS OWN** Unlike some of its competitors, Mortgage Choice does not distribute its own products. This allows it to treat all lenders and products equally, based upon their particular merits to the customer;

5 **STRENGTH OF LENDER RELATIONSHIPS** Mortgage Choice generates significant volume and quality of loans for its lenders. This places it in a strong position to shape key operational relationships with business partners; and

6 **ECONOMIES OF SCALE** Mortgage Choice's business model is scaleable, allowing it to grow its originations and loan book without growing its cost base at the same rate, thus giving Mortgage Choice financial strength and stability.

designed for our business. The program seeks to improve our network's ability to convert business from leads to submission. It introduces tools and techniques to influence the customer decision-making process.

A Sales Management workshop was introduced to complement the Professional Selling program and assists franchisees in improving their own and staff performance. The workshop involves implementation of a Productive Activity Tracking System in franchisees business and introduces performance management concepts.

TRANSITION PLANNING

Mortgage Choice engaged the services of external consultants to provide a tailored program for franchise owners. The program was designed to provide information and awareness to franchise owners regarding transition planning; encourage and demonstrate the benefits of early planning; and provide practical ideas and solutions in the form of checklists, questionnaires and an Action plan.

The Transition Planning workshops have enabled the participants to identify areas of risk or weakness in their businesses and address these, identify transition options, formulate their own preferred plan and seek appropriate advice from specialists.

KIA TOA – NATIONAL LEARNING EXPERIENCE

Christchurch, New Zealand was the venue for the eleventh Mortgage Choice national conference.

This showcase event held in January each year, provides our Franchise Network, sponsors and a number of group and state office staff, the opportunity to further develop their understanding of the business from a strategic perspective as well as on an individual franchise basis.

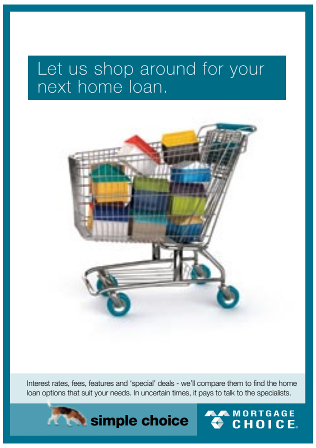
Themed – *KIA – TOA* (Maori for "to grow, to win, to be a champion") – the conference focused on providing learning opportunities through structured plenary, workshop and roundtable sessions. Leading keynote speakers covered topics such as, growth strategies, the economy and property market and, insights into success.

Networking is a vital element of the conference and the evening functions provide not only a basis for casual interaction, but also fun.

With over 600 in attendance, the Gala Dinner transformed the Christchurch Convention Centre into a galactic experience. The highlight of the evening is the national Business Excellence Awards, which saw an impressive Western Australian based franchise group led by Greg McQueen, Richard Crommelin, Dennis Aplin and Michelle Towner take out National Franchise of the Year.

Formal delegate feedback consistently rates the conference in the 90 percentile and above in terms of satisfaction. Sponsors rate it as the benchmark for the industry.

Planning is well underway for the 2009 national conference, which will be held on Denarau Island, Fiji. The challenge as always, is to ensure it is better and brighter each year.



BRANDING, MARKETING AND PROMOTION

Over a number of years, Mortgage Choice has created a trusted and recognisable brand through its marketing activities and a long-term brand strategy built upon Mortgage Choice's mortgage specialisation and consumer advocacy.

Mortgage Choice's marketing activities incorporate two elements:

* National, state, and regional marketing, managed by group office; and
* Local marketing activities, managed by franchisees.

National Brand campaigns are developed by Group Office marketing and wide range of marketing support is provided to all franchisees, to assist them in their local marketing efforts. This is complemented by a well-planned, proactive public relations strategy designed to build and maintain a positive profile for Mortgage Choice by articulating Company and industry understanding to consumers through media coverage on every level from local to national outlets.

Mortgage Choice market positioning was reviewed and new campaigns released under the banner of "Simple Choice, Mortgage Choice". This is a consumer focussed approach that leverages our specialist positioning and showcases the concerns and drivers that motivate consumers to seek mortgage advice. In a series of 3 x 30 second TV commercials and a range of radio and print advertisements, First Home Buyers, Refinancers and First Time Investors were targeted.

Group office engages in national and statewide marketing that generates leads through the Mortgage Choice customer service centre and corporate website and aims to build a trustworthy brand that may be leveraged by franchisees in their local area marketing. Group Office leads are distributed to the Franchise Network on an equitable basis by marketing area.

Off the back of a strong consumer brand, direct response TV and radio lead generation campaigns, using SMS / mobile phone as the primary response device have been used throughout the year in campaigns designed to stimulate enquiry.

Last year Mortgage Choice introduced the phone word 13MORTGAGE as our main customer service contact number. This device is now the lynchpin of all campaigns, designed to firmly fix that memorable number into the minds of those seeking mortgage information. Now, 13MORTGAGE is regarded as one of the premier numbers in the mortgage arena.

Pathways, Mortgage Choice's email based nurture facility for those with an early interest in the mortgage market, has proven to deliver strong conversion results and has been expanded.

The Mortgage Choice website was completely redesigned, using persuasion architecture as its basic methodology of information structure to address the goal of increased conversion of web leads. In addition, franchisee web based "Local Pages" have been revitalised to increase local traffic to each franchisee and to ensure that a common standard is presented to the consumer.

Various on-line lead generation campaigns have been conducted with real estate sites. The web space continues to provide new opportunities to generate leads with the main challenge being conversion, since one of the essential benefits of the web is to shop around.

CHOICE MADE EASY

Mortgage Choice assists customers in the selection of a mortgage from a complex range of products from its lender panel by identifying the most suitable loan, based on an individual's particular needs.

Customers are provided a choice across a broad range of over 300 housing loan products offered by an extensive panel of Australia's leading lenders.

Mortgage Choice brokers use the Company's proprietary software system to compare the customer's financial situation and loan requirements with the products offered by the lender panel. The system generates a list showing which lenders would approve the customer's application according to details given. Based upon the customer's circumstances, the broker then uses the system, together with their own experience and expertise, to analyse features of loan products in order to identify those most suitable for the customer.

The completed loan application form is submitted and followed up by the broker on the customer's behalf, thereby saving the customer time and the associated administrative burden. These services are provided at no direct cost to the customer and include not only the loan application process but also settlement and beyond.

ELECTRONIC LODGEMENT

Mortgage Choice submitted its first loans electronically in May 2004. Since then electronic lodgement has been a key focus in the business providing speedy approvals for our customers. In addition, our lender partners benefit from cost savings and increased efficiency while our franchisees benefit from improved productivity.

Mortgage Choice Values

* We are honest in all our interactions.
* We provide service excellence to drive successful customer outcomes.
* We support the environment and communities in which we live and work.
* We support each other and work as a team to achieve all our goals.
* We treat everyone with respect and dignity.

... we continue to improve our enterprise customer relationship management solution... and have a schedule of improvements planned for FY 08/09...

LENDER PARTNERS

Mortgage Choice recognises the importance of developing and nurturing the relationships between broker and lender.

Dedicated specialist staff oversee the operational relationships between the Company and its franchisees and the lender panel. This team provides lenders with structured feedback from and access to, the Franchise Network, and promotes operational effectiveness by working with lender partners to improve service and processing efficiencies.

The panel includes Australia's leading lenders, providing a cross-section of products and lender types that Mortgage Choice considers to be a representative spread of available, quality housing loans. Two new lenders in La Trobe Financial Services and Firstmac Limited were added to the panel during the year.

Mortgage Choice believes the benefits enjoyed by lenders from dealing with credible brokers such as Mortgage Choice include:

Volume Brokers provide incremental mortgage business that would not necessarily be generated through the lender's branch or other networks;

Cost flexibility By outsourcing an element of their origination business, lenders attract new business on a variable cost basis;

Education Aided by specialist skills and product knowledge, brokers educate consumers on the full range of mortgage products offered by lenders on the Company's panel;

Geographic expansion Brokers have facilitated low cost geographic expansion for lenders into areas where branch networks are less extensive or do not exist;

Profitability By originating mortgages of a higher average loan size and potentially of a longer loan life, broker sourced business can be as or more profitable than business sourced through the branch or other networks; and

Efficiency A broker's familiarity and experience with each lender's process can increase the efficiency of the lodgement and settlement process.

Mortgage Choice understands the importance for customers to be covered in the event of death, terminal illness or any one of 11 serious medical conditions. Since 2006 Mortgage Choice, through Australian Life Insurance (ALI), has provided over $1 billion in life insurance cover for our customers.

COMPLIANCE

Mortgage Choice has maintained its commitment to ensuring compliance remains a key priority for the business. To satisfy the Australian Standards for compliance, the Company's web based compliance knowledge training and development tool *Ecomply*, is mandatory for all Mortgage Choice staff and franchisees.

During the year, a complete internal review of all compliance reference material was carried out. The aim of this exercise was to ensure that all information available to all representatives was current, relevant, easy to access and easy to understand. Two comprehensive manuals were developed, one dealing specifically with Privacy issues and the other a general, all-inclusive Compliance Handbook. Franchisees and their staff are now able to research all major areas of legislation and regulation on-line, in a central repository, reducing the risk of key information being overlooked or misunderstood.

INFORMATION TECHNOLOGY

The initiatives being undertaken in Information Technology are designed to deliver improved customer service and efficiencies to the franchisor, business partners, franchisees and their clients and provide us with a platform from which to leverage our unique market position.

In particular, we continue to improve our enterprise customer relationship management solution, Discovery, and have a schedule of improvements planned for FY2009, including enhanced functionality and end user training to ensure the most effective use of the software is achieved.

In addition, we have performed ongoing reviews of our technology with a view to introducing technologies that enhance business flexibility, minimise operational risk and cost.

These initiatives will provide a solid foundation for us to take advantage of market opportunities as they present themselves and negotiate the challenges we face.

MORTGAGE CHOICE IN THE COMMUNITY

Mortgage Choice recognises the importance of supporting those members of the community who are less fortunate. As a supporter of Barnardos, the children's charity, and in particular through its *Munch Box* program, management and staff involve themselves in not only fund raising, but also the assembly of the munch boxes. These go to appreciative, single young parents.

Events like "City to Surf" in Sydney and a variety of social club events provide a focus and a catalyst to raise funds for the charity.

Many of our franchisees around Australia also support local charities as they also believe in "giving something back" to their communities. A number of Mortgage Choice staff and franchisees serve on committees to assist in raising funds for a variety of good causes.

Board of Directors

PETER RITCHIE

NON-EXECUTIVE CHAIRMAN

CHAIRMAN OF NOMINATION AND REMUNERATION COMMITTEES

BCom, FCPA, AO

Peter is Deputy Chairman of Seven Network, Chairman of Reverse Corp Limited and a Director of Tennis Australia. Peter previously served as Managing Director of McDonald's Australia from 1974 to 1995 and as its Chairman from 1995 to 2001. Peter was a Director of Westpac Banking Corporation from 1993 to 2002 and Solution 6 Holdings from 2000 to 2002. Age 66.

PAUL LAHIFF

MANAGING DIRECTOR
BSc Agr, FAIM

Paul has over 25 years experience in the financial services industry. This includes roles as Managing Director of Permanent Trustee Limited from 1999 to 2002 and Heritage Building Society, as well as senior executive roles with Westpac Banking Corporation (in Sydney and London) and the credit union sector. Paul joined Mortgage Choice as Chief Executive Officer in August 2003 and was appointed Managing Director in May 2004. He is responsible for managing Company operations to ensure continued growth and development of the business. He is a member of the Board of the Cancer Council (NSW) and a non-executive Director of Radio Rentals Limited. Age 55.

PETER HIGGINS

NON-EXECUTIVE DIRECTOR

MEMBER OF AUDIT COMMITTEE

Peter is co-founder of Mortgage Choice. He is also a Director of technology company, Power & Data Corporation Pty Ltd. Having been successfully self-employed for over 20 years, Peter has been involved in a number of companies in a diverse range of industries covering manufacturing, technology, leasing, property and finance. Age 48.

RODNEY HIGGINS

NON-EXECUTIVE DIRECTOR

MEMBER OF NOMINATION AND REMUNERATION COMMITTEES

Rodney is co-founder of Mortgage Choice. Rodney has a background in residential and commercial property, sales, leasing and has been a Director of companies involved in manufacturing, wholesaling, importing, retailing and finance. Age 53.

DEBORAH RALSTON

NON-EXECUTIVE DIRECTOR

MEMBER OF AUDIT COMMITTEE
PhD, FFin, FAIM, FCPA

Deborah is Professor and Pro Vice Chancellor Engagement at the University of Canberra. Deborah was formerly Director of the Centre for Australian Financial Institutions at the University of Southern Queensland and a former Director of Heritage Building Society. Age 55.

STEVE JERMYN

NON-EXECUTIVE DIRECTOR

CHAIRMAN OF AUDIT COMMITTEE FCPA

Steve joined McDonald's Australia Ltd in 1984 and joined the Board of Directors in 1986. In June 1999, Steve was appointed Deputy Managing Director. He has been involved in all aspects of the development of the McDonald's restaurant business in Australia and brings with him significant experience in the development of new business and franchising. He retired from McDonald's Australia in 2005. Steve is also a Director of Reverse Corp Limited. Age 59.

Senior Management

TONY CROSSLEY

CHIEF FINANCIAL OFFICER

Tony has over 15 years experience in senior financial roles within the financial services industry, including 10 years in the international insurance and reinsurance industries, and, from early 2000, three years as CFO and then CEO of Mortgage Choice. After a period as CFO of Macquarie Bank's Securitised Lending Division, where he had responsibility for management of funding, financial and risk management activities of its Australian and US mortgage operations, Tony returned to Mortgage Choice in early 2005. Tony is responsible for directing and controlling the financial activities of the organisation as well as providing financial assessments and information to ensure planning and budgeting activities meet corporate goals.

MARK NEWTON

CHIEF OPERATING OFFICER

Mark has over 20 years experience in business and information technology operations, including 15 years in senior management positions. Mark joined Mortgage Choice in May 2000. His areas of responsibility include organisational development and training; lender relations and product support; franchisee recruitment; and management of franchise regulatory compliance. Mark is also chairman of the Company's Franchise Advisory Council.

NEILL ROSE-INNES

CHIEF INFORMATION OFFICER

Neill has over 20 years experience in information technology, including senior technology and business leadership positions. After a period as Chief Information Officer at RAMS Home Loans, Neill was Head of Operations at Greenway Capital, with responsibility for mortgage processing, back office operations and information technology. Neill has an extensive background in IT and management consultancy. Neill is responsible for determining and implementing the enterprise IT strategy, innovation in respect of systems and processes designed to deliver greater efficiencies across the business, as well as associated service functions in support of franchisee revenue generating activities.

DAVID HOSKINS

COMPANY SECRETARY

David commenced with Mortgage Choice in June 2000. He has a Bachelor of Commerce from the University of NSW and is a CPA and a member of Chartered Secretaries Australia, from which he has a Graduate Diploma in Corporate Management. David has had over 25 years experience in a variety of accounting and company secretarial functions primarily in the finance and insurance industries. As Company Secretary, David is responsible for implementing and monitoring corporate governance practices, compliance and corporate standards, administrating Board and Shareholder matters, and co-ordinating legal counsel.

DEBBIE ENNIS

HEAD OF SALES

Debbie has close to 20 years experience in financial services and small business. This includes senior positions in branch management, human resources and project management at St.George Bank. Debbie joined Mortgage Choice in November 2000 as Business Analyst. In 2002, she was appointed to the key role of State Manager for Victoria and Tasmania, being responsible for leadership, sales, franchise management and recruitment. In July 2007 she was appointed to her present role and is responsible for providing direction, leadership and coaching through the state management teams to ensure the Franchise Network continues to develop and build their sales and business generation skills. She holds a Graduate Diploma in Human Resource Management.

LYNNE WYATT

HEAD OF MARKETING

Lynne has over 15 years experience in marketing financial services, including experience in providing marketing support services to a Franchise Network. Lynne joined Mortgage Choice in May 2006 and is responsible for brand, development of advertising messages, media placement and strategic marketing programs, as well as delivering a range of sales support tools.

WARREN O'ROURKE

NATIONAL CORPORATE AFFAIRS MANAGER

Warren has over 20 years experience in financial services in communications and marketing, covering corporate, retail and, consulting roles. Warren joined Mortgage Choice in March 1999 and is responsible for media relations and issues, public relations, and communications. Warren holds a Marketing Degree from the University of Technology, Sydney.

DEBRA PLAYER

NATIONAL LENDING MANAGER

Debra has over 20 years experience in the finance sector. As National Lending Manager, she is responsible for the development and communication of lender strategy, co-ordination of lender interaction with the Franchise Network and monitoring of industry trends. Debra joined Mortgage Choice in July 2004. She holds a Graduate Diploma in Finance and Bank Management, is a Fellow and National President for the Institute of Financial Services.

MICHAEL WRITER

NATIONAL HUMAN RESOURCES MANAGER

Having worked previously at Deloitte, AMP Bank, Aussie Home Loans and Westpac, Michael's experience covers line management positions as well as organisational development activity. Michael is responsible for planning, development and implementation of the Franchisor's HR practices, ensuring policies and procedures are effective and compliance with these.

Corporate Governance Note

MORTGAGE CHOICE HAS IN PLACE CORPORATE GOVERNANCE PRACTICES TO ENSURE THE COMPANY IS EFFECTIVELY DIRECTED AND MANAGED, RISKS ARE MONITORED AND ASSESSED, AND APPROPRIATE DISCLOSURES ARE MADE.

A description of the Company's main corporate governance practices is set out below. The Company considers that it substantially complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, with the following exception:

* compliance with the requirement that the Board comprise a majority of independent non-executive Directors.

THE BOARD

The Board comprises Mortgage Choice's Managing Director, two non-executive Directors and three independent non-executive Directors including the Chairman, Peter Ritchie. Steve Jermyn and Deborah Ralston were appointed as non-executive Directors in the period prior to the Company's listing on the ASX. These individuals bring a long history of public company, operational and franchising experience with them and assist in overseeing the corporate governance of Mortgage Choice. Details of the Directors' experience, expertise, qualifications, term of office and independent status are set out in the Directors' report under the heading 'Board of Directors' on page 12.

Responsibility for day-to-day management and administration of the Company is delegated by the Board to the Managing Director and the executive team.

The Board operates in accordance with the broad principles set out in its Charter which is available in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

Board size, composition and independence

The Charter states that:

* there must be a minimum of five Directors and a maximum of seven Directors.
* the Board must comprise:
  - a majority of independent non-executive Directors;
  - Directors with an appropriate range of skills, experience and expertise;
  - Directors who can understand and competently deal with current and emerging business issues; and
  - Directors who can effectively review and challenge the performance of management and exercise independent judgement.
* the nomination committee is responsible for recommending candidates for appointment to the Board.
* each Director is appointed by a formal letter of appointment setting out the key terms and conditions of their appointment to ensure that each Director clearly understands the Company's expectations of him or her.

The Board is not presently comprised of a majority of independent non-executive Directors. At this time the view of the Board is that the present skills and experience of the Directors has provided an operationally effective Board without the expense of an additional Director. However, the Board will continue to give consideration to increasing the number of Directors to seven by the appointment of an additional non-executive Director if it is considered that the skills and experience brought by the individual supplement those of the existing Board.

Role and responsibilities

The Board acts on behalf of Shareholders and is accountable to Shareholders for the overall direction, management and corporate governance of the Company.

The Board is responsible for:

* overseeing the Company, including its control and accountability systems;
* appointing and removing the Managing Director;

* monitoring the performance of the Managing Director;
* monitoring senior management's implementation of strategy, and ensuring appropriate resources are available;
* reporting to Shareholders;
* providing strategic advice to management;
* approving management's corporate strategy and performance objectives;
* determining and financing dividend payments;
* approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
* approving and monitoring financial and other reporting;
* reviewing and ratifying systems of risk management, internal compliance and control, and legal compliance to ensure appropriate compliance frameworks and controls are in place;
* reviewing and overseeing the implementation of the Company's corporate code of conduct and code of conduct for Directors and senior executives;
* approving charters of Board committees;
* monitoring and ensuring compliance with legal and regulatory requirements and ethical standards and policies; and
* monitoring and ensuring compliance with best practice corporate governance requirements.

Directors' independence

The Board Charter sets out specific principles in relation to Directors' independence.

These state that an independent non-executive Director is one who is independent of management and:

* is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
* 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;
* 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;
* 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;
* has no material contractual relationship with the Company or another group member other than as a Director of the Company;
* 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
* is free from any interest in 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.

All Directors are required to complete an independence questionnaire.

Independent professional advice

Board committees and individual Directors may seek independent external professional advice for the purposes of proper performance of their duties.

Performance assessment

The performance of the Board, the Directors and key executives is reviewed annually.

The nomination committee is responsible for reviewing:

* the Board's role;
* the processes of the Board and Board committees;
* the Board's performance; and
* each Director's performance before the Director stands for re-election.

The process for performance evaluation of the Board, its committees and individual Directors, and key executives has been adopted by the Board and is available in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

A review of the Board was conducted by the Chairman of the nomination committee in concert with the Company Secretary during the financial year ended 30 June 2008.

BOARD COMMITTEES

Mortgage Choice has three Board committees comprising the remuneration committee, the audit committee and the nomination committee. These committees serve to support the functions of the Board and will make recommendations to Directors on issues relating to their area of responsibility.

The remuneration committee

The remuneration committee is responsible for determining and reviewing compensation arrangements for the Directors and senior management team. The remuneration committee comprises Peter Ritchie and Rodney Higgins.

The objective of the remuneration committee is to help the Board achieve its objective of ensuring the Company:

* has coherent remuneration policies and practices to attract and retain executives and Directors who will create value for Shareholders;
* observes those remuneration policies and practices; and
* fairly and responsibly rewards executives and other employees having regard to the performance of the Company, the performance of the executive or employee and the general and specific remuneration environment.

Non-executive Directors are not entitled to retirement benefits with the exception of statutory superannuation. The remuneration committee charter is available in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

The audit committee

The audit committee provides advice and assistance to the Board in fulfilling the Board's responsibilities relating to:

* financial reporting;
* the application of accounting policies;
* business policies and practices;
* legal and regulatory compliance; and
* internal risk control and management systems.

The audit committee comprises Steve Jermyn (Chairman), Peter Higgins and Deborah Ralston.

The objective of the audit committee is to:

* maintain and improve the quality, credibility and objectivity of the financial accountability process; and
* provide a forum for communication between the Board and senior financial and compliance management.

The audit committee charter is available in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

The nomination committee

The objective of the nomination committee is to help the Board achieve its objective of ensuring the Company has a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The nomination committee is responsible for evaluating the Board's performance. The nomination committee comprises Peter Ritchie and Rodney Higgins.

The nomination committee charter is available in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

CODES OF CONDUCT

The Company has adopted a corporate code of conduct setting out its legal and other obligations to all legitimate stakeholders including Shareholders, franchisees, employees, customers and the community.

The Company has also adopted a code of conduct for Directors and senior executives setting out required standards of behaviour, for the benefit of all Shareholders. The purpose of this code of conduct is to:

* articulate the high standards of honesty, integrity, ethical and law-abiding behaviour expected of Directors and senior executives;
* encourage the observance of those standards to protect and promote the interests of Shareholders and other stakeholders (including franchisees, employees, customers, suppliers and creditors);
* guide Directors and senior executives as to the practices thought necessary to maintain confidence in the Company's integrity; and
* set out the responsibility and accountability of Directors and senior executives to report and investigate any reported violations of this code or unethical or unlawful behaviour.

The Company requires that its Directors and senior executives adhere to a share trading policy that restricts the purchase and sale of Company securities to three six-week periods following the release of the half-yearly and annual financial results to the market, and the Annual General Meeting.

Copies of the Corporate Code of Conduct, the Code of Conduct for Directors and Senior Executives and the Share Trading Policy are available on the Mortgage Choice website.

CORPORATE REPORTING

The Managing Director and Chief Financial Officer have certified that the Company's financial reports are complete and 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.

CONTINUOUS DISCLOSURE

The Company has adopted a market disclosure protocol. The objective of this protocol is to:

* ensure the Company immediately discloses all price-sensitive information to ASX in accordance with the ASX Listing Rules and the *Corporations Act 2001* (Cth);
* ensure officers and employees are aware of the Company's continuous disclosure obligations; and
* establish procedures for:
  - the collection of all potentially price-sensitive information;
  - assessing if information must be disclosed to ASX under the ASX Listing Rules or the *Corporations Act 2001* (Cth);
  - releasing to ASX information determined to be price-sensitive information and to require disclosure; and
  - responding to any queries from ASX (particularly queries under Listing Rule 3.1B).

The protocol is carried out through a market disclosure group comprised of management representatives. The market disclosure group is responsible for:

* ensuring compliance with continuous disclosure obligations;
* establishing a system to monitor compliance with continuous disclosure obligations and this protocol;
* monitoring regulatory requirements so that this protocol continues to conform with those requirements;
* monitoring movements in share price and share trading to identify circumstances where a false market may have emerged in company securities; and
* making decisions about trading halts.

All relevant information provided to ASX will be posted immediately on the Company's website, www.mortgagechoice.com.au, in compliance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth) and ASX Listing Rules.

COMMUNICATION TO SHAREHOLDERS

The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. The Board will:

- communicate effectively with Shareholders;
- give Shareholders ready access to balanced and understandable information about the Company and its corporate goals; and
- make it easy for Shareholders to participate in general meetings.

Information is communicated to Shareholders through ASX announcements, the Company's annual report, Annual General Meeting, half and full year results announcements and the Company's website, www.mortgagechoice.com.au.

The Board has adopted a communications strategy to facilitate and promote effective communication with Shareholders and encourage participation at general meetings. Arrangements the Company has to promote communication with Shareholders are set out in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

EXTERNAL AUDITOR

The Company has adopted procedures for the selection and appointment of the external auditor which are set out in the Shareholder Centre section of the Company's website at www.mortgagechoice.com.au.

The audit committee will regularly review the performance of the external auditor and consider any ongoing appointment.

The external auditor should rotate the senior audit partner and the audit review partner every five years with suitable succession planning to ensure consistency.

The external auditor should not place itself in a position where its objectivity may be impaired or where a reasonable person might conclude that its objectivity has been impaired. This requirement also applies to individual members of an audit team. The credibility and integrity of the financial reporting process is paramount. The Company has adopted guidelines on external auditor independence. These guidelines help to ensure a consistent approach to the appointment and review of external auditors.

The Company will not give work to the external auditor likely to give rise to a 'self review threat' (as defined in Australian Professional and Ethical Standards APES110, The Institute of Chartered Accountants in Australia and CPA Australia). It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the Annual General Meeting of the Company.

COMPLIANCE AND RISK MANAGEMENT

The Company has adopted and endorsed a compliance policy. The policy is a commitment to:

- promote a culture of compliance throughout the Company and Franchise Network;
- create an understanding of the relevant laws at all levels;
- minimise the possibility of a contravention of the law and manage any legal risk;
- enhance the Company's corporate image and customer service; and
- market, promote and sell the Company's services in a way that is competitive, ethical, honest and fair, and in compliance with the law.

The Company has developed and implemented a compliance program. The aim of the program is to promote a culture of compliance through a number of measures including staff and Franchise Network training, compliance procedures, support systems and the appointment of staff responsible for compliance.

The centrepiece of the program is a web based compliance education and evaluation tool. A self paced system, it covers the key legislative and regulatory obligations applicable to the business. Each major regulatory area (Trade Practices, Privacy, Equal Opportunity, Occupational Health and Safety, Technology, Franchising, Credit Code) is covered. All current staff have completed all modules and must repeat the program at prescribed intervals. New staff must complete the program within a specified period. The Board is required to complete all modules. The program is also being rolled out to the Franchise Network.

The Company expects its employees, franchisees and representatives to actively support its compliance program. It is each employee, franchisee and representative's responsibility to make use of the training systems and support offered by Mortgage Choice. Non-compliance with the law or failure to comply with the compliance program will not be tolerated and could result in disciplinary action.

In order to comply with the Australian standard for risk management, the Company has initiated a corporate risk management plan.

In fundamental terms, this process involves:

- analysing all aspects of the business to determine what operational risks are faced, either on a continuous or isolated basis;
- having determined these risks, assessing each of them to allocate a rating based upon the likelihood of occurrence and consequence of occurrence;
- determining what control measures are in place to eliminate or reduce the identified risk – this leads to allocating each risk a rating, all of which is recorded in a risk register; and
- executive management then make decisions as to how each risk is to be handled i.e. avoided, managed, transferred or accepted. The Risk Register is a dynamic document that changes as business operations vary, resulting in new risks.

Management have reported to the Board that risk management and internal control systems effectively manage the Company's material business risks.

Directors' Report

For the year ended 30 June 2008

Your directors present their report on the consolidated entity consisting of Mortgage Choice Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008, referred to hereafter as "Mortgage Choice", "the Mortgage Choice Group" or "the Group".

1. DIRECTORS

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

P D Ritchie

P A Lahiff

P G Higgins

R G Higgins

S C Jermyn

D E Ralston

2. PRINCIPAL ACTIVITIES

During the year the principal continuing activity of the Mortgage Choice group was mortgage broking. This activity involves:

* the provision of assistance in determining the borrowing capacities of intending residential mortgage borrowers;
* the assessment, at the request of those borrowers, of a wide range of home loan products; and
* the submission of loan applications on behalf of intending borrowers.

3. DIVIDENDS

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

A final ordinary dividend of $10.041 million (8.5 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2007 on 22 August 2007 and paid on 18 September 2007.

An interim ordinary dividend of $7.106 million (6.0 cents per fully paid share) was declared out of profits of the Company for the half-year ended 31 December 2007 and paid on 18 March 2008.

A final ordinary dividend of $9.475 million (8.0 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2008 on 20 August 2008 to be paid on 15 September 2008.

4. REVIEW OF OPERATIONS

Information on the operations and financial position of the group and its business strategies and prospects is set out in the Managing Director's Overview and Review of Operations and activities on pages 4-11 of this annual report.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except for the matters disclosed in the Operating Results and Review of Operations section of this annual report there have been no significant changes in the state of affairs of the consolidated entity.

6. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the consolidated entity's state of affairs in future financial years.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

8. ENVIRONMENTAL REGULATION

The consolidated entity is not subject to any significant environmental regulation under a law of the Commonwealth or of a State or Territory in respect of its activities.

9. INFORMATION ON DIRECTORS

Details of the Directors of the Company in office during or since the end of the financial year, and each Director's qualifications, age, experience and special responsibilities are included on pages 12 of this annual report.

Director	Particulars of directors' interests in shares and options
Peter Ritchie	350,125 ordinary shares
Paul Lahiff	247,000 ordinary shares Conditional entitlement to 83,300 ordinary shares under PSP * 2,693,600 options over ordinary shares granted under EPOP **
Peter Higgins	5,822,939 ordinary shares
Rodney Higgins	15,226,215 ordinary shares
Steve Jermyn	2,000,000 ordinary shares
Deborah Ralston	50,000 ordinary shares

*PSP – Performance Share Plan as detailed in the remuneration report

** EPOP – Executive Performance Option Plan as detailed in the remuneration report

10. COMPANY SECRETARY

Details of the secretary of the Company in office during or since the end of the financial year, and the secretary's qualifications, experience and special responsibilities are included on page 13 of this annual report.

11. MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2008, and the numbers of meetings attended by each Director were:

	Full meetings of directors	
	Number of meetings held	Number of meetings attended
Peter Ritchie	10	8
Peter Higgins	10	9
Rodney Higgins	10	6
Paul Lahiff	10	10
Steve Jermyn	10	8
Deborah Ralston	10	10

	Committee meetings			
	Audit Committee		Remuneration Committee	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Peter Ritchie	n/a	n/a	3	3
Peter Higgins	3	2	n/a	n/a
Rodney Higgins	n/a	n/a	3	3
Steve Jermyn	3	3	n/a	n/a
Deborah Ralston	3	3	n/a	n/a

No nomination committee meetings were held during the year ended 30 June 2008.

12. RETIREMENT, ELECTION AND CONTINUATION IN OFFICE OF DIRECTORS

In accordance with the Constitution, Peter Higgins retires by rotation and, being eligible, offers himself for re-election.

13. REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information.

The information provided in this remuneration report has been audited as required by section 308(3C) of *Corporations Act 2001*.

A Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for Shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to Shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to Shareholders' interests means:

- has economic profit as a core component of plan design;
- focuses on sustained growth in share price; and
- attracts and retains high calibre executives.

Alignment to program participants' interests means:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in Shareholder value;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

Non-executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board has also sought independent research material to ensure non-executive Directors fees and payments, including those of the Chairman, are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. Non-executive Directors do not receive share options. Non-executive Directors may opt each year to receive a percentage of their remuneration in Mortgage Choice Limited shares pursuant to the Employee Share Purchase Plan.

Directors' fees

The base remuneration for the year ended 30 June 2008 was determined on 17 May 2005 and is based on the recommendations of independent remuneration consultants. Directors do not receive additional remuneration for representation on Board committees.

Shareholders in a General Meeting on 5 April 2004 agreed to initially set the maximum aggregate remuneration of the Board (excluding the Managing Director and any executive Director) at $750,000.

The following fees have been applied:

	From 1 July 2008	From 1 July 2007 to 30 June 2008
Chairman	$119,900	$119,900
Other non-executive Directors	$65,400	$65,400

Retirement allowances for directors

Non-executive Directors do not receive retirement allowances. Superannuation contributions required under the Australian superannuation guarantee legislation is paid on non-executive Directors' remuneration.

Executive pay

The executive pay and reward framework has three components:

* base pay and benefits, including superannuation;
* short-term performance incentives; and
* long-term incentives through participation in executive and employee share plans.

The combination of these comprises the executive's total remuneration. The Company introduced long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2005 at the time of the listing of the Company on the Australian Stock Exchange.

Base pay

Base pay is structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases in any senior executives' contracts.

Benefits

Executives do not receive any benefits in addition to the remuneration identified in this remuneration report.

Superannuation

Retirement benefits are delivered under the Mortgage Choice Employees' Superannuation Fund. This Fund is an accumulation fund and provides benefits based on contributions made to the fund during the period of service. Other retirement benefits may be provided directly by the Company if approved by Shareholders.

Short-term incentives

Should the Company achieve a pre-determined profit target set by the Board then a pool of short-term incentive (STI) is available for executives for allocation during the annual review. Cash incentives (bonuses) are payable in cash following the signing of the Financial Report each year. Using a profit target ensures variable reward is only available when value has been created for Shareholders and when profit is consistent with the business plan.

Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. For senior executives the maximum STI target bonus opportunity ranges from 30% to 70% of total base salary. However, from time to time for special projects and circumstances, bonuses outside of this structure are provided.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 30 June 2008, the KPIs linked to short term incentive plans were based on group, individual business and personal objectives. The KPIs required performance in achieving specific profit objectives as well as other key, non-financial measures linked to drivers of performance in the current and future reporting periods.

The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

The STI target annual payment is reviewed annually.

Long-term incentives

Long-term incentives are provided to certain employees via the Executive Performance Option Plan (EPOP) and the Performance Share Plan (PSP), see pages 24-28 for further information.

B Details of remuneration

Amounts of remuneration

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

The key management personnel of Mortgage Choice Limited and of the Group are the Directors of Mortgage Choice Limited (see section 9: Information on Directors) and those executives that report directly to the Managing Director being:

- A D Crossley – *Chief Financial Officer (from 7 July 2007)*
- A J Fraser – *Chief Financial Officer (to 6 July 2007)*
- M C Newton – *Chief Operating Officer (from 7 July 2007)*
- N C Rose-Innes – *Chief Information Officer (from 17 September 2007)*
- D L Ennis – *Head of Sales*
- L A Wyatt – *Head of Marketing*
- D M Hoskins – *Company Secretary*
- W J O'Rourke – *National Manager Corporate Affairs*
- M N Writer – *Human Resources Manager*

A J Fraser resigned from the position of Chief Financial Officer on 6 July 2007. At this time A D Crossley was appointed Chief Financial Officer and M C Newton was appointed Chief Operating Officer.

D L Ennis, the former state manager for Victoria was appointed Head of Sales on 1 July 2007.

Key management personnel of Mortgage Choice Limited

2008	**Short-term benefits**			**Post-employment benefits**		**Long-term benefits**	**Equity**	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Long service leave $	Rights & options** $	Total $
Non-executive Directors								
P D Ritchie *Chairman*	110,000	–	–	9,900	–	–	–	119,900
P G Higgins	60,000	–	–	5,400	–	–	–	65,400
R G Higgins	60,000	–	–	5,400	–	–	–	65,400
S C Jermyn	12,000	–	–	53,400	–	–	–	65,400
D E Ralston	60,000	–	–	5,400	–	–	–	65,400
Sub-total non-executive Directors	**302,000**	–	–	**79,500**	–	–	–	**381,500**
Executive Directors								
P A Lahiff *Managing Director*	485,821	350,000	16,838	67,500	–	6,091	413,246	1,339,496
Other key management personnel								
A D Crossley*	270,000	108,000	–	31,590	–	2,154	81,334	493,078
A J Fraser	20,524	–	–	6,464	–	–	(42,420)	(15,432)
M C Newton*	246,304	87,750	4,085	48,208	–	10,606	59,344	456,297
N C Rose-Innes	169,519	50,716	–	14,885	–	–	14,222	249,342
D L Ennis*	181,856	50,782	16,208	19,903	–	2,336	26,076	297,161
L A Wyatt	174,939	45,900	3,000	19,348	–	847	20,498	264,532
D M Hoskins*	186,279	51,660	24,545	22,263	–	5,551	32,075	322,373
W J O'Rourke*	112,997	47,583	11,197	86,257	–	6,481	29,298	293,813
M N Writer	136,861	38,750	4,085	28,942	–	875	22,447	231,960
Total key management personnel compensation	**2,287,100**	**831,141**	**79,958**	**424,860**	**–**	**34,941**	**656,120**	**4,314,120**

* Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.

** Remuneration in the form of rights and options includes negative amounts for rights and options forfeited during the year.

2007	Short-term benefits			Post-employment benefits		Long-term benefits	Equity	
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Long service leave** $	Rights & options $	Total $
Non-executive Directors								
P D Ritchie *Chairman*	110,000	–	–	9,900	–	–	–	119,900
P G Higgins	60,000	–	–	5,400	–	–	–	65,400
R G Higgins	60,000	–	–	5,400	–	–	–	65,400
S C Jermyn	28,000	–	–	37,400	–	–	–	65,400
D E Ralston	60,000	–	–	5,400	–	–	–	65,400
Sub-total non-executive Directors	**318,000**	–	–	**63,500**	–	–	–	**381,500**
Executive Directors								
P A Lahiff *Managing Director*	464,887	250,000	14,293	91,375	–	4,580	190,904	1,016,039
Other key management personnel								
A D Crossley*	257,500	81,000	–	29,790	–	1,378	42,330	411,998
A J Fraser*	212,384	67,500	2,116	23,895	–	(3,157)	26,446	329,184
M C Newton*	188,216	67,773	7,536	49,806	–	5,151	37,221	355,703
D M Hoskins*	190,023	40,728	14,441	21,500	–	4,603	20,363	291,658
W J O'Rourke*	158,311	36,958	12,720	28,509	–	5,168	18,507	260,173
M N Writer	124,880	33,244	3,124	26,295	–	384	9,442	197,369
L A Wyatt	161,312	34,320	2,380	14,919	–	278	5,606	218,815
Total key management personnel compensation	**2,075,513**	**611,523**	**56,610**	**349,589**	**–**	**18,385**	**350,819**	**3,462,439**

* Denotes one of the 5 highest paid executives of the Company, as required to be disclosed under the *Corporations Act 2001*.
** Remuneration in the form of long service leave includes negative amounts for entitlements forfeited during the year.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	2008	2007	**2008**	2007	**2008**	2007
Executive Directors of Mortgage Choice Limited						
P A Lahiff	**43%**	57%	**26%**	24%	**31%**	19%
Other key management personnel of Group						
A D Crossley	**62%**	70%	**22%**	20%	**16%**	10%
A J Fraser	**–**	71%	**–**	21%	**–**	8%
M C Newton	**68%**	70%	**19%**	19%	**13%**	10%
N C Rose-Innes	**74%**	–	**20%**	–	**6%**	–
D L Ennis	**74%**	–	**17%**	–	**9%**	–
L A Wyatt	**75%**	82%	**17%**	16%	**8%**	3%
D M Hoskins	**74%**	79%	**16%**	14%	**10%**	7%
W J O'Rourke	**74%**	79%	**16%**	14%	**10%**	7%
M N Writer	**74%**	78%	**17%**	17%	**10%**	5%

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 Board policies and terms, including compensation, relevant to the Director.

Remuneration and other terms of employment for the Managing Director and other key management personnel are set out in their respective letters of employment. The employment letters do not prescribe the duration of employment for executives. The periods of notice required to terminate employment are set out below:

- The employment of Messrs Lahiff, Crossley, Newton and Hoskins is terminable by either the Company or the executive giving three month's notice.
- The employment of Messrs Rose-Innes, O'Rourke and Writer, Ms Ennis and Ms Wyatt is terminable by either the Company or the executive giving four week's notice.

Except as set out below, no provision is made for termination payments other than amounts paid in respect of notice of termination:

- Messrs Crossley, Newton and Hoskins will receive a non-competition termination benefit equal to 6 months base salary where departure is for any reason other than misconduct.
- Mr Lahiff's employment terms provide that in the event of the sale of the Company's business or corporate restructure, subject to certain conditions relating to length of service, Mr Lahiff will become entitled to a severance payment equivalent to 12 months base salary, less any amounts paid in respect of notice of termination under the terms of his employment.

D Share-based compensation

Executive Performance Option Plan (EPOP)

The Executive Performance Option Plan may be offered on an annual basis to a limited number of the most senior executives within the Company. The issue of options has been confined to the Managing Director and the Company's three most senior executives, being the Chief Financial Officer, Chief Operating Officer and Chief Information Officer. Participation in the EPOP provides one component of the market-based long-term incentive available to the selected executives within their aggregate remuneration package.

Under the terms of the EPOP, options (each over one ordinary share) are granted to senior executives identified by the Board. Any options offered and granted to the executives have an exercise price based on the market value of the Company's shares at the time of offer. Market value will be the trade-weighted average price of the Company's shares over the one-week period immediately preceding the date of offer.

The options offered to executives under the EPOP are subject to performance conditions set by the Board. Offers have a three-year performance period. In relation to options offered during the year ended 30 June 2008, the performance requirement will be based on the total shareholder return (TSR) of the Company compared to the TSRs of a comparator group of companies. TSR is the percentage increase in the Company's share price plus reinvested dividends, expressed as a percentage of the initial investment, and reflects the increase in value delivered to Shareholders over the period.

The Company's TSR will be compared to the TSRs of companies in a comparator group comprised of selected S & P ASX Top 300 companies, being entities of broadly similar size to that of Mortgage Choice, but excluding mining and resource companies and property trust companies or trusts, over the performance period. The comparator companies are drawn from a group within an approximate range of 40% to 200% of the market capitalisation of Mortgage Choice.

The companies comprising the comparator group for the year ending 30 June 2008 are Aevum Limited, AP Eagers Limited, ARB Corporation Limited, AVJennings Limited, Biota Holdings Limited, Blackmores Limited, Cardno Limited, Cellestis Limited, Ceramic Fuel Cells Limited, Coffey International Limited, Devine Limited, DWS Advanced Business Solutions Ltd, Fantastic Holdings Limited, Fleetwood Corporation Limited, Geodynamics Limited, Hastie Group Limited, Home Building Society Limited, Housewares International Limited, Independent Practitioner Network Ltd, IWL Limited, McGuigan Simeon Wines Limited, McMillan Shakespeare Limited, Melbourne IT Limited, Mitchell Communication Group Ltd, MYOB Limited, Nomad Building Solutions Limited, Oaks Hotels & Resorts Limited, Oakton Limited, Photon Group Limited, Port Bouvard Limited, Prime Television Limited, Redflex Holdings Limited, Regional Express Holdings Limited, Ridley Corporation Limited, RP Data Ltd, Select Harvests Limited, Servcorp Limited, SMS Management & Technology Ltd, SP Telemedia Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited, Talent2 International Limited, Tassal Group Limited, Technology One Limited, The MAC Services Group Limited, The Reject Shop Limited, Tower Limited, Trust Company Limited, Village Roadshow Limited, Wide Bay Australia Ltd.

If any of the companies in the comparator group ceases to exist in its current form for any reason other than its liquidation, or if the Board determines in its discretion that a company should no longer be in the comparator group because of an anomaly, distortion or other event that is not directly related to the financial performance of that company, that company will cease to form part of the comparator group.

Options will not become exercisable unless Mortgage Choice's TSR is above the 50th percentile of the comparator group at the end of the performance period. Above the 50th percentile, options will vest and become exercisable in accordance with a vesting scale.

The vesting scale is as follows:

Company performance (TSR percentile ranking)	Percentage of offered options allocated
At or below the 50th percentile	0%
At the 51st percentile	52%
75th percentile or above	100%

Between the 51st percentile and 75th percentiles, an additional 2% of options will vest for every percentile increase in TSR ranking.

The rules of the EPOP permit the Company to issue new shares or to purchase shares on-market for the purposes of satisfying the exercise of options.

Any options which do not become exercisable following the application of the performance condition and vesting scale will lapse. An option that has become exercisable but is not exercised will lapse on the earlier of:

* 10 years after the date of offer;
* three months, or such other period determined by the Board, after the participant ceases employment for a reason other than a 'qualifying reason' (i.e. death, total and permanent disability, redundancy, or any other reason determined by the Board); and
* 12 months, or such other period determined by the Board, after the participant ceases employment for a 'qualifying reason'.

Where a participant ceases to be employed by the Company other than because of a 'qualifying reason', any options that have not become exercisable will lapse. However, if there is cessation of employment due to a 'qualifying reason', the Board may determine that some or all of the options may vest. In the event of a change of control of the Company, all options will vest.

If the Board determines that a participant has acted fraudulently or dishonestly, has committed an act of harassment or discrimination, is in serious breach of any duty to Mortgage Choice, or, in the Board's reasonable opinion, has brought Mortgage Choice into serious disrepute, any options held by the participant will lapse.

The terms and conditions of each grant of options affecting remuneration are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
10 August 2004	From 10 August 2007	10 August 2014	$1.05	$0.32
24 February 2005	From 24 February 2008	24 February 2015	$1.08	$0.32
2 September 2005	From 2 September 2008	2 September 2015	$1.43	$0.28
12 December 2006	From 31 August 2009	12 December 2016	$2.60	$0.67
31 August 2007	From 31 August 2010	31 August 2017	$2.51	$0.50

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Details of options over ordinary shares in the Company provided as remuneration to each director and key management personnel of Mortgage Choice Limited are set out below. When exercisable, each option is convertible into one ordinary share of Mortgage Choice Limited. Further information on the options is set out in note 32 to the financial statements.

	Number of options granted during the year		Number of options vested during the year	
Name	**2008**	2007	**2008**	2007
Directors of Mortgage Choice Limited				
P A Lahiff	**1,200,000**	746,300	**323,200**	–
Other key management personnel				
A D Crossley	**216,000**	109,700	**81,800**	–
A J Fraser	**–**	45,650	**–**	–
M C Newton	**–**	97,250	**92,200**	–

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables on pages 9 and 10 of this report. Fair values at grant date are independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 included:

(a) options are granted for no consideration, each tranche vests and is exercisable after three anniversaries of the date of grant;

(b) exercise price: $2.51 (2007 – $2.60);

(c) grant date: 31 August 2007 (2007 – 12 December 2006);

(d) expiry date: 31 August 2017 (2007 – 12 December 2016);

(e) share price at grant date: $2.49 (2007 – $2.68);

(f) expected price volatility of the Company's shares: 30% (2007 – 40%);

(g) expected dividend yield: 6.5% (2007 –5.6%); and

(h) risk-free interest rate: 5.97% (2007 – 5.76%).

Shares provided on exercise of remuneration options

No shares were issued as a result of the exercise of remuneration options during the year ended 30 June 2008 (2007 – nil).

Performance Share Plan (PSP)

The PSP permits eligible senior managers identified by the Board to be offered conditional entitlements to shares. The shares allocated to those employees are subject to the achievement of performance requirements specified by the Board. The PSP is designed to provide the long-term incentive component of remuneration for senior managers, in line with the Company's overall reward strategy, which aims to attract, motivate and retain high-performing managers.

Participation in the PSP is offered on an annual basis. Eligible senior managers are offered shares to a value determined by reference to the Company's reward policy and market practice with regard to long-term incentive arrangements provided by peer organisations. The actual number of shares allocated to participants depends on Mortgage Choice's performance against the performance criteria. Any conditional entitlements that participants do not become entitled to at the end of the performance period (i.e. as the performance condition has not been met in full), will lapse.

The performance requirements and vesting scale applicable to the offers under the PSP during the year ended 30 June 2008 are identical to those specified for the initial offer under the Executive Performance Option Plan.

The rules of the PSP permit the Company to issue new shares or to purchase shares on-market if the performance requirements are satisfied at the end of the three-year performance period. Participants will not be required to pay for any shares that may be allocated to them under the PSP. Until the shares are released from the PSP, they will remain subject to the PSP rules and to the 'holding lock' applied pursuant to those rules, and the participant will be restricted in his or her ability to deal in those shares.

Shares will not be released from the PSP and will remain subject to a holding lock until a Notice of Withdrawal, that has been approved by the Board, is lodged with the Plan Administrator in respect of them. Once a Notice of Withdrawal is accepted, the Plan Administrator will release the holding lock in respect of the shares which are the subject of that Notice.

A Notice of Withdrawal may be lodged by a participant following the earlier of:

- 1 July in the year (being a period commencing 1 July and ending 30 June) that is 10 years after the year in which the offer is made and is accepted by the participant;
- the participant ceasing to be an employee of the Company;
- a 'capital event' (generally, a successful takeover offer or scheme of arrangement relating to the Company) occurring; or
- the date upon which the Board gives its written consent to the lodgement of a Notice of Withdrawal by the participant.

While shares remain subject to the PSP rules, participants will, in general, enjoy the rights attaching to those shares (such as voting or dividend rights etc). These rights are not available to participants prior to the performance requirements being met except where the shares have been acquired by the Mortgage Choice Performance Share Plan Trust (refer note 1(b)(ii)).

Where a participant ceases to be employed by Mortgage Choice prior to the end of the performance period, other than because of a 'qualifying reason' (i.e. death, total and permanent disability, redundancy, and any other reason determined by the Board), any conditional entitlements to receive shares will lapse. However, in the event of a change in control of the Company or if there is cessation of employment due to a 'qualifying reason', the Board may determine that some or all of the shares may be allocated to the participant.

If the Board determines that a participant has acted fraudulently or dishonestly, has committed an act of harassment or discrimination, is in serious breach of any duty to Mortgage Choice, or, in the Board's reasonable opinion, has brought Mortgage Choice into serious disrepute, any shares to which the participant may have become entitled at the end of the performance period, and any shares held by the participant under the PSP are forfeited by the participant.

The terms and conditions of each offer of performance shares affecting remuneration in this or future reporting periods are as follows:

Offer date	Value per performance share at offer date	Vesting date
10 August 2004	$1.05	10 August 2007
6 September 2004	$1.05	6 September 2007
4 January 2005	$0.91	4 January 2008
24 February 2005	$1.08	24 February 2008
2 September 2005	$1.43	2 September 2008
12 December 2006	$2.21	31 August 2009
31 August 2007	$2.20	31 August 2010

Details of performance shares in the Company provided as remuneration to each Director and key management personnel of Mortgage Choice Limited are set out below. Further information on the options is set out in note 32 to the financial statements.

Name	Number of performance share rights granted during the year		Number of performance shares issued during the year	
	2008	2007	**2008**	2007
Directors of Mortgage Choice Limited				
P A Lahiff	**–**	–	**97,000**	–
Other key management personnel				
A D Crossley	**–**	–	**24,500**	–
A J Fraser	**–**	13,850	**–**	–
M C Newton	**39,900**	–	**27,600**	–
N C Rose-Innes	**29,300**	–	**–**	–
D L Ennis	**23,100**	12,800	**24,000**	
L A Wyatt	**20,850**	14,950	**–**	–
D M Hoskins	**23,500**	17,700	**33,900**	–
W J O'Rourke	**21,650**	16,100	**30,800**	–
M N Writer	**17,600**	14,000	**–**	–

The assessed fair value at grant date of share rights granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the term of the rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share rights.

The model inputs for performance shares granted during the year ended 30 June 2008 included:

(a) share rights are granted for no consideration, each tranche vests and is exercisable after three anniversaries of the date of grant;

(b) grant date: 31 August 2007 (2007 – 12 December 2006);

(c) expiry date: 31 August 2017 (2007 – 12 December 2016);

(d) share price at grant date: $2.49 (2007 – $2.68);

(e) expected price volatility of the Company's shares: 30% (2007 – 40%);

(f) expected dividend yield: 6.5% (2007 – 5.6%); and

(g) risk-free interest rate: 5.97% (2007 – 5.76%).

Shares provided on vesting of performance share entitlements

Details of shares issued in the Company as a result of the vesting of performance share entitlements during the year ended 30 June 2008 are set out below.

Name	Vesting date	Number of ordinary shares issued on vesting of share rights	
		2008	2007
Directors of Mortgage Choice Limited			
P A Lahiff	10 August 2007	**97,000**	–
Other key management personnel			
A D Crossley	24 February 2008	**24,500**	–
M C Newton	10 August 2007	**27,600**	–
D L Ennis	10 August 2007	**24,000**	–
D M Hoskins	10 August 2007	**33,900**	–
W J O'Rourke	10 August 2007	**30,800**	–

E Additional information

Performance of Mortgage Choice Limited

The remuneration of key management personnel includes short-term incentives (STI), as detailed in Section A *Principles used to determine the nature and amount of remuneration*, and long-term incentives (LTI) as detailed in Section D *Share-based compensation*.

Payments made under the STI plan are conditional upon the Company achieving a pre-determined profit target. The following table lists Mortgage Choice Limited's earnings per share (EPS) since listing on the ASX in August 2004:

Year	EPS (cents per share)*
2005	10.9
2006	15.2
2007	16.6
2008	16.4

* Until 30 June 2005, earnings per share were calculated in accordance with Australian GAAP as opposed to Australian Equivalents to International Financial Reporting Standards (AIFRS).

Payments made under the LTI plan are based on the total Shareholder return (TSR) of the Company over a three year period compared to the TSRs of comparator groups of companies. TSR is the percentage increase in the Company's share price plus reinvested dividends and reflects the increase in value delivered to Shareholders over the period. The following table lists Mortgage Choice Limited's TSR since listing on the ASX in August 2004 expressed as a percentage of the opening value of the investment for each period:

Year	TSR
2005	24%
2006	117%
2007	34%
2008	-61%

Details of remuneration: cash bonuses, share rights and options

For each cash bonus and grant of share rights and options in the tables on pages 22-27, the percentage of the available grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The share rights and options vest over 3 years, providing vesting conditions are met. No share rights or options will vest if the conditions are not satisfied, hence the minimum value of the share rights and options yet to vest is nil. The maximum value of the share rights and options yet to vest has been determined as the amount of the grant date fair value of the share rights and options that is yet to be expensed.

	Cash bonus		**Share rights and options**					
Name	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which rights and options may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
P A Lahiff	100	–	2008	–	–	30/6/2011	Nil	433,577
			2007	–	–	30/6/2010	Nil	214,286
			2006	–	–	30/6/2009	Nil	9,839
			2005	100%	–	–	–	–
A D Crossley	100	–	2008	–	–	30/6/2011	Nil	78,044
			2007	–	–	30/6/2010	Nil	31,522
			2006	–	–	30/6/2009	Nil	2,986
			2005	100%	–	–	–	–
A J Fraser	–	–	2007	–	100%	–	–	–
			2006	–	100%	–	–	–
			2005	–	100%	–	–	–
M C Newton	100	–	2008	–	–	30/6/2011	Nil	50,457
			2007	–	–	30/6/2010	Nil	27,944
			2006	–	–	30/6/2009	Nil	2,527
			2005	100%	–	–	–	–
N C Rose–Innes	100	–	2008	–	–	30/6/2011	Nil	37,053
D L Ennis	100	–	2008	–	–	30/6/2011	Nil	29,212
			2007	–	–	30/6/2010	Nil	10,196
			2006	–	–	30/6/2009	Nil	949
			2005	100%	–	–	–	–
D M Hoskins	100	–	2008	–	–	30/6/2011	Nil	29,718
			2007	–	–	30/6/2010	Nil	14,153
			2006	–	–	30/6/2009	Nil	1,330
			2005	100%	–	–	–	–
W J O'Rourke	100	–	2008	–	–	30/6/2011	Nil	27,379
			2007	–	–	30/6/2010	Nil	12,874
			2006	–	–	30/6/2009	Nil	1,208
			2005	100%	–	–	–	–
M N Writer	100	–	2008	–	–	30/6/2011	Nil	22,257
			2007	–	–	30/6/2010	Nil	11,194
			2006	–	–	30/6/2009	Nil	721
L A Wyatt	100	–	2008	–	–	30/6/2011	Nil	26,367
			2007	–	–	30/6/2010	Nil	11,954

Share based compensation: Options

Further details relating to options are set out below.

Name	**A Remuneration consisting of options**	**B Value at grant date $**	**C Value at exercise date $**	**D Value at lapse date $**
P A Lahiff	28.9%	600,000	–	–
A D Crossley	14.3%	108,000	–	–

Share based compensation: Performance shares

Further details relating to performance shares are set out below.

Name	A Remuneration consisting of performance shares	B Value at offer date $	C Value at entitlement date $	D Value at lapse date $
P A Lahiff	2.0%	–	–	–
A D Crossley	2.2%	–	–	–
M C Newton	13.0%	69,825	–	–
N C Rose-Innes	5.7%	51,275	–	–
D L Ennis	8.8%	40,425	–	–
L A Wyatt	7.7%	36,488	–	–
D M Hoskins	9.9%	41,125	–	–
W J O'Rourke	10.0%	37,888	–	–
M N Writer	9.7%	30,800	–	–

A = The percentage of the value of remuneration consisting of options or performance shares, based on the value of options or performance shares expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options or performance shares granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Shares under option

Unissued ordinary shares of Mortgage Choice Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
10 August 2004	10 August 2014	$1.05	415,400
24 February 2005	24 February 2015	$1.08	81,800
2 September 2005	2 September 2015	$1.43	661,600
12 December 2006	12 December 2016	$2.60	953,250
31 August 2007	31 August 2017	$2.51	1,416,000
			3,528,050

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

14. INSURANCE OF OFFICERS

Insurance premiums were paid for the year ended 30 June 2008 in respect of Directors and Officers liability and legal expenses for Directors and Officers of the Company and all controlled entities. The insurance contract prohibits disclosure of the premium paid. The insurance premiums relate to:

* Costs and expenses incurred by relevant Directors and Officers in defending any proceedings; and
* Other liabilities that may arise from their position, with the exception of conduct involving dishonesty, wrongful acts, or improper use of information or position to gain personal advantage.

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company.

15. 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*.

16. NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* as none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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	
	2008 $	2007 $
1. Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	**215,500**	211,450
Total remuneration for audit services	**215,500**	211,450
2. Non-audit services		
Audit-related services		
PricewaterhouseCoopers Australian firm:		
Audit of regulatory returns	**–**	2,500
Other assurance services	**7,500**	7,500
Total remuneration for audit-related services	**7,500**	10,000
Taxation services		
PricewaterhouseCoopers Australian firm:		
Tax compliance services	**22,200**	15,500
Other tax services	**75,780**	9,780
Total remuneration for taxation services	**97,980**	25,280
Other services		
PricewaterhouseCoopers Australian firm:		
Consulting on employee share trust	**–**	40,090
Total remuneration for other services	**–**	40,090
Total remuneration for non-audit services	**105,480**	75,370

17. AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32.

18. ROUNDING OF AMOUNTS

The Company 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 Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

19. 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.

PETER RITCHIE
DIRECTOR

SYDNEY
20 AUGUST 2008

PRICEWATERHOUSECOOPERS

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Auditors' Independence Declaration

As lead auditor for the audit of Mortgage Choice Limited for the year ended 30 June 2008, 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 Mortgage Choice Limited and the entities it controlled during the year.

R L Wilkie
Partner
PricewaterhouseCoopers

Sydney
20 August 2008

Liability limited by a scheme approved under Professional Standards Legislation

Mortgage Choice Limited ABN 57 009 161 979

Annual Financial Report

30 June 2008

contents

This financial report covers both Mortgage Choice Limited as an individual entity and the consolidated entity consisting of Mortgage Choice Limited and its controlled subsidiaries. The financial report is presented in the Australian currency.

Mortgage Choice Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:
Mortgage Choice Limited
Level 7, 182 – 186 Blues Point Road
North Sydney NSW 2060

A description of the nature of the Company's operations and its principal activities is included in the directors' report which is not part of this financial report.

The financial report was authorised for issue by the directors on 20 August 2008. The Company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All financial reports and other information are available at our Shareholders' Centre on our website: www.mortgagechoice.com.au.

Income statements

For the year ended 30 June 2008

	Notes	Consolidated		Parent entity	
		2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Revenue from continuing operations	5	**160,169**	155,992	**160,169**	155,992
Other income	6	**1,222**	1,126	**1,222**	1,126
Expenses from continuing operations	7				
Sales		**(99,290)**	(99,035)	**(99,290)**	(99,035)
Technology		**(4,825)**	(4,033)	**(4,825)**	(4,033)
Marketing		**(9,041)**	(8,318)	**(9,041)**	(8,318)
Finance		**(1,930)**	(1,556)	**(1,930)**	(1,556)
Corporate		**(6,435)**	(5,275)	**(6,435)**	(5,275)
Finance costs		**(12,195)**	(10,690)	**(12,195)**	(10,690)
Profit before income tax		**27,675**	28,211	**27,675**	28,211
Income tax expense	8	**(8,331)**	(8,624)	**(8,331)**	(8,624)
Net profit attributable to the members of Mortgage Choice Limited		**19,344**	19,587	**19,344**	19,587
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	Cents		
Basic earnings per share	31	**16.4**	16.6		
Diluted earnings per share	31	**16.3**	16.4		

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

Balance sheets

As at 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**8,482**	9,121	**8,482**	9,121
Trade and other receivables	10	**59,987**	58,070	**59,987**	58,070
Total current assets		**68,469**	67,191	**68,469**	67,191
Non-current assets					
Receivables	11	**123,996**	114,981	**123,996**	114,981
Property, plant and equipment	12	**1,019**	1,223	**1,019**	1,223
Deferred tax assets	13	**1,189**	1,115	**1,189**	1,115
Intangible assets	14	**2,902**	2,653	**2,902**	2,653
Total non-current assets		**129,106**	119,972	**129,106**	119,972
Total assets		**197,575**	187,163	**197,575**	187,163
LIABILITIES					
Current liabilities					
Trade and other payables	15	**41,180**	40,674	**41,180**	40,674
Current tax liabilities		**1,692**	2,071	**1,692**	2,071
Provisions	16	**711**	511	**711**	511
Total current liabilities		**43,583**	43,256	**43,593**	43,256
Non-current liabilities					
Trade and other payables	17	**79,012**	73,401	**79,012**	73,401
Deferred tax liabilities	18	**19,449**	17,866	**19,449**	17,866
Provisions	19	**410**	410	**410**	410
Total non-current liabilities		**98,871**	91,677	**98,871**	91,677
Total liabilities		**142,454**	134,933	**142,454**	134,933
Net assets		**55,121**	52,230	**55,121**	52,230
EQUITY					
Contributed equity	20	**437**	203	**437**	203
Reserves	21(a)	**1,291**	830	**1,291**	830
Retained profits	21(b)	**53,393**	51,197	**53,393**	51,197
Total equity		**55,121**	52,230	**55,121**	52,230

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

Statements of changes in equity

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Total equity at the beginning of the financial year		**52,230**	47,455	**52,230**	47,455
Profit for the year		**19,344**	19,587	**19,344**	19,587
Transactions with equity holders in their capacity as equity holders:					
Employee share rights and options	32	**757**	487	**757**	487
Treasury shares		**(62)**	–	**(62)**	–
Dividends paid	22	**(17,148)**	(15,299)	**(17,148)**	(15,299)
		(16,453)	(14,812)	**(16,453)**	(14,812)
Total equity at the end of the financial year		**55,121**	52,230	**55,121**	52,230

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

Cash flow statements

For the year ended 30 June 2008

	Notes	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**164,635**	151,856	**164,635**	151,856
Payments to suppliers and employees (inclusive of goods and services tax)		**(140,437)**	(127,802)	**(140,437)**	(127,802)
		24,198	24,054	**24,198**	24,054
Income taxes paid		**(7,201)**	(7,330)	**(7,201)**	(7,330)
Net cash inflow from operating activities	30	**16,997**	16,724	**16,997**	16,724
Cash flows from investing activities					
Payments for plant and equipment		**(529)**	(590)	**(529)**	(590)
Proceeds from sale of plant and equipment		**–**	1	**–**	1
Payments for software and development costs		**(705)**	(736)	**(705)**	(736)
Interest received from cash and deposits at call		**746**	628	**746**	628
Net cash (outflow) from investing activities		**(488)**	(697)	**(488)**	(697)
Cash flows from operating & investing activities		**16,509**	16,027	**16,509**	16,027
Cash flows from financing activities					
Dividends paid		**(17,148)**	(15,299)	**(17,148)**	(15,299)
Net cash (outflow) from financing activities		**(17,148)**	(15,299)	**(17,148)**	(15,299)
Net increase/(decrease) in cash and cash equivalents		**(639)**	728	**(639)**	728
Cash and cash equivalents at the beginning of the financial year		**9,121**	8,393	**9,121**	8,393
Cash and cash equivalents at the end of year	9	**8,482**	9,121	**8,482**	9,121

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

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Mortgage Choice Limited as an individual entity and the consolidated entity consisting of Mortgage Choice Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards (IFRS)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Mortgage Choice Limited complies with International Financial Reporting Standards (IFRS).

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, financial assets and liabilities (including derivative instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mortgage Choice Limited (''company'' or ''parent entity'') as at 30 June 2008 and the results of all subsidiaries for the year then ended. Mortgage Choice Limited and its subsidiaries together are referred to in this financial report 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.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(g)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Mortgage Choice Limited.

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

(c) Segment reporting

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of clawbacks.

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Revenue recognition

The consolidated entity provides loan origination services and receives origination commission on the settlement of a home loan. Additionally, the lender will normally pay a trailing commission over the life of the loan. Revenue over the estimated life of loans written is recognised on the settlement of the loans. The consolidated entity also earns income from the sale of franchises and franchise services.

Revenue from sale of services is recognised as follows:

(i) Origination commissions

Origination commissions are recognised as revenue on loan settlement.

(ii) Trailing commissions

The Company receives trailing commissions from lenders on loans they have settled that were originated by the group and its franchisees. The trailing commissions are received over the life of the loans based on loan book balance outstanding. The Company also makes trailing commission payments to franchisees based on the loan book balance outstanding.

On initial recognition, trailing commission revenue and receivables are recognised at fair value, being the expected future trailing commission receivables discounted to their net present value. In addition, an associated payable and expense to the franchisees are also recognised, initially measured at fair value being the future trailing commission payable to franchisees discounted to their net present value.

Subsequent to initial recognition and measurement, both the trailing commission asset and trailing commission payable are measured at amortised cost. The carrying amount of the trailing commission asset and trailing commission payable are adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the income statement.

(iii) Franchise fee income

Franchise fee income is derived from the sale of franchises by the consolidated entity and comprises licence fees and contributions for training and franchise consumables. Licence fees are partially repayable should franchisees terminate their Franchise Agreement in accordance with a repayment schedule as defined in the agreement. Licence fee income is recognised over a 4 year period in accordance with this schedule. Contributions for training and consumables are recognised as revenue on receipt. Licence fees which remain repayable to franchisees at balance sheet date are included in liabilities.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(v) Other income

Other income includes contributions from lenders towards conferences and workshops together with other non-operating revenues. These are recognised as income in the year the conference or workshop is held.

(e) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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 for deductible temporary differences 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 equity are also recognised directly in equity.

Tax consolidation legislation

Mortgage Choice Limited and its wholly-owned Australian controlled entities are members of a consolidated group for income tax purposes.

The head entity, Mortgage Choice Limited, and the 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 stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Mortgage Choice Limited 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.

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.

(f) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(g) Business combinations

The purchase 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. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of assets

Assets subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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.

(j) Trade receivables

Trade receivables are recognised in accordance with the revenue recognition policy outlined in note 1(d).

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement in other expenses.

(k) Investments and other financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (notes 10 and 11).

(l) Property, plant and equipment

All property, plant and equipment is stated at historical cost less 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Office equipment	5-10 years
Computer equipment	3-4 years
Furniture and fittings	10-15 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(h)).

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

(m) Intangible assets

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate future economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Borrowing costs

Borrowing costs are recognised as expenses.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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.

(q) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee entitlements in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based compensation benefits are provided to employees via the Mortgage Choice Executive Performance Option Plan and the Mortgage Choice Performance Share Plan. Further details are included in note 32 of the financial report.

The fair value of options granted under the Mortgage Choice Executive Performance Option Plan and share rights granted under the Mortgage Choice Performance Share Plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options and share rights.

The fair value at grant date is independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and 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 and share rights granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options and shares 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 income statement with a corresponding adjustment to equity.

(v) Profit-sharing and bonus plans

The Group recognises a liability and an expense where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(r) 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, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg. 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 or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(s) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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 income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) 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.

(v) Rounding of amounts

The Company 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

Note 2. Financial risk management

The Group has limited exposure to financial risks. The Group does not use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. It does not operate internationally and is not exposed to either securities price risk or commodity price risk.

Risk management is carried out by the Group's finance department under policies approved by the Board of Directors.

The Group and parent entity hold the following financial instruments:

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Financial Assets				
Current				
Cash and cash equivalents	**8,482**	9,121	**8,482**	9,121
Trade and other receivables	**59,987**	58,070	**59,987**	58,070
Non-current				
Trade and other receivables	**123,996**	114,981	**123,996**	114,981
	192,465	182,172	**192,465**	182,172

The Group's policies in relation to financial risks to which it has exposure are detailed below.

(a) Market risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents. At 30 June 2008 the weighted average interest rate was 7.4% (2007 6.2%). If interest rates increased by 100 basis points, the Group's after tax result would increase by $77,000 (2007 $88,000). A decrease of 100 basis points would reduce the Group's after tax result by $77,000 (2007 $88,000).

The Group does not have borrowings and therefore is not exposed to interest rate risk on borrowings.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents through deposits with banks and financial institutions as well as credit exposure to financial institutions that are the members of the lender panel. The majority of these financial institutions are Authorised Deposit-taking Institutions (ADI's) and are regulated by Australian Prudential Regulation Authority (APRA). Most of the financial institutions have been independently rated which forms the basis of the Group's assessment of credit risk. If the lender has not been independently rated, credit risk is assessed taking into account its financial position, past experience and other factors. The table below indicates the Group's exposure to each ratings category.

The Group bears the risk of non-payment of future trailing commissions by lenders should they not maintain solvency (correspondingly, Mortgage Choice would not have to pay out any future trailing commissions to franchisees in relation to such loans). The risk profile of both the parent and consolidated entities are set out in the table below.

2008		**Current Assets**		**Non Current Assets**
	Standard & Poor's Credit Rating	**Trade Receivables $ 000's**	**NPV Future Trailing Commissions Receivable $ 000's**	**NPV Future Trailing Commissions Receivable $ 000's**
ADI's	AA	8,591	32,095	83,866
	A+	1,318	6,159	16,094
	A	258	856	2,236
	BBB+	333	1,813	4,739
	BBB	216	1,242	3,246
	Not rated	614	3,690	9,644
		11,330	45,855	119,825
Non ADI's	AA	2	9	24
	Not rated	267	1,587	4,147
		269	1,596	4,171
Total Receivable		11,599	47,451	123,996

2007	Standard & Poor's Credit Rating	Current Assets		Non Current Assets
		Trade Receivables $ 000's	NPV Future Trailing Commissions Receivable $ 000's	NPV Future Trailing Commissions Receivable $ 000's
ADI's	AA	8,380	26,849	68,550
	A+	1,258	10,136	25,876
	A	311	760	1,939
	BBB+	639	1,641	4,190
	BBB	370	1,013	2,586
	Not rated	991	3,081	7,866
		11,949	43,480	111,007
Non ADI's	AA	2	11	27
	Not rated	561	1,546	3,947
		563	1,557	3,974
Total Receivable		12,512	45,037	114,981

The tables below analyse the Group's and parent entity's financial assets into relevant maturity groupings based on the expected future discounted cashflows. No financial assets are past due or impaired.

Group and parent entity – At 30 June 2008	**Less than 6 months** $'000	**6 – 12 months** $'000	**Between 1 and 2 years** $'000	**Between 2 and 5 years** $'000	**Over 5 years** $'000	**Total discounted cash flows** $'000	**Carrying Amount** $'000
Non-derivatives							
Interest bearing	8,479	–	–	–	–	8,479	8,479
Non-interest bearing							
Cash and cash equivalents	3	–	–	–	–	3	3
Commissions receivable	11,949	–	–	–	–	11,949	11,949
Other receivables	587	–	–	–	–	587	587
NPV future trailing commissions receivable	25,360	22,091	35,523	60,539	27,934	171,447	171,447
	46,378	22,091	35,523	60,539	27,934	192,465	192,465

Group and parent entity – At 30 June 2007	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total discounted cash flows $'000	Carrying Amount $'000
Non-derivatives							
Interest bearing	9,118	–	–	–	–	9,118	9,118
Non-interest bearing							
Cash and cash equivalents	3	–	–	–	–	3	3
Commissions receivable	12,512	–	–	–	–	12,512	12,512
Other receivables	521	–	–	–	–	521	521
NPV future trailing commissions receivable	24,094	20,943	33,305	55,467	26,209	160,018	160,018
	46,248	20,943	33,305	55,467	26,209	182,172	182,172

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets.

The tables below analyse the Group's and parent entity's financial liabilities into relevant maturity groupings based on the expected future discounted cashflows.

Group and parent entity – At 30 June 2008	**Less than 6 months $'000**	**6 – 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total discounted cash flows $'000**	**Carrying Amount $'000**
Non-derivatives							
Non-interest bearing							
Commissions payable	7,396	–	–	–	–	7,396	7,396
Other payables	4,789	–	–	–	–	4,789	4,789
NPV future trailing commissions receivable	15,459	13,536	22,030	38,481	18,399	107,905	107,905
	27,644	13,536	22,030	38,481	18,399	120,090	120,090

Group and parent entity – At 30 June 2007	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total discounted cash flows $'000	Carrying Amount $'000
Non-derivatives							
Non-interest bearing							
Commissions payable	8,610	–	–	–	–	8,610	8,610
Other payables	4,801	–	–	–	–	4,801	4,801
NPV future trailing commissions receivable	14,543	12,720	20,608	35,261	17,333	100,465	100,465
	27,954	12,720	20,608	35,261	17,333	113,876	113,876

(d) Fair value estimation

Refer Note 3 Critical Accounting Estimates and Judgements

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Trailing commissions

The Company receives trailing commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding to which the Group is entitled without having to perform further services. The Company also makes trailing commission payments to franchisees based on the loan book balance outstanding.

The fair value of trailing commissions receivable and the corresponding payable to franchisees is determined by using the discounted cash flow valuation technique. These calculations require the use of assumptions. The key assumptions underlying the fair value calculations of trailing commissions receivable and the corresponding payable to franchisees at balance date include the average loan life, discount rate and the percentage paid to franchisees. These assumptions are determined by management with the assistance of external actuaries and are as follows:

	2008	2007
Average loan life	**Between 3.0 and 3.5 years**	Between 3.0 and 3.5 years
Discount rate	**12.5%**	12%
Percentage paid to franchisees (10 year average)	**63%**	62%

Were the actual final loan life outcome to differ by +/- 10% from management's estimates, the impact on the estimates would be:

– an increase in net assets of $5.3 million (made up of increases in current assets of $2.2 million, non current assets of $18.9 million, current liabilities of $1.3 million, non-current liabilities of $12.2 million and deferred tax liabilities of $2.3 million) if favourable; or

– a decrease in net assets of $5.2 million (made of decreases in current assets of $1.9 million, non current assets of $18.7 million, current liabilities of $1.1 million, non-current liabilities of $12.1 million and deferred tax liabilities of $2.2 million if unfavourable.

Management do not consider material changes to the percentage paid to franchisees to be reasonably possible. Changes to the discount rate are likely to occur as a result of changes to the interest rate. However, management do not consider this to have a material impact on the fair value calculation of trailing commissions receivable and the corresponding payable to franchisees.

(b) Critical judgements in applying the entity's accounting policies

Judgements that management has made in the process of applying the entity's accounting policies are not expected to have a significant effect on the amounts recognised in the financial report.

Note 4. Segment information

The Mortgage Choice group of companies operates predominantly in Australia and in one segment, the mortgage broking industry.

Note 5. Revenue

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Revenue from continuing operations				
Sales revenue				
Services	**140,008**	138,199	**140,008**	138,199
Other revenue				
Interest (note (a))	**20,161**	17,793	**20,161**	17,793
	160,169	155,992	**160,169**	155,992

(a) Interest

Interest income includes the unwinding of the discount in relation to receipt of trailing commission as well as interest earned on deposits and loans.

Note 6. Other income

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Conference sponsorships (note (a))	**1,098**	1,085	**1,098**	1,085
Amortisation of software licence cost recovery (note (b))	**30**	20	**30**	20
Other	**94**	21	**94**	21
	1,222	1,126	**1,222**	1,126

(a) Conference sponsorships

Lenders sponsor Mortgage Choice's National conference, High Flyers' conference, quarterly state conferences, training days and workshops.

(b) Amortisation of software licence cost recovery

The cost of software licences purchased for use by franchisees is recovered from franchisees. This cost recovery is amortised over three to five years, consistent with the amortisation of the corresponding intangible asset.

Note 7. Expenses

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Profit from ordinary activities before income tax includes the following specific expenses:				
Finance costs				
Interest and finance charges (note (a))	**12,195**	10,690	**12,195**	10,690
Net loss on disposal of property, plant and equipment	**5**	11	**5**	11
Depreciation				
Plant and equipment	**244**	199	**244**	199
Amortisation				
Leasehold improvements	**484**	347	**484**	347
Computer software	**456**	158	**456**	158
Other provisions				
Employee entitlements	**10**	44	**10**	44
Rental expense relating to operating leases	**930**	848	**930**	848
Defined contribution superannuation expense	**1,149**	1,099	**1,149**	1,099

(a) Interest and finance charges

Interest expense includes the unwinding of the discount in relation to payment of trailing commission to franchisees.

Note 8. Income tax

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
(a) Income tax expense				
Current tax	**7,116**	7,032	**7,116**	7,032
Deferred tax	**1,307**	1,591	**1,307**	1,591
Under (over) provided in prior years	**(92)**	1	**(92)**	1
	8,331	8,624	**8,331**	8,624
Income tax expense is attributable to:				
Profit from continuing operations	**8,331**	8,624	**8,331**	8,624
Deferred income tax (revenue) expense including income tax expense comprises:				
(Increase)/decrease in deferred tax assets (note 13)	**(2,306)**	(3,602)	**(2,306)**	(3,602)
Increase/(decrease) in deferred tax liabilities (note 18)	**3,613**	5,193	**3,613**	5,193
	1,307	1,591	**1,307**	1,591
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	**27,675**	28,211	**27,675**	28,211
Income tax calculated @ 30% (2007 – 30%)	**8,303**	8,463	**8,303**	8,463
Tax effect of amounts which are not deductible in calculating taxable income:	**120**	160	**120**	160
	8,423	8,623	**8,423**	8,623
Under/(over) provision from prior years	**(92)**	1	**(92)**	1
Income tax expense	**8,331**	8,624	**8,331**	8,624

No part of the deferred tax asset shown above and in note 13 is attributable to tax losses.

(c) Tax consolidation legislation

Mortgage Choice and its wholly owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2002. The accounting policy in relation to this legislation is set out in note 1(e).

The wholly owned Australian controlled entities of Mortgage Choice are dormant and have been dormant since the date of implementation of the tax consolidation legislation. Consequently, no tax sharing agreement is in place as it is not considered necessary by the Directors.

Note 9. Current Assets – Cash and cash equivalents

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Cash at bank and on hand	**125**	106	**125**	106
Deposits at call	**8,357**	9,015	**8,357**	9,015
	8,482	9,121	**8,482**	9,121

DEPOSITS AT CALL

The deposits are bearing interest rates between 7.38% and 7.61% (2007 – 6.00% and 6.24%). These deposits have an average maturity of 38 days (2007 – 60 days).

Note 10. Current Assets – Trade and other receivables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade receivables [1]	**11,599**	12,512	**11,599**	12,512
Net present value of future trailing commissions receivable	**47,451**	45,037	**47,451**	45,037
Franchisee receivables	**68**	202	**68**	202
Other receivables	**377**	149	**377**	149
Prepayments	**492**	170	**492**	170
	59,987	58,070	**59,987**	58,070

1. Subject to a limited charge in favour of The Loan Book Security Trust (refer to note 15).

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity.

(b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 11).

(c) Fair values

The carrying amounts of trade and other receivables at year end is a reasonable approximation of their fair values with the exception of the net present value of future trailing commissions receivable which are accounted for at amortised cost.

Note 11. Non-Current Assets – Receivables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net present value of future trailing commissions receivable	**123,996**	114,981	**123,996**	114,981

(a) Impaired receivables and receivables past due

The non-current receivables represent the net present value of future trailing commissions receivable. This receivable is not past due and there is no reason for it to be impaired.

(b) Risk exposure

Information about the Group's and the parent entity's exposure to credit risk, and interest rate risk is provided in note 2.

Note 12. Non-Current Assets – Property, plant and equipment

	Consolidated			Parent entity		
	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
Year ended 30 June 2007						
Opening net book amount	574	618	1,192	574	618	1,192
Additions	257	332	589	257	332	589
Disposals	(5)	(7)	(12)	(5)	(7)	(12)
Depreciation charge	(199)	(347)	(546)	(199)	(347)	(546)
Closing net book amount	627	596	1,223	627	596	1,223
At 30 June 2007						
Cost	3,259	1,738	4,997	3,259	1,738	4,997
Accumulated depreciation	(2,632)	(1,142)	(3,774)	(2,632)	(1,142)	(3,774)
Net book amount	627	596	1,223	627	596	1,223
Year ended 30 June 2008						
Opening net book amount	627	596	1,223	627	596	1,223
Additions	240	289	529	240	289	529
Disposals	(5)	–	(5)	(5)	–	(5)
Depreciation charge	(244)	(484)	(728)	(244)	(484)	(728)
Closing net book amount	618	401	1,019	618	401	1,019
At 30 June 2008						
Cost	3,415	2,027	5,442	3,415	2,027	5,442
Accumulated depreciation	(2,797)	(1,626)	(4,423)	(2,797)	(1,626)	(4,423)
Net book amount	618	401	1,019	618	401	1,019

Note 13. Non-current assets – Deferred tax assets

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
The balance comprises temporary differences attributable to:				
NPV of future trailing commissions payable	**32,371**	30,139	**32,371**	30,139
Employee benefits	**732**	683	**732**	683
Depreciation and amortisation	**379**	322	**379**	322
Accrued expenses	**52**	58	**52**	58
Share issue expenses	**26**	52	**26**	52
Total deferred tax assets	**33,560**	31,254	**33,560**	31,254
Set-off of deferred tax assets pursuant to set-off provisions (note 18)	**(32,371)**	(30,139)	**(32,371)**	(30,139)
Net deferred tax assets	**1,189**	1,115	**1,189**	1,115
Deferred tax assets to be recovered within 12 months	**9,805**	8,873	**9,805**	8,873
Deferred tax assets to be recovered after more than 12 months	**23,755**	22,381	**23,755**	22,381
	33,560	31,254	**33,560**	31,254

Movements – Consolidated and Parent entity	**NPV of future trailing commissions payable** $'000	**Employee benefits** $'000	**Depreciation and amortisation** $'000	**Accrued expenses** $'000	**Other** $'000	**Total** $'000
At 30 June 2006	26,455	647	325	147	78	27,652
Charged/(credited) to the income statement	3,684	36	(3)	(89)	(26)	3,602
At 30 June 2007	30,139	683	322	58	52	31,254
Charged/(credited) to the income statement	2,232	49	57	(6)	(26)	2,306
At 30 June 2008	32,371	732	379	52	26	33,560

Note 14. Non-current assets – intangible assets

	Consolidated Computer Software* $'000	Parent entity Computer Software* $'000
At 30 June 2006		
Cost	3,776	3,776
Accumulated amortisation	(1,701)	(1,701)
Net book amount	2,075	2,075
Year ended 30 June 2007		
Opening net book amount	2,075	2,075
Additions	736	736
Amortisation charge	(158)	(158)
Closing net book amount	2,653	2,653
At 30 June 2007		
Cost	4,512	4,512
Accumulated amortisation	(1,859)	(1,859)
Net book amount	2,653	2,653
Year ended 30 June 2008		
Opening net book amount	2,653	2,653
Additions	705	705
Amortisation charge	(456)	(456)
Closing net book amount	2,902	2,902
At 30 June 2008		
Cost	5,218	5,218
Accumulated amortisation	(2,316)	(2,316)
Net book amount	2,902	2,902

*Capitalised computer software includes internally generated software development costs, a significant component of these costs will not be installed and ready for use until October 2008 at which time amortisation will commence.

Note 15. Current liabilities – Trade and other payables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Trade payables(1)	**9,475**	10,558	**9,475**	10,558
Net present value of future trailing commissions payable	**28,995**	27,263	**28,995**	27,263
Licence fees repayable	**176**	320	**176**	320
Other payables	**2,534**	2,533	**2,534**	2,533
	41,180	40,674	**41,180**	40,674

(1) Loan Book Security Trust

The loan book bonus is a commission payable based on the outstanding balances of loans introduced by Mortgage Choice franchisees. The Loan Book Security Scheme provides security for the loan book bonus payable to certain eligible franchisees based on certain performance criteria. Mortgage Choice Limited has granted two charges in favour of a trustee company on behalf of the eligible franchisees. At this time the trustee is a controlled entity of Mortgage Choice Limited.

The first charge is over a specified percentage of the Company's trailing commission income. The purpose of this charge is to be the first source of funds available to eligible franchisees for the payment of loan book bonus payments in the event that administration or liquidation occurs. The charge will crystallise and can be enforced by eligible franchisees in the event of liquidation or administration of Mortgage Choice Limited.

As at 30 June 2008, the amount subject to charge resulting from applying the specified percentage to the trailing commission subsequently received by Mortgage Choice Limited is $3,166,993 (2007 – $2,913,119). This is included as part of the balance of trade payables at 30 June 2008 and is subject to charge until disbursed to the eligible franchisees. The amount subject to the charge will vary dependant on trailing commission received by Mortgage Choice Limited from time to time and franchisee performance.

The second charge is a floating charge over all of the assets of Mortgage Choice Limited. It is limited in the powers it allows the security trustee company to exercise prior to liquidation. Its primary purpose is to ensure that the loan book security structure need not be subject to the moratorium arising if an administrator were to be appointed to Mortgage Choice Limited. Only after liquidation does this charge confer comprehensive mortgagee powers on the security trustee.

Fair values

The carrying amounts of trade and other payables at year end is a reasonable approximation of their fair values with the exception of the net present value of future trailing commissions payable which are accounted for at amortised cost.

Note 16. Current liabilities – Provisions

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Make good provision	**230**	–	**230**	–
Employee entitlements –annual leave	**481**	511	**481**	511
	711	511	**711**	511

(a) Make good provision

Mortgage Choice is required to restore the leased premises of its offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets. Make good costs that are not expected to be settled within 12 months have been included in non-current liabilities as detailed in Note 19.

(b) Movements in provisions

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

	Make good provision $'000
Consolidated and Parent entity - 2008	
Current	
Carrying amount at start of year	–
Amounts expected to be settled within 12 months transferred from non-current liabilities	80
Additional provision recognised – charged to leasehold improvements	150
Carrying amount at end of year	230

Note 17. Non-current liabilities – Payables

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Net present value of future trailing commissions payable	**78,910**	73,201	**78,910**	73,201
Licence fees repayable	**102**	200	**102**	200
	79,012	73,401	**79,012**	73,401

Note 18. Non-current liabilities – Deferred tax liabilities

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
The balance comprises temporary differences attributable to:				
NPV of future trailing commissions receivable	**51,434**	48,005	**51,434**	48,005
Intangibles	**386**	–	**386**	–
	51,820	48,005	**51,820**	48,005
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	**(32,371)**	(30,139)	**(32,371)**	(30,139)
Net deferred tax liabilities	**19,449**	17,866	**19,449**	17,866
Deferred tax liabilities to be settled within 12 months	**14,299**	13,511	**14,299**	13,511
Deferred tax liabilities to be settled after more than 12 months	**37,521**	34,494	**37,521**	34,494
	51,820	48,005	**51,820**	48,005

Movements – Consolidated and Parent entity	**NPV of future trailing commissions payable** $'000	**Intangibles** $'000	**Total** $'000
At 30 June 2006	42,812	–	42,812
Charged to the income statement	5,193	–	5,193
At 30 June 2007	48,005	–	48,005
Charged to income tax provision	–	202	202
Charged to the income statement	3,429	184	3,613
At 30 June 2008	51,434	386	51,820

Note 19. Non-current liabilities – Provisions

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Make good provision (refer note 16)	**135**	175	**135**	175
Employee entitlements – long service leave	**275**	235	**275**	235
	410	410	**410**	410

Movements in provisions

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

	Make good provision $'000
Consolidated and Parent entity - 2008	
Non-current	
Carrying amount at start of year	175
Amounts expected to be settled within 12 months transferred to current liabilities	(40)
Carrying amount at end of year	135

Note 20. Contributed equity

	Parent entity		Consolidated and Parent entity	
	2008 number '000	2007 number '000	**2008 $'000**	2007 $'000
(a) Share capital				
Ordinary shares – fully paid	**117,980**	117,593	**437**	203

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Total contributed equity as at 30 June 2008:

Details	Notes	Number of shares
Total ordinary shares on issue		118,439,867
Treasury shares	(i)	(460,000)
Total ordinary shares held as contributed equity		117,979,867

(i) Treasury shares

Treasury shares are shares in Mortgage Choice Limited that are held by the Mortgage Choice Performance Share Plan Trust for the purpose of issuing shares under the Mortgage Choice Performance Share Plan (PSP) (see note 32 for further information).

Date	Details	Number of shares
1 July 2006	Opening balance	–
29 December 2006	Shares issued to the Mortgage Choice Performance Share Plan Trust	216,150
30 June 2008	Balance	216,150
22 November 2007	Shares issued to the Mortgage Choice Performance Share Plan Trust	308,750
7 December 2007	Treasury shares issues under the Performance Share plan to employees	(5,245)
25 February 2008	Acquisition of shares on market to meet vesting requirements	34,945
25 February 2008	Treasury shares issues under the Performance Share plan to employees	(94,600)
30 June 2008	Balance	460,000

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
1 July 2006	Opening balance	117,592,767	203
29 December 2006	Shares issued to the Mortgage Choice Performance Share Plan Trust	216,150	477
29 December 2006	Held as treasury shares	(216,150)	(477)
30 June 2008	Balance	117,592,767	203
24 August 2007	Shares vested to employees under the Performance Share Plan	322,200	171
22 November 2007	Shares issued to the Mortgage Choice Performance Share Plan Trust	308,750	741
22 November 2007	Held as treasury shares	(308,750)	(741)
7 December 2007	Shares vested to employees under the Performance Share Plan	5,245	10
25 February 2008	Acquisition of shares on market to meet vesting requirements	(34,945)	–
25 February 2008	Shares vested to employees under the Performance Share Plan	94,600	53
30 June 2008	Balance	119,979,867	437

(c) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 32.

(d) Options

Information relating to the Mortgage Choice Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in the Directors', report – refer to section D of the Remuneration report on pages 24-28.

Note 21. Reserves and retained profits

(a) Reserves

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Share-based payments reserve	**1,291**	830	**1,291**	830
Movements:				
Share-based payments reserve				
Balance 1 July	**830**	343	**830**	343
Options and performance shares expensed	**757**	487	**757**	487
Issue of shares to the Mortgage Choice Performance Share Plan Trust	**–**	–	**741**	477
Funding of acquisition of shares by the Mortgage Choice Performance Share Plan Trust	**–**	–	**(741)**	(477)
Acquisition of shares on market to meet vesting requirements	**(62)**	–	**(62)**	–
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	**(234)**	–	**(234)**	–
Balance 30 June	**1,291**	830	**1,291**	830

(b) Retained profits

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Balance 1 July	**51,197**	46,909	**51,197**	46,909
Net profit for the year	**19,344**	19,587	**19,344**	19,587
Dividends	**(17,148)**	(15,299)	**(17,148)**	(15,299)
Balance 30 June	**53,393**	51,197	**53,393**	51,197

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise:-

- the fair value of options and performance shares granted but not vested.
- In the parent entity – the fair value of options and performance shares issued and funding of acquisition of shares by the Mortgage Choice Performance Plan Trust.

Note 22. Dividends

	Parent entity 2008 $'000	Parent entity 2007 $'000
(a) Ordinary shares		
Final dividend declared out of profits of the Company for the year ended 30 June 2006 of 7.5 cents per fully paid share paid on 18 September 2006:		
Fully franked based on tax paid @ 30%		
7.5 cents per share	–	8,819
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2006 of 5.5 cents per fully paid share paid 19 March 2007:		
Fully franked based on tax paid @ 30%		
5.5 cents per share	–	6,480
Final dividend declared out of profits of the Company for the year ended 30 June 2007 of 8.5 cents per fully paid share paid on 18 September 2007:		
Fully franked based on tax paid @ 30%		
8.5 cents per share	**10,041**	–
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2007 of 6.0 cents per fully paid share paid 18 March 2008:		
Fully franked based on tax paid @ 30%		
6.0 cents per share	**7,106**	–
	17,148	15,299
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 8.0 cents per fully paid ordinary share, (2007 – 8.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 September 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end, is	**9,475**	10,041

(c) Franked dividend

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2009.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007 – 30%)	**4,494**	5,019	**4,494**	5,019

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $4,061,000 (2007: $4,302,000).

Note 23. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated		Parent entity	
	2008 $	2007 $	**2008 $**	2007 $
Short-term employee benefits	**3,198,199**	2,743,646	**3,198,199**	2,743,646
Post-employment benefits	**424,860**	349,589	**424,860**	349,589
Long – term benefits	**34,941**	18,385	**34,941**	18,385
Share-based payments	**656,120**	350,819	**656,120**	350,819
	4,314,120	3,462,439	**4,314,120**	3,462,439

Detailed remuneration disclosures are provided in section A-C of the remuneration report on pages 20-24.

(b) Equity instrument disclosures relating to key management personnel

(i) Options and performance shares provided as remuneration and shares issued on exercise of such options

Details of options and performance shares provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 24-28.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Mortgage Choice Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008 **Name**	**Balance at the start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at the end of the year**	**Vested and exercisable**	**Unvested**
Directors of Mortgage Choice Limited							
P A Lahiff	1,493,600	1,200,000	–	–	2,693,600	323,200	2,370,400
Other key management personnel of the Group							
A D Crossley	320,100	216,000	–	–	536,100	81,800	454,300
A J Fraser*	117,050	–	–	(117,050)	–	–	–
M C Newton	298,350	–	–	–	298,350	92,200	206,150

* Entitlement to options has been forfeited as part of termination of employment

2007 Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Mortgage Choice Limited							
P A Lahiff	747,300	746,300	–	–	1,493,600	–	1,493,600
Other key management personnel of the Group							
A D Crossley	210,400	109,700	–	–	320,100	–	320,100
A J Fraser	71,400	45,650	–	–	117,050	–	117,050
M C Newton	201,100	97,250	–	–	298,350	–	298,350

(iii) Performance share rights

The number of performance share rights held during the financial year by each Director of Mortgage Choice Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008 **Name**	**Balance at the start of the year**	**Granted as compensation**	**Exercised**	**Other changes**	**Balance at the end of the year**	**Unvested**
Directors of Mortgage Choice Limited						
P A Lahiff	180,300	–	(97,000)	–	83,300	83,300
Other key management personnel of the Group						
A D Crossley	49,800	–	(24,500)	–	25,300	25,300
A J Fraser *	52, 550	–	–	(52,550)	–	–
M C Newton	49,000	39,900	(27,600)	–	61,300	61,300
N C Rose-Innes	–	29,300	–	–	29,300	29,300
D L Ennis	55,500	23,100	(24,000)	–	54,600	54,600
L A Wyatt	14,950	20,850	–	–	35,800	35,800
D M Hoskins	77,800	23,500	(33,900)	–	67,400	67,400
W J O'Rourke	70,700	21,650	(30,800)	–	61,550	61,550
M N Writer	28,200	17,600	–	–	45,800	45,800

* Entitlement to shares has been forfeited as part of termination of employment

2007 Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Unvested
Directors of Mortgage Choice Limited						
P A Lahiff	180,300	–		–	180,300	180,300
Other key management personnel of the Group						
A D Crossley	49,800	–	–	–	49,800	49,800
A J Fraser	38,700	13,850	–	–	52, 550	52, 550
M C Newton	49,000	–	–	–	49,000	49,000
D M Hoskins	60,100	17,700	–	–	77,800	77,800
W J O'Rourke	54,600	16,100	–	–	70,700	70,700
M N Writer	14,200	14,000	–	–	28,200	28,200
L A Wyatt	–	14,950	–	–	14,950	14,950

(iv) Share holdings

The number of shares in the Company held during the financial year by each Director of Mortgage Choice Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2008 **Name**	**Balance at the start of the year**	**Received during the year on the vesting of share rights**	**Other changes during the year**	**Balance at the end of the year**
Directors of Mortgage Choice Limited				
P A Lahiff	100,000	97,000	50,000	247,000
P D Ritchie	350,125	–	–	350,125
P G Higgins	5,822,939	–	–	5,822,939
R G Higgins	15,226,215	–	–	15,226,215
S C Jermyn	2,000,000	–	–	2,000,000
D E Ralston	50,000	–	–	50,000
Other key management personnel of the Group				
A D Crossley	–	24,500	(7,000)	17,500
M C Newton	–	27,600	–	27,600
N C Rose-Innes	–	–	–	–
D L Ennis	–	24,000	(24,000)	–
D M Hoskins	50	33,900	–	33,950
W J O'Rourke	2,089	30,800	–	32,889
M N Writer	–	–	–	–
L A Wyatt	–	–	–	–

2007 Name	Balance at the start of the year	Received during the year on the vesting of share rights	Other changes during the year	Balance at the end of the year
Directors of Mortgage Choice Limited				
P A Lahiff	100,000	–	–	100,000
P D Ritchie	350,125	–	–	350,125
P G Higgins	8,436,534	–	(2,613,595)	5,822,939
R G Higgins	19,991,583	–	(4,765,368)	15,226,215
S C Jermyn	4,000,000	–	(2,000,000)	2,000,000
D E Ralston	50,000	–	–	50,000
Other key management personnel of the Group				
A D Crossley	–	–	–	–
A J Fraser	–	–	–	–
M C Newton	–	–	–	–
D M Hoskins	50	–	–	50
W J O'Rourke	1,500	–	589	2,089
M N Writer	–	–	–	–
L A Wyatt	–	–	–	–

Shareholdings of Directors and other key management personnel of the Group include those that have been disclosed under representation made to them by the parties within the AASB 124 *Related Party Disclosures*. The Directors and other key management personnel have relied upon the representations made as they have no control or influence over the financial affairs of the personally related entities to substantiate the shareholdings declared. Where a personally related entity has declined to provide shareholding details, the shareholding of that personally related entity has been assumed to be nil.

Note 24. 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	
	2008 $	2007 $	**2008 $**	2007 $
(a) Audit service				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports	**215,500**	211,450	**201,800**	211,450
Total remuneration for audit services	**215,500**	211,450	**201,800**	211,450
(b) Non-audit services				
Audit-related services				
PricewaterhouseCoopers Australian firm:				
Audit of regulatory returns	**–**	2,500	**–**	2,500
Other assurance services	**7,500**	7,500	**7,500**	7,500
Total remuneration for audit-related services	**7,500**	10,000	**7,500**	10,000
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	**22,200**	15,500	**22,200**	15,500
Other tax services	**75,780**	9,780	**75,780**	9,780
Total remuneration for taxation services	**97,980**	25,280	**97,980**	25,280
Other services				
PricewaterhouseCoopers Australian firm:				
Consulting on employee share trust	**–**	40,090	**–**	40,090
Total remuneration for other services	**–**	40,090	**–**	40,090
Total remuneration for non-audit services	**105,480**	75,370	**105,480**	75,370

Note 25. Contingencies

CONTINGENT LIABILITIES

The parent entity and consolidated entity had contingent liabilities at 30 June 2008 in respect of:

Guarantees

Guarantees given in respect of premises leases $1,155,488 (2007: $297,552).

Contingent claims

From time to time disputes occur between the Company and its franchisees in the normal course of operation, a number of which may be unresolved at any point in time. At 30 June 2008 and 30 June 2007, there were no disputes or claims in progress that are expected to have a material financial impact on the Company.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 26. Commitments

(a) Lease commitments

Non-cancellable operating leases

The Company leases various offices under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Company also leases various office equipment under non-cancellable operating leases. The table below includes lease commitments associated with the relocation of the Company's head office to new premises in North Sydney.

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Operating leases				
Operating lease expenditure contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	**920**	648	**920**	648
Later than one year but not later than five years	**3,325**	539	**3,325**	539
Later than five years	**185**	–	**185**	–
	4,430	1,187	**4,430**	1,187

(b) Other commitments

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Commitments in relation to non-cancellable obligation for the supply of media placement services as at the reporting date but not recognised as liabilities payable:				
Within one year	**830**	–	**830**	–
Later than one year but not later than five years	**50**	–	**50**	–
	880	–	**880**	–

Note 27. Related party transactions

(a) Parent entities

The parent entity within the Group is Mortgage Choice Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 23.

(d) Loans to/from related parties

The Group has formed a trust to administer the Group's employee share scheme. This is funded by the parent entity. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

Note 28. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of Shares	Equity holding 2008 %	Equity holding 2007 %	Cost of parent entity's investment 2008 $	Cost of parent entity's investment 2007 $
Mortgage Choice (W.A.) Pty Limited	Australia	Ordinary	**100**	100	**100**	100
MC Loan Book Security Pty Limited	Australia	Ordinary	**100**	100	**2**	2

Note 29. Events occurring after the balance sheet date

Dividend payment

A final ordinary dividend of $9,475,000 (8.0 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2008 on 20 August 2008 to be paid on 15 September 2008.

The financial effects of the above transaction have not been brought to account at 30 June 2008.

Note 30. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Profit for the year	**19,344**	19,587	**19,344**	19,587
Depreciation and amortisation	**1,184**	705	**1,184**	705
Non-cash employee expense benefits – share-based payments	**695**	487	**695**	487
Non-cash net present value of future trailing inflows	**(11,429)**	(17,310)	**(11,429)**	(17,310)
Non-cash net present value of future trailing outflows	**7,440**	12,280	**7,440**	12,280
Interest received on cash and deposits at call	**(746)**	(628)	**(746)**	(628)
Net loss on sale of non-current assets	**5**	11	**5**	11
Change in operating assets and liabilities:				
Decrease/(increase) in trade and other receivables	**819**	(1,332)	**819**	(1,332)
(Increase)/decrease in deferred tax asset	**(74)**	82	**(74)**	82
(Increase)/decrease in other operating assets	**(322)**	91	**(322)**	91
(Decrease)/increase in trade payables	**(921)**	1,587	**(921)**	1,587
(Decrease)/increase in other operating liabilities	**(402)**	(267)	**(402)**	(267)
(Decrease)/increase in provision for income taxes payable	**(379)**	(297)	**(379)**	(297)
Increase/(decrease) in provision for deferred income tax	**1,583**	1,509	**1,583**	1,509
Increase/(decrease) in other provisions	**200**	219	**200**	219
Net cash inflow from operating activities	**16,997**	16,724	**16,997**	16,724

Note 31. Earnings per share

	Consolidated	
	2008 Cents	2007 Cents
Basic earnings per share	**16.4**	16.6
Diluted earnings per share	**16.3**	16.4
	$'000	$'000
Earnings used in calculating earnings per share – profit from continuing operations	**19,344**	19,587

	2008 Number	2006 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**118,270,854**	117,701,730
Adjustments for calculation of diluted earnings per share:		
Rights and options	**499,304**	1,396,210
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**118,770,158**	119,097,940

INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

(a) Options

Options granted to employees under the Mortgage Choice Executive Performance Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in the Remuneration report.

(b) Performance Share Plan

Rights to shares issued to employees under the Mortgage Choice Performance Share Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The rights have not been included in the determination of basic earnings per share. Details relating to the options are set out in the Remuneration report.

Note 32. Share-based payments

(a) Executive Performance Option Plan (EPOP)

The Executive Performance Option Plan may be offered on an annual basis to a limited number of the most senior executives within the Company. The issue of options has been confined to the Managing Director and the Company's three most senior executives, being the Chief Financial Officer, Chief Operating Officer and Chief Information Officer. Participation in the EPOP provides one component of the market-based long-term incentive available to the selected executives within their aggregate remuneration package.

Under the terms of the EPOP, options (each over one share) are granted to senior executives identified by the Board. Any options offered and granted to the executives have an exercise price based on the market value of the Company's shares at the time of offer. Market value will be the trade-weighted average price of the Company's shares over the one-week period immediately preceding the date of offer.

The options offered to executives under the EPOP are subject to performance conditions set by the Board. Offers have a three-year performance period. In relation to options offered during the year ended 30 June 2008, the performance requirement will be based on the total Shareholder return (TSR) of the Company compared to the TSRs of a comparator group of companies. TSR is the percentage increase in the Company's share price plus reinvested dividends, expressed as a percentage of the initial investment, and reflects the increase in value delivered to Shareholders over the period.

The Company's TSR will be compared to the TSRs of companies in a comparator group comprised of selected S & P ASX Top 300 companies, being entities of broadly similar size to that of Mortgage Choice, but excluding mining and resource companies and property trust companies or trusts, over the performance period. The comparator companies have been drawn from a group within an approximate range of 40% to 200% of the market capitalisation of Mortgage Choice at the time of listing.

The companies comprising the comparator group for the year ending 30 June 2007 are Aevum Limited, AP Eagers Limited, ARB Corporation Limited, AVJennings Limited, Biota Holdings Limited, Blackmores Limited, Cardno Limited, Cellestis Limited, Ceramic Fuel Cells Limited, Coffey International Limited, Devine Limited, DWS Advanced Business Solutions Ltd, Fantastic Holdings Limited, Fleetwood Corporation Limited, Geodynamics Limited, Hastie Group Limited, Home Building Society Limited, Housewares International Limited, Independent Practitioner Network Ltd, IWL Limited, McGuigan Simeon Wines Limited, McMillan Shakespeare Limited, Melbourne IT Limited, Mitchell Communication Group Ltd, MYOB Limited, Nomad Building Solutions Limited, Oaks Hotels & Resorts Limited, Oakton Limited, Photon Group Limited, Port Bouvard Limited, Prime Television Limited, Redflex Holdings Limited, Regional Express Holdings Limited, Ridley Corporation Limited, RP Data Ltd, Select Harvests Limited, Servcorp Limited, SMS Management & Technology Ltd, SP Telemedia Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited, Talent2 International Limited, Tassal Group Limited, Technology One Limited, The MAC Services Group Limited, The Reject Shop Limited, Tower Limited, Trust Company Limited, Village Roadshow Limited, Wide Bay Australia Ltd.

If any of the companies in the comparator group ceases to exist in its current form for any reason other than its liquidation, or if the Board determines in its discretion that a company should no longer be in the comparator group because of an anomaly, distortion or other event that is not directly related to the financial performance of that company, that company will cease to form part of the comparator group.

Options will not become exercisable unless Mortgage Choice's TSR is above the 50th percentile of the comparator group at the end of the performance period. Above the 50th percentile, options will vest and become exercisable in accordance with a vesting scale.

The vesting scale is as follows:

Company Performance (TSR Percentile Ranking)	Percentage of offered options allocated
At or below the 50th percentile	0%
At the 51st percentile	52%
75th percentile or above	100%

Between the 51st percentile and 75th percentiles, an additional 2% of options will vest for every percentile increase in TSR ranking.

The rules of the EPOP permit the Company to issue new shares or to purchase shares on-market for the purposes of satisfying the exercise of options.

Any options which do not become exercisable following the application of the performance condition and vesting scale will lapse. An option that has become exercisable but is not exercised will lapse on the earlier of:

- 10 years after the date of offer;
- three months, or such other period determined by the Board, after the participant ceases employment for a reason other than a 'qualifying reason' (i.e. death, total and permanent disability, redundancy, and any other reason determined by the Board); and
- 12 months, or such other period determined by the Board, after the participant ceases employment for a 'qualifying reason'.

Where a participant ceases to be employed by the Company other than because of a 'qualifying reason', any options that have not become exercisable will lapse. However, if there is cessation of employment due to a 'qualifying reason', the Board may determine that some or all of the options may vest. In the event of a change of control of the Company, all options will vest.

If the Board determines that a participant has acted fraudulently or dishonestly, has committed an act of harassment or discrimination, is in serious breach of any duty to Mortgage Choice, or, in the Board's reasonable opinion, has brought Mortgage Choice into serious disrepute, any options held by the participant will lapse.

Details of options over ordinary shares in the Company provided as remuneration to each Director and key management personnel of Mortgage Choice Limited are set out below. When exercisable, each option is convertible into one ordinary share of Mortgage Choice Limited. Further information on the options is set out in the remuneration report.

Set out below are summaries of options granted under the plan:

Grant Date	**Expiry date**	**Exercise price**	**Balance at start of the year** Number	**Granted during the year** Number	**Exercised during the year** Number	**Expired during the year** Number	**Forfeited during the year** Number	**Balance at end of the year** Number	**Exercisable at end of the year** Number
Consolidated and parent entity – 2008									
10 August 2004	10 August 2014	$1.05	415,400	–	–	–	–	415,400	415,400
24 February 2005	24 February 2015	$1.08	81,800	–	–	–	–	81,800	81,800
2 September 2005	2 September 2015	$1.43	733,000	–	–	–	(71,400)	661,600	–
12 December 2006	12 December 2016	$2.60	998,900	–	–	–	(45,650)	953,250	–
31 August 2007	31 August 2017	$2.51	–	1,416,000	–	–	–	1,416,000	–
Total			2,229,100	1,416,000	–	–	(117,050)	3,528,050	497,200
Weighted average exercise price			$1.87	$2.51	–	–	$1.89	$2.13	$1.05

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2007									
10 August 2004	10 August 2014	$1.05	415,400	–	–	–	–	415,400	–
24 February 2005	24 February 2015	$1.08	81,800	–	–	–	–	81,800	–
2 September 2005	2 September 2015	$1.43	733,000	–	–	–	–	733,000	–
12 December 2006	12 December 2016	$2.60	–	998,900	–	–	–	998,900	–
Total			1,230,200	998,900	–	–	–	2,229,100	–
Weighted average exercise price			$1.28	$2.60	–	–	–	$1.87	–

The weighted average remaining contractual life of share options outstanding at the end of the period was 8.19 years (2007 – 8.54 years).

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2008 included:

* options are granted for no consideration, each tranche vests and is exercisable after three anniversaries of the date of grant;
* exercise price: $2.51 (2007 – $2.60);
* grant date: 31 August 2007 (2007 – 12 December 2006);
* expiry date: 31 August 2017 (2007 – 12 December 2016);
* share price at grant date: $2.49 (2007 – $2.68);
* expected price volatility of the Company's shares: 30% (2007 – 40%);
* expected dividend yield: 6.5% (2007 – 5.6%); and
* risk-free interest rate: 5.97% (2007 – 5.76%).

(b) Performance Share Plan (PSP)

The PSP permits eligible senior managers identified by the Board to be offered conditional entitlements to shares. The shares allocated to those employees are subject to the achievement of performance requirements specified by the Board. The PSP is designed to provide the long-term incentive component of remuneration for senior managers, in line with the Company's overall reward strategy, which aims to attract, motivate and retain high-performing managers.

Participation in the PSP is offered on an annual basis. Eligible senior managers are offered shares to a value determined by reference to the Company's reward policy and market practice with regard to long-term incentive arrangements provided by peer organisations. The actual number of shares allocated to participants depends on Mortgage Choice's performance against the performance criteria. Any conditional entitlements that participants do not become entitled to at the end of the performance period (i.e. as the performance condition has not been met in full), will lapse.

The performance requirements and vesting scale applicable to the offers under the PSP during the year ended 30 June 2008 are identical to those specified for the initial offer under the Executive Performance Option Plan.

The rules of the PSP permit the Company to issue new shares or to purchase shares on-market if the performance requirements are satisfied at the end of the three-year performance period. Participants will not be required to pay for any shares that may be allocated to them under the PSP. Until the shares are released from the PSP, they will remain subject to the PSP rules and to the 'holding lock' applied pursuant to those rules, and the participant will be restricted in his or her ability to deal in those shares.

Shares will not be released from the PSP and will remain subject to a holding lock until a Notice of Withdrawal, that has been approved by the Board, is lodged with the Plan Administrator in respect of them. Once a Notice of Withdrawal is accepted, the Plan Administrator will release the holding lock in respect of the shares which are the subject of that Notice.

A Notice of Withdrawal may be lodged by a participant following the earlier of:

- 1 July in the year (being a period commencing 1 July and ending 30 June) that is 10 years after the year in which the offer is made and is accepted by the participant;
- the participant ceasing to be an employee of the Company;
- a 'capital event' (generally, a successful takeover offer or scheme of arrangement relating to the Company) occurring; or
- the date upon which the Board gives its written consent to the lodgement of a Notice of Withdrawal by the participant.

While shares remain subject to the PSP rules, participants will, in general, enjoy the rights attaching to those Shares (such as voting or dividend rights etc). These rights are not available to participants prior to the performance requirements being met. Where a participant ceases to be employed by Mortgage Choice prior to the end of the performance period, other than because of a 'qualifying reason' (i.e. death, total and permanent disability, redundancy, and any other reason determined by the Board), any conditional entitlements to receive shares will lapse. However, in the event of a change in control of the Company or if there is cessation of employment due to a 'qualifying reason', the Board may determine that some or all of the shares may be allocated to the participant.

If the Board determines that a participant has acted fraudulently or dishonestly, has committed an act of harassment or discrimination, is in serious breach of any duty to Mortgage Choice, or, in the Board's reasonable opinion, has brought Mortgage Choice into serious disrepute, any shares to which the participant may have become entitled at the end of the performance period, and any shares held by the participant under the PSP are forfeited by the participant.

Details of performance shares in the Company provided as remuneration to each Director and key management personnel of Mortgage Choice Limited are set out below. Further information on the performance shares is set out in the remuneration report.

Set out below are summaries of performance shares conditionally issued under the plan:

Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2008									
10 August 2004	10 August 2007	$1.05	297,400	–	(297,400)	–	–	–	–
6 September 2004	6 September 2007	$1.05	24,800	–	(24,800)	–	–	–	–
4 January 2005	4 January 2008	$0.91	94,800	–	(70,100)	–	(24,700)	–	–
24 February 2005	24 February 2008	$1.08	24,500	–	(24,500)	–	–	–	–
2 September 2005	2 September 2008	$1.43	415,900	–	–	–	(87,200)	328,700	–
12 December 2006	31 August 2009	$2.21	211,800	–	(5,245)	–	(56,255)	150,300	–
31 August 2007	31 August 2010	$2.20	–	308,750			–	308,750	
Total			1,069,200	308,750	(422,045)	–	(168,155)	787,750	–
Weighted average exercise price			$1.42	$2.20	$1.04	–	$1.61	$1.88	–

Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity – 2007									
10 August 2004	10 August 2007	$1.05	297,400	–	–	–	–	297,400	–
6 September 2004	6 September 2007	$1.05	24,800	–	–	–	–	24,800	–
4 January 2005	4 January 2008	$0.91	117,900	–	–	–	(23,100)	94,800	–
24 February 2005	24 February 2008	$1.08	24,500	–	–	–	–	24,500	–
2 September 2005	2 September 2008	$1.43	437,600	–	–	–	(21,700)	415,900	–
12 December 2006	31 August 2009	$2.21	–	216,150	–	–	(4,350)	211,800	–
Total			902,200	216,150	–	–	(49,150)	1,069,200	–
Weighted average exercise price			$1.21	$2.21	–	–	$1.25	$1.42	–

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 1.15 years (2007 – 0.99 years).

The assessed fair value at grant date of share rights granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Monte Carlo simulation model utilising a Black-Scholes option pricing model framework that takes into account the term of the rights, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share rights.

The model inputs for performance shares granted during the year ended 30 June 2008 included:

- share rights are granted for no consideration, each tranche vests and is exercisable after three anniversaries of the date of grant;
- grant date: 31 August 2007 (2007 – 12 December 2006);
- expiry date: 31 August 2017 (2007 – 12 December 2016);
- share price at grant date: $2.49 (2007 – $2.68);
- expected price volatility of the Company's shares: 30% (2007 – 40%);
- expected dividend yield: 6.5% (2007 – 5.6%); and
- risk-free interest rate: 5.97% (2007 – 5.76%).

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Parent entity	
	2008 $'000	2007 $'000	**2008 $'000**	2007 $'000
Options issued under EPOP	**472**	217	**472**	217
Shares issues under PSP	**285**	270	**285**	270
	757	487	**757**	487

Directors' declaration

30 JUNE 2008

In the Directors' opinion:

(a) the financial statements and notes set out on pages 34-71 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 Company's and consolidated entity's financial position as at 30 June 2008 and of their 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; and

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

PETER RITCHIE
DIRECTOR

SYDNEY
19 AUGUST 2008

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of

Mortgage Choice Limited

Report on the financial report

We have audited the accompanying financial report of Mortgage Choice Limited (the company), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Mortgage Choice Limited and the Mortgage Choice Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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 Mortgage Choice 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 2008 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;* and

(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 6 to 17 of the directors' report for the year ended 30 June 2008. 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 Mortgage Choice Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

R L Wilkie
Partner

Sydney
20 August 2008

Shareholder information

The Shareholder information set out below was applicable as at 15 August 2008.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Class of equity security		
	Ordinary Shares	**Options**	**Conditional entitlements**
1 – 1,000	391		
1,001 – 5,000	1401		
5,001 – 10,000	868		1
10,001 – 100,000	796		14
100,001 and over	43	3	0
	3,499	3	15

There were 81 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders.

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	**Percentage of issued shares**
HSBC Custody Nominees (Australia) Limited	17,050,513	14.40
J P Morgan Nominees Australia Limited	12,663,176	10.69
Ochoa Pty Ltd	9,620,000	8.12
Merrill Lynch (Australia) Nominees Pty Ltd	5,917,928	5.00
Basscave Pty Limited	5,817,939	4.91
R G Higgins	5,601,215	4.73
National Nominees Limited	5,257,223	4.44
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/c>	2,897,164	2.45
ANZ Nominees Limited	2,733,096	2.31
Cogent Nominees Pty Limited <SMP Accounts>	2,354,792	1.99
Citicorp Nominees Pty Limited	2,176,782	1.84
Citicorp Nominees Pty Limited < Cwlth Bank Off Super A/c>	2,035,142	1.72
SCJ Pty Ltd atf Jermyn Family Trust	2,000,000	1.69
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/c>	1,999,480	1.69
Bond Street Custodians Limited <Ganes Value Growth A/c>	1,124,851	0.95
AMP Life Limited	891,950	0.75
Mr Ian Edwards & Mrs Josephine Edwards	675,000	0.57
Mr Peter Alexander Brown	540,000	0.46
Invia Custodian Pty Limted <Wilson Invmt Fund Ltd>	519,715	0.44
Pacific Custodians Pty Ltd <MOC PSP Share Plan>	460,000	0.39
	82,335,966	69.54

Unquoted equity securities

	Number on Issue	Number of holders
Options issued under the Executive Performance Option Plan	3,528,050	3
Conditional entitlements over ordinary shares pursuant to the Performance Share Plan	319,400	15

C. SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
R G Higgins and Ochoa Pty Ltd	15,226,215	12.92
FMR Corp. & Fidelity International Limited	13,270,161	11.20
Hyperion Asset Management Limited	11,969,761	10.11
Orbis Investment Management (Australia) Pty Ltd	9,788,644	8.26

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights

(c) Conditional entitlements

No voting rights

Directory

Directors	P D Ritchie Chairman
	P A Lahiff Managing Director
	P G Higgins
	R G Higgins
	S C Jermyn
	D E Ralston
Secretary	D M Hoskins
Senior Management	A D Crossley Chief Financial Officer
	M C Newton Chief Operating Officer
	N C Rose-Innis Chief Information Officer
	D L Ennis Head of Sales
	L Wyatt Head of Marketing
	W J O'Rourke National Corporate Affairs Manager
	D A Player National Lending Manager
	M N Writer National Human Resources Manager
Notice of annual general meeting	The annual general meeting of Mortgage Choice Limited will be held at:
	The Pavilion Gallery Level Star Court – Darling Park 201 Sussex Street Sydney NSW 2000
	Time: 11.00am
	Date: 18 November 2008
	A formal notice of meeting is enclosed
* Principal registered office in Australia	Level 7 182 – 186 Blues Point Road North Sydney 2060 (02) 8907 0444
Share and debenture register	Link Market Services Limited Level 8, 580 George Street Sydney NSW 2000
Auditor	PricewaterhouseCoopers Chartered Accountants Darling Park Tower 2 201 Sussex Street Sydney NSW 2000
Solicitors	Minter Ellison Aurora Place, 88 Phillip Street Sydney NSW 2000
Bankers	ANZ Banking Group Limited 116 Miller Street North Sydney NSW 2060
Stock exchange listings	Mortgage Choice Limited shares are listed on the Australian Stock Exchange.

Website address www.mortgagechoice.com.au

* Mortgage Choice head office will move to new premises in October 2008. The address will then be:
Level 10, 100 Pacific Highway, North Sydney NSW 2060.

MORTGAGE CHOICE