MORTGAGE CHOICE ANNUAL REPORT 2009

MORTGAGE CHOICE

MORTGAGE CHOICE LIMITED
ACN 009 161 979

contents

CORPORATE DIRECTORY

FOR THE YEAR ENDED 30 JUNE 2009

DIRECTORS	P D Ritchie Chairman S J Clancy P G Higgins R G Higgins S C Jermyn D E Ralston
CHIEF EXECUTIVE OFFICER	M I Russell
SECRETARY	D M Hoskins
DIVISIONAL GENERAL MANAGERS	Chief Financial Officer S R Mitchell Chief Information Officer N C Rose-Innes Head of Franchise Distribution D L Ennis Head of Human Resources M N Writer
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 time 10:00 am date 24 November 2009
PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	Level 10 100 Pacific Highway North Sydney NSW 2060 (02) 8907 0444
SHARE REGISTER	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 (02) 8280 7111
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 LISTING	Mortgage Choice Limited shares are listed on the Australian Stock Exchange.
WEBSITE ADDRESS	www.mortgagechoice.com.au

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2009

Your Directors present their report on the consolidated entity consisting of Mortgage Choice Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2009, hereafter referred to 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 G Higgins
R G Higgins
S C Jermyn
D E Ralston

S J Clancy was appointed as a Director on 18 May 2009 and continues in office at the date of this report.

P A Lahiff was a Director from the beginning of the financial year until his resignation on 19 May 2009.

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 prospective borrowers;
- the assessment, at the request of those borrowers, of a wide range of home loan or other products; and
- the submission of loan applications on behalf of prospective borrowers.

3. DIVIDENDS

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

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 and paid on 15 September 2008.

An interim ordinary dividend of $5.650 million (4.75 cents per fully paid share) was declared out of profits of the Company for the half-year ended 31 December 2008 on 25 February 2009 and paid on 23 March 2009.

A final ordinary dividend of $6.542 million (5.5 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2009 on 21 August 2009 to be paid on 16 September 2009.

4. REVIEW OF OPERATIONS

Operational results for the year

The global credit crisis, which developed during 2007, has continued to affect the level of consumer demand for housing loans. As a result, the value of Mortgage Choice loan approvals fell on the whole as compared to the prior year. However, the robustness of Mortgage Choice's franchise system combined with improving market conditions, including the impact of historically low interest rates and the First Home Owners Grant boost, resulted in a marked increase in the last few months of the financial year.

	FY09	FY08
Loans approved – $m	10,059	10,958
Change	(8.2%)	(1.6%)
Loans settled – #	33,646	38,491
Change	(12.6%)	(5.0%)
Loans settled – $m	8,620	9,560
Change	(9.8%)	0.4%

The decline in the level of market activity has had a direct impact not only in reducing settlements, from which Mortgage Choice derives origination commission, but also from the reduced level of refinancing and other activity, which affects the "run off" of Mortgage Choice's loan book. A reduction in the rate of "run off" means a higher proportion of the aged loan book is retained than would otherwise be the case.

The Group's loan book balance continued to grow. At 30 June 2009, the balance was $36.0 billion, a 5% increase on the 31 December 2008 and an 8% increase on the 30 June 2008 balance of $33.3 billion.

Financial results for the year

The profit for the year reflects lower origination fee levels, which have resulted from the two fold pressure of a fall in settlement volumes and the reduction in upfront fees implemented by a number of lenders throughout the year. Trailing commissions for the year have been reduced on the one hand by taking the present value of newly implemented reduced trail rates on new loans. But on the other hand the reduction in run off rate has increased the value of future trailing commissions on the book as a whole.

At year end, the Company performed a full actuarial review of the loan book and the assumptions used to estimate future trailing commission. This review identified that the actual run-off rate experienced in the loan book has deviated notably from the assumed rate. The loan book is experiencing a longer loan life than had been reflected in the balance sheet trailing commission receivable and associated payable to date. In accordance with the Group's accounting policy, the assumptions used to estimate future cash flows were reassessed and a one-off, non-cash balance sheet adjustment of $15.6 million, after tax, was made to reflect the change in estimate. This adjustment was recognised through the profit and loss for the year.

The effect of the adjustment is summarised below.

	UNDERLYING RESULT	ADJUSTMENT TO LOAN BOOK ASSUMPTIONS	TOTAL RESULT
	30-Jun-09		30-Jun-09
Result for FY09	$000's	$000's	$000's
Total Revenue	134,305	58,590	192,895
Result before tax	15,842	22,303	38,145

The Group will continue to review the assumptions used in estimating the future trailing commissions, as required in the Group's accounting policies, and recognise any changes in net assets in the period in which the review is performed.

The following summarises the results of the Group for the year ended 30 June 2009:

	YEAR ENDED	YEAR ENDED
	30-Jun-09	30-Jun-08
Financial Summary	$000's	$000's
Total Revenue	192,895	161,391
Result before tax	38,145	27,675

Strategy and Plans for next year

Mortgage Choice has developed a number of clear and measurable goals for this year and most importantly a strategic plan to deliver them. The plan is codenamed DREAM, which is an acronym for:

- Diversification – introduce new products to increase revenues, enhance customer retention and strengthen our duty of care to our customers.
- Recruitment – re-ignite recruitment initiatives for new franchisees while adding value for them, with green field sites a priority.
- Existing franchises – foster initiatives to escalate their organic growth.
- Acquisitions – identify acquisition opportunities that meet our benchmarks.
- Manage costs – continue diligent management of our cost base and work hard to create scalable business platforms.

5. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except for the matters disclosed in the 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 matters or circumstances have arisen since 30 June 2009 that have significantly affected, or may significantly affect:

(a) the Group's operations in future financial years,

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

(c) the Group'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 Group 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 Group.

8. ENVIRONMENTAL REGULATION

The Group 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

PETER RITCHIE AO, BCOM, FCPA **Independent Non-Executive Chairman** Chairman of Nomination and Remuneration Committees	Peter is Deputy Chairman of Seven Network and Chairman of Reverse Corp Limited. He 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 67.
PETER HIGGINS **Non-Executive Director** Member of Audit Committee	Peter is co-founder of Mortgage Choice. He currently serves as a Director of technology company Power & Data Corporation Pty Ltd, trading as Mainlinepower.com. Having been successfully self-employed for over 25 years, Peter is an investor in a diverse number of industries covering manufacturing, agriculture, technology, property and finance. Age 49.
RODNEY HIGGINS **Non-Executive Director** Member of Nomination and Remuneration Committees	Rodney is co-founder of Mortgage Choice. With a background in residential and commercial property, sales and leasing, he has been a Director of companies involved in manufacturing, wholesaling, importing, retailing and finance. Age 54.
DEBORAH RALSTON PHD, FAICD, FAIM, FCPA **Independent Non-Executive Director** Member of Audit Committee	Deborah is Director of the Melbourne Centre for Financial Studies and Professor of Finance at Monash University. She was formerly Pro Vice Chancellor at the University of Canberra and has also been Director of the Centre for Australian Financial Institutions at the University of Southern Queensland. Deborah is a former Director of Heritage Building Society. Age 56.
STEVE JERMYN FCPA **Independent Non-Executive Director** Chairman of Audit Committee	Steve joined McDonald's Australia in 1984 and joined the Board of Directors in 1986. In June 1999, he was appointed Deputy Managing Director. Steve 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 60.
SEAN CLANCY DIP MKT **Independent Non-Executive Director** Member of Audit Committee	With a sales and marketing background across many industries including banking, fast moving consumer goods, liquor, pharmacy, consumer electronics, telecommunications and hardware, Sean brings a diverse range of knowledge and expertise to the Mortgage Choice Board. He is also a Director of the Sydney Australian Football Foundation. Age 49.
PAUL LAHIFF BSC AGR, FAIM **Managing Director**	Paul's experience includes roles as Managing Director of Permanent Trustee Limited and Heritage Building Society, as well as senior executive roles with Westpac Banking Corporation and the credit union sector. He was responsible for managing Group operations. Age 56. Resigned 19 May 2009.

The table below sets out the Directors' interests at 30 June 2009:

DIRECTOR	PARTICULARS OF DIRECTORS' INTERESTS IN SHARE AND OPTIONS
P D Ritchie	350,125 ordinary shares.
S J Clancy	Nil
P G Higgins	5,822,939 ordinary shares
R G Higgins	15,226,215 ordinary shares
S C Jermyn	2,000,000 ordinary shares
D E Ralston	50,000 ordinary shares.

10. COMPANY SECRETARY

The Company Secretary is Mr D M Hoskins B Com, CPA, CSA. Mr Hoskins was appointed to the position of Company Secretary in 2000. Before joining Mortgage Choice Limited he had experience in a variety of accounting and company secretarial functions, primarily in the finance and insurance industries.

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 2009, and the numbers of meetings attended by each Director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
P D Ritchie	10	10	*	*	1	1	1	1
S J Clancy	3	3	1	1	*	*	*	*
P G Higgins	10	10	3	3	*	*	*	*
R G Higgins	9	10	*	*	1	1	1	1
P A Lahiff	7	8	*	*	*	*	*	*
S C Jermyn	10	10	3	3	*	*	*	*
D E Ralston	10	10	3	3	*	*	*	*

A = Number of meetings attended

B = Number of meetings held

* = Not a member of the relevant committee

12. RETIREMENT, ELECTION AND CONTINUATION IN THE OFFICE OF DIRECTORS

In accordance with the Constitution, Peter Ritchie and Steve Jermyn retire by rotation and, being eligible, offer themselves for re-election and Sean Clancy ceases to hold office at the Annual General Meeting of the Company and, being eligible, offers himself for 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 the achievement of strategic objectives and the creation of value for shareholders, and conforms with best practice. 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 the remuneration framework:

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

Alignment to program participants' interests means the remuneration framework:

- 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 within 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 that 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 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.

Directors' fees

The base remuneration for the year ended 30 June 2009 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 at the 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 paid:

	FROM 1 JULY 2009	FROM 1 JULY 2008 TO 30 JUNE 2009
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, as required under the Australian superannuation guarantee legislation, are paid on Non-Executive Directors' remuneration and are included in the fees above.

Executive pay

The executive pay and reward framework has three components:

- base pay and non-cash benefits;
- short-term incentives; and
- long-term incentives through participation in executive and employee share-based plans.

The combination of these comprises an executive's total remuneration. The Company intends to revisit the incentives during the year ending 30 June 2010.

Base pay

An executive's base pay comprises a fixed cash salary plus superannuation. Executives have an opportunity to salary sacrifice amounts from their fixed salary towards a series of prescribed benefits and any associated fringe benefits tax.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay is reviewed annually in conjunction with external consultants to ensure it 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.

Non-cash benefits

Executives do not receive non-cash benefits in addition to base pay except in isolated circumstances approved by the Board or remuneration committee.

Short-term incentives

Should the Group achieve the profit target set by the Board each year, a pool of short-term incentive funds ("STI") is made available for allocation during the annual review. Any amounts awarded as STI are payable in cash following the signing of the annual report each year. Using a profit target ensures variable reward is available only when value has been created for shareholders and when this value has been achieved in a manner consistent with the business plan. In addition, some executives have a target STI opportunity based solely on achieving a key performance indicator ("KPI") related to the accountabilities of the role and its impact on the organisation's or business unit's performance. These KPI's are set annually by the executive and the Managing Director or Chief Executive Officer.

For senior executives, the maximum STI opportunity ranges from 25% to 70% of their cash salary plus superannuation. However, from time to time, bonuses are provided outside of this structure for special projects or in special circumstances.

Each year, the remuneration committee reviews the appropriate profit target with which the STI plan will be linked and the level of payout if targets are met. This includes setting any maximum payout under the STI plan and the minimum levels of profit performance to trigger payment of STI. The STI payments may be adjusted up or down in line with under or over achievement against the target performance levels at the discretion of the remuneration committee.

Long-term incentives

Long-term incentives are provided in the form of share-based payments through the Executive Performance Option Plan (EPOP) and the Performance Share Plan (PSP): see pages 10-14 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 the Group are the Non-Executive Directors of Mortgage Choice Limited, Managing Director P A Lahiff *(resigned as a Director 19 May 2009)*, the Chief Executive Officer M I Russell *(from 23 April 2009)*, and those executives that reported directly to the Managing Director, or afterwards to the Chief Executive Officer, during the year:

- S R Mitchell – *Chief Financial Officer (from 27 February 2009)*
- A D Crossley – *Chief Financial Officer (to 27 February 2009)*
- M C Newton – *Chief Operating Officer (to 15 May 2009)*
- N C Rose-Innes – *Chief Information Officer*
- D L Ennis – *Head of Franchise Distribution*
- L A Wyatt – *Head of Marketing (to 17 October 2008)*
- D M Hoskins – *Company Secretary*
- W J O'Rourke – *National Manager Corporate Affairs (to 17 October 2008)*
- M N Writer – *Head of Human Resources*

In addition, D A Player, *National Lending Manager (to 12 June 2009)* must be disclosed under the *Corporations Act 2001* as she is among the 5 highest remunerated Group executives.

Subsequent to year end, P A Lahiff resigned from the Company effective 1 July 2009.

Key management personnel of Mortgage Choice Limited

2009	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS	LONG-TERM BENEFITS		SHARE-BASED PAYMENTS	
Name	Cash salary and fees $	STI $	Non-monetary benefits $	Super-annuation $	Long service leave $	Termination benefits $	Shares, Rights & options[1] $	Total $
Non-Executive Directors								
P D Ritchie								
Chairman	110,000	–	–	9,900	–	–	–	119,900
S J Clancy *(from 18/5/09 to 30/6/09)*	7,308	–	–	658	–	–	–	7,966
P G Higgins	60,000	–	–	5,400	–	–	–	65,400
R G Higgins	60,000	–	–	5,400	–	–	–	65,400
S C Jermyn	60,000	–	–	5,400	–	–	–	65,400
D E Ralston	60,000	–	–	5,400	–	–	–	65,400
Sub-total Non-Executive Directors	357,308	–	–	32,158	–	–	–	389,466
Executive Directors								
P A Lahiff [2] **Managing Director** *(from 1/7/08 to 19/5/09)*	505,758	–	9,405	45,518	34,078	735,928	(443,439)	887,248
M I Russell [4] **Chief Executive Officer** *(from 23/4/09- 30/6/09)*	100,843	–	–	8,507	–	–	32,918	142,268
Other key management personnel								
D L Ennis [3]	230,422	–	–	20,631	6,755	–	33,796	291,604
S R Mitchell *(from 27/2/09 to 30/6/09)*	89,158	–	–	7,490	–	–	–	96,648
N C Rose-Innes [3]	223,600	–	–	20,124	632	–	23,707	268,063
M N Writer	161,200	12,090	–	15,596	1,719	–	24,653	215,258
D M Hoskins [3, 5]	162,463	–	–	9,762	9,845	120,365	6,748	309,183
M C Newton [3] *(from 1/7/08 to 15/5/09)*	235,973	40,500	–	24,883	12,915	230,122	(7,698)	536,695
A D Crossley *(from 1/7/08 to 27/2/09)*	186,174	–	–	16,756	(4,050)	93,600	(69,167)	223,313
L A Wyatt *(from 1/7/08 to 17/10/08)*	57,022	–	–	5,132	(1,125)	33,225	10,299	104,553
W J O'Rourke *(from 1/7/08 to 17/10/08)*	59,383	–	–	5,344	6,559	136,545	12,220	220,051
Total key management personnel compensation	2,369,304	52,590	9,405	211,901	67,328	1,349,785	(375,963)	3,684,350
Other Company and Group executives								
D A Player [3] *(from 1/7/08 to 12/6/09)*	175,171	–	–	15,765	11,917	83,378	32,744	318,975

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

2. P A Lahiff's employment terminated effective 1 July 2009, whereby his unvested options lapsed. His termination benefits include payment in lieu of notice and payment for past services.

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

4. M I Russell received 2.5m options in the 1 May 2009 grant in conjunction with accepting the role of Chief Executive Officer as of 23 April 2009.

5. D M Hoskins ceased to be an employee on 31 December 2008 after which his services were provided through The Governance Practice Pty Limited. Payments to this entity are included in the above table.

Key management personnel of Mortgage Choice Limited

2008	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS		LONG-TERM BENEFITS	SHARE-BASED PAYMENTS	
Name	Cash salary and fees $	STI $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Long service leave $	Shares Rights & options [1] $	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 [2]	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 [2]	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 [2]	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 [2]	186,279	51,660	24,545	22,263	–	5,551	32,075	322,373
W J O'Rourke [2]	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

The 2008 comparatives include salary sacrifice components as non-monetary benefits or superannuation where relevant. In 2009 these are included in cash salary and fees.

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

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

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	
	2009	2008	**2009**	2008	**2009**	2008
Executive Directors of Mortgage Choice Limited						
P A Lahiff	**100%**	43%	**–**	26%	**–**	31%
Other key management personnel of Group						
M I Russell	**77%**	–	**–**	–	**23%**	–
D L Ennis	**88%**	74%	**–**	17%	**12%**	9%
S R Mitchell	**100%**	–	**–**	–	**–**	–
N C Rose-Innes	**91%**	74%	**–**	20%	**9%**	6%
M N Writer	**83%**	74%	**6%**	17%	**11%**	10%
D M Hoskins	**98%**	74%	**–**	16%	**2%**	10%
M C Newton	**92%**	68%	**8%**	19%	**–**	13%
A D Crossley	**100%**	62%	**–**	22%	**–**	16%
L A Wyatt	**90%**	75%	**–**	17%	**10%**	8%
W J O'Rourke	**94%**	74%	**–**	16%	**6%**	10%
Other Company and Group executives						
D A Player	**90%**	74%	**–**	16%	**10%**	10%

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, the Chief Executive Officer and other key management personnel are set out in their respective letters of employment. The employment terms do not prescribe the duration of employment for executives, other than for the Chief Executive Officer who has a set term of employment of two years and for D M Hoskins *(after 31 December 2008)* who has a set term of one year. The periods of notice required to terminate employment are set out below:

- The employment contracts of Messrs Lahiff, Russell, Rose-Innes, Crossley, Newton, Hoskins *(up to 31 December 2008)* and Ms Mitchell are terminable by either the Company or the executive with three months notice.
- The employment contracts of Messrs O'Rourke, Writer, Ms Ennis and Ms Wyatt are terminable by either the Company or the executive with four weeks notice and in the case of Ms Player, one month notice.

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

- The employment terms of Messrs Crossley, Newton and Hoskins *(up to 31 December 2008)* provide for 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.
- Mr Russell'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 Russell will become entitled to a severance payment equivalent to 6 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 eligible executives as determined by the Board. The details of each offer may differ as to the particulars, especially with regard to performance criteria and performance period. Participation in the EPOP provides one component of the long-term incentive available to the selected executives within their aggregate remuneration package.

Under the terms of the EPOP, options are offered over one ordinary share and 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. In the year ending 30 June 2009, options were offered on 2 October 2008, 20 November 2008 and 1 May 2009. In relation to options offered in October and November 2008, the performance requirement is based on the total shareholder return (TSR) of the Company as compared to the TSR of a comparator group of companies for a three year period. The performance requirement for the options offered in May 2009 is tenure based over a two year period.

With regard to the options using TSR as the basis of the performance criteria, the 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 of broadly similar size to that of Mortgage Choice, excluding mining and resource companies, as well as property related trusts or companies. The market capitalisation of the companies in the comparator group are within an approximate range of 40% to 200% of the market capitalisation of the Company.

The comparator group for the year ending 30 June 2009 comprises: Allco Finance Group Limited, Austin Engineering Limited, ASG Group Limited, Australian Vintage Ltd, Avexa Limited, Amazing Loans Limited, Becton Property Group, Biota Holdings Limited, Bravura Solutions Limited, Codan Limited, Costaexchange Ltd, Clean Seas Tuna Limited, Customers Limited, Cedar Woods Properties Limited, Coote Industrial Ltd, DKN Financial Group Limited, DWS Advanced Business Solutions Limited, Dyesol Limited, Eservglobal Limited, Forest Place Group Limited, Finbar Group Limited, Flexigroup Limited, GRD Limited, Gazal Corporation Limited, Infomedia Ltd, Keybridge Capital Limited, Maryborough Sugar Factory Limited, Orotongroup Limited, PRO Medicus Limited, Quantum Energy Limited, RCR Tomlinson Limited, Regional Express Holdings Limited, Resource Generation Limited, Retail Food Group Limited, RP Data Ltd, Specialty Fashion Group Limited, SP Telemedia Limited, Sirtex Medical Limited, Structural Systems Limited, Southern Cross Electrical Engineering Ltd, Tox Free Solutions Limited, Thinksmart Limited, Universal Biosensors Inc., United Overseas Australia Limited, Vision Group Holdings Limited, Viridis Clean Energy Group, VDM Group Limited, Webjet Limited, Wilson HTM Investment Group Ltd, Wattyl Limited.

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 at the end of the three year performance period unless Mortgage Choice's TSR for the period is above the 50th percentile of the TSR of the comparator group. Above the 50th percentile, options will vest and become exercisable in accordance with the following vesting scale:

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:

- ten 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
- twelve months, or such other period determined by the Board, after the participant ceases employment for a 'qualifying reason'.

When a participant ceases to be employed by the Company prior to the end of the performance period, 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, options will vest on a pro-rata basis or in their entirety for certain senior executives.

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 in the current year are as follows:

GRANT DATE	DATE VESTED AND EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE
2 September 2005	From 3 September 2008	2 September 2015	$1.43	$0.28
29 December 2006	From 31 August 2009	29 December 2016	$2.60	$0.67
22 November 2007	From 31 August 2010	22 November 2017	$2.51	$0.50
2 October 2008	From 29 August 2011	2 October 2018	$1.12	$0.18
20 November 2008	From 29 August 2011	20 November 2018	$1.12	$0.18
1 May 2009	From 22 May 2009	1 May 2019	$0.76	$0.03
1 May 2009	From 22 April 2010	1 May 2019	$0.76	$0.03
1 May 2009	From 22 April 2011	1 May 2019	$0.76	$0.03

Offers made under 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 the Company 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	**2009**	2008	**2009**	2008
Directors of Mortgage Choice Limited				
P A Lahiff	**3,396,250**	1,200,000	**229,014**	323,200
Other key management personnel				
A D Crossley	**–**	216,000	**69,444**	81,800
M C Newton	**491,050**	–	**58,806**	92,200
M I Russell	**2,500,000**	–	**900,000**	–

No options have been issued since the end of the year to the date of this report.

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 the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

(a) options are granted for no consideration, each tranche vests and is exercisable three years from grant date (2 October 2008 and 20 November 2008) or on scheduled vesting dates (1 May 2009);

(b) exercise price: $1.12 (2 October 2008 and 20 November 2008), $0.76 (1 May 2009) (2008 - $2.51);

(c) grant date: 2 October 2008, 20 November 2008 and 1 May 2009 (2008 – 22 November 2007);

(d) expiry date: 2 October 2018, 20 November 2018 and 1 May 2019 (2008 – 22 November 2017);

(e) share price at grant date: $1.12 (20 October 2008 and 20 November 2008), $0.75 (1 May 2009) (2008 - $2.49);

(f) expected price volatility of the company's shares: 34% (2008 – 30%);

(g) expected dividend yield: 10.0% (2 October 2008 and 20 November 2008), 13.9% (1 May 2009) (2008 –6.5%); and

(h) risk-free interest rate: 5.59% (2 October 2008 and 20 November 2008), 4.51% (1 May 2009) (2008 – 5.97%).

Shares provided on exercise of remuneration options

No shares were issued as a result of the exercise of options during the year ended 30 June 2009 (2008 – nil).

Performance Share Plan ("PSP")

The PSP permits eligible employees as 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 managers and any other designated employees.

Participation in the PSP is offered on an annual basis. Eligible employees 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 performance requirements and vesting scale applicable to offers under the PSP during the year ended 30 June 2009 are identical to those specified under the Executive Performance Option Plan for options using TSR as the basis of their performance criteria. The right to receive performance shares will lapse if the performance criteria have not been met at the end of the performance period.

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 are not required to pay for shares allocated to them under the PSP. Until the shares are released from the PSP, they will remain subject to the plan rules including the 'holding lock' applied pursuant to those rules and the participant is restricted from trading in those shares.

Shares will not be released from the PSP and will remain subject to a holding lock until a Notice of Withdrawal 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 ten 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).

Where a participant ceases to be employed by the Company prior to the end of the performance period, other than because of a 'qualifying reason' (i.e. death, total and permanent disability, redundancy, or 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
2 September 2005	$1.43	2 September 2008
12 December 2006	$2.21	31 August 2009
31 August 2007	$2.20	31 August 2010
31 August 2008	$1.00	31 August 2011

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

	NUMBER OF PERFORMANCE SHARE RIGHTS GRANTED DURING THE YEAR		NUMBER OF PERFORMANCE SHARES ISSUED DURING THE YEAR	
NAME	**2009**	2008	**2009**	2008
Directors of Mortgage Choice Limited				
P A Lahiff	**–**	–	**44,982**	97,000
Other key management personnel				
D L Ennis	**53,550**	23,100	**10,098**	24,000
N C Rose-Innes	**33,700**	29,300	**–**	–
M N Writer	**20,250**	17,600	**7,668**	–
D M Hoskins	**–**	23,500	**33,780**	33,900
M C Newton	**–**	39,900	**38,156**	27,600
A D Crossley	**112,750**	–	**13,662**	24,500
L A Wyatt	**–**	20,850	**16,915**	–
W J O'Rourke	**–**	21,650	**30,800**	30,800
Other Company and Group executives				
D A Player	**23,150**	20,300	**48,966**	30,500

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 2009 included:

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

(b) grant date: 11 September 2008 (2008 – 31 August 2007);

(c) share price at grant date: $1.12 (2008 – $2.49);

(d) expected price volatility of the company's shares: 40% (2008 – 30%);

(e) expected dividend yield: 10.0% (2008 – 6.5%); and

(f) risk-free interest rate: 5.54% (2008 – 5.97%).

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 2009 are set out below.

NAME	VESTING DATE	NUMBER OF ORDINARY SHARES ISSUED ON VESTING OF SHARE RIGHTS	
		2009	2008
Directors of Mortgage Choice Limited			
P A Lahiff	10 August 2007	**–**	97,000
P A Lahiff	2 September 2008	**44,982**	–
Other key management personnel			
D L Ennis	10 August 2007	**–**	24,000
D L Ennis	2 September 2008	**10,098**	–
M N Writer	2 September 2008	**7,668**	–
D M Hoskins	10 August 2007	**–**	33,900
D M Hoskins	2 September 2008	**14,148**	–
D M Hoskins *	31 December 2008	**19,632**	–
M C Newton	10 August 2007	**–**	27,600
M C Newton	2 September 2008	**11,556**	–
M C Newton *	18 May 2009	**26,600**	–
A D Crossley	24 February 2008	**–**	24,500
A D Crossley	2 September 2008	**13,662**	–
L A Wyatt *	17 October 2008	**16,915**	–
W J O'Rourke	10 August 2007	**–**	30,800
W J O'Rourke	2 September 2008	**12,852**	–
W J O'Rourke *	17 October 2008	**17,948**	–
Other Company and Group executives			
D A Player	10 August 2007	**–**	30,500
D A Player	2 September 2008	**12,366**	–
D A Player*	12 June 2009	**36,600**	–

* Denotes partial vesting of entitlement prior to original vesting date due to termination of employment.

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
2009	22.6

* 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%
2009	-20%

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 8-9 and 11-14, 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 at the end of a set period of up to three 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.

	STI		SHARE RIGHTS AND OPTIONS					
Name	**Paid %**	**Forfeited %**	**Financial 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	2009	–	100	30/6/2012	Nil	–
			2008	–	100	30/6/2011	Nil	–
			2007	–	100	30/6/2010	Nil	–
			2006	54	46	–	–	–
M I Russell	–	–	2009	–	–	30/6/2011	Nil	10,027
			2009	–	–	30/6/2010	Nil	32,055
			2009	100	–	–	–	–
D L Ennis	–	100	2009	–	–	30/6/2012	Nil	27,509
			2008	–	–	30/6/2011	Nil	15,737
			2007	–	–	30/6/2010	Nil	1,335
			2006	54	46	–	–	–
S R Mitchell	–	100	–	–	–	–	–	–
N C Rose-Innes	–	100	2009	–	–	30/6/2012	Nil	17,312
			2008	–	–	30/6/2011	Nil	19,961
M N Writer	30	70	2009	–	–	30/6/2012	Nil	10,403
			2008	–	–	30/6/2011	Nil	11,990
			2007	–	–	30/6/2010	Nil	1,503
			2006	54	46	–	–	–
D M Hoskins	–	100	2009	–	–	30/6/2012	Nil	–
			2008	33	67	30/6/2011	Nil	–
			2007	67	33	30/6/2010	Nil	–
			2006	54	46	–	–	–
M C Newton	46	54	2009	–	100	30/6/2012	Nil	–
			2008	67	33	30/6/2011	Nil	–
			2007	–	100	30/6/2010	Nil	–
			2006	54	46	–	–	–
A D Crossley	–	100	2009	–	100	30/6/2012	Nil	–
			2008	–	100	30/6/2011	Nil	–
			2007	–	100	30/6/2010	Nil	–
			2006	54	46	–	–	–
L A Wyatt	–	100	2009	–	–	30/6/2012	Nil	–
			2008	33	67	30/6/2011	Nil	–
			2007	67	33	30/6/2010	Nil	–
W J O'Rourke	–	100	2009	–	–	30/6/2012	Nil	–
			2008	33	67	30/6/2011	Nil	–
			2007	67	33	30/6/2010	Nil	–
			2006	54	46	–	–	–
D A Player	–	100	2009	33	67	30/6/2012	Nil	–
			2008	67	33	30/6/2011	Nil	–
			2007	100	–	30/6/2010	Nil	–
			2006	54	46	–	–	–

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	–	611,325	–	–
M I Russell	34.1%	75,000	–	–
M C Newton	–	88,389	–	–
A D Crossley	–	–	–	–

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	0.5%	–	51,729	44,066
D L Ennis	11.6%	38,021	11,613	9,892
N C Rose-Innes	8.8%	23,927	–	–
M N Writer	11.5%	14,378	8,818	7,512
D M Hoskins	2.2%	–	31,191	30,251
M C Newton	5.3%	–	35,766	22,559
A D Crossley	0.6%	80,053	15,711	13,384
L A Wyatt	9.9%	–	14,885	16,619
W J O'Rourke	5.6%	–	30,574	30,016
D A Player	10.3%	16,437	48,259	32,760

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. If options expensed in a prior period are reversed as the result of an employee leaving before the vesting date this information is not meaningful and therefore is not shown.

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. The value at entitlement date of shares is calculated as the number of shares vested at the closing price on the day.

D = The value at lapse date of options and performance shares that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing as if all conditions were satisfied and the instruments were able to be traded. The value of a lapsed option is calculated as the closing price of Mortgage Choice Limited shares on the lapse date less the exercise price. Where the exercise price is greater than the share price, the value is nil. The value of a share is determined by the closing share price on the day of lapse.

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	EXERCISE PRICE	NUMBER UNDER OPTION
10 August 2004	10 August 2014	$1.05	415,400
2 September 2005	2 September 2015	$1.43	287,820
1 May 2009	1 May 2019	$0.76	2,500,000
			3,203,220

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

14. INSURANCE OF DIRECTORS AND OFFICERS

Insurance premiums were paid for the year ended 30 June 2009 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 in addition to their statutory audit duties where the auditor's expertise and experience with the Company or Group are important.

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*.

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.

		CONSOLIDATED	
		2009 $	2008 $
1.	**Audit services**		
	PricewaterhouseCoopers Australian firm:		
	Audit and review of financial reports	**227,940**	215,500
	Total remuneration for audit services	**227,940**	215,500
2.	**Non-audit services**		
	Audit-related services		
	PricewaterhouseCoopers Australian firm:		
	Other assurance services	**7,500**	7,500
	Total remuneration for audit-related services	**7,500**	7,500
Taxation services			
PricewaterhouseCoopers Australian firm:			
	Tax compliance services	**24,885**	22,200
	Other tax services	**13,205**	75,780
Total remuneration for taxation services		**38,090**	97,980
Total remuneration for non-audit services		**45,590**	105,480

17. AUDITOR

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

18. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

19. ROUNDING

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.

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

Peter B Ritchie

Peter Ritchie
Director

Sydney
21 August 2009

CORPORATE GOVERNANCE STATEMENT

30 JUNE 2009

Mortgage Choice Limited has in place corporate governance practices to ensure the Company and the Group are effectively directed and managed, risks are monitored and assessed and appropriate disclosures are made.

A statement of the Company's full corporate governance practices is set out below. The Company considers that it complies with the August 2007 ASX Corporate Governance Principles and Recommendations.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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 Chief Executive Officer;
- monitoring the performance of the Chief Executive Officer;
- 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.

Responsibility for day-to-day management and administration of the Company is delegated by the Board to the Chief Executive Officer and the executive team.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board comprises two Non-Executive Directors and four 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 and Sean Clancy was recently appointed in May 2009. These individuals bring a long history of public company, operational and franchising experience with them and assist in overseeing the corporate governance of the Company.

The Board operates in accordance with the broad principles set out in its Charter which is available in the Shareholders 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.

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 Shareholders 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 2009.

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 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 Shareholders section of the Company's website at www.mortgagechoice.com.au.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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, Sean Clancy 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 Shareholders 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 Shareholders 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.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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, the 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 Shareholders section of the Company's website at www.mortgagechoice.com.au.

PRINCIPLE 7:
RECOGNISE AND MANAGE RISK

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, Consumer Credit Code) is covered. All staff and the Board are required to complete all modules and must repeat the program at prescribed intervals. The program has also been 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 has reported to the Board that risk management and internal control systems effectively manage the Company's material business risks.

Corporate reporting

The Chief Executive Officer 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.

PRINCIPLE 8:
REMUNERATE FAIRLY AND RESPONSIBLY

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 Shareholders section of the Company's website at www.mortgagechoice.com.au.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Mortgage Choice Limited for the year ended 30 June 2009, 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 period.

Maria A Martin
Partner
PricewaterhouseCoopers

Sydney
21 August 2009

FINANCIAL REPORT

30 JUNE 2009

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 10, 100 Pacific Highway
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 21 August 2009. 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 in the Shareholders section of our website: www.mortgagechoice.com.au.

contents

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Revenue from continuing operations	5	**191,993**	160,169	**191,993**	160,169
Other income	6	**902**	1,222	**902**	1,222
Expenses from continuing operations	7				
Sales		**(119,809)**	(99,290)	**(119,809)**	(99,290)
Technology		**(5,356)**	(4,825)	**(5,356)**	(4,825)
Marketing		**(8,941)**	(9,041)	**(8,941)**	(9,041)
Finance		**(2,038)**	(1,930)	**(2,038)**	(1,930)
Corporate		**(5,449)**	(6,435)	**(5,449)**	(6,435)
Finance costs		**(13,157)**	(12,195)	**(13,157)**	(12,195)
Profit before income tax		**38,145**	27,675	**38,145**	27,675
Income tax expense	8	**(11,296)**	(8,331)	**(11,296)**	(8,331)
Net profit attributable to the members of Mortgage Choice Limited		**26,849**	19,344	**26,849**	19,344
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		**Cents**	Cents		
Basic earnings per share	31	**22.6**	16.4		
Diluted earnings per share	31	**22.6**	16.3		

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

BALANCE SHEETS

AS AT 30 JUNE 2009

	Notes	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**5,334**	8,482	**5,334**	8,482
Trade and other receivables	10	**82,403**	59,987	**82,403**	59,987
Total current assets		**87,737**	68,469	**87,737**	68,469
Non-current assets					
Receivables	11	**153,874**	123,996	**153,874**	123,996
Property, plant and equipment	12	**2,046**	1,019	**2,046**	1,019
Deferred tax assets	13	**675**	1,189	**675**	1,189
Intangible assets	14	**2,725**	2,902	**2,725**	2,902
Total non-current assets		**159,320**	129,106	**159,320**	129,106
Total assets		**247,057**	197,575	**247,057**	197,575
LIABILITIES					
Current liabilities					
Trade and other payables	15	**57,631**	41,180	**57,631**	41,180
Current tax liabilities		**349**	1,692	**349**	1,692
Provisions	16	**425**	711	**425**	711
Total current liabilities		**58,405**	43,583	**58,405**	43,583
Non-current liabilities					
Trade and other payables	17	**96,331**	79,012	**96,331**	79,012
Deferred tax liabilities	18	**25,316**	19,449	**25,316**	19,449
Provisions	19	**609**	410	**609**	410
Total non-current liabilities		**122,256**	98,871	**122,256**	98,871
Total liabilities		**180,661**	142,454	**180,661**	142,454
Net assets		**66,396**	55,121	**66,396**	55,121
EQUITY					
Contributed equity	20	**808**	437	**808**	437
Reserves	21(a)	**471**	1,291	**471**	1,291
Retained profits	21(b)	**65,117**	53,393	**65,117**	53,393
Total equity		**66,396**	55,121	**66,396**	55,121

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT ENTITY	
	Notes	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Total equity at the beginning of the financial year		**55,121**	52,230	**55,121**	52,230
Profit for the year		**26,849**	19,344	**26,849**	19,344
Transactions with equity holders in their capacity as equity holders:					
Employee share rights and options	32	**(268)**	757	**(268)**	757
Treasury shares		**(181)**	(62)	**(181)**	(62)
Dividends paid	22	**(15,125)**	(17,148)	**(15,125)**	(17,148)
		(15,574)	(16,453)	**(15,574)**	(16,453)
Total equity at the end of the financial year		**66,396**	55,121	**66,396**	55,121

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 2009

	Notes	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT ENTITY 2009 $'000	PARENT ENTITY 2008 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**154,229**	164,635	**154,229**	164,635
Payments to suppliers and employees (inclusive of goods and services tax)		**(134,311)**	(140,437)	**(134,311)**	(140,437)
		19,918	24,198	**19,918**	16,978
Income taxes paid		**(6,257)**	(7,201)	**(6,257)**	(7,201)
Net cash inflow from operating activities	30	**13,661**	16,997	**13,661**	16,997
Cash flows from investing activities					
Payments for plant and equipment		**(1,694)**	(529)	**(1,694)**	(529)
Proceeds from sale of plant and equipment		**4**	–	**4**	–
Payments for software and development costs		**(398)**	(705)	**(398)**	(705)
Interest received from cash and deposits at call		**404**	746	**404**	746
Net cash (outflow) from investing activities		**(1,684)**	(488)	**(1,684)**	(488)
Cash flows from operating & investing activities		**11,977**	16,509	**11,977**	16,509
Cash flows from financing activities					
Dividends paid		**(15,125)**	(17,148)	**(15,125)**	(17,148)
Net cash (outflow) from financing activities		**(15,125)**	(17,148)	**(15,125)**	(17,148)
Net increase/(decrease) in cash and cash equivalents		**(3,148)**	(639)	**(3,148)**	(639)
Cash and cash equivalents at the beginning of the financial year		**8,482**	9,121	**8,482**	9,121
Cash and cash equivalents at the end of year	9	**5,334**	8,482	**5,334**	8,482

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 IFRS

The financial report of Mortgage Choice Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

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 (Australian equivalents to International Financial Reporting Standards) 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 2009 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.

Shares held by the employee share scheme are disclosed as treasury shares and deducted from contributed equity.

(C) SEGMENT REPORTING

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

Revenue is measured at the fair value of the consideration received or receivable.

The consolidated entity provides loan origination services and receives origination commission on the settlement of loans. 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. Commissions "clawed back" by the lender per lender policies at a later date are netted against revenue as incurred.

(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 outstanding loan book balance of the individual franchisees.

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 expected 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 four year period in accordance with this schedule. Contributions for training and consumables are recognised as revenue on receipt. Licence fees which may be 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) LEASES

Leases of property, plant and equipment, where the Group as lessee 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 not transferred to the Group as lessee 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 thirty 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 twelve 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 or, in the case of leasehold improvements , the shorter lease term 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 thirty 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.

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 twelve 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 it 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 twelve 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, e.g. 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 2009 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* (effective from 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 will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

(ii) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 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 recognized 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 will apply the revised standard from 1 July 2009.

(iii) AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(iv) Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective from 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(G) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses, see note 1(B)(i). The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Financial Assets				
Current				
Cash and cash equivalents	**5,334**	8,482	**5,334**	8,482
Trade and other receivables	**82,403**	59,987	**82,403**	59,987
Non-current				
Receivables	**153,874**	123,996	**153,874**	123,996
	241,611	192,465	**241,611**	192,465

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 and parent entity's main interest rate risk arises from cash and cash equivalents. At 30 June 2009 the weighted average interest rate was 3.2% (2008 7.4%). If interest rates increased by 100 basis points, the Group's and parent entity's after tax result would increase by $53,000 (2008 $77,000). A decrease of 100 basis points would reduce the Group's and parent entity's after tax result by $53,000 (2008 $77,000).

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

NOTE 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 (ADIs) and are regulated by the Australian Prudential Regulation Authority (APRA). Most of the financial institutions have been independently rated. This 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.

2009		CURRENT ASSETS		NON-CURRENT ASSETS
	Standard & Poor's Credit Rating	Trade Receivables	NPV Future Trailing Commissions Receivable	NPV Future Trailing Commissions Receivable
		$ 000's	$ 000's	$ 000's
ADIs	AA	9,920	55,294	122,164
	A+	1	9	19
	A	607	4,926	10,883
	BBB+	386	2,400	5,303
	BBB	340	1,810	3,998
	Not rated	432	3,623	8,005
		11,686	68,062	150,372
Non ADIs	AA	–	–	–
	Not rated	420	1,585	3,502
		420	1,585	3,502
Total Receivable		12,106	69,647	153,874

2008		CURRENT ASSETS		NON-CURRENT ASSETS
	Standard & Poor's Credit Rating	Trade Receivables	NPV Future Trailing Commissions Receivable	NPV Future Trailing Commissions Receivable
		$ 000's	$ 000's	$ 000's
ADIs	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 ADIs	AA	2	9	24
	Not rated	267	1,587	4,147
		269	1,596	4,171
Total Receivable		11,599	47,451	123,996

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

GROUP AND PARENT ENTITY – AT 30 JUNE 2009	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 CASH FLOWS $'000	CARRYING AMOUNT $'000
Non-derivatives							
Interest bearing	5,431	–	–	–	–	5,431	5,431
Non-interest bearing							
Cash and cash equivalents	3	–	–	–	–	3	3
Commissions receivable	12,106	–	–	–	–	12,106	12,106
Other receivables	550	–	–	–	–	550	550
Future trailing commissions receivable	38,650	35,114	58,840	104,248	76,660	313,512	223,521
	56,740	35,114	58,840	104,248	76,660	331,602	241,611

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 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
Future trailing commissions receivable	29,646	26,933	45,132	79,961	58,800	240,472	171,447
	50,664	26,933	45,132	79,961	58,800	261,490	192,465

(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 cashflows.

GROUP AND PARENT ENTITY – AT 30 JUNE 2009	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 CASH FLOWS $'000	CARRYING AMOUNT $'000
Non-derivatives							
Non-interest bearing							
Commissions payable	8,534	–	–	–	–	8,534	8,534
Other payables	4,855	–	–	–	–	4,855	4,855
Future trailing commissions payable	24,704	22,083	36,963	65,072	47,794	196,616	140,553
	38,093	22,083	36,963	65,072	47,794	210,005	153,942

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 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
Future trailing commissions payable	18,966	16,954	28,377	49,957	36,693	150,947	107,905
	31,151	16,954	28,377	49,957	36,693	163,132	120,090

(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:

	2009	2008
Average loan life	**Between 3.5 and 4.0 years**	Between 3.0 and 3.5 years
Average discount rate	**11.8%**	12.5%
Percentage paid to franchisees (10 year average)	**63%**	63%

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 $4.3 million (made up of increases in current assets of $1.0 million, non-current assets of $15.2 million, current liabilities of $0.6 million, non-current liabilities of $9.5 million and deferred tax liabilities of $1.8 million) if favourable; or

– a decrease in net assets of $3.9 million (made up of decreases in current assets of $1.0 million, non-current assets of $13.5 million, current liabilities of $0.6 million, non-current liabilities of $8.4 million and deferred tax liabilities of $1.6 million) if unfavourable.

Management does 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 does 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 only in Australia and in one industry segment, mortgage broking.

NOTE 5.
REVENUE

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Revenue from continuing operations				
Sales revenue				
Services	**170,901**	140,008	**170,901**	140,008
Other revenue				
Interest (note (A))	**21,092**	20,161	**21,092**	20,161
	191,993	160,169	**191,993**	160,169

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Conference sponsorships (note (A))	**844**	1,098	**844**	1,098
Amortisation of software licence cost recovery (note (B))	**17**	30	**17**	30
Other	**41**	94	**41**	94
	902	1,222	**902**	1,222

(A) CONFERENCE SPONSORSHIPS

Lenders sponsor Mortgage Choice's National Conference, High Flyers' Conference, quarterly state conferences, and periodic 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit from ordinary activities before income tax includes the following specific expenses:				
Finance costs				
Interest and finance charges (note (A))	**13,157**	12,195	**13,157**	12,195
Net loss on disposal of property, plant and equipment	**141**	5	**141**	5
Depreciation				
Plant and equipment	**254**	244	**254**	244
Amortisation				
Leasehold improvements	**268**	484	**268**	484
Computer software	**574**	456	**574**	456
Other provisions				
Employee entitlements	**(131)**	10	**(131)**	10
Rental expense relating to operating leases	**1,085**	930	**1,085**	930
Defined contribution superannuation expense	**1,033**	1,149	**1,033**	1,149
Termination benefits	**1,548**	70	**1,548**	70

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
(A) INCOME TAX EXPENSE				
Current tax	**4,915**	7,116	**4,915**	7,116
Deferred tax	**6,381**	1,307	**6,381**	1,307
Under (over) provided in prior years	**–**	(92)	**–**	(92)
	11,296	8,331	**11,296**	8,331
Income tax expense is attributable to:				
Profit from continuing operations	**11,296**	8,331	**11,296**	8,331
Deferred income tax (revenue) expense including income tax expense comprises:				
(Increase)/decrease in deferred tax assets (note 13)	**(9,281)**	(2,306)	**(9,281)**	(2,306)
Increase/(decrease) in deferred tax liabilities (note 18)	**15,662**	3,613	**15,662**	3,613
	6,381	1,307	**6,381**	1,307

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Profit from continuing operations before income tax expense	**38,145**	27,675	**38,145**	27,675
Income tax calculated @ 30% (2008 – 30%)	**11,444**	8,303	**11,444**	8,303
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:	**(148)**	120	**(148)**	120
	11,296	8,423	**11,296**	8,423
Under/(over) provision from prior years	**–**	(92)	**–**	(92)
Income tax expense	**11,296**	8,331	**11,296**	8,331

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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash at bank and on hand	**1,340**	125	**1,340**	125
Deposits at call	**3,994**	8,357	**3,994**	8,357
	5,334	8,482	**5,334**	8,482

Risk exposure

The Group's and parent entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 10.
CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Trade receivables (1)	**12,106**	11,599	**12,106**	11,599
Net present value of future trailing commissions receivable	**69,647**	47,451	**69,647**	47,451
Franchisee receivables	**127**	68	**127**	68
Other receivables	**263**	377	**263**	377
Prepayments	**260**	492	**260**	492
	82,403	59,987	**82,403**	59,987

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

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Net present value of future trailing commissions receivable	**153,874**	123,996	**153,874**	123,996

(A) IMPAIRED RECEIVABLES AND RECEIVABLES PAST DUE

None of the non-current receivables are 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 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
Year ended 30 June 2009						
Opening net book amount	618	401	1,019	618	401	1,019
Additions	940	754	1,694	940	754	1,694
Disposals	(113)	(32)	(145)	(113)	(32)	(145)
Depreciation charge	(254)	(268)	(522)	(254)	(268)	(522)
Closing net book amount	1,191	855	2,046	1,191	855	2,046
At 30 June 2009						
Cost	1,945	1,403	3,348	1,945	1,403	3,348
Accumulated depreciation	(754)	(548)	(1,302)	(754)	(548)	(1,302)
Net book amount	1,191	855	2,046	1,191	855	2,046

NOTE 13.
NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The balance comprises temporary differences attributable to:				
Net present value of future trailing commissions payable	**42,166**	32,371	**42,166**	32,371
Employee benefits	**224**	732	**224**	732
Depreciation and amortisation	**62**	379	**62**	379
Accrued expenses	**389**	52	**389**	52
Share issue expenses	**–**	26	**–**	26
Total deferred tax assets	**42,841**	33,560	**42,841**	33,560
Set-off of deferred tax assets pursuant to set-off provisions (note 18)	**(42,166)**	(32,371)	**(42,166)**	(32,371)
Net deferred tax assets	**675**	1,189	**675**	1,189
Deferred tax assets to be recovered within 12 months	**13,816**	9,805	**13,816**	9,805
Deferred tax assets to be recovered after more than 12 months	**29,025**	23,755	**29,025**	23,755
	42,841	33,560	**42,841**	33,560

MOVEMENTS – CONSOLIDATED AND PARENT ENTITY	NPV OF FUTURE TRAILING COMMISSIONS PAYABLE	EMPLOYEE BENEFITS	DEPRECIATION AND AMORTISATION	ACCRUED EXPENSES	OTHER	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
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
Charged/(credited) to the income statement	9,795	(508)	(317)	337	(26)	9,281
At 30 June 2009	42,166	224	62	389	–	42,841

NOTE 14.
NON-CURRENT ASSETS – INTANGIBLE ASSETS

	CONSOLIDATED	PARENT ENTITY
	Computer Software*	Computer Software*
	$'000	$'000
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
Year ended 30 June 2009		
Opening net book amount	2,902	2,902
Additions	397	397
Amortisation charge	(574)	(574)
Closing net book amount	2,725	2,725
At 30 June 2009		
Cost	5,531	5,531
Accumulated amortisation	(2,806)	(2,806)
Net book amount	2,725	2,725

*Capitalised computer software includes internally generated software development costs. A significant component of these costs will not be installed and ready for use until May 2010 at which time amortisation will commence.

NOTE 15.
CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Trade payables [(1)]	**10,723**	9,475	**10,723**	9,475
Net present value of future trailing commissions payable	**44,242**	28,995	**44,242**	28,995
Licence fees repayable	**68**	176	**68**	176
Other payables	**2,598**	2,534	**2,598**	2,534
	57,631	41,180	**57,631**	41,180

(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.

NOTE 15. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

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 2009, the amount subject to charge resulting from applying the specified percentage to the trailing commission subsequently received by Mortgage Choice Limited is $3,619,843 (2008 – $3,166,993). This is included as part of the balance of trade payables at 30 June 2009 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Make good provision (A)	**–**	230	**–**	230
Employee entitlements – annual leave	**414**	481	**414**	481
Employee entitlements – long service leave	**11**	–	**11**	481
	425	711	**425**	711

(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 twelve 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 – 2009	
Current	
Carrying amount at start of year	230
Amounts not expected to be settled within 12 months transferred to non-current liabilities	(80)
Charged/(credited) to the income statement	
- additional provisions recognised	75
Amounts used during the period	(225)
Carrying amount at end of year	–

NOTE 17.
NON-CURRENT LIABILITIES – PAYABLES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Net present value of future trailing commissions payable	**96,311**	78,910	**96,311**	78,910
Licence fees repayable	**20**	102	**20**	102
	96,331	79,012	**96,331**	79,012

NOTE 18.
NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The balance comprises temporary differences attributable to:				
NPV of future trailing commissions receivable	**67,056**	51,434	**67,056**	51,434
Intangibles	**426**	386	**426**	386
	67,482	51,820	**67,482**	51,820
Set-off of deferred tax assets pursuant to set-off provisions (note 13)	**(42,166)**	(32,371)	**(42,166)**	(32,371)
Net deferred tax liabilities	**25,316**	19,449	**25,316**	19,449
Deferred tax liabilities to be settled within 12 months	**20,940**	14,299	**20,940**	14,299
Deferred tax liabilities to be settled after more than 12 months	**46,542**	37,521	**46,542**	37,521
	67,482	51,820	**67,482**	51,820

MOVEMENTS – CONSOLIDATED AND PARENT ENTITY	NPV OF FUTURE TRAILING COMMISSIONS PAYABLE	INTANGIBLES	TOTAL
	$'000	$'000	$'000
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
Charged to the income statement	15,622	40	15,662
At 30 June 2009	67,056	426	67,482

NOTE 19.
NON-CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Make good provision (refer note 16)	**408**	135	**408**	135
Employee entitlements – long service leave	**201**	275	**201**	275
	609	410	**609**	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 – 2009	
Non-current	
Carrying amount at start of year	135
Amounts not expected to be settled within 12 months transferred to non-current liabilities	80
Charged/(credited) to the income statement	
- unused amounts reversed	(8)
Amounts used during the period	(37)
Additional provision recognised – charged to leasehold improvement	238
Carrying amount at end of year	408

NOTE 20.
CONTRIBUTED EQUITY

	PARENT ENTITY		CONSOLIDATED AND PARENT ENTITY	
	2009 number '000	2008 number '000	**2009 $'000**	2008 $'000
(A) SHARE CAPITAL				
Ordinary shares – fully paid	**118,106**	117,980	**808**	437

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.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Total contributed equity as at 30 June 2009:

DETAILS	NOTES	NUMBER OF SHARES
Total ordinary shares on issue		118,938,967
Treasury shares	(i)	(833,103)
Total ordinary shares held as contributed equity		118,105,864

(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
30 June 2007	Opening 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
11 September 2008	Shares issued to the Mortgage Choice Performance Share Plan Trust	499,100
24 September 2008	Acquisition of shares on market to meet vesting requirements	172,476
24 September 2008	Treasury shares issues under the Performance Share Plan to employees	(172,476)
17 October 2008	Treasury shares issues under the Performance Share Plan to employees	(43,162)
31 December 2008	Treasury shares issues under the Performance Share Plan to employees	(19,632)
15 May 2009	Treasury shares issues under the Performance Share Plan to employees	(26,600)
12 June 2009	Treasury shares issues under the Performance Share Plan to employees	(36,600)
30 June 2009	Balance	833,103

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL:

DATE	DETAILS	NUMBER OF SHARES	$'000
30 June 2007	Opening 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	117,979,867	437
11 September 2008	Shares issued to the Mortgage Choice Performance Share Plan Trust	499,100	–
11 September 2008	Held as treasury shares	(499,100)	–
24 September 2008	Acquisition of shares on market to meet vesting requirements	(172,476)	–
24 September 2008	Shares vested to employees under the Performance Share Plan	172,476	152
17 October 2008	Shares vested to employees under the Performance Share Plan	43,162	78
31 December 2008	Shares vested to employees under the Performance Share Plan	19,632	36
15 May 2009	Shares vested to employees under the Performance Share Plan	26,600	47
12 June 2009	Shares vested to employees under the Performance Share Plan	36,600	58
30 June 2009	Balance	118,105,864	808

(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 10 to 14.

NOTE 21.
RESERVES AND RETAINED PROFITS

(A) RESERVES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Share-based payments reserve	**471**	1,291	**471**	1,291
Movements:				
Share-based payments reserve				
Balance 1 July	**1,291**	830	**1,291**	830
Options and performance shares expensed/(reversed)	**(268)**	757	**(268)**	757
Acquisition of shares on market to meet vesting requirements	**(181)**	(62)	**(181)**	(62)
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	**(371)**	(234)	**(371)**	(234)
Balance 30 June	**471**	1,291	**471**	1,291

(B) RETAINED PROFITS

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Balance 1 July	**53,393**	51,197	**53,393**	51,197
Net profit for the year	**26,849**	19,344	**26,849**	19,344
Dividends	**(15,125)**	(17,148)	**(15,125)**	(17,148)
Balance 30 June	**65,117**	53,393	**65,117**	53,393

(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.

NOTE 22.
DIVIDENDS

	PARENT ENTITY	
	2009 $'000	2008 $'000
(A) ORDINARY SHARES		
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
Final dividend declared out of profits of the Company for the year ended 30 June 2008 of 8.0 cents per fully paid share paid on 15 September 2008:		
Fully franked based on tax paid @ 30%		
8.0 cents per share	**9,475**	–
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2008 of 4.75 cents per fully paid share paid 23 March 2009:		
Fully franked based on tax paid @ 30%		
4.75 cents per share	**5,650**	–
	15,125	17,148
(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 5.5 cents per fully paid ordinary share, (2008 – 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 September 2009 out of retained profits at 30 June 2009, but not recognised as a liability at year end, is	**6,542**	9,475

(C) FRANKED DIVIDEND

The franked portions of the final dividends recommended after 30 June 2009 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 2010.

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2008 – 30%)	**2,927**	4,494	**2,927**	4,494

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 $2,804,000 (2008: $4,061,000).

NOTE 23.
KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	CONSOLIDATED		PARENT ENTITY	
	2009 $	2008 $	**2009 $**	2008 $
Short-term employee benefits	**2,431,299**	3,198,199	**2,431,299**	3,198,199
Post-employment benefits	**211,901**	424,860	**211,901**	424,860
Long-term benefits	**67,328**	34,941	**67,328**	34,941
Termination benefits	**1,349,785**	–	**1,349,785**	–
Share-based payments	**(375,963)**	656,120	**(375,963)**	656,120
	3,684,350	4,314,120	**3,684,350**	4,314,120

Detailed remuneration disclosures are provided in section A-C of the remuneration report on pages 6-10.

(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 10-14.

(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.

2009 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	2,693,600	3,396,250	–	(5,537,636)	552,214	552,214	–
Other key management personnel of the Group							
A D Crossley	536,100	–	–	(536,100)	–	–	–
M C Newton	298,350	491,050	–	(638,394)	151,006	151,006	–
M R Russell	–	2,500,000	–	–	2,500,000	900,000	1,600,000

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

(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.

2009 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	83,300	–	(44,982)	(38,318)	–	–
Other key management personnel of the Group						
D L Ennis	54,600	53,550	(10,098)	(8,602)	89,450	89,450
N C Rose-Innes	29,300	33,700	–	–	63,000	63,000
M N Writer	45,800	20,250	(7,668)	(6,532)	51,850	51,850
D M Hoskins	67,400	–	(33,780)	(33,620)	–	–
M C Newton	61,300	–	(38,156)	(23,144)	–	–
A D Crossley	25,300	112,750	(13,662)	(124,388)	–	–
L A Wyatt	35,800	–	(16,915)	(18,885)	–	–
W J O'Rourke	61,550	–	(30,800)	(30,750)	–	–

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

NOTE 23. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(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.

2009 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	247,000	44,982	–	291,982
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
S J Clancy	–	–	–	–
Other key management personnel of the Group				
M R Russell	–	–	–	–
D L Ennis	–	10,098	–	10,098
S R Mitchell	–	–	–	–
N C Rose-Innes	–	–	–	–
M N Writer	–	7,668	–	7,668
D M Hoskins	33,950	33,780	(67,730)	–
M C Newton	27,600	38,156	(65,756)	–
A D Crossley	17,500	13,662	(31,162)	–
L A Wyatt	–	16,915	(16,915)	–
W J O'Rourke	32,889	30,800	(63,689)	–

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	–	–	–	–

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	
	2009 $	2008 $	**2009 $**	2008 $
(A) AUDIT SERVICES				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports	**227,940**	215,500	**227,940**	201,800
Total remuneration for audit services	**227,940**	215,500	**227,940**	201,800
(B) NON-AUDIT SERVICES				
Audit-related services				
PricewaterhouseCoopers Australian firm:				
Other assurance services	**7,500**	7,500	**7,500**	7,500
Total remuneration for audit-related services	**7,500**	7,500	**7,500**	7,500
Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services	**24,885**	22,200	**24,885**	22,200
Other tax services	**13,205**	75,780	**13,205**	75,780
Total remuneration for taxation services	**38,090**	97,980	**38,090**	97,980
Total remuneration for non-audit services	**45,590**	105,480	**45,590**	105,480

NOTE 25.
CONTINGENCIES

CONTINGENT LIABILITIES

The parent entity and consolidated entity had contingent liabilities at 30 June 2009 in respect of:

Guarantees

Guarantees given in respect of premises leases $963,405 (2008: $1,155,488).

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 2009 and 30 June 2008, 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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Operating leases				
Operating lease expenditure contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	**1,018**	920	**1,018**	920
Later than one year but not later than five years	**3,008**	3,325	**3,008**	3,325
Later than five years	**–**	185	**–**	185
	4,026	4,430	**4,026**	4,430

(B) OTHER COMMITMENTS

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'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	**50**	830	**50**	830
Later than one year but not later than five years	**–**	50	**–**	50
	50	880	**50**	880

NOTE 27.
RELATED PARTY TRANSACTIONS

(A) PARENT ENTITIES

The ultimate 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		COST OF PARENT ENTITY'S INVESTMENT	
			2009 %	2008 %	**2009 $**	2008 $
Mortgage Choice (W.A.) Pty Limited	Australia	Ordinary	**–**	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 $6,542,000 (5.5 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2009 on 21 August 2009 to be paid on 16 September 2009.

The financial effects of the above transaction have not been brought to account at 30 June 2009.

NOTE 30.
RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT ENTITY	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Profit for the year	**26,849**	19,344	**26,849**	19,344
Depreciation and amortisation	**1,095**	1,184	**1,095**	1,184
Non-cash net present value of future trailing inflows	**(52,074)**	(11,429)	**(52,074)**	(11,429)
Non-cash net present value of future trailing outflows	**32,648**	7,440	**32,648**	7,440
Non-cash employee expense benefits – share-based payments	**(268)**	757	**(268)**	757
Share purchases to meet vesting – share-based payments	**(181)**	(62)	**(181)**	(62)
Interest received on cash and deposits at call	**(404)**	(746)	**(404)**	(746)
Net loss on sale of non-current assets	**143**	5	**143**	5
Change in operating assets and liabilities:				
(Increase)/decrease in trade and other receivables	**(452)**	819	**(452)**	819
Decrease/(increase) in deferred tax asset	**514**	(74)	**514**	(74)
Decrease/(increase) in other operating assets	**232**	(322)	**232**	(322)
Increase/(decrease) in trade payables	**1,166**	(921)	**1,166**	(921)
(Decrease)/increase in other operating liabilities	**(44)**	(402)	**(44)**	(402)
(Decrease)/increase in provision for income taxes payable	**(1,343)**	(379)	**(1,343)**	(379)
Increase/(decrease) in provision for deferred income tax	**5,867**	1,583	**5,867**	1,583
Increase/(decrease) in other provisions	**(87)**	200	**(87)**	200
Net cash inflow from operating activities	**13,661**	16,997	**13,661**	16,997

NOTE 31.
EARNINGS PER SHARE

	CONSOLIDATED	
	2009 Cents	2008 Cents
Basic earnings per share	**22.6**	16.4
Diluted earnings per share	**22.6**	16.3
	$'000	$'000
Earnings used in calculating earnings per share – profit from continuing operations	**26,849**	19,344
	2009 Number	2008 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	**118,811,799**	118,270,854
Adjustments for calculation of diluted earnings per share:		
Rights and options	**154,769**	499,304
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**118,966,568**	118,770,158

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 eligible executives as determined by Board. The details of each offer may differ as to the particulars especially with regard to performance criteria and performance period. Participation in the EPOP provides one component of the long-term incentive available to the selected executives within their aggregate remuneration package.

Under the terms of the EPOP, options are offered over one ordinary share and 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. In the year ending 30 June 2009, options were offered on 2 October 2008, 20 November 2008 and 1 May 2009. In relation to options offered in October and November 2008, the performance requirement is based on the total shareholder return (TSR) of the Company compared to the TSR of a comparator group of companies over a three year period. The performance requirement for the options offered in May, 2009 is tenure based over a two year period.

With regard to the options using TSR as the basis of the performance criteria, the 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 of broadly similar size to that of Mortgage Choice, excluding mining and resource companies as well as property related trusts or companies. The comparator companies are drawn from a group within an approximate range of 40% to 200% of the market capitalisation of the Company.

The companies comprising the comparator group for the year ending 30 June 2009 are Allco Finance Group Limited, Austin Engineering Limited, ASG Group Limited, Australian Vintage Ltd, Avexa Limited, Amazing Loans Limited, Becton Property Group, Biota Holdings Limited, Bravura Solutions Limited, Codan Limited, Costaexchange Ltd, Clean Seas Tuna Limited, Customers Limited, Cedar Woods Properties Limited, Coote Industrial Ltd, DKN Financial Group Limited, DWS Advanced Business Solutions Limited, Dyesol Limited, Eservglobal Limited, Forest Place Group Limited, Finbar Group Limited, Flexigroup Limited, GRD Limited, Gazal Corporation Limited, Infomedia Ltd, Keybridge Capital Limited, Maryborough Sugar Factory Limited, Orotongroup Limited, PRO Medicus Limited, Quantum Energy Limited, RCR Tomlinson Limited, Regional Express Holdings Limited, Resource Generation Limited, Retail Food Group Limited, RP Data Ltd, Specialty Fashion Group Limited, SP Telemedia Limited, Sirtex Medical Limited, Structural Systems Limited, Southern Cross Electrical Engineering Ltd, Tox Free Solutions Limited, Thinksmart Limited, Universal Biosensors Inc., United Overseas Australia Limited, Vision Group Holdings Limited, Viridis Clean Energy Group, VDM Group Limited, Webjet Limited, Wilson HTM Investment Group Ltd, Wattyl Limited.

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 at the end of the three year performance period unless Mortgage Choice's TSR for the period 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:

- ten 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
- twelve 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 prior to the end of the performance period, 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 on a pro-rata basis or in their entirety for certain senior executives.

NOTE 32. SHARE-BASED PAYMENTS (CONTINUED)

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 the Company 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	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			Number	Number	Number	Number	Number	Number	Number
Consolidated and parent entity – 2009									
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)	–	–
2 September 2005	2 September 2015	$1.43	661,600	–	–	–	(373,780)	287,820	287,820
29 December 2006	29 December 2016	$2.60	953,250	–	–	–	(953,250)	–	–
22 November 2007	22 November 2017	$2.51	1,416,000	–	–	–	(1,416,000)	–	–
2 October 2008	2 October 2018	$1.12	–	491,050	–	–	(491,050)	–	–
20 November 2008	20 November 2018	$1.12	–	3,396,250	–	–	(3,396,250)	–	–
1 May 2009	1 May 2019	$0.76	–	2,500,000	–	–	–	2,500,000	900,000
Total			3,528,050	6,387,300	–	–	(6,712,130)	3,203,220	1,603,220
Weighted average exercise price			$2.13	$0.98	–	–	$1.64	$0.86	$0.96

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			Number	Number	Number	Number	Number	Number	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	–
29 December 2006	29 December 2016	$2.60	998,900	–	–	–	(45,650)	953,250	–
22 November 2007	22 November 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

The weighted average remaining contractual life of share options outstanding at the end of the period was 8.88 years (2008 – 8.19 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 2009 included:

(a) options are granted for no consideration, each tranche vests and is exercisable three years from grant date (2 October 2008 and 20 November 2008) or on scheduled vesting dates (1 May 2009);

(b) exercise price: $1.12 (2 October 2008 and 20 November 2008), $0.76 (1 May 2009) (2008 - $2.51);

(c) grant date: 2 October 2008, 20 November 2008 and 1 May 2009 (2008 – 22 November 2007);

(d) expiry date: 2 October 2018, 20 November 2018 and 1 May 2019 (2008 – 22 November 2017);

(e) share price at grant date: $1.12 (20 October 2008 and 20 November 2008), $0.75 (1 May 2009) (2008 - $2.49);

(f) expected price volatility of the company's shares: 34% (2008 – 30%);

(g) expected dividend yield: 10.0% (2 October 2008 and 20 November 2008), 13.9% (1 May 2009) (2008 – 6.5%); and

(h) risk-free interest rate: 5.59% (2 October 2008 and 20 November 2008), 4.51% (1 May 2009) (2008 – 5.97%).

(B) PERFORMANCE SHARE PLAN (PSP)

The PSP permits eligible employees 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 managers and any other designated employees.

Participation in the PSP is offered on an annual basis. Eligible employees 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 performance requirements and vesting scale applicable to offers under the PSP during the year ended 30 June 2009 are identical to those specified under the Executive Performance Option Plan for options using TSR as the basis of their performance criteria. The right to receive performance shares will lapse if the performance criteria have not been met at the end of the performance period.

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 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 from trading in those shares.

Shares will not be released from the PSP and will remain subject to a holding lock until a Notice of Withdrawal 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 ten 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). 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	GRANTED DURING THE YEAR	EXERCISED DURING THE YEAR	EXPIRED DURING THE YEAR	FORFEITED DURING THE YEAR	BALANCE AT END OF THE YEAR	EXERCISABLE AT END OF THE YEAR
			Number	Number	Number	Number	Number	Number	Number
Consolidated and parent entity – 2009									
2 September 2005	2 September 2008	$1.43	328,700	–	(172,476)	–	(156,224)	–	–
12 December 2006	31 August 2009	$2.21	150,300	–	(51,180)	–	(37,020)	62,100	–
31 August 2007	31 August 2010	$2.20	308,750	–	(67,097)	–	(99,103)	142,550	–
31 August 2008	31 August 2011	$1.00	–	499,100	(7,717)	–	(172,033)	319,350	–
Total			787,750	499,100	(298,470)		(464,380)	524,000	
Weighted average exercise price			$1.88	$1.00	$1.73	–	$1.50	$1.47	–

NOTE 32. SHARE-BASED PAYMENTS (CONTINUED)

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	–

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 1.66 years (2008 – 1.15 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 2009 included:

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

(b) grant date: 11 September 2008 (2008 – 31 August 2007);

(c) share price at grant date: $1.12 (2008 – $2.49);

(d) expected price volatility of the company's shares: 40% (2008 – 30%);

(e) expected dividend yield: 10.0% (2008 – 6.5%); and

(f) risk-free interest rate: 5.54% (2008 – 5.97%).

(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	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Options issued under EPOP	**(519)**	472	**(519)**	472
Shares issues under PSP	**251**	285	**251**	285
	(268)	757	**(268)**	757

DIRECTORS' DECLARATION

30 JUNE 2009

In the Directors' opinion:

(a) the financial statements and notes set out on pages 27 to 60 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.

The Directors have been given the declarations by the Chief Executive Officer 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
21 August 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

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 2009, 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 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.

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

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Mortgage Choice Limited (continued)

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 2009 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 9 to 22 of the directors' report for the year ended 30 June 2009. 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 for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Maria A Martin
Partner

Sydney
21 August 2009

SHAREHOLDER INFORMATION

THE SHAREHOLDER INFORMATION SET OUT BELOW WAS APPLICABLE AS AT 19 AUGUST 2009

A. Distribution of equity securities

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

	CLASS OF EQUITY SECURITY	
	Ordinary Shares	Options
1 – 1,000	378	
1,001 – 5,000	1039	
5,001 – 10,000	563	
10,001 – 100,000	582	
100,001 and over	39	3
	2,601	3

There were 59 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
Finconnect (Australia) Pty Ltd	19,095,388	16.05
National Nominees Limited	11,323,097	9.52
HSBC Custody Nominees (Australia) Limited	10,488,706	8.82
J P Morgan Nominees Australia Limited	10,142,532	8.53
Ochoa Pty Ltd	9,620,000	8.09
Basscave Pty Limited	5,817,939	4.89
Citicorp Nominees Pty Limited <CFS Developing Companies A/C>	4,418,830	3.72
Citicorp Nominees Pty Limited	3,170,994	2.67
RBC Dexia Investor Services Australia Nominees Pty Limited <PIIC A/c>	3,034,252	2.55
R G Higgins	2,934,548	2.47
Ochoa Pty Ltd <The Rodney Higgins Superannuation Fund>	2,666,667	2.24
RBC Dexia Investor Services Australia Nominees Pty Limited <Pipooled A/c>	2,221,122	1.87
SCJ Pty Ltd <Jermyn Family A/C>	2,000,000	1.68
ANZ Nominees Limited	1,124,457	0.95
Finconnect (Australia) Pty Ltd	996,893	0.84
Pacific Custodians Pty Ltd <MOC PSP Share Plan>	824,262	0.69
Mr Ian Edwards & Mrs Josephine Edwards	675,000	0.57
RBC Dexia Investor Services Australia Nominees Pty Limited <Bkcust A/c>	519,715	0.43
Finconnect (Australia) Pty Ltd	519,504	0.43
RBC Dexia Investor Services Australia Nominees Pty Limited <GSJBW A/c>	500,000	0.42
	92,093,906	77.43

Unquoted equity securities

	NUMBER ON ISSUE	NUMBER OF HOLDERS
Options issued under the Executive Performance Option Plan	3,203,220	3

C. Substantial holders

Substantial holders in the Company are set out below:

	NUMBER HELD	PERCENTAGE
Ordinary shares		
Count Financial Limited	20,611,785	17.33
R G Higgins and Ochoa Pty Ltd	15,231,215	12.80
FMR Corp. & Fidelity International Limited	13,270,161	11.20
Orbis Investment Management (Australia) Pty Ltd	8,104,530	6.81
INVESCO Australia Limited	5,967,834	5.02

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

Mortgage Choice's mission is to empower Australians by educating them about the mortgage industry and guiding them through the loan maze. Our 'Client for Life' philosophy means we provide them with credible, professional service from initial appointment to application, settlement and throughout the life of the loan.

MORTGAGE CHOICE