Mortgage Choice

2015 Annual Report

Contents

Stephen Lemm, franchise owner of Mortgage Choice in Neutral Bay, discusses financial options with a happy Mortgage Choice customer.

Established in 1992, Mortgage Choice is traditionally known for providing expert home loan advice to Australians, helping them to obtain and manage a home loan. But these days we offer more than just home loan advice.

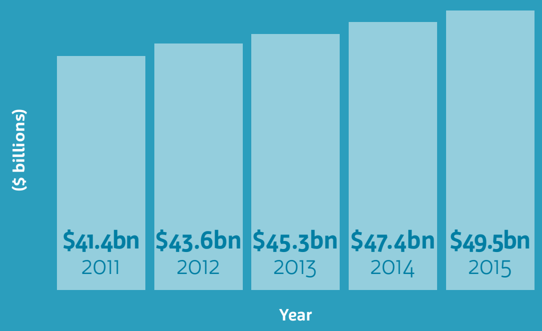
In addition to helping in excess of 40,000 borrowers a year obtain property financing, our network of specialist mortgage brokers also help customers to source credit cards, car loans, commercial loans, asset finance, deposit bonds, and risk and general insurances. Our brokers also refer customers to our growing network of Mortgage Choice financial advisers, who are committed to the concept of driving 'real, relevant results' for everyday Australians putting them on the right financial path.

Our network of franchises right across Australia all operate with a single vision – to help customers achieve their financial and home ownership goals via expert advice and great service.

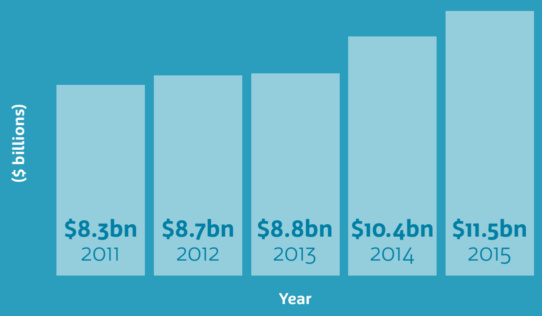
2015 performance

NPAT cash – $18.6 million FY15

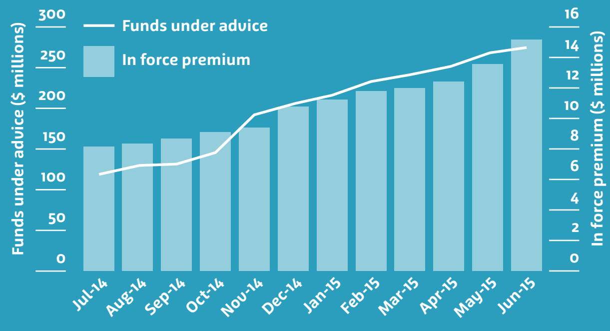
Mortgage Choice loan book $bn

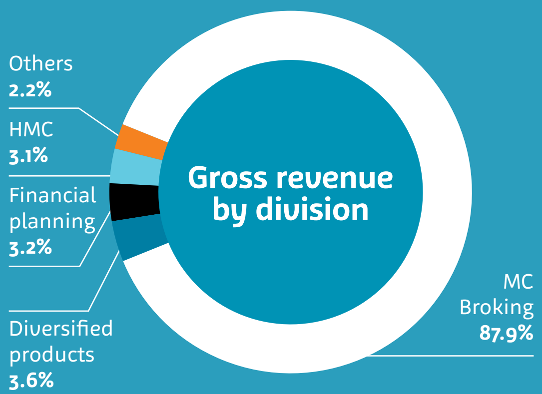


Total settlements $bn

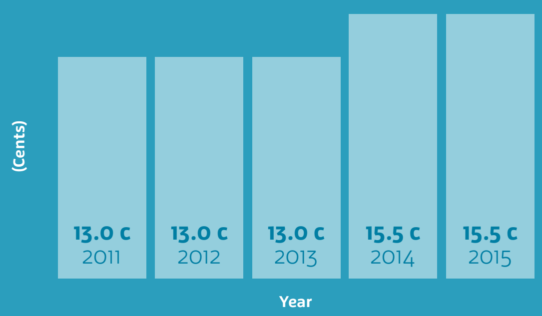


Funds under advice and In force premium

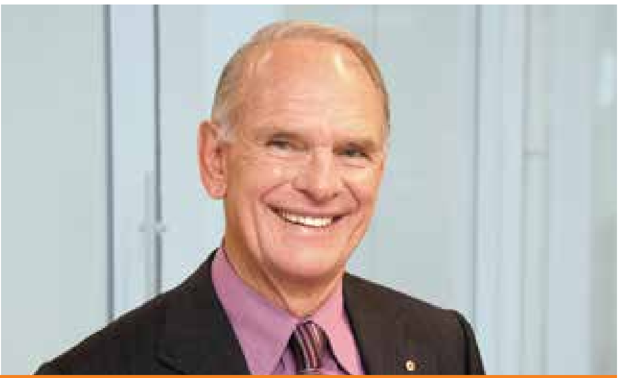




Total dividends ¢



Chairman's Letter



On behalf of the Board, I am pleased to announce that Mortgage Choice has delivered another robust financial result this year.

In the last 12 months, we have managed to grow our loan book 4.6% to $49.5 billion and settle $11.5 billion worth of home loans – up 10.6% on the previous year.

Financial results for the year to 30 June 2015 showed a net cash profit after tax of $18.6 million – which is largely in line with last year's performance.

We also managed to grow our loan writer, franchisee and financial adviser numbers this year, which helped us to take advantage of the opportunities presented by the strong market.

All in all, FY15 was a fairly strong year for Mortgage Choice as a whole. We continued our transition into a fully-fledged financial services hub, taking our percentage of gross revenue from diversified sources from 9.5% to 12.1%.

FY15 was also the year we said a fond farewell to chief executive officer Michael Russell.

Michael was a true advocate for Mortgage Choice. During his six year tenure, Michael helped transform Mortgage Choice from a mortgage broker to an ASX300, fully-fledged financial services company that has cemented itself as one of Australia's most loved financial services brands.

It was Michael's vision, drive and determination that ultimately helped Mortgage Choice take the next step in its evolution.

Given that the financial needs of customers are ever evolving, Michael saw an opportunity to further diversify Mortgage Choice's core services so that we may better cater to our customers' growing needs.

Since getting our Australian Financial Services Licence in 2013, Mortgage Choice has built a unique and new generational financial advice business from the ground up, giving our customers access to clear and transparent advice that is both affordable and relevant.

Today, we have 45 advisers on board and 34 Mortgage Choice Financial Planning franchises, and remain as committed as ever to introducing additional best of breed advisers into the business over the months and years ahead.

Mortgage Choice has enjoyed another strong financial result, growing our loan book and delivering our best ever settlement result. We are pleased to pay shareholders a final dividend of 8 cents per share, taking the full year dividend to 15.5 cents per share fully franked.

Peter Ritchie

PETER RITCHIE, CHAIRMAN

I know I speak on behalf of everyone at Mortgage Choice when I say that we are all grateful for Michael Russell's contribution to the business.

Michael announced his planned departure early, giving us the opportunity to conduct a thorough search for our new leader. With that said, it gives me great pleasure to announce the appointment of John Flavell as the new chief executive officer of Mortgage Choice.

Armed with more than 20 years' experience in executive leadership positions and 15 years in financial services, John brings a wealth of experience to the role.

John's broad financial services experience incorporating lending, broking, third party distribution and wealth management, means he is ideally placed to lead Mortgage Choice to further growth in the financial services sector.

I know John is focused on building a sustainable Mortgage Choice by focusing on what matters most to our customers – honest, trustworthy advice and amazing customer service. John, together with the rest of the Mortgage Choice network, will deliver this by offering a broad range of tailored financial solutions and offering our customers true choice as well as transparent and trustworthy advice.

His first 90 days have been a tremendous success and I look forward to seeing what Mortgage Choice's future holds under John's stewardship.

CEO Overview

The economic environment in the 2015 financial year was varied.

In May, the Federal Government tried to make up for its 2014 'tough Budget', by delivering a relatively benign Budget that would help improve consumer sentiment.

The Budget achieved its intended result, with consumer sentiment showing signs of improvement in the days following. However, the improvement in confidence was short lived, and by the end of the financial year, confidence had fallen below long term averages to the point where pessimists significantly outnumbered optimists.

While consumer confidence took a tumble, there was plenty of good news coming out of the Australian economy.

In the second half of FY15, the Reserve Bank of Australia cut the official cash rate twice (in February and May), positively driving increases in property demand and dwelling values.

Across the combined capital cities, dwelling values were up 9.8% for the 2015 financial year, with Sydney and Melbourne the standout performers recording annual growth of 16.2% and 10.2% respectively.

At the same time, Mortgage Choice's core broking business recorded its best ever settlements result, settling in excess of $11.5 billion in home loans.

Mortgage Choice's Group Net Profit After Tax (NPAT) on a cash basis was $18.6 million, which was largely in-line with last year's result, when the Group recorded a NPAT cash result of $18.8 million.

The slight fall in the NPAT cash result could largely be attributed to the Help Me Choose business failing to perform in line with expectations. In the first half of FY15, Mortgage Choice significantly increased the resource levels at Help Me Choose to take advantage of the seasonal upswing in business opportunities that usually exist over the last quarter of the financial year.

The future looks bright for Mortgage Choice as we continue our transition into a customer centric, omni-channel, integrated financial services company.

JOHN FLAVELL, CHIEF EXECUTIVE OFFICER

The uplift in new business was insufficient to cover the higher resourcing costs incurred in the first half of the year.

Beyond the soft results for Help Me Choose, Mortgage Choice incurred two one-off expenses throughout FY15: a $1.2 million impairment charge relating to our Project One technology initiative, and a one-off expense relating to our Plus One initiative.

In January 2014, Mortgage Choice launched a Plus One initiative to grow the amount of loan writers across the network. Under the terms of the initiative, franchisees were offered a monetary incentive to recruit and on-board a new loans consultant by September 2014 – the associated costs of which were incorporated into the FY15 expenses.

As a result of the initiative, Mortgage Choice grew its number of loan writers by 68, making the program a great success.

The one-off costs associated with our Plus One and Project One initiatives ultimately reduced Mortgage Choice's Net Profit After Tax (NPAT) cash result.

If these expenses were excluded, Mortgage Choice's FY15 cash NPAT result would have been stronger than FY14.

In the context of the dynamic economic environment, Mortgage Choice's FY15 financial results were fair, although significant opportunity exists to deliver stronger results over the coming years.

I joined Mortgage Choice on 7 April this year and officially commenced in the role of chief executive officer on 23 April.

Mortgage Choice is a company that is very well known to me, having worked as a competitor to the Group for a number of years, and as a business partner for the last nine years. Knowing the business as I did, I was always very confident that Mortgage Choice was well positioned to continue to deliver value to the Group's customers, business growth for franchisees, career opportunities for employees and strong returns to shareholders.

I was also confident that with my significant experience in financial services, deep industry knowledge and leadership skills I could make a very valuable contribution to Mortgage Choice as chief executive officer. Accordingly, I made it very clear to the former CEO, Michael Russell, over four years ago, that when the time was right I would be keen to step into the role. It was obviously very pleasing to see this come to fruition.

400,000

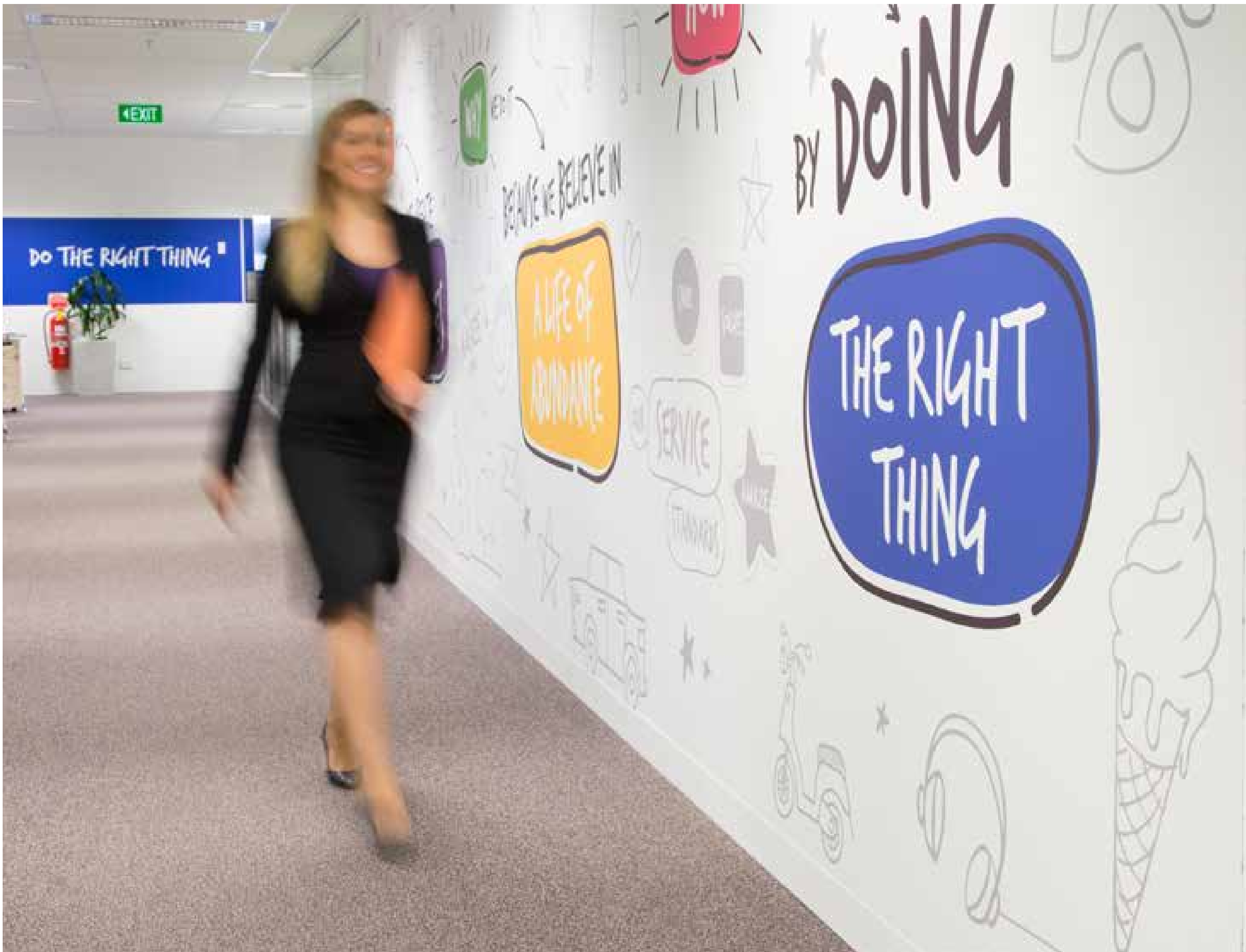
Mortgage Choice has helped more than 400,000 Australians realise their property and finance goals.

There is not another Group in the industry that is as professional, capable and dedicated to delivering value to their customers.

Throughout its 23 years of operation, Mortgage Choice has become a household brand that is well known for providing trusted, expert mortgage advice and value to its customers.

Mortgage Choice has helped more than 400,000 Australians realise their property and finance related goals and enabled hundreds of Australians to build profitable small businesses, creating employment for many thousands of others.

This is a business that certainly has the opportunity to go from strength to strength.



During my first 100 days as chief executive officer, I have been given the opportunity to closely observe the business operations through engaging with our franchisees, group office staff and other key stakeholders. This process has not only allowed me to cultivate a clear understanding of the strengths and weaknesses of the business, but provided me with clarity and confidence as to where opportunities exist for the future.

Taking the same professional approach and applying that to deliver a broader range of solutions to our customers is an incredible opportunity for the Group. We have the ability to take what we know about the home loan market and the way people like to interact with us and apply it to many different financial services. While we have already started to do this through the integration of the financial planning arm, we have the opportunity to create a company that can meet even more of our customers' growing financial needs by delivering any financial service through any channel at any time.

Our goal is to turn this opportunity into a reality by 2020, and we will do this by:

- Creating an omni-channel customer experience;
- Developing and delivering a broader range of products;
- Growing our distribution channel including broker and adviser numbers; and
- Creating a customer-centric culture.

At Mortgage Choice, we are advocates for the diversified business model because we understand that 1 plus 1 can equal something more than 2 for our customers and stakeholders. As such, we will continue to concentrate on developing a multi-channel, multi-service hub that successfully caters to our customers' growing financial needs.

While our future direction is clear, it is also important for us to identify our imperatives for the coming 12 months.

Strategic focus for FY16

For Mortgage Choice, success in FY16 will be measured against four key metrics:

- Growth in franchisee revenue;

- Integration of Mortgage Choice Financial Planning (MCFP);
- Profitable market share growth; and
- Growth in net profit.

To achieve these outcomes we have identified three short term priorities for the business.

Our first priority is to increase brand awareness and, in turn, home loan lead volumes to the network.

Growth in brand awareness and subsequent home loan lead volumes was very strong over Q4 FY15. We will continue this momentum with a full program of national promotion and local collaborative marketing initiatives to commence 1 September.

We see significant opportunities in the home loan space. Data from the Australian Bureau of Statistics shows the total value of dwelling commitments written each month across Australia has climbed 33% over the last two years. And, with dwelling values climbing higher across some key markets and property demand remaining strong, it is likely that the value of the home loan market will continue to grow over FY16.

Our second priority is to increase the footprint and productivity of the network. We will improve our productivity by leveraging off the efficiencies provided to us by our new Customer Relationship Management platform, and grow our broker numbers by putting a spotlight on recruitment.

33%

The value of dwelling commitments written each month has climbed 33% over the last 2 years.

Our third and final short term priority involves increasing the number of home loan customers referred to a Mortgage Choice financial adviser.

Our MCFP business remains a key focus for Mortgage Choice. While referrals to Mortgage Choice Financial Planning are up year on year, there is still a significant opportunity for us in this space.

Looking at our data we can see that we have barely scratched the surface in terms of capacity. Approximately 10% of our new customers in the last financial year were referred to a Mortgage Choice financial adviser. Our focus will now turn to the 90%

of our customers who aren't being referred, as well as our existing customers.

We see significant opportunity in the insurance and superannuation markets – opportunities which we are well placed to capitalise on through our financial planning arm.

For 2016 and beyond we will continue to invest in the business for growth, while ensuring gross profits grow at a faster rate than expenses – delivering positive jaws.

456
Mortgage Choice's total franchise numbers grew 5% in FY15 to 456.

The performance of Help Me Choose was not as it should have been and it will be addressed as a priority.

The future direction of Mortgage Choice is clear: we will become a customer centric, omni-channel, integrated financial services company that meets our customers' growing financial needs by delivering expert advice via their preferred distribution channel.

We will deliver any product through any channel at any time in a customer's lifecycle.

I am excited about the year ahead and know great things await Mortgage Choice. Everything we do has the customer at the centre. We will continue to build long term relationships with our customers and provide them with the solutions, knowledge and choices they need to be able to make informed financial decisions and live a life of abundance.

SPOTLIGHT ON

Mortgage Choice's Social Commitment

Through numerous fundraising activities Mortgage Choice has raised over $500,000 for Ronald McDonald House Charities since partnering with them in October 2011. Mortgage Choice donates a fixed dollar amount per loan settled. Our staff and franchise network also passionately and actively volunteer their time and donate funds to this wonderful charity.

Mortgage Choice

2015 Financial Report

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Directors' Report

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 2015, hereafter referred to as "Mortgage Choice", "the Mortgage Choice Group" or "the Group".

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
S J Clancy
P G Higgins
R G Higgins
S C Jermyn
D E Ralston

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.

Dividends

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

A final ordinary dividend of $9.911 million (8.0 cents per fully paid share) was declared for the year ended 30 June 2014 on 21 August 2014 and paid on 15 September 2014.

An interim ordinary dividend of $9.316 million (7.5 cents per fully paid share) was declared for the half-year ended 31 December 2014 on 24 February 2015 and paid on 19 March 2015.

A final ordinary dividend of $9.945 million (8.0 cents per fully paid share) was declared for the year ended 30 June 2015 on 18 August 2015 to be paid on 10 September 2015.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at http://www.mortgagechoice.com.au/about-us/shareholder-centre/corporate-governance.

Review of Operations

A review of the Group's operations is set out in the Operating and Financial Review below.

Operating and Financial Review

2014/15 was a year of mixed results for Mortgage Choice.

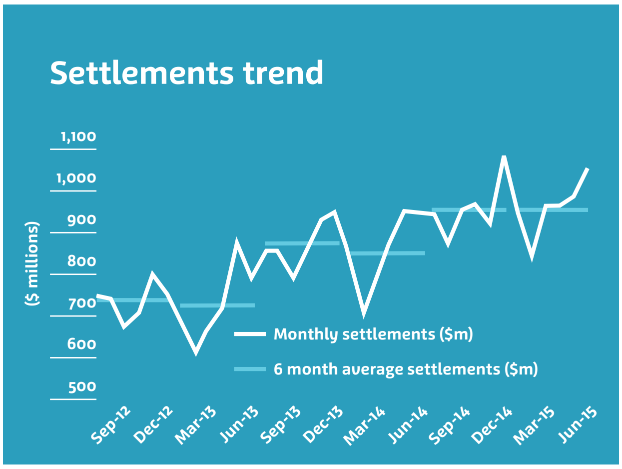
The core business performed well, recording its best ever settlement results as well as strong loan book growth. In total, $11.5 billion in residential mortgages were settled, while the loan book reached $49.5 billion.

But while the core broking business performed in line with expectations, the Group lost some ground in comparison to FY14 on a cash Net Profit After Tax (NPAT) basis.

Another strong financial result

Mortgage Choice sought to take advantage of the opportunities associated with the strong home loan market, adding 68 loan writers and 28 franchises to the network since January 2014.

The extra loan writers and franchisees helped Mortgage Choice to lift its settlement and approval figures by 10.6% and 10.2% respectively.



But while growth in settlements and approvals was strong, Mortgage Choice's market share fell slightly. To rectify this issue heading into FY16, Mortgage Choice will continue to focus on strategic recruitment.

This year, we achieved yet another strong underlying statutory result, before the recognition of balance sheet revaluation adjustments to the valuation of the loan book. Underlying statutory revenue and profit before tax compared to last year was up 9% on revenue and 1% on profit before tax.

"Dwelling commitments hit a five year high in April 2015. More than 53,000 home loans were approved over the course of April 2015 – a level not seen since October 2009."

Underlying Statutory Results

	30 June 2015 $'000	30 June 2014 $'000
Operating Revenue		
Underlying operating revenue	**191,587**	175,055
Adjustment to valuation of loan book receivable	**(6,792)**	3,409
Total operating revenue	**184,795**	178,464
Profit before tax		
Underlying result before tax	**28,801**	28,434
Adjustment to valuation to net loan book receivable	**(2,293)**	(1,638)
Total profit before tax	**26,508**	26,796

However, the realignment of valuation assumptions to reflect changing economic factors resulted in a negative valuation adjustment at the end of the year. Increased run-off was experienced across the industry due in part to customers paying more off their principal in the low interest rate environment. A second factor was the high number of customers who refinanced or upgraded their homes, contributing to Mortgage Choice's record growth in loan settlements. Increased settlement volumes also led to higher commission payments to Mortgage Choice franchisees, which affected our net margin. The combination of these factors resulted in a write down of 2% of the ending value of the Company's loan book.

Broker usage growing in buoyant market

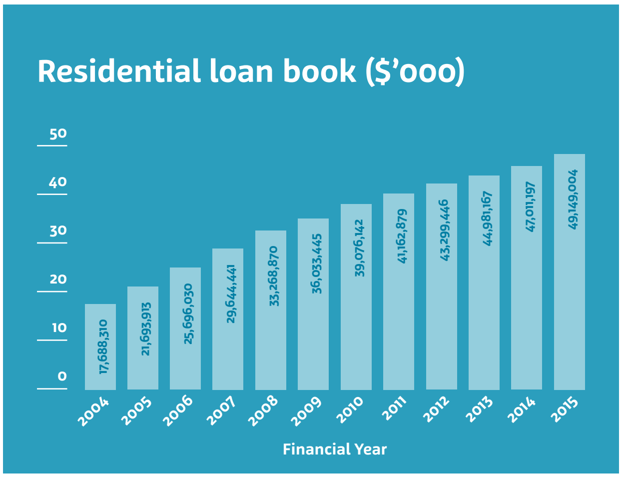
The market for home loans grew to new heights in FY15, with data from the Australian Bureau of Statistics showing dwelling commitments hitting a five year high in April 2015. More than 53,000 home loans were approved over the course of April 2015 – a level not seen since October 2009 when the boosted first home owner grants were coming to an end.

At the same time, data from the Mortgage and Finance Association of Australia shows the third party distribution channel is growing, with mortgage brokers now accounting for 52% of all loans written. It is expected that broker usage will continue to grow as the home loan environment becomes increasingly complex.

In recent months, many of Australia's lenders have made policy and pricing changes to their suite of home loans, specifically their investment products. These changes are making the home loan environment more complex, encouraging more potential and existing property buyers to seek out expert advice, which should bode well for the broker proposition.

Already, Mortgage Choice is starting to see an uplift in broker demand, which is resulting in increased home loan submissions and settlements.

In FY15, Mortgage Choice's loan book kept pace with the boost in settlements, in spite of the increased rate of run-off. As at 31 July 2015, Mortgage Choice's residential loan book stood at $49.15 billion while its total loan book (including residential, commercial loans and reverse mortgages) reached $49.5 billion.



Total growth for the residential loan book over the course of FY15 was 4.6% – up from $47 billion in FY14.

MC retains dividend

Growth in the core business combined with improvements across the diversified revenue streams allowed Mortgage Choice to maintain its dividend result from FY14. For the second consecutive year, Mortgage Choice has delivered total dividends of 15.5 cents.

Mortgage Choice Financial Planning

Growth in revenue for Mortgage Choice Financial Planning was up 107% over the course of the financial year, while adviser numbers hit 45, which is a good result.

We envisage this business will start to break even on a monthly basis in 2H16.

Mortgage Choice Financial Planning continues to play a pivotal role in the future strategy and success of the Group as a whole. We see significant opportunity in the insurance and superannuation markets – opportunities which we are well placed to capitalise on through our financial planning arm.

Mortgage Choice believes that synergies can be created for our franchisees, customers and stakeholders, provided the business is run strategically.

Over the past 12 months, Mortgage Choice Financial Planning has seen an uplift in the number of brokers actively referring customers to advisers climbing by 106% and the number of customers being referred to a Mortgage Choice financial adviser by 236%. Throughout FY16, more emphasis will be placed on growing the number of brokers who actively refer customers as well as the number of customers who are referred to an adviser.

Diversified services

Throughout FY15, the percentage of gross revenue from diversification grew, reaching 12.1% from 9.5% the year prior.

This growth comes at a time when Mortgage Choice has grown its broking commissions from increased settlements. In other words, Mortgage Choice has managed to grow our diversified revenue streams while still growing our core broking business.

Help Me Choose

Help Me Choose (HMC) turned a less than profitable result over the financial year, with the company losing $384,000 on a Net Profit After Tax IFRS basis. This result is a reflection of Mortgage Choice's decision to grow HMC's headcount at the beginning of FY15 in order to capitalise on the seasonal uplift that is usually prevalent in the second half of the financial year. Unfortunately, the opportunities weren't there this year and HMC was unable to recoup the costs spent on increased headcount.

Mortgage Choice management has made it clear that the HMC financial result will be addressed as a matter of urgency.

Investing for future growth

We undertook several initiatives this year to lay the foundations for future success. In particular, we reinvigorated the Mortgage Choice brand by refreshing the logo.

Refreshing the Mortgage Choice Brand

Launched in the first half of FY15, the new logo and branding reflects a new direction for the company, with the symbol representing growth and the complementary colours highlighting the company's diversification.

For the rebranding initiative to be successful, we needed significant franchisee buy-in. To date, approx 40% of all Mortgage Choice shop fronts have been rebranded.

Project One – Phase one on time and on budget

In addition to refreshing the Mortgage Choice look and feel, we initiated the replacement of our core broker platform with the launch of Project One.

Project One is a two phase initiative that involves the implementation of an enterprise-wide, trusted, off-the-shelf customer relationship management (CRM) platform as well as an industry leading broker front end. They will combine to provide our franchisees a web-based platform with functionality to improve their processes as well as the customer experience.

Phase one, which involved the implementation of a more robust, marketing friendly CRM platform has now been completed both on time and on budget. At the completion of phase one, we reached a natural 'pausing point' which we are using to take stock of the changes made. The changes have presented us with an opportunity to evolve and improve our customer marketing capabilities – an opportunity we will look to capitalise on before moving into phase two. As such, phase two, which was originally forecast to be rolled out throughout the first half of FY16, will be left on pause until such a time that phase one has been integrated into every broker business and every opportunity gleaned.

While the majority of the expenses associated with Project One formed part of Mortgage Choice's capital expenditure, the business was required to recognise a one-off $1.2 million IT impairment charge in FY15, which increased our expenses and reduced our cash profits.

Plus One

In January 2014, Mortgage Choice launched a Plus One initiative to grow the number of loan writers in the business.

As part of the Plus One initiative, franchisees were offered a monetary incentive to bring a new loans consultant into their business.

Under the terms of the initiative, loan writers had to be recruited and on-boarded by September 2014. As a result, some of the one-off costs incurred from this initiative were incorporated into our FY15 expenses and will not recur in FY16.

Since the initiative was first launched, Mortgage Choice has grown its loan writer count by 68, which helped the business to better take advantage of the strong market opportunities.

Financial Results wrap-up

The non-recurring expenses incurred through both the Project One and the Plus One initiatives increased Mortgage Choice's expenses for the year and reduced our cash profits.

Despite the non-recurring expenses and HMC's sluggish result, Mortgage Choice managed to return a profit similar to last year and maintain the dividend.

New CEO appointed

In FY15, Mortgage Choice welcomed our new chief executive officer, John Flavell.

Mr Flavell, who officially took over the role of chief executive officer on 23 April 2015, joined the company with more than 20 years management experience and 15 years financial services experience.

In his role as chief executive officer, John Flavell is committed to helping the Company take the next step in its evolution.

Strategic focus for 2016 and beyond

Throughout FY15, Mortgage Choice continued its transition toward becoming a diversified retail financial services player.

In FY16, Mortgage Choice will continue to focus our energies on growing the business as a whole – focusing on our core mortgage broking business as well as our diversified ventures.

Short term priorities for the business include the development of new strategies to grow broker numbers, and the ongoing management of expenses.

Growing home loan lead volumes is also on the agenda, with a key focus on reducing cost per lead. More time will be committed to embedding our new CRM to further enhance the productivity of the business.

With regards to financial planning, Mortgage Choice is focused on developing strategies that allow us to increase the number of home loan customers referred to our advisers.

Addressing the ongoing profitability of Help Me Choose is another short term priority for the business.

Looking further ahead, growing Mortgage Choice's distribution channels, creating an omni-channel customer experience, a broader range of products and building a customer-centric culture are all on the agenda, with a completion date set for 2020.

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 Group.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2015 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.

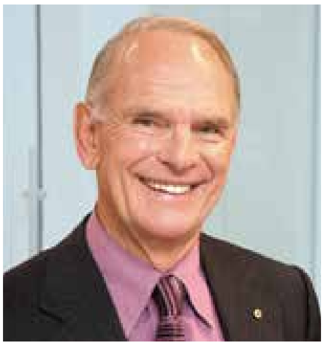
Likely developments and expected results of operations

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.

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.

Information on Directors



Peter Ritchie

AO, Hon.DBus, BCom, FCPA

Independent Non-Executive Chairman

Chairman of nomination and remuneration committees

Director since 5 April 2004

Peter has been Chairman of Reverse Corp Limited since 1999. He previously served as Managing Director of McDonald's Australia from 1974 to 1995 and as its Chairman from 1995 to 2001. Peter was deputy Chairman of Seven Group Holdings from April 2010 to November 2014 and was a Director of Westpac Banking Corporation from 1993 to 2002 and Solution 6 Holdings from 2000 to 2002. Age 73.

Sean Clancy

Dip Mkt FAICD

Independent Non-Executive Director

Member of audit, remuneration and nomination committees

Director since 18 May 2009

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 on the Advisory Board of the Port Adelaide Football Club and Director and Chief Executive Officer of Transfusion Ltd, Chairman and Non-Executive Director of Metropolis Inc. and Ambassador to Business Events Sydney. Age 55.

Peter Higgins

Non-Executive Director

Member of audit committee

Director since 30 November 1989

Peter is co-founder of Mortgage Choice. He also is Executive Chairman of technology company Power & Data Corporation Pty Ltd, trading as Mainlinepower.com and a Director of Argosy Agricultural Group Pty Ltd. Having been successfully self-employed for over 30 years, Peter is an investor in a diverse number of industries covering manufacturing, agriculture, technology, property and finance. Age 55.

Rodney Higgins

Non-Executive Director

Member of nomination and remuneration committees

Director since 30 January 1986

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 60.

Steven Jermyn

FCPA

Independent Non-Executive Director

Chairman of audit committee

Director since 24 May 2004

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 has also been a Director of Reverse Corp Limited since October 2005. Age 66.

Deborah Ralston

PhD, FAICD, SFFin, FCPA

Independent Non-Executive Director

Member of audit committee and Chairman of the Mortgage Choice Financial Planning investment committee

Director since 24 May 2004

Deborah is Professor of Finance at Monash University and Chair of the Australian Securities and Investment Commission Digital Finance Advisory Committee. She was formerly Executive Director of the Australian Centre for Financial Studies and prior to that, Pro Vice Chancellor at the University of Canberra. Deborah is a former Director of Heritage Building Society. Age 62.

The table below sets out the Directors' interests at 30 June 2015:

Director	Particulars of Directors' interests in shares
P D Ritchie	510,125 ordinary shares
S J Clancy	75,000 ordinary shares
P G Higgins	359,253 ordinary shares
R G Higgins	15,380,212 ordinary shares
S C Jermyn	2,000,000 ordinary shares
D E Ralston	145,000 ordinary shares.

Company Secretary

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

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 2015, 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	7	8	*	*	1	1	3	3
S J Clancy	8	8	3	3	1	1	3	3
P G Higgins	7	8	2	3	*	*	*	*
R G Higgins	6	8	*	*	1	1	1	3
S C Jermyn	7	8	3	3	*	*	*	*
D E Ralston	8	8	2	3	*	*	*	*

A = Number of meetings attended

B = Number of meetings held

* = Not a member of the relevant committee

Remuneration report

The Directors are pleased to present the 2015 remuneration report which sets out remuneration information for the Company's non-executive directors, Chief Executive Officer and other key management personnel (collectively KMP).

The report contains the following sections:

(a) Chairman's introduction

(b) Directors and executive key management personnel disclosed in this report

(c) Remuneration governance

(d) Remuneration consultants

(e) Executive remuneration policy and framework

(f) Relationship between remuneration and Mortgage Choice Limited's performance

(g) Non-executive director remuneration policy

(h) Executive remuneration received during FY 2015

(i) Details of share-based remuneration

(j) Service agreements

(k) Legacy equity grants vesting in FY 2015 or outstanding at the end of FY 2015 and granted prior to FY 2015

(l) Key management personnel equity holdings

(a) Chairman's introduction

I would like to highlight some of the changes we have incorporated in our remuneration structure and framework in response to the "no" vote we received on the Remuneration Report at our last Annual General Meeting on 29 October 2014.

In response to investor feedback, the Board incorporated changes to the executive remuneration structure on the arrival of John Flavell as CEO in April 2015. The result of these changes was that the outgoing CEO and the other KMP executives had a different structure and mix of remuneration components to that of the incoming CEO. The existing remuneration structures remained in place for the outgoing CEO and the other executive KMPs until the end of the financial year. Changes have been made to the structure and mix of remuneration for the other KMP executives for FY 2016 to bring them in line with the structure and mix of the incoming CEO's remuneration package. This has been done to ensure alignment between all KMPs and the CEO and focus them on the same goals and outcomes.

As part of our changes, we have removed all share based remuneration that vests solely based on tenure. In addition, 50% of the new CEO's STI award will be deferred for up to two years. We have also increased the required threshold performance for the TSR component of the LTI award from the 40th percentile to the 50th percentile. There will be no reward for returns that are below the median.

The remainder of this remuneration report provides more detail.

(b) Directors and executive key management personnel disclosed in this report

Name	Position
Directors	
Peter D Ritchie	Non-Executive Chairman
Sean J Clancy	Non-Executive Director
Peter G Higgins	Non-Executive Director
Rodney G Higgins	Non-Executive Director
Stephen C Jermyn	Non-Executive Director
Deborah E Ralston	Non-Executive Director

Name	Position
Other key management personnel	
John L Flavell (from 23 April 2015) [1]	Chief Executive Officer
Michael I Russell (to 23 April 2015) [2]	Chief Executive Officer
Susan R Mitchell	Chief Financial Officer
Neill C Rose-Innes	General Manager, Operations
Andrew J Russell	General Manager, Product and Distribution
Melissa J McCarney	General Manager, Group Marketing

1 Mr J L Flavell commenced employment with the company as Chief Executive Officer on 7 April 2015, for a transitional period until Mr M I Russell ceased to be Chief Executive Officer on 23 April 2015.

2 Mr M I Russell was Chief Executive Officer until 23 April 2015, and worked alongside Mr J L Flavell during a transitional period from 7 April 2015.

(c) Remuneration Governance

The Board Remuneration Committee has primary responsibility for remuneration governance. The Committee consists of three non-executive directors – Sean Clancy (independent), Rodney Higgins and Peter Ritchie (independent chair).

The Remuneration Committee makes recommendations to the Board on:

- non-executive director fees;
- remuneration levels of the Chief Executive Officer; and
- the over-arching executive remuneration framework and operation of the incentive plan.

The Committee's objective is to ensure that remuneration policies and structures are fair, attract and retain executives and directors with the requisite experience and knowledge, and aligned with the long-term interests of the Company. In doing this, the Remuneration Committee seeks advice from independent remuneration consultants (see below).

The Corporate Governance Statement, which can be found on the Mortgage Choice website, provides further information on the role of this committee.

(d) Remuneration consultants

During the year ending 30 June 2015, the Company's Remuneration Committee employed the services of Guerdon Associates to advise on the design of the remuneration package offered to the new CEO, John Flavell, as well as to provide ongoing advisory services regarding short-term and long-term incentive plan design, TSR performance testing and independent equity valuation.

Under the terms of the various engagements, Guerdon Associates provided remuneration recommendations and was paid $69,571 for these services. Guerdon Associates was not engaged to provide any other services to Mortgage Choice during the year and has confirmed that its services were provided free from undue influence by members of the Group's key management personnel.

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- Guerdon Associates was engaged by, and reported directly to, the chair of the Remuneration Committee;
- The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration Committee under delegated authority of the Board;
- The report containing remuneration recommendations was provided by Guerdon Associates directly to the chair of the Remuneration Committee; and
- Guerdon Associates was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

(e) Executive remuneration policy and framework

In determining executive remuneration, the Board, as advised by the Remuneration Committee, aims to ensure that remuneration practices are:

- fair and reasonable, enabling the Company to attract and retain key skills and experience;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent, and
- acceptable to shareholders.

The executive remuneration framework has three components:

- base remuneration including salary, non-cash benefits, superannuation and deferred shares;
- short term performance incentive (STI), and
- long-term incentive (LTI).

As noted in the Chairman's introduction to this report, the Board introduced a new executive remuneration structure during the year. Initially, this revised structure applied only to the incoming CEO, John Flavell. However, for FY2016, the changes will apply to all KMP executives to bring them in line with the incoming CEO's package.

As the change to remuneration policies was at the end of FY 2015, we have presented the intended remuneration framework for FY 2016 to ensure a clear understanding of our remuneration policies going forward.

Remuneration Framework for the Incoming CEO and FY2016

The following remuneration framework applies to the incoming CEO, John Flavell, from his start date on 7 April 2015 and to the remaining KMP executives (excluding Michael Russell) from 1 July 2015.

The proportions of the remuneration components, assuming the maximum incentive components are paid in the remuneration mix, are set out in the table below.

Position	Base remuneration	Maximum STI	Maximum LTI
Chief Executive Officer, John Flavell	37%	33%	30%
Other KMP executives	65%	18%	17%

Base remuneration

An executive's base remuneration comprises a fixed cash salary and superannuation limited to the maximum super contribution base. Executives have an opportunity to salary sacrifice amounts from their fixed salary towards additional superannuation and a series of prescribed benefits plus any associated fringe benefits tax. Base remuneration is reviewed annually against external benchmarks to ensure it remains appropriate relative to the market. Although base remuneration adjustments may be made after comparison to external benchmarks, or on promotion, there are no guaranteed base remuneration increases in any executive contracts. As other aspects of the remuneration package have a 'retention' component, share based remuneration that vests solely based on tenure will no longer form part of base remuneration.

Short-term performance incentives

The short term incentive plan is designed to reward relative performance with a defined STI pool that is subject to a group modifier, or multiplier, based on the achievement of Company profits as compared to target. The pool is created with contributions set at the level of each individual's target STI. The performance of each KMP executive, excluding the CEO, is assessed based on the achievement of a unique set of key performance indicators ("KPIs") and the quality of their work relative to others, which may allow them to receive more or less than their target STI. KPIs include profit targets as well as specific operational targets such as franchise network growth, settlements growth, percentage of referrals to Mortgage Choice Financial Planning or the successful completion of strategic projects. These KPIs for KMP executives are set and assessed annually by the CEO.

Annually the Board sets a profit target for the CEO as well as additional KPIs based on the strategic and operational goals of the Company. To achieve the maximum STI, the CEO must achieve both the profit target and his individual KPIs.

Before awarding STI to any staff, the Company must first reach the required profit gateway set by the Board each year. The final STI awarded to a KMP, including the CEO, may be increased or decreased by a group multiplier based on the Company's achievement of the profit target for the year. Requiring a minimum profit hurdle to be achieved before any STI payments are made ensures additional 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. The addition of a group multiplier allows the KMPs to share a percentage of the additional value created for the shareholders by exceeding profit targets. Additionally, it allows the Board to penalise KMPs where the profit target is not met.

The CEO's maximum STI opportunity is 90% of base remuneration and the target STI opportunity is between 25% and 32% of cash salary for other executives.
From time to time, bonuses may be paid outside this structure. Any amount awarded as STI is payable in cash following the signing of the annual report each year with the exception of the CEO. From FY 2016, the CEO will receive 50% of the awarded STI in cash and the remaining 50% in deferred performance rights which vest in two equal tranches over the following two years based on the requirement of continuous employment. The terms of the deferred performance rights are described in more detail below.

CEO Deferred STI awarded as Performance Rights

The introduction of deferred STI for the CEO, which is a new initiative for FY 2016, is aimed at further aligning the CEO's interests with shareholders.

From FY 2016, the CEO is eligible to receive performance rights under the Share Rights Plan (SRP) for 50% of his annual STI award. Of the amount awarded as deferred performance rights (if any), 50% will vest at the end of the next financial year (ie, 1 July 2017) and the remaining 50 % will vest the following year (ie, 1 July 2018). As the performance hurdles relating to the STI are met before the performance rights are granted, the only criteria necessary for the rights to vest is based on the CEO's continuous service to the relevant vesting date. Rights may be forfeited if a financial misstatement is uncovered relating to the year of the original STI award.

A performance right is a right to one Mortgage Choice share, plus the number of shares that would have resulted from reinvestment of dividends during the performance period on the shares acquired on vesting of the rights, or these shares equivalent in cash value at the absolute discretion of the Company. No dividends are paid on unvested rights during the performance period, or on rights that do not vest. The shares required for the CEO's performance rights might be sourced on market, from new issue shares, or from shares held by the trustee of the PSP. Treatment on cessation and hedging rules are the same as for the performance share LTI plan discussed further below.

A summary of the short-term incentive for FY2016 is provided in the table below:

Eligibility	CEO and other KMP executives
Performance period	1 July 2015 – 30 June 2016
Performance assessment finalised	Post audit of 30 June 2016 accounts
Payments made	31 August 2016 (except in relation to the CEO, where 50% of his STI award is deferred and awarded over two years)
Eligibility requirements for payment	1. Continuous service to 1 July 2016 2. Company meets profit requirement set by the Board 3. Individual meets specified KPIs (see below)
Financial gate prior to any payment	Profit gateway set by the Board
Individual assessment	Financial and operational KPIs KPIs set by reference to budget and strategic plan KPIs vary by individual
Payment vehicle	CEO – 50% cash, 50% deferred performance rights; 100% cash for other KMP executives Performance rights (CEO only) are rights to shares or their cash equivalent, with the number of shares including shares that would have resulted from dividend reinvestment during the vesting period
Deferral period	CEO – Deferred performance rights vest 50% 1 July 2017, 50% vest 1 July 2018; continuous service required to vest
Method to determine number of shares or rights to grant	Performance rights (CEO only) number of rights following a determination of STI award. Value of 50% of STI awarded divided by the volume weighted average price of shares over the 5 days prior to the grant
Hedging of unvested shares or rights	Not permitted
Maximum opportunity as a proportion of cash salary	CEO: 90% Other executives: 25% to 32%
Option for discretion?	Yes, in limited circumstances, the CEO may adjust the portion of the STI awarded to other KMP executives

Long-term incentive (LTI)

The LTI plan is a performance contingent award for achieving specified performance outcomes measured over a three-year performance period.

Two independent performance measures are used in the LTI plan – total shareholder return (TSR) relative to a comparison group and cash earnings per share (EPS) growth. 50% of performance shares will be tested against the TSR hurdle and the remaining 50% will be tested against the EPS hurdle.

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 performance period. The relative TSR comparison group has not been set for FY2016. The comparison group for FY2015 is comprised of companies within the ASX Financials sector with a market capitalisation between $40 million and $1 billion as at 31 August 2014, excluding Real Estate Investment Trusts. The vesting scale incorporates a performance window that is more challenging than the performance ranges adopted by many other companies, with vesting beginning at 50th percentile relative TSR performance, and maximum vesting occurring at 90th percentile relative TSR performance.

Cash EPS growth is based on the cash result as presented to the market and stated in the notes of the Company's audited statutory accounts and the average number of ordinary shares on issue during the performance period. Cash profits are calculated by adjusting audited statutory profits for trail commission recognised on a net present value basis and performance shares expense. Performance requirements are expressed in terms of a compound annual growth (CAGR) requirement. The cash EPS growth requirement is consistent with our remuneration philosophy and strategic plan, and recognises that growth will be moderate given the Board's relatively high dividend payout policy. The threshold to maximum performance range for vesting of LTI is 3% to 6% cash EPS growth.

40% of the LTI award will vest on achievement of threshold performance. This is less than market standards, reflecting our remuneration philosophy and the Board's requirement that "cliff" vesting of reward be minimised to reduce the prospect of excessive risk taking as the threshold performance level for remuneration vesting is approached. Additional LTI vests on a pro-rata basis as performance increases until 100% is reached at the specified maximum performance level.

LTI awards are made in performance shares under the Performance Share Plan (PSP), which are granted at the beginning of the performance period and vest subject to performance assessment and the vesting criteria at the end of the performance period. Performance shares are held in trust on behalf of the participant and may be newly issued shares or purchased on market. Dividends on unvested performance shares are distributed to participants throughout the performance period. The Company believes that granting "at risk" equity to its executives in this way is an effective way of aligning the interests of executives with shareholders.

Executives will forfeit unvested LTI on cessation of employment with the Company unless the cessation results from death, redundancy, disablement or other exceptional circumstances, in which case, current LTI grants may remain on foot and subject to testing at the end of the performance period at the discretion of the Board.

Executives are prohibited from entering into any hedging (or risk reduction) arrangements in relation to LTI plan performance shares.

A summary of the intended FY 2016 LTI plan is shown in the table below.

Eligibility	CEO and other KMP executives
Performance period	1 July 2015 – 30 June 2018
Frequency of grants	Annual
Performance assessment finalised	Post audit of 30 June 2018 accounts
Vesting date	September, 2018
Eligibility requirements for vesting	1. Continuous service unless service is ended due to event of death, disability, redundancy or other exceptional circumstances 2. Meets minimum performance requirements

Performance requirements	Performance shares are divided in two equal tranches: 1. The first tranche is subject to a relative TSR hurdle; and 2. The second tranche is subject to a hurdle based on cash EPS growth on a compound annual growth basis with target performance consistent with the Company's strategic plan For both tranches: 40% of the LTI award will vest on achievement of threshold performance 100% of the LTI award will vest on achievement of maximum performance Prorated vesting between threshold and maximum
Payment vehicle	Performance shares are shares inclusive of dividends, held in trust
Method to determine number of shares to grant	Value of LTI award divided by the volume weighted average price of shares over the 5 days prior to the grant
Hedging of unvested shares or rights	Not permitted
Maximum opportunity as a proportion of cash salary	Performance shares: CEO 80%, Other executives 25 to 30%
Option for Board discretion?	Yes, in "special" circumstances as defined by the Performance Share Plan

Remuneration Framework for FY 2015

The following remuneration framework applied to the outgoing CEO, Michael Russell until his departure on 3 July 2015 and to the remaining KMP executives (excluding John Flavell) for the 2015 financial year. As Mr Flavell only commenced employment in April 2015, he was not eligible to receive STI or LTI awards in respect of FY2015. Mr Flavell's remuneration arrangements are explained above under the section titled 'Remuneration Framework for the Incoming CEO and FY2016'.

The proportions of the remuneration components, assuming the maximum incentive components are paid in the remuneration mix, are set out in the table below.

Position	Base remuneration	Maximum STI	Maximum LTI
Chief Executive Officer, John Flavell	42%	14%	44%
Other KMP executives	69%	18%	13%

Base remuneration

An executive's base remuneration comprises a fixed cash salary and superannuation limited to the maximum super contribution base. Executives have an opportunity to salary sacrifice amounts from their fixed salary towards additional superannuation and a series of prescribed benefits plus any associated fringe benefits tax. In addition, executives receive deferred shares that are held in trust and vest in three equal tranches contingent on continued service of 1, 2 and 3 years, respectively. While originally these deferred shares were a retention incentive in the wake of the GFC, conservative levels of salary, company growth, and shareholder alignment advantages have permitted them to be retained and integrated into base remuneration.

Base remuneration is reviewed annually against external benchmarks to ensure it remains appropriate relative to the market. Although base remuneration adjustments may be made after comparison to external benchmarks, or on promotion, there are no guaranteed base remuneration increases in any executive contracts.

Short-term performance incentives

Prior to any STI payment being considered, the Group must achieve its profit gateway for the year. Should the Group achieve the profit gateway target set by the Board each year, an STI funding pool 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. Requiring a minimum profit hurdle to be achieved before any STI payments are made ensures additional 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.

Each executive position has a maximum level of STI opportunity. Once the required profit gateway is achieved, STI for individual executives is primarily based on an assessment of KPIs. KPIs are related to the accountabilities of the position and its impact on the organisation's or business unit's performance. Each executive is accountable for a unique set of KPIs which specify operational targets for the Company to achieve its annual agreed profit target and business strategy. KPIs include such targets as growth in the franchise network, volume of settlements, the number of group office leads as well as the completion of assigned projects. These KPIs are set and assessed annually for the CEO by the Board and for other executives by the CEO. With the exception of the CEO, the executives may also have additional factors, such as their contribution to the targets of others or the achievement of new initiatives introduced during the year, as well as the achievement of their KPIs taken into consideration in determining the final level of their STI award.

For executives, the maximum STI opportunity in FY 2015 was 52 % of cash salary for the CEO and between 25% and 32% of cash salary for other executives. From time to time, bonuses may be paid outside this structure in relation to special projects or in special circumstances. No such special bonuses were paid in the period covered by this report.

A summary of the FY 2015 short-term incentive is provided in the table below:

Eligibility	CEO and other KMP executives
Performance period	1 July 2014 – 30 June 2015
Performance assessment finalised	Post audit of 30 June 2015 accounts
Payments made	31 August 2015
Eligibility requirements for payment	1. Continuous service to 1 July 2015 unless terminated in the event of death, disability or redundancy 2. Company meets gateway profit requirement set by the Board 3. Individual meets specified KPIs (see below)
Financial gate prior to any payment	Profit target set by the Board
Individual assessment	Financial and operational KPIs KPIs set by reference to budget and strategic plan KPIs vary by individual
Payment vehicle	Cash
Deferral period	None
Maximum opportunity as a proportion of cash salary	CEO: 52% Other executives: 25% to 32%
Option for discretion?	Yes, in limited circumstances, the CEO may adjust the portion of the STI awarded to other KMP executives

In FY 2015 Mortgage Choice's cash profit exceeded the agreed profit target. As a result, the CEO achieved his target and received 100% of his STI payment. The remaining executives were awarded STI in line with the achievement of their individual KPIs which resulted some of the KMPs receiving less than their maximum opportunity.

Long-term incentive (LTI)

This section describes the LTI plan in which the former CEO, Mr Russell, and KMP executives were eligible to participate in FY 2015.

The LTI plan is a performance contingent award for achieving specified performance outcomes measured over a three-year performance period.

Two independent performance measures are used in the LTI plan – total shareholder return (TSR) relative to a comparison group and cash earnings per share (EPS) growth. 50% of performance shares will be tested against the TSR hurdle and the remaining 50% will be tested against the EPS hurdle.

TSR is the percentage increase in the Company's share price plus reinvested dividends, expressed as a percentage of the initial investment, and reflect the increase in value delivered to shareholders over the performance period. The relative TSR comparison group is comprised of companies within the ASX Financials sector with a market capitalisation between $40 million and $1 billion as at 31 August 2014, excluding Real Estate Investment Trusts. The vesting scale incorporates a performance window that is more challenging than the performance ranges adopted by many other companies, with vesting beginning at 40th percentile relative TSR performance, and maximum vesting occurring at 90th percentile relative TSR performance.

The comparator group for the PSP offers made in FY 2015 comprises: Steadfast Group (SDF), Cover-More Group (CVO), Austbrokers Holdings (AUB), Ozforex Group (OFX), Cedar Woods Properties (CWP), Peet (PPC), Servcorp (SRV), ClearView Wealth (CVW), MyState (MYS), Equity Trustees (EQT), Finbar Group (FRI), Bentham Limited IMF (IMF), Sunland Group (SDG), Treasury Group (TRG), AVJennings (AVJ), HFA Holdings (HFA), Wide Bay Australia (WBB), Villa World (VLW), Yellow Brick Road Holdings (YBR), Euroz Ltd (EZL), Lifestyle Communition (LIC), Devine (DVN), Blue Sky Alternative Investments (BLA), FSA Group (FSA), Bell Financial Group (BFG), K2 Asset Management Holdings (KAM), Payce Cons (PAY), Folkestone (FLK), Money3 Corp (MNY), ASF Group (AFA), Calliden Group (CIX), PBD Developments (PBD), CIC Australia (CNB), Phileo Australia (PHI), Elanor Investor (ENN), Homeloans (HOM), Emerchants (EML), Pioneer Credit (PNC), Wilson HTM Investment Group (WIG), Centrepoint Alliance (CAF), Centuria Capital (CNI), APN Property Group (APD), Fiducian Portfolio (FPS), ThinkSmart (TSM), Hunter Hall International (HHL), Hub24 (HUB), Digital CC (DCC), Australian ethical investments (AEF).

Cash EPS growth is based on the cash result as presented to the market and stated in the notes of the Company's audited statutory accounts and the average number of ordinary shares on issue during the performance period. Cash profits are calculated by adjusting audited statutory profits for trail commission recognised on a net present value basis and performance shares expense. Performance requirements are expressed in terms of a compound annual growth (CAGR) requirement. The cash EPS growth requirement is consistent with our remuneration philosophy and strategic plan, and recognises that growth will be moderate given the Board's relatively high dividend payout policy. The threshold to maximum performance range for vesting of LTI is 2% to 5% cash EPS growth.

35% of the LTI award will vest on the achievement of threshold performance. This is less than market standards, reflecting our remuneration philosophy and the board's requirement that "cliff" vesting of reward be minimised to reduce the prospect of excessive risk taking as the threshold performance level for remuneration vesting is approached. Additional LTI vests on a pro-rata basis as performance increases until 100% is reached at the specified maximum performance level.

LTI awards are made in performance shares under the Performance Share Plan (PSP), which are granted at the beginning of the performance period and vest subject to performance assessment and the vesting criteria at the end of the performance period. Performance shares are held in trust on behalf of the participant and may be newly issued shares or purchased on market. Dividends on unvested performance shares are distributed to participants throughout the performance period. The Company believes that granting "at risk" equity to its executives in this way is an effective way of aligning the interests of executives with shareholders.

Executives will forfeit unvested LTI on cessation of employment with the Company unless the cessation results from death, redundancy, disablement or other exceptional circumstances, in which case, current LTI grants may remain on foot and subject to testing at the end of the performance period at the discretion of the Board.

Executives are prohibited from entering into any hedging (or risk reduction) arrangements in relation to LTI plan performance shares or performance rights.

PSP features applicable to all grants

Shares will be acquired for participants following their acceptance of an offer made under the Plan. The shares will be acquired by the plan trustee and held on trust for participants until they are withdrawn from the Plan (after they have vested or are deemed to be vested) or are forfeited, in circumstances outlined below. Shares will be acquired only at times permitted under the Company's share trading policy. Shares may be acquired by on-market or off-market purchases, by subscribing for new shares to be issued by the Company, or through the reallocation of forfeited shares. The method of acquisition for each share allocation will be determined by the Board. The Company will fund the costs of all share acquisitions under the Plan. Participants will not be required to make any payment for the acquisition of shares under the Plan.

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

- a date ten years from grant date;
- 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 attached to those shares (such as voting or dividend rights etc.). If a participant resigns from his or her employment with the Company, or otherwise ceases employment in circumstances not involving "special circumstances", the participant will be required to forfeit any unvested shares held under the Plan on the participant's behalf, unless the Board otherwise determines. Vested shares will be eligible for withdrawal in accordance with the usual procedure.

If a participant ceases to be employed by the Company or retires from office as a result of special circumstances (including death, disability, retirement, redundancy, corporate restructure, or any other circumstances determined by the Board), the Board may in its discretion determine that all or a portion of the participant's unvested shares are to be treated as vested shares, notwithstanding the fact that the vesting conditions applicable to the shares have not been met because the applicable performance period has not expired.

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.

CEO Performance Rights LTI Plan

In addition to the LTI plan elements described above, the former CEO was also eligible to receive performance rights under the Share Rights Plan (SRP). FY 2014 was the first year that these performance rights were granted. A second tranche of performance rights was issued to the CEO in September 2014. A performance right is a right to one Mortgage Choice Limited share, plus the number of shares that would have resulted from reinvestment of dividends during the performance period on the shares acquired on vesting of the rights, or these shares equivalent in cash value at the absolute discretion of the Company. No dividends are paid on unvested rights during the performance period, or on rights that do not vest. The shares required for the CEO's performance rights LTI plan might be sourced on market, from newly issued shares, or from shares held by the trustee of the PSP. Treatment on cessation and hedging rules are the same as for the performance share LTI plan.

Performance rights are issued subject to three-year performance conditions in the form of a balanced scorecard, with four primary objectives that directly reflect the operational application of the strategic plan set and approved by the Board. Achievement is measured against a quantitative threshold utilising target and stretch measures, with a maximum of 25% of the rights vesting in accordance with performance against each independent requirement on a sliding scale.

The four primary strategic plan objectives focus the CEO on the transition of Mortgage Choice to a retail diversified financial services provider without sacrificing growth in the core broking business. Diversification objectives include the expansion of the adviser count in the financial planning network as well as targeted growth in diversified revenue. Objectives also target growth in profits of the mortgage broking business and the group as a whole. Actual requirements remain commercially sensitive during the performance period but will be disclosed in full at the end of the period.

A summary of FY 2015 LTI plans is shown in the table below.

Eligibility	CEO and other KMP executives
Performance period	1 July 2014 – 30 June 2017
Frequency of grants	Annual
Performance assessment finalised	Post audit of 30 June 2017 accounts
Vesting date	14 September 2017 (performance shares) 1 July 2017 (share rights)
Eligibility requirements for vesting	1. Continuous service unless service is ended due to event of death, disability, redundancy or other exceptional circumstances 2. Meets minimum performance requirements
Performance requirements	Performance shares are divided into two equal tranches (CEO and other KMP executives): 1. The first tranche is subject to a relative TSR hurdle which measures the Company's TSR relative to ASX Financials companies with a market capitalisation between $40 million and $1 billion at 31 August 2014, with specific companies in the peer group detailed in section (k) of the Remuneration report. The threshold performance is the 40th percentile, and maximum performance is the 90th percentile; and 2. The second tranche is subject to a hurdle based on cash EPS growth on a compound annual growth basis with target performance consistent with the Company's strategic plan For both tranches: 35% of the LTI award will vest on achievement of threshold performance 100% of the LTI award will vest on achievement of maximum performance Prorated vesting between threshold and maximum Performance rights (CEO only): 1. Growth in financial planning network 2. Growth in diversified revenues 3. Profit growth in Mortgage Choice's core broking business profit 4. Profit growth for the group Satisfaction of each requirement can result in a maximum of 25% of the rights vesting, with target performance consistent with strategic plan
Payment vehicle	Performance shares (CEO and other KMP executives) are shares inclusive of dividends, held in trust Performance rights (CEO only) are rights to shares or their cash equivalent

Method to determine number of shares or rights to grant	Performance shares (CEO and other KMP executives) Value of LTI divided by the volume weighted average price of shares over the 5 days prior to the grant Performance rights (CEO only): Number of rights determined by the Remuneration Committee and the Board
Hedging of unvested shares or rights	Not permitted
Maximum opportunity as a proportion of cash salary	Performance shares: CEO 50%, Other executives 25 to 30%; Performance rights: (CEO only): Number of rights determined by the Remuneration Committee and the Board
Option for Board discretion?	Yes, in "special" circumstances as defined by the Performance Share Plan

Legacy equity grants

Legacy equity grants to executives from prior years that are still outstanding as at the end of the financial year, or that have vested or partially vested during the financial year, are described in section (k) of the Remuneration Report.

(f) Relationship between remuneration and Mortgage Choice Limited's performance

Payments made under the STI plan are conditional upon the Company achieving a pre-determined profit target. A component of the grants made under PSP in FY 2012, FY 2013, FY 2014 and FY2015 is conditional on cash EPS growth. The following table lists Mortgage Choice Limited's cash earnings per share (EPS):

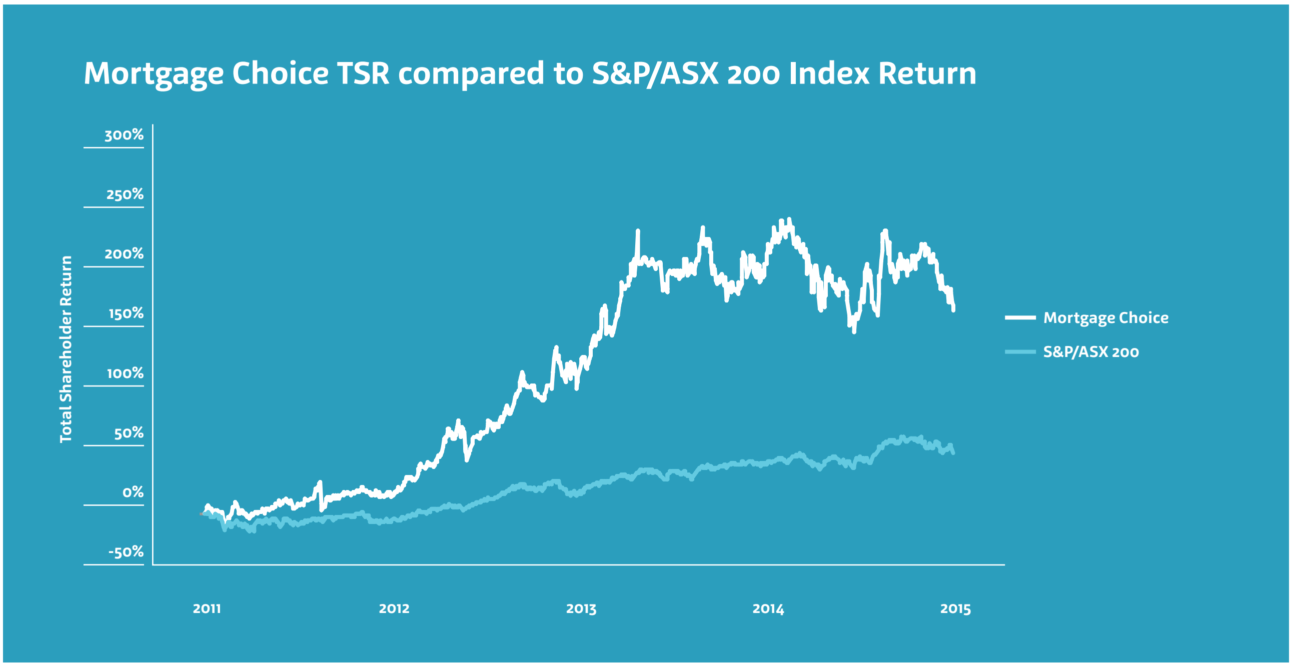
Year	Cash EPS (cents per share)
2011	13.3
2012	12.5
2013	12.9
2014	16.2
2015	15.0

A component of grants made under PSP in FY 2012, FY 2013, FY2014 and FY 2015 is conditional on the total shareholder return (TSR) of the Company over a three-year period as 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 shows the Company's TSR expressed as a percentage of the opening value of the investment for each period:

Year	Opening share price $	Closing share price $	Dividends paid during year (cents)	TSR
2011	1.13	1.24	12.5	21%
2012	1.24	1.29	13.0	14%
2013	1.29	2.13	13.0	79%
2014	2.13	2.84	14.5	41%
2015	2.85	2.30	15.5	-14%

The figure below illustrates and compares the Company's TSR performance with the ASX 200 index return performance for the five-year period to 30 June 2015.



Source: Guerdon Associates

(g) Non-Executive Director remuneration policy

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

Fees paid to the Chairman and the Non-Executive Directors take into account the demands made on, and the responsibilities of, the Directors. The Chairman and other Non-Executive Directors do not receive any short-term cash incentives or share-based payments; nor do they receive additional payments for representation on committees other than the chairman of the Mortgage Choice Financial Planning Pty Ltd Investment Committee. 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 below.

The Board reviews fees periodically.

There have been no changes to fee policy since the last disclosure period.

In FY 2015, the Chairman was paid an annual fee of $125,000 and each other Non-Executive Director was paid an annual fee of $75,000. In addition to these fees the chair of the Mortgage Choice Financial Planning Pty Ltd Investment committee was paid $30,000. Mandated superannuation contributions are in addition to these base board fees.

(h) Executive remuneration received during FY 2015

The table below shows the 'realised remuneration' that executives received in relation to FY 2015. These amounts will differ from the statutory tables in the section 'Details of remuneration', which are prepared in accordance with the Corporations Act and Australian Accounting Standards, and which, as a general principle, value shares based payments based on the value at the time of grant and do not reflect actual vesting outcomes.

In the table below, the total cash payments received are made up of base remuneration consisting of cash salary and superannuation. Deferred shares vesting in FY2015 include all deferred shares offered from FY 2012 onwards that vested during the year. STI represents cash STI in respect of FY2015 and the LTI column represents LTI grants from FY 2011 and FY 2012 that vested in FY 2015. Share based remuneration is stated at the value at the vesting date.

	Base Remuneration		STI	LTI	
Name	**Cash Salary and Superannuation $**	**Deferred Shares vesting FY 2015 $**	**STI $**	**Past Awards vesting FY 2015 $**	**Total Remuneration $**
J L Flavell, CEO (from 23/4/15)*	133,479	–	–	–	133,479
M I Russell, CEO (to 23/4/15)**	581,578	120,193	292,654	669,562	1,663,987
S R Mitchell	323,350	37,764	97,461	206,505	665,080
N C Rose-Innes	295,533	33,346	75,276	179,148	583,303
A J Russell	323,350	32,810	82,842	115,403	554,405
M J McCarney	244,283	5,282	45,100	–	294,665

* JL Flavell commenced employment on 7 April 2015 becoming CEO on 23 April 2015

**M I Russell resigned as CEO on 23 April 2015 and continued to be employed by the company until 3 July 2015

Share based remuneration above is stated at share price at the vesting date. From the date of grant the Mortgage Choice share price has increased markedly which has resulted in an increase in executive remuneration in line with the increase in shareholder value over the period. The additional remuneration related to the increase in share price from the date of grant to the vesting date is shown below.

Name	**Increase in Remuneration from Share Price Appreciation $**
M I Russell, CEO	420,043
S R Mitchell	129,700
N C Rose-Innes	112,576
A J Russell	74,705
M J McCarney	19

Details of remuneration

The following tables detail remuneration received for the 2014 and 2015 financial years by the Directors and other key management personnel in place during the year ending 30 June 2015.

2015	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 $	Other $	Performance Shares $	Total $
Non-Executive Directors								
P D Ritchie, Chairman	125,000	–	–	11,875	–	–	–	136,875
S J Clancy	75,000	–	–	7,125	–	–	–	82,125
P G Higgins	75,000	–	–	7,125	–	–	–	82,125
R G Higgins	75,000	–	–	7,125	–	–	–	82,125
S C Jermyn	75,000	–	–	7,125	–	–	–	82,125
D E Ralston[1]	105,000	–	–	9,975	–	–	–	114,975
Other key management personnel								
J L Flavell, CEO (from 23/4/15 to 30/6/15)	142,946	–	–	4,696	–	102,937[3]	–	250,579
M I Russell, CEO (from 1/7/14 to 23/4/15)[2]	584,441	292,654	18,697	18,783	(27,387)	–	166,786	1,053,974
S R Mitchell	283,604	97,461	273	18,783	7,323	–	85,217	492,661
N C Rose-Innes	287,905	75,276	273	18,783	8,200	–	76,361	466,798
A J Russell	315,172	82,842	12,002	18,783	5,264	–	77,230	511,293
M J McCarney	235,424	45,100	12,002	18,783	1,438	–	32,913	345,660

1 Ms D E Ralston is the Chairman of the Mortgage Choice Financial Planning Investment Committee

2 M I Russell resigned as CEO on 23 April 2015 and continued to be employed by the company until 3 July 2015

3 Share based payments relating to Mr J L Flavell represent a "make whole" performance rights grant to compensate him for the LTI value forfeited upon his departure from his former employer to join the Company. The grant was the equity equivalent of $440,500 granted as performance share rights, based on the VWAP over the 5 trading days prior to the start of employment. The grant will vest in three equal tranches subject to continued service on each of the relevant vesting dates (being, September of 2015, 2016, and 2017). The terms of the performance rights are equivalent to those described in section (e), Framework for the Incoming CEO and FY2016

No termination benefits were paid during the period.

2014	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 $	Other $	Performance Shares $	Total $
Non-Executive Directors								
P D Ritchie, Chairman	125,000	–	–	11,562	–	–	–	136,562
S J Clancy	75,000	–	–	6,938	–	–	–	81,938
P G Higgins	75,000	–	–	6,938	–	–	–	81,938
R G Higgins	75,000	–	–	6,938	–	–	–	81,938
S C Jermyn	75,000	–	–	6,938	–	–	–	81,938
D E Ralston[1]	112,500	–	–	10,406	–	–	–	122,906
Other key management personnel								
M I Russell, CEO	578,530	292,653	26,632	17,775	9,209	–	741,021	1,665,820
S R Mitchell	294,645	95,084	280	17,775	4,962	–	93,133	505,879
N C Rose-Innes	271,196	86,400	20,243	17,775	6,243	–	82,397	484,254
A J Russell	271,552	86,400	17,574	17,775	2,823	–	72,742	468,866
M J McCarney	227,653	55,000	280	17,775	518	–	17,331	318,557
S C Dehne[2] (from 1/7/13 to 31/12/13)	107,825	–	–	8,887	(4,625)	–	(6,285)	105,802

1 Ms D E Ralston is the Chairman of the Mortgage Choice Financial Planning Investment Committee

2 Mr S C Dehne ceased to be employed by the Company due to the sale of the LoanKit business 30 September 2013. As the circumstances of his departure met the criteria of "special circumstances" under the Performance Share Plan rules, the Board exercised its discretion and allowed the vesting of his tenure based shares, the remaining shares were forfeited.

No termination benefits were paid during the period.

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

	Fixed/ service based remuneration			At risk/performance based remuneration		
Name	Salary, super and fringe benefits	Share Based	Total	STI	LTI (Equity based)	Total
Other key management personnel of Group						
J L Flavell	59%	41%	100%	0%	0%	0%
M I Russell	56%	33%	89%	28%	-17%	11%
S R Mitchell	63%	5%	68%	20%	12%	32%
N C Rose-Innes	67%	5%	72%	16%	12%	28%
A J Russell	69%	4%	73%	16%	11%	27%
M J McCarney	78%	3%	81%	13%	6%	19%

(i) Details of share-based remuneration

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

Grant date	Vesting date	Value per performance share at grant date*	Performance achieved	% Vested
20 September 2010	3 September 2014	$1.19	service based	100%
16 February 2012	12 September 2014	$1.26	service based	100%
16 February 2012	12 September 2014	$1.26	>5% growth	100%
16 February 2012	12 September 2014	$0.78	>90th percentile	100%
14 September 2012	12 September 2014	$1.74	service based	100%
14 September 2012	3 July 2015**	$1.74	service based	100%
14 September 2012	14 September 2015	$1.74	service based	to be determined
14 September 2012	14 September 2015	$1.74	to be determined	to be determined
14 September 2012	14 September 2015	$1.08	to be determined	to be determined
23 September 2013	12 September 2014	$2.77	service based	100%
23 September 2013	3 July 2015**	$2.77	service based	100%
23 September 2013	14 September 2015	$2.77	service based	to be determined
23 September 2013	14 September 2016	$2.77	service based	to be determined
23 September 2013	14 September 2016	$2.77	to be determined	to be determined
23 September 2013	14 September 2016	$1.68	to be determined	to be determined
22 September 2014	3 July 2015**	$2.72	service based	100%
22 September 2014	14 September 2015	$2.72	service based	to be determined
22 September 2014	14 September 2016	$2.72	service based	to be determined
22 September 2014	14 September 2017	$2.72	service based	to be determined
22 September 2014	14 September 2017	$2.72	to be determined	to be determined
22 September 2014	14 September 2017	$1.68	to be determined	to be determined

* The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of shares granted during the year as part of remuneration.

**The vesting date of service based performance shares for MI Russell has been brought forward from September 2015 to his termination date of 3 July 2015.

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

Grant date	Vesting date	Value per share right at grant date*	Performance achieved	% Vested
21 August 2014	1 July 2015	$3.09	service based	100%
7 April 2015	7 October 2015	$2.60	service based	to be determined
7 April 2015	7 October 2016	$2.60	service based	to be determined
7 April 2015	7 October 2017	$2.60	service based	to be determined

* The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of shares granted during the year as part of remuneration.

Details of performance shares in the Company provided as remuneration to other key management personnel are set out below. Further information on the performance shares is set out in note 31 to the financial statements.

Name	Number of performance shares granted during the year	Value of performance shares at grant date*	Number of performance shares vested during the year	Number of performance shares forfeited during the year
Other key management personnel				
J L Flavell	–	–	–	–
M I Russell	97,302	226,714	282,076	186,337
S R Mitchell	31,594	73,615	87,255	–
N C Rose-Innes	28,709	66,892	75,916	–
A J Russell	31,594	73,615	53,314	–
M J McCarney	19,493	45,419	1,900	–

* The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of shares granted during the year as part of remuneration.

* The value at lapse date of performance shares that lapsed during the year because a vesting condition was not satisfied is calculated assuming the performance conditions were satisfied.

Details of share rights provided as remuneration to the CEO are set out below. Further information on the share rights is set out in note 31 to the financial statements.

Name	Number of share rights granted during the year	Value of share rights at grant date*	Number of share rights vested during the year	Number of share rights forfeited during the year
J L Flavell – initial 'make good' equity grant	169,678	440,500	–	–
M I Russell	375,000	1,158,750	–	562,500

* The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of shares granted during the year as part of remuneration.

The assessed fair value at grant date of performance shares 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. The fair value of market based conditions at grant date are independently determined using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method that takes into account the term of the performance shares, the vesting criteria, the exercise price (zero), the expected price volatility of the underlying share, the expected dividend yield (acknowledging that dividends will be paid to participants from the date of grant) and the risk free interest rate for the term of the performance shares.

Shares provided on vesting of performance share and share right entitlements

Details of shares issued by the Company as a result of the vesting of performance share entitlements during the year ended 30 June 2015 are set out below:

Grant date	Vesting date	Number of ordinary shares issued on vesting of performance shares	Value of vesting date*
Other key management personnel			
M I Russell	3 September 2014	79,766	227,333
M I Russell	12 September 2014	202,310	562,422
S R Mitchell	3 September 2014	24,284	69,209
S R Mitchell	12 September 2014	62,971	175,059
N C Rose-Innes	3 September 2014	20,684	58,949
N C Rose-Innes	12 September 2014	55,232	153,545
A J Russell	12 September 2014	53,314	148,213

* The value at vesting date of shares that were granted as part of remuneration and vested during the year is the closing market price on the day of vesting.

Details of remuneration: cash STIs and share based remuneration

For each cash STI and grant of share based remuneration in the tables in section (i) of this report, 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 or performance criteria is set out below. Share based remuneration will not vest if the conditions are not satisfied. Hence the minimum value of the performance shares and options yet to vest is nil. The maximum value of the share based remuneration yet to vest has been determined as the amount of the grant date fair value of the underlying shares that is yet to be expensed.

	STI		Performance Shares					
Name	Potential FY2015 Bonus Payable %	Potential FY2015 Bonus Forfeited %	Financial Year granted	Vested %	Forfeited %	Financial years in which shares may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
M I Russell	100	–	2015	–	100	30/6/2018	–	–
			2015	–	100	30/6/2017	–	–
			2015	–	–	30/6/2016	Nil	309
			2014	–	100	30/6/2017	–	–
			2014	–	–	30/6/2016	Nil	165
			2014	100	–	–	–	–
			2013	–	–	30/6/2016	Nil	14,750
			2013	100	–	–	–	–
			2012	100	–	–	–	–
			2011	100	–	–	–	–

Name	STI		Performance Shares					
	Potential FY2015 Bonus Payable %	Potential FY2015 Bonus Forfeited %	Financial Year granted	Vested %	Forfeited %	Financial years in which shares may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
S R Mitchell	100	–	2015	–	–	30/6/2018	Nil	43,991
			2015	–	–	30/6/2017	Nil	4,380
			2015	–	–	30/6/2016	Nil	1,542
			2014	–	–	30/6/2017	Nil	28,558
			2014	–	–	30/6/2016	Nil	908
			2014	100	–	–	–	–
			2013	–	–	30/6/2016	Nil	5,276
			2013	100	–	–	–	–
			2012	100	–	–	–	–
			2011	100	–	–	–	–
N C Rose-Innes	85	15	2015	–	–	30/6/2018	Nil	39,976
			2015	–	–	30/6/2017	Nil	3,977
			2015	–	–	30/6/2016	Nil	1,402
			2014	–	–	30/6/2017	Nil	25,960
			2014	–	–	30/6/2016	Nil	823
			2014	100	–	–	–	–
			2013	–	–	30/6/2016	Nil	4,620
			2013	100	–	–	–	–
			2012	100	–	–	–	–
			2011	100	–	–	–	–
A J Russell	85	15	2015	–	–	30/6/2018	Nil	43,991
			2015	–	–	30/6/2017	Nil	4,380
			2015	–	–	30/6/2016	Nil	1,542
			2014	–	–	30/6/2017	Nil	25,960
			2014	–	–	30/6/2016	Nil	823
			2014	100	–	–	–	–
			2013	–	–	30/6/2016	Nil	4,620
			2013	100	–	–	–	–
			2012	100	–	–	–	–
M J McCarney	80	20	2015	–	–	30/6/2018	Nil	27,141
			2015	–	–	30/6/2017	Nil	2,703
			2015	–	–	30/6/2016	Nil	948
			2014	–	–	30/6/2017	Nil	17,615
			2014	–	–	30/6/2016	Nil	559
			2014	100	–	–	–	–

Name	Financial Year granted	Vested %	Forfeited %	Financial years in which shares may vest	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
	Share Rights					
J L Flavell	2015	–	–	30/6/2018	Nil	133,354
	2015	–	–	30/6/2017	Nil	124,409
	2015	–	–	30/6/2016	Nil	79,802
M I Russell	2015	–	100	30/6/2018	–	–
	2015	–	–	30/6/2016	Nil	1,054
	2014	–	100	30/6/2016	Nil	–

(j) Service agreements

On appointments to the Board after it was listed as a public company, 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 CEO, J L Flavell, and other executives are set out in their respective letters of employment. The employment terms do not prescribe the duration of employment for executives. The periods of notice required to terminate employment are set out below:

- The employment contract of Mr J L Flavell is terminable by either the Company or the executive with six months notice.
- The employment contracts of all other key management personnel are terminable by either the Company or the executive with three months notice.

No provision is made in the contracts for termination payments other than amounts paid in respect of notice of termination.

(k) Legacy equity grants vesting in FY 2015 or outstanding at the end of FY 2015 and granted prior to FY 2015

FY 2011 grants

Shares offered under the Performance Share Plan (PSP) in FY 2011 vested over a four year period, with one third of each grant vesting two years into the period, one third three years in and the remaining third vesting at year four. The criterion for vesting is continuous service over the period to the vesting date.

The final third of the shares granted in FY 2011 vested in September 2014.

Detailed vesting information is shown for each tranche in section (i) of this report.

FY 2012 and FY 2013 grants

Shares offered under the Performance Share Plan (PSP) in FY 2012 and FY 2013 are divided into three tranches each with its own vesting criteria. The two largest tranches (which comprise 75% of the year's grant) vest at the end of a three-year period based on performance criteria as described below.

Shares offered under the Performance Share Plan (PSP) in the first post FY2011 tranche vest over a three year period with a third vesting one year into the period, a third two years in and the remaining third vesting at year three. The criterion for vesting is based on continuous service over the period to the vesting date.

Detailed vesting information is shown for each tranche in section (i) of this report.

The second tranche vests based on achieving a target compound growth in cash EPS. The shares will vest at the end of the three-year performance period if the Company's annual growth in cash based EPS on a compounded basis for the three-year period exceeds 2%, in accordance with the following vesting scale:

Company compound annual growth in Cash EPS	Percentage of EPS based performance shares granted
Below 2%	0%
At 2%	35%
At or above 5%	100%

For compound EPS growth between 2% and 5%, the percentage of EPS-based performance shares to vest will increase from 35% to 100% on a straight line basis.

Following the divestiture of LoanKit in September 2013, the Board determined in August 2014 that it was appropriate to remove discontinued operations from the cash EPS vesting calculations. The effect of this decision was to remove operating losses from the base year cash profit figure for the grants in September 2011 and 2012 vesting in FY2015 and FY2016 and to remove the operating losses and gain on sale from the base year cash profit figure for the grant in in September 2013 vesting in FY2017.

The third tranche will vest based on a target TSR performance relative to a comparator group at the end of a three year period. Should the Company's TSR for the three year period exceed the 40th percentile of the TSR of the comparator group, shares vest in accordance with the following vesting scale:

Company performance (TSR percentile ranking)	Percentage of TSR based performance shares granted
Below the 40th percentile	0%
At the 40th percentile	25%
90th percentile or above	100%

For TSR performance between the 40th percentile and the 90th percentile, the TSR-based performance shares will vest on a straight-line basis.

The Company's TSR is compared to that of a comparator group comprised of selected listed companies included within ASX Financials with a market capitalisation of less than $1 billion but more than $40 million at 31 August. The comparator group excludes property related trusts or companies.

The comparator group for the PSP offers made in FY 2014 comprises: FlexiGroup (FXL), Steadfast Group (SDF), Austbrokers Holdings (AUB), OzForex Group (OFX), SFG Australia (SFW), Cover-More Group (CVO), Peet (PPC), Cedar Woods Properties (CWP), Servcorp (SRV), ClearView Wealth (CVW), ETFS Metal Securities Australia (GOL), MyState (MYS), Equity Trustees (EQT), Finbar Group (FRI), Bentham IMF (IMF), Sunland Group (SDG), Treasury Group (TRG), AVJennings (AVJ), Wide Bay Australia (WBB), Euroz (EZL), Villa World (VLW), Blue Sky Alternative Investments (BLA), Lifestyle Communities (LIC), K2 Asset Management Holdings (KAM), Devine (DVN), FSA Group (FSA), Bell Financial Group (BFG), Payce Consolidated (PAY), PBD Developments (PBD), Yellow Brick Road Holdings (YBR), HFA Holdings (HFA), Folkestone (FLK), Money3 Corp (MNY), CIC Australia (CNB), Phileo Australia (PHI), ASF Group (AFA), Calliden Group (CIX), Homeloans (HOM), Emerchants (EML), Pioneer Credit (PNC), Wilson HTM Investment Group (WIG), Centuria Capital (CNI), Digital CC (DCC), APN Property Group (APD), ThinkSmart (TSM), Hunter Hall International (HHL), Centrepoint Alliance (CAF), Fiducian Portfolio Services (FPS), Oncard International (ONC).

If any of the companies in the comparator group ceases to exist in its original 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.

(l) Key management personnel equity holdings

Performance shares

The number of performance shares 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.

2015 Name	Balance at the start of the year	Granted as compensation	Vested	Forfeited	Balance at the end of the year	Unvested
Key management personnel of the Group						
J L Flavell	–	–	–	–	–	–
M I Russell	547,379	97,302	(282,076)	(186,337)	176,268	176,268
S R Mitchell	171,297	31,594	(87,255)	–	115,636	115,636
N C Rose-Innes	150,624	28,709	(75,916)	–	103,417	103,417
A J Russell	128,021	31,594	(53,314)	–	106,301	106,301
M J McCarney	22,780	19,493	(1,900)	–	40,373	40,373

Shares rights

The number of shares 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.

2015 Name	Balance at the start of the year	Granted as compensation	Vested	Forfeited	Balance at the end of the year	Unvested
Key management personnel of the Group						
J L Flavell	–	169,678	–	–	169,678	169,678
M I Russell	281,250	375,000	–	(562,500)	93,750	93,750

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 close family members and their controlled entities, are set out below.

2015 Name	Balance at the start of the year	Received during the year on the vesting of shares	Other changes during the year	Balance at the end of the year
Directors of Mortgage Choice Limited				
P D Ritchie	390,125	–	120,000	510,125
S J Clancy	50,000	–	25,000	75,000
P G Higgins	652,939	–	(293,686)	359,253
R G Higgins	15,296,215	–	83,997	15,380,212
S C Jermyn	2,000,000	–	–	2,000,000
D E Ralston	125,000	–	20,000	145,000

2015 Name	Balance at the start of the year	Received during the year on the vesting of shares	Other changes during the year	Balance at the end of the year
Key management personnel of the Group				
J L Flavell	–	–	–	–
M I Russell	617,955	380,985	(445,319)	553,621
S R Mitchell	55,607	87,255	(92,862)	50,000
N C Rose-Innes	119,117	75,916	(125,800)	69,233
A J Russell	25,000	53,314	–	78,314
M J McCarney	–	1,900	–	1,900

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. 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 shareholdings of former staff and their personally related entities have not been obtained, other changes during the year are assumed to be nil.

Shares under option

There were no unissued ordinary shares of Mortgage Choice Limited under option at the date of this report.

Shares provided on exercise of remuneration options

No options issued to key management personnel were exercised during the year.

Insurance of Directors and Officers

Insurance premiums were paid for the year ended 30 June 2015 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.

The Company has entered into deeds of access, insurance and indemnity with the Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary. The indemnity is subject to the restrictions prescribed in the Corporations Act. Subject to the terms of the deed, it also gives each executive a right of access to certain documents and requires the Company to maintain insurance cover for the executives.

No indemnities were paid to current or former officers or auditors during or since the end of the year.

Proceedings on behalf of the Company

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

Non-audit services

The 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. Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for non-audit services provided during the year are set out in note 23.

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 in note 23, 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*.

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 40.

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.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Rodney Higgins
Director

Sydney
18 August 2015

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Mortgage Choice Limited
100 Pacific Highway
Sydney NSW 2000

18 August 2015

Dear Board Members

Mortgage Choice Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mortgage Choice Limited.

As lead audit partner for the audit of the financial statements of Mortgage Choice Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants

Consolidated Income Statement

for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Revenue	6		
Origination commission		**69,997**	63,014
Trailing commission excluding discount unwind		**70,298**	74,958
Trailing commission discount unwind		**22,192**	23,577
Diversified products commission		**6,387**	5,691
Help Me Choose income excluding discount unwind		**5,729**	4,468
Help Me Choose income discount unwind		**83**	119
Financial Planning income		**5,996**	2,896
Franchise income		**1,504**	1,522
Interest		**487**	538
Other income	7	**2,122**	1,681
		184,795	178,464
Direct costs			
Origination commission		**(51,492)**	(45,777)
Trailing commission excluding discount unwind		**(42,773)**	(47,712)
Trailing commission discount unwind – finance costs	8	**(13,444)**	(14,129)
Diversified products commission		**(4,820)**	(4,483)
Help Me Choose direct costs		**(2,045)**	(1,277)
Financial planning commission		**(4,838)**	(2,341)
Gross profit		**65,383**	62,745
Operating Expenses	8		
Sales		**(16,653)**	(13,938)
Technology		**(6,335)**	(5,185)
Marketing		**(8,887)**	(8,675)
Finance		**(2,107)**	(2,094)
Corporate		**(4,893)**	(6,057)
Profit before income tax		**26,508**	26,796
Income tax expense	9	**(7,652)**	(8,249)
Profit for the period from continuing operations		**18,856**	18,547
Discontinued operation			
Profit/(loss) for the period from discontinued operation	5	**–**	1,252
Net profit attributable to the owners of Mortgage Choice Limited		**18,856**	19,799
		Cents	Cents
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share	30	**15.2**	16.0
Diluted earnings per share	30	**15.2**	16.0
From continuing operations			
Basic earnings per share	30	**15.2**	15.0
Diluted earnings per share	30	**15.2**	15.0

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Profit for the year		**18,856**	19,799
Other comprehensive income		**–**	–
Total comprehensive income attributable to the owners of Mortgage Choice Limited		**18,856**	19,799

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

Consolidated Balance Sheet

as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	**7,827**	12,445
Trade and other receivables	11	**100,399**	98,876
Total current assets		**108,226**	111,321
Non-current assets			
Receivables	11	**238,209**	238,244
Property, plant and equipment	12	**826**	907
Intangible assets	14	**7,148**	2,349
Total non-current assets		**246,183**	241,500
Total assets		**354,409**	352,821
LIABILITIES			
Current liabilities			
Trade and other payables	15	**69,931**	66,702
Current tax liabilities		**119**	2,418
Provisions	16	**1,305**	1,103
Total current liabilities		**71,355**	70,223
Non-current liabilities			
Trade and other payables	17	**142,895**	142,900
Deferred tax liabilities	18	**37,476**	36,605
Provisions	16	**771**	762
Total non-current liabilities		**181,142**	180,267
Total liabilities		**252,497**	250,490
Net assets		**101,912**	102,331
EQUITY			
Contributed equity	19	**5,780**	4,604
Reserves	20(a)	**1,909**	2,210
Retained profits	20(b)	**94,223**	95,517
Total equity		**101,912**	102,331

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2015

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2013		4,018	1,472	93,642	99,132
Total comprehensive income for the year as reported in the 2014 financial statements		–	–	19,799	19,799
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	19	586	(586)	–	–
Dividends paid	21	–	–	(17,924)	(17,924)
Employee share options – value of employee services	31	–	1,324	–	1,324
		586	738	(17,924)	(16,600)
Balance at 30 June 2014		4,604	2,210	95,517	102,331
Total comprehensive income for the year as reported in the 2015 financial statements		–	–	18,856	18,856
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	19	1,176	(1,176)	–	–
Dividends paid	21	–	–	(19,227)	(19,227)
Adjustment for provision for clawbacks	20	–	–	(923)	(923)
Employee share options – value of employee services	31	–	875	–	875
		1,176	(301)	(20,150)	(19,275)
Balance at 30 June 2015		**5,780**	**1,909**	**94,223**	**101,912**

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

Consolidated statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**198,237**	180,722
Payments to suppliers and employees (inclusive of goods and services tax)		**(168,218)**	(154,018)
		30,019	26,704
Income taxes paid		**(8,684)**	(7,612)
Net cash inflow from operating activities	29	**21,335**	19,092
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		**(7,213)**	(1,909)
Proceeds from sale of property, plant and equipment		**–**	–
Proceeds from sale of LoanKit net of selling costs		**–**	1,695
Interest received		**487**	538
Net cash inflow/(outflow) from investing activities		**(6,726)**	324
Cash flows from financing activities			
Dividends paid to company's shareholders		**(19,227)**	(17,924)
Net cash (outflow) from financing activities		**(19,227)**	(17,924)
Net increase/(decrease) in cash and cash equivalents		**(4,618)**	1,492
Cash and cash equivalents at the beginning of the financial year		**12,445**	10,953
Cash and cash equivalents at the end of year	10	**7,827**	12,445

The above consolidated statement cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies

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

A. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the group

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

AASB 2013-3 *Amendments to AASB136 Recoverable Amount Disclosures for Non-Financial Assets*. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 Fair Value Measurements.

The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.

AASB 2014-1 *Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)*. The Annual Improvements 2010-2012 has made number of amendments to various AASBs, including the amendments to AASB 2 (i) which change the definitions of 'vesting condition' and 'market condition and (ii) which add definitions of 'performance condition' and 'service condition' which were previously included with the definition of 'vesting condition'. The amendments to AASB 2 are effective for sharebased payment transactions for which the grant date is on or after 1 July 2014.

AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality). The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements 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 financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The acquisition method of accounting is used to account for business combinations 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.

(ii) Employee Share Trust

The Group has formed two trusts to administer the Group's employee share scheme. These trusts are consolidated as the substance of the relationship is that the trusts are controlled by the Group.

Shares held by the employee share scheme are disclosed as treasury shares and deducted from contributed equity in both the consolidated and company accounts.

C. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

D. Revenue recognition

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

The Company provides loan origination services through its franchise network 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 as no additional services are required to receive the entitled funds. Additionally, the Company earns income from the sale of franchises and franchisee services.

Revenue from sale of services is recognised as follows:

(i) Origination commissions arising from mortgage broking activities

Origination commissions received by the Company are recognised as revenue on settlement of the loan. Commissions may be "clawed back" by lenders at a later date as per their individual policies. These potential clawbacks are estimated and recognised at the same time as origination commission.

(ii) Trailing commissions arising from mortgage broking activities

The Company receives trailing commissions from lenders over the life of the settled loans in its loan book based on outstanding balance. The Company makes trailing commission payments to franchisees based on the outstanding loan book balance of the individual franchisees.

On initial recognition at settlement, trailing commission revenue and the related receivable are recognised at fair value being the net present value of the expected future trailing commissions to be received. An associated expense and payable to the franchisees are also recognised initially measured at fair value being the net present value of the expected future trailing commission payable to franchisees.

Subsequent to initial recognition and measurement, both the trailing commission receivable and payable are measured at amortised cost. The carrying amounts of the receivable and payable are adjusted to reflect actual and revised estimated cash flows by recalculating the net present value of estimated future cash flows at the original effective interest rate. Any resulting adjustment to the carrying value 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 Company and comprises licence fees and contributions for training, franchise consumables and compliance costs. 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 in accordance with this schedule. Contributions for training, consumables and compliance costs are recognised as revenue on receipt. Licence fees which may be repayable to franchisees at the balance sheet date are included in liabilities.

Note 1: Summary of significant accounting polies (continued)

(iv) Health sales income

The Group receives origination and trailing commission for health insurance policies sold through its comparison website. The recognition of this revenue is consistent with mortgage origination and trailing commissions arising from mortgage broking activities detailed in (i) and (ii) above.

(v) Mortgage lead income

The Group sells leads generated by its comparison website to mortgage brokers. This income is recognised at the time the lead is delivered.

(vi) Financial services revenue

Financial services revenue is derived from the provision of financial advice and from commission revenue from insurance products. Revenue from the provision of financial services is recognised at the time the service is provided.

(vii) Interest income

Interest income is recognised 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.

(viii) Other income

Other income includes contributions from lenders towards conferences and workshops which are recognised as income in the period the conference or workshop is held. Also included in this category are other non-operating revenues recognised in the period to which the income relates.

E. Income tax

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

The current income tax charge is calculated on the basis of the tax laws substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

Mortgage Choice Limited and its wholly-owned controlled entities have elected to consolidate under the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive or directly in equity, respectively.

(i) Investment allowances

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg the Research and Development Tax Incentive regime in Australia or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(ii) 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 standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Mortgage Choice Limited also recognises current tax liabilities or assets, and deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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 acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for an acquisition comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

The consideration also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the acquiree's net identifiable assets.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

H. Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Note 1: Summary of significant accounting polies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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. Overdrafts are shown in borrowings in current liabilities on the balance sheet.

J. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due in 30 days.

Collectability of 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. 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. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

K. Trailing commissions receivable

Receivables related to trailing commissions are recognised in accordance with the revenue recognition policy outlined in note 1(D).

L. 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 (note 11).

M. 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	5-15 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.

N. 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 seven 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.

O. Trade and other payables

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

P. Trailing commissions payable

Payables related to trailing commissions are recognised in accordance with the revenue recognition policy outlined in note 1(D).

Q. Borrowing costs

Borrowing costs are recognised as expenses using the effective interest method.

R. Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

S. Employee benefits

Short term obligations

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within twelve months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid. The liability for annual leave is included in provisions. The liability for all other short-term employee benefits is included in trade and other payables.

Other long-term employee benefit obligations

The liability for long service leave and any annual leave, which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 period on national government bonds with terms and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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.

Share-based payments

Share based compensation benefits are provided to employees via the Mortgage Choice Executive Performance Option Plan, the Mortgage Choice Performance Share Plan and the Mortgage Choice Share Rights Plan. Information relating to these schemes is set out in note 31.

The fair value of options granted under the Mortgage Choice Executive Performance Option Plan, performance shares granted under the Mortgage Choice Performance Share Plan and share rights granted under the Mortgage Choice Share Rights Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options and performance shares granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of

Note 1: Summary of significant accounting polies (continued)

the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Mortgage Choice Executive Performance Option Plan, the Mortgage Choice Performance Share Plan and the Mortgage Choice Share Rights Plan are administered by the Mortgage Choice Performance Share Plan Trust and the Mortgage Choice Employee Incentive Trust; see note 1(B)(ii).

Short term incentive 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.

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.

T. 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 option for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Mortgage Choice Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Mortgage Choice Limited.

U. Dividends

Provision is made for the amount of any dividend declared, that is approved by the Directors on or before the end of the financial year but not yet paid at the reporting date.

V. 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.

W. 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.

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

Y. New accounting standards and interpretations

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 15 'Revenue from Contract with Customers' and AASB 2014-5' Amendments to Australian Accounting Standards arising from AASB 15	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 January 2015	30 June 2016
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019

The potential effect of the revised Standards/Interpretations on the Group's financial statements has not yet been determined

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective.

Z. Parent entity financial information

The financial information for the parent entity, Mortgage Choice Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Mortgage Choice Limited. Dividends received from subsidiaries and associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Tax consolidation legislation

Mortgage Choice Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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 standalone 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.

The entities have entered into a tax funding agreement under which the wholly-owned entities fully compensate Mortgage Choice Limited for any current tax payable assumed and are compensated by Mortgage Choice Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are

Note 1: Summary of significant accounting polies (continued)

transferred to Mortgage Choice Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

Note 2: Financial risk management

The Group has limited exposure to financial risks with the exception of credit risk and prepayment risk. The Group does not use derivative financial instruments such as foreign exchange contracts, interest rate swaps or other derivative instruments to hedge risk exposures. It does not operate internationally, does not have any debt or significant interest rate exposure 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 holds the following financial instruments:

	2015 $'000	2014 $'000
Financial Assets		
Current		
Cash and cash equivalents	**7,827**	12,445
Trade and other receivables*	**98,879**	96,903
Non-current		
Receivables	**238,209**	238,244
	344,915	347,592

* Excludes prepayments

	2015 $'000	2014 $'000
Financial Liabilities		
Current		
Trade and other payables	**69,833**	66,702
Non -current		
Trade and other payables	**142,895**	142,900
	212,728	209,602

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

(a) Market risk

Interest rate risk

The Group's main interest rate risk arises from cash and cash equivalents. At 30 June 2015 the weighted average interest rate on its cash balances was 2.00% (2014 2.5%). If interest rates were to increase by 100 basis points, the Group's after tax result would increase by $90,000 (2014 $97,000). A decrease of 100 basis points would reduce the Group's after tax result by $90,000 (2014 $97,000).

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

(b) Credit risk

Credit risk is assessed on a Group basis. It arises from cash and cash equivalents placed with banks as well as credit exposure to financial institutions on the Group's lender panel from which future trailing commissions are due. The majority of these financial institutions are Authorised Deposit-taking Institutions (ADIs) and therefore regulated by the Australian Prudential Regulation Authority (APRA) and are 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 become insolvent but correspondingly, there is no legal requirement to pay franchisees trailing commissions that have not been received. The risk profile of the Group is set out in the table below.

2015	Standard & Poor's Credit Rating	Cash and cash equivalents $'000	Trade and franchisee receivables $'000	NPV Future trailing commissions receivable $'000
ADIs	AA-	7,827	7,738	231,723
	A+	–	506	20,360
	A	–	87	5,896
	A-	–	1,335	27,697
	BBB+	–	962	20,800
	BBB	–	36	763
	BBB-	–	–	–
	Not rated	–	175	5,810
		7,827	**10,839**	**313,049**
Non ADIs	AA-	–	102	–
	A+	–	69	–
	A	–	–	1,265
	A-	–	42	–
	BBB+	–	22	–
	BBB-	–	22	658
	Not rated	–	4,111	5,882
		–	**4,368**	**7,805**
Total Receivable		**7,827**	**15,207**	**320,854**

Note 2: Financial risk management (continued)

2014	Standard & Poor's Credit Rating	Cash and cash equivalents $'000	Trade and franchisee receivables $'000	NPV Future trailing commissions receivable $'000
ADIs	AA-	12,445	9,021	232,040
	A+	–	859	20,915
	A	–	403	4,347
	A-	–	1,161	28,700
	BBB+	–	1,153	17,873
	BBB	–	44	1,108
	BBB-	–	–	–
	Not rated	–	231	5,903
		12,445	**12,872**	**310,886**
Non ADIs	AA-	–	95	–
	A+	–	45	–
	A	–	10	–
	A-	–	162	1,368
	BBB+	–	27	–
	Not rated	–	3,948	4,857
		–	**4,287**	**6,225**
Total Receivable		**12,445**	**17,159**	**317,111**

(c) Liquidity risk and fair value estimation

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 financial assets into relevant maturity groupings based on the expected future cashflows. No financial assets are past due or impaired.

At 30 June 2015	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							
Cash and cash equivalents	7,824	–	–	–	–	7,824	7,824
Franchisee receivables	416	444	970	1,229	–	3,059	2,657
Non-interest bearing							
Cash and cash equivalents	3	–	–	–	–	3	3
Trade receivables	12,132	–	–	–	–	12,132	12,132
Franchisee and other receivables	1,216	108	72	49	–	1,445	1,445
Future trailing commissions receivable	45,683	41,982	71,835	136,809	99,913	396,222	320,854
	67,274	**42,534**	**72,877**	**138,087**	**99,913**	**420,685**	**344,915**

The fair value of the future trailing commissions receivable is $339,690,000. The fair value of all other assets is the same as their carrying amount. The fair value of the future trailing commissions receivable was determined by using a discounted cash flow valuation technique, which requires the use of management assumptions as disclosed in Note 3 with the exception of the discount rate for which management has applied a discount rate of 4.4%. There has been no change to the valuation technique during the year.

At 30 June 2014	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							
Cash and cash equivalents	12,442	–	–	–	–	12,442	12,442
Franchisee receivables	284	296	628	1,395	718	3,321	2,495
Non-interest bearing							
Cash and cash equivalents	3	–	–	–	–	3	3
Trade receivables	14,112	–	–	–	–	14,112	14,112
Franchisee and other receivables	1,349	6	23	51	–	1,429	1,429
Future trailing commissions receivable	42,711	40,477	71,912	145,035	98,362	398,497	317,111
	70,901	**40,779**	**72,563**	**146,481**	**99,080**	**429,804**	**347,592**

The fair value of the future trailing commissions receivable is $338,578,000. The fair value of all other assets is the same as their carrying amount.

Note 2: Financial risk management (continued)

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

Contractual maturities of financial liabilities At 30 June 2015	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							
Trade payables	12,476	–	–	–	–	12,476	12,476
Licence fees and other payables	6,394	155	10	–	–	6,559	6,559
Future trailing commissions payable	27,409	25,204	43,203	82,881	60,682	239,379	193,791
	46,279	**25,359**	**43,213**	**82,881**	**60,682**	**258,414**	**212,826**

The fair value of the future trailing commissions payable is $204,776,000. The fair value of all other liabilities is the same as their carrying amount.

Contractual maturities of financial liabilities At 30 June 2014	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							
Trade payables	12,085	–	–	–	–	12,085	12,085
Licence fees and other payables	5,817	155	11	–	–	5,983	5,983
Future trailing commissions payable	25,894	24,543	43,602	87,979	59,746	241,764	191,534
	43,796	24,698	43,613	87,979	59,746	259,832	209,602

The fair value of the future trailing commissions payable is $204,973,000. The fair value of all other liabilities is the same as their carrying amount.

(d) Prepayment risk

Prepayment risk has been assessed through sensitivity analysis, refer to Note 3.

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.

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 Group receives trailing commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding. The Group also makes trailing commission payments to franchisees based on their individual loan book balance outstanding.

The trailing commissions receivable and the corresponding payable to franchisees is determined by using the discounted cash flow valuation technique, which requires the use of assumptions. The key assumptions to determine the amortised cost at balance sheet date are the future run-off rate of the underlying loan portfolio, the discount rate and the percentage paid to franchisees. The future run-off rate used is actually a series of rates applied to the underlying loans based primarily on their age at the date of valuation. The weighted average life shown below is the result of the series of future run-off rates applied to the specific loan data at the balance sheet date.

The determination of the assumptions to be used in the valuation is made by Management based primarily on two factors: an annual assessment, with external actuaries, of the underlying loan portfolio including historical run-off rate analysis and consideration of current and future economic factors. These factors are complex and the determination of assumptions requires a high degree of judgement.

The significant assumptions used in the valuation are listed below:

	2015 $'000	2014 $'000
Weighted average loan life	**3.8 years**	4.0 years
Average discount rate	**6.8%**	7.6%
Percentage paid to franchisees	**61%**	61%

If the series of run-off rates used in the valuation of trailing commissions receivable and payable were to differ by +/- 10% from Management's estimates, the impact on the balance sheet would be:

- a decrease in net assets of $7.1 million (made up of decreases in current assets of $1.1 million, non-current assets of $24.9 million, current liabilities of $0.7 million, non-current liabilities of $15.1 million and deferred tax liabilities of $3.1 million) if run-off rates increase by 10%; or
- an increase in net assets of $8.2 million (made up of increases in current assets of $1.1 million, non-current assets of $28.8 million, current liabilities of $0.7 million, non-current liabilities of $17.5 million and deferred tax liabilities of $3.5 million) if run-off rates decrease by 10%.

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. Management does not consider material changes to the percentage paid to franchisees to be reasonably possible.

In the current period, the annual review of the underlying loan book found that the run-off rate experienced in 2015 was faster than that assumed in the valuation model and an adjustment to the profit and loss for the year was recognised to reflect the actual experience in the portfolio. In addition the assumptions used in the valuation of future trailing commissions were changed to reflect an extension of the current economic environment for the short to medium term. These changes to the trailing commission model resulted in a $1.6 million negative adjustment after tax to the Group's profit and loss for FY 2015 (2014 – $1.1 million negative adjustment).

Note 4: Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic and operating decisions.

The Chief Executive Officer considers the business from both a product and cash versus IFRS presentation of the results. Therefore management has identified four reportable product segments, Mortgage Choice franchised mortgage broking (MOC) , Help Me Choose health fund and mortgage comparison website (HMC), Mortgage Choice Financial Planning (MCFP) and LoanKit aggregation mortgage broking (LoanKit) (discontinued). The Group operates only in Australia.

Note 4: Segement information (continued)

(b) Information provided to the Chief Executive Officer

Information provided to the Chief Executive Officer for the year ended 30 June 2015 is as follows:

Product Segments

2015	Total $'000	MOC $'000	HMC $'000	MCFP $'000	Loankit (discontinued) $'000
Revenue	184,795	172,844	5,845	6,106	–
Gross Profit (IFRS)	65,383	60,315	3,800	1,268	–
Gross profit (cash)	63,717	59,237	3,212	1,268	–
OPEX (excl SBR*)	38,000	31,506	4,316	2,178	–
Depreciation and amortisation	1,304	1,090	148	66	–
Income tax expense	7,652	8,100	(165)	(283)	–
NPAT (IFRS)	18,856	19,901	(384)	(661)	–
NPAT (cash)	18,566	19,955	(763)	(626)	–

* Share based remuneration

2014	Total $'000	MOC $'000	HMC $'000	MCFP $'000	Loankit (discontinued) $'000
Revenue	178,793	170,841	4,646	2,977	329
Gross Profit (IFRS)	63,074	58,740	3,369	636	329
Gross profit (cash)	61,545	57,261	3,319	636	329
OPEX (excl SBR*)	35,085	29,874	3,039	1,706	466
Depreciation and amortisation	1,603	1,392	129	54	28
Income tax expense	8,210	8,488	92	(331)	(39)
NPAT (IFRS)	18,455	19,106	214	(773)	(92)
NPAT (cash)	18,708	19,342	203	(739)	(98)
NPAT (IFRS) incl sale of LoanKit	19,799	20,450	214	(773)	(92)
NPAT (cash) incl sale of LoanKit	20,052	20,686	203	(739)	(98)

* Share based remuneration

Cash versus IFRS

	2015	2014	% change	2015	2014	% change
		Cash[1, 3]			IFRS[3]	
	$,000	$'000		$'000	$'000	
Origination commission income	69,997	63,014	11%	69,997	63,014	11%
Trailing commission income[2]	89,333	87,407	2%	92,490	98,535	(6%)
	159,330	150,421	6%	162,487	161,549	1%
Origination commission paid	51,492	45,777	12%	51,492	45,777	12%
Trailing commission paid[2]	54,138	52,192	4%	56,217	61,841	(9%)
	105,630	97,969	8%	107,709	107,618	0%
Net core commissions	**53,700**	**52,452**	**2%**	**54,778**	**53,931**	**2%**
Diversified products net revenue	1,567	1,208	30%	1,567	1,208	30%
HMC and Financial Planning net revenue	4,337	3,815	14%	4,925	3,865	27%
Other income	4,113	3,741	10%	4,113	3,741	10%
Gross Profit	**63,717**	**61,216**	**4%**	**65,383**	**62,745**	**4%**
Operating Expenses	38,000	34,619	10%	38,000	34,619	10%
Share based remuneration	–	–		875	1,330	(34%)
Net profit before tax	25,717	26,597	(3%)	26,508	26,796	(1%)
Net profit after tax	**18,566**	**18,806**	**(1%)**	**18,856**	**18,547**	**2%**
Discontinued operations[3]	–	1,246	–	–	1,252	–
NPAT	**18,566**	**20,052**	**(7%)**	**18,856**	**19,799**	**(5%)**

1 Cash is based on accruals accounting and excludes share based remuneration and the net present value of future trailing commissions receivable and payable.

2 Trailing commission income and trailing commission paid include discount unwind as itemised in the consolidated income statement.

3 2014 income and expenses have been restated to combine trading results in the discontinued operation (LoanKit) with the after tax gain on sale of LoanKit. Refer note 5 for further details.

Note 4: Segement information (continued)

The following provides additional detail to assist in reconciliation of the above table to the consolidated income statement:

	2015	2014	% change	2015	2014	% change
		Cash			IFRS	
	$,000	$'000		$'000	$'000	
Diversified products commissions	6,387	5,691	12%	6,387	5,691	12%
Diversified products direct costs	4,820	4,483	8%	4,820	4,483	8%
Diversified products net income	**1,567**	**1,208**	**30%**	**1,567**	**1,208**	**30%**
Help Me Choose commissions*	5,224	4,537	15%	5,812	4,587	27%
Help Me Choose direct costs	2,045	1,277	60%	2,045	1,277	60%
Help Me Choose net income	3,179	3,260	(2%)	3,767	3,310	14%
Financial Planning revenue	5,996	2,896	107%	5,996	2,896	107%
Financial Planning direct costs	4,838	2,341	107%	4,838	2,341	107%
Financial Planning net revenue	1,158	555	109%	1,158	555	109%
HMC and Financial Planning net revenue	**4,337**	**3,815**	**14%**	**4,925**	**3,865**	**27%**
Franchise income	1,504	1,522	(1%)	1,504	1,522	(1%)
Interest	487	538	(9%)	487	538	(9%)
Other Income	2,122	1,681	26%	2,122	1,681	26%
Other income	**4,113**	**3,741**	**10%**	**4,113**	**3,741**	**10%**

* Help Me Choose cash income is based on accruals accounting and excludes the net present value of future trailing commissions' receivable on health policies written during the year.

(c) Other information

(i) Operating income

Operating income from the origination of a residential mortgage is comprised of commission paid at the time the loan is originated and a trailing commission which is paid over the life of the loan. Prior to the introduction of IFRS in 2006, trailing commission was recognised as income as it became due over the life of a loan. Under IFRS, the future trailing cash flows to be received over the life of a loan are estimated, discounted to present value and recognised at the time a loan settles. The Chief Executive Officer considers both methods in measuring the Group's performance.

(ii) Net profit after tax

The cash net profit after tax (as shown above) reconciles to the IFRS profit after tax as follows:

	2015 $'000	2014 $'000
Cash Net profit after tax	**18,566**	20,052
NPV future trails on new loans originated, net of payout	**20,603**	19,934
Less net cash from trail previously recognised under IFRS	**(18,368)**	(18,134)
Plus adjustments to loan book assumptions	**(1,605)**	(1,146)
Plus gain on prepayment of trail liability	**–**	184
Plus reversal of amortisation of trail liability[1]	**124**	198
NPV future trails on Help Me Choose policies written	**989**	413
Less net cash from trail previously recognised under IFRS	**(578)**	(378)
Less share based payments expense	**(875)**	(1,324)
Net IFRS after tax profit for the year	**18,856**	19,799

1 Under cash profit, the prepayment of trail liability is spread over the estimated life of the trail book portfolio.

(iii) Gross profit and net core commissions

The cash gross profit and net core commissions reconcile to their IFRS equivalents as follows:

	Gross Profit		Net Core Commissions	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash	**63,717**	61,216	**53,700**	52,452
NPV future trails on new loans originated, net of payout	**29,435**	28,476	**29,435**	28,476
Less net cash from trail previously recognised under IFRS	**(26,241)**	(25,906)	**(26,241)**	(25,906)
Plus adjustments to loan book assumptions	**(2,293)**	(1,638)	**(2,293)**	(1,638)
Plus gain on prepayment of trail liability	**–**	264	**–**	264
Plus reversal of amortisation of trail liability*	**177**	283	**177**	283
NPV future trails on Help Me Choose policies written	**1,413**	590	**–**	–
Less net cash from trail previously recognised under IFRS	**(825)**	(540)	**–**	–
IFRS	**65,383**	62,745	**54,778**	53,931

* Under cash profit, the prepayment of trail liability is spread over the estimated life of the trail book portfolio.

Note 5: Discontinued operation

(i) Description

On 30 September 2013 Mortgage Choice sold 100% of the issued shares in Beagle Finance Pty Limited, owner of the LoanKit mortgage brokerage aggregation business, for cash consideration of $1,850,000. The LoanKit division is reported in these financial statements as a discontinued operation.

Financial information relating to the discontinued operation for the year is set out below.

(ii) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 30 June 2014. This includes costs incurred by Mortgage Choice between 1 October 2013 and 30 June 2014.

	2014 $'000
Revenue	310
Interest	–
Other income	19
	329
Expenses	460
Loss before income tax	(131)
Income tax expense	39
Loss after tax of discontinued operation	(92)
Gain on sale of division before income tax	1,665
Income tax expense	(321)
Gain on sale of division after income tax	1,344
Profit/(loss) from discontinued operation	1,252

	2014 $'000
Net cash inflow/(outflow) from operating activities	(60)
Net cash inflow from investing activities	1,850
Net increase/(decrease) in cash for discontinued operation	1,790

(iii) Details of the sale of the division

	2014 $'000
Consideration received	
Cash	1,850
Total disposable consideration	1,850
Selling costs	(155)
Carrying amount of net assets sold	(30)
	1,665
Income tax expense	(321)
	1,344

The carrying amounts of the assets and liabilities as at the date of sale (30 September 2013) were:

	30 Sept 2013 $'000
Assets	
Cash and cash equivalents	13
Trade and other receivables	6
Intangible assets	29
Total assets	48
Liabilities	
Trade and other payables	18
Total Liabilities	18
Net assets	30

Note 6: Revenue

	2015 $'000	2014 $'000
Revenue from continuing operations		
Sales revenue		
Services	**159,911**	152,549
Other revenue		
Interest earned on deposits and loans	**487**	538
Interest in relation to discount unwind	**22,275**	23,696
Other income	**2,122**	1,681
	184,795	178,464

Note 7: Other income

	2015 $'000	2014 $'000
Conference sponsorships (note (a))	**2,079**	1,610
Other	**43**	71
	2,122	1,681

(a) Conference sponsorships

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

Note 8: Expenses

	2015 $'000	2014 $'000
Profit from ordinary activities before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges (note (a))	**13,444**	14,129
Net loss on disposal of property, plant and equipment	**4**	–
Depreciation		
Plant and equipment	**266**	354
Amortisation		
Leasehold improvements	**23**	60
Computer software	**1,015**	1,189
Impairment loss (note (b))	**1,187**	–
Other provisions		
Employee entitlements	**266**	195
Rental expense relating to operating leases	**1,133**	1,125
Defined contribution superannuation expense	**1,612**	1,259
Termination benefits	**23**	31

(a) Interest and finance charges

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

(b) Impairment loss

An impairment loss of $1.2m has been included in technology operating expenses.

Note 9: Income tax

(a) Income tax expense

	2015 $'000	2014 $'000
Current tax	**6,781**	8,011
Deferred tax	**871**	520
Under (over) provided in prior years	**–**	–
	7,652	8,531
Income tax expense is attributable to:		
Profit from continuing operations	**7,652**	8,249
Profit from discontinued operations	**–**	282
	7,652	8,531
Deferred income tax (revenue) expense including income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 13)	**(1,250)**	(3,016)
Increase/(decrease) in deferred tax liabilities (note 18)	**2,121**	3,536
	871	520

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

	2015 $'000	2014 $'000
Profit from continuing operations before income tax expense	**26,508**	26,796
Income tax calculated @ 30% (2014 – 30%)	**7,952**	8,039
Discontinued operations tax expense	**–**	282
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:	**202**	305
Research and Development Tax Incentive	**(502)**	(95)
	7,652	8,531
Under/(over) provision from prior years	**–**	–
Income tax expense	**7,652**	8,531

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

Note 10: Current Assets – Cash and cash equivalents

	2015 $'000	2014 $'000
Cash at bank and on hand	**7,827**	12,445

Risk exposure

The Group'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 11: Trade and other receivables

	2015			2014		
	Current $,000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables[1]	**12,132**	**–**	**12,132**	14,112	–	14,112
Net present value of future trailing commissions receivable	**84,774**	**236,080**	**320,854**	80,975	236,136	317,111
Franchisee receivables	**975**	**2,100**	**3,075**	939	2,108	3,047
Other receivables	**998**	**29**	**1,027**	877	–	877
Prepayments	**1,520**	**–**	**1,520**	1,973	–	1,973
	100,399	**238,209**	**338,608**	**98,876**	**238,244**	**337,120**

(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) Impaired trade receivables

As at 30 June 2015 current trade receivables were not impaired (2014 – nil).

(c) Risk exposure

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

(d) 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 12: Non-Current Assets – Property, plant and equipment

	Plant and Equipment $'000	Leasehold Improvements $'000	Total $'000
At 30 June 2013			
Cost	2,394	1,096	3,490
Accumulated depreciation	(1,744)	(1,054)	(2,798)
Net book amount	650	42	692
Year ended 30 June 2014			
Opening net book amount	650	42	692
Additions	399	230	629
Disposals	–	–	–
Depreciation charge	(354)	(60)	(414)
Closing net book amount	695	212	907
At 30 June 2014			
Cost	2,416	1,320	3,736
Accumulated depreciation	(1,721)	(1,108)	(2,829)
Net book amount	695	212	907
Year ended 30 June 2015			
Opening net book amount	695	212	907
Additions	207	5	212
Disposals	(4)	–	(4)
Depreciation charge	(266)	(23)	(289)
Closing net book amount	632	194	826
At 30 June 2015			
Cost	2,581	1,318	3,899
Accumulated depreciation	(1,949)	(1,124)	(3,073)
Net book amount	632	194	826

Note 13: Non-current assets – Deferred tax assets

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
Net present value of future trailing commissions payable	**58,137**	57,459
Employee benefits	**991**	945
Depreciation and amortisation	**331**	317
Accrued expenses	**770**	258
Total deferred tax assets	**60,229**	58,979
Set off of deferred tax assets pursuant to set off provisions (note 18)	**(60,229)**	(58,979)
Net deferred tax assets	**–**	–
Deferred tax assets to be recovered within 12 months	**16,948**	15,677
Deferred tax assets to be recovered after more than 12 months	**43,281**	43,302
	60,229	58,979

Movements

	NPV of future trailing commissions payable $,000	Employee benefits $'000	Depreciation and amortisation $'000	Accrued expenses $'000	Other $'000	Total $'000
At 30 June 2013	**54,638**	**875**	**264**	**186**	**–**	**55,963**
Charged/(credited) to the income statement	2,821	70	53	72	–	3,016
At 30 June 2014	**57,459**	**945**	**317**	**258**	**–**	**58,979**
Charged/(credited) to the income statement	678	46	14	512	–	1,250
At 30 June 2015	**58,137**	**991**	**331**	**770**	**–**	**60,229**

Note 14: Non-current assets – intangible assets

	Computer Software $'000
At 30 June 2013	
Cost	8,946
Accumulated amortisation	(6,659)
Net book amount	2,287
Year ended 30 June 2014	
Opening net book amount	2,287
Additions	1,251
Amortisation charge	(1,189)
Closing net book amount	2,349
At 30 June 2014	
Cost	9,200
Accumulated amortisation	(6,851)
Net book amount	2,349
Year ended 30 June 2015	
Opening net book amount	2,349
Additions	7,001
Amortisation charge	(1,015)
Impairment loss (a)	(1,187)
Closing net book amount	7,148
At 30 June 2015	
Cost	15,014
Accumulated depreciation	(7,866)
Net book amount	7,148

(a) Impairment loss

Project One replaces the Group's core broker platform for the use of the Mortgage Choice franchised mortgage broking segment. After the delivery of the first phase of Project One, the Group carried out a review of the recoverable amount of the intangible asset. The review led to the recognition of an impairment loss of $1.2 million, which has been recognised in the technology operating expense line item in the profit or loss (see Note 8).

The Group estimated the fair value less costs of disposal of the Mortgage Choice franchised mortgage broking segment using the recent share market prices for the Group. This was apportioned to the contribution of the segment less estimated costs of disposal which amounted to $266 million as at 30 June 2015. The estimated fair value less costs of disposal is greater than the estimated value in use and carrying amount of the segment.

Note 15: Current liabilities – Trade and other payables

	2015 $'000	2014 $'000
Trade payables[1]	**12,476**	12,085
Net present value of future trailing commissions payable	**50,906**	48,645
Licence fees repayable	**257**	236
Other payables	**6,292**	5,736
	69,931	66,702

(1) Loan Book Security Trust

The Loan Book Security Scheme provides security for the trailing commissions payable to certain eligible franchisees based on performance criteria. Mortgage Choice Limited has granted two charges in favour of a trustee on behalf of the eligible franchisees. The independent trustee is AET Structured Finance Services Pty Limited.

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

As at 30 June 2015, the amount that would be subject to charge resulting from applying the specified percentage to the trailing commission immediately due to be received by Mortgage Choice Limited is $4,410,359 (2014 – $4,137,371). This is included as part of the balance of trade payables at 30 June 2015 and would be subject to charge until disbursed to the eligible franchisees. The amount subject to the charge would vary dependant on trailing commission due to be received by Mortgage Choice Limited from month to month.

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 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

	2015			2014		
	Current $,000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Make good provision [a]	**40**	**488**	**528**	85	498	583
Employee entitlements – annual leave	**963**	**–**	**963**	795	–	795
Employee entitlements – long service leave	**302**	**283**	**585**	223	264	487
	1,305	**771**	**2,076**	**1,103**	**762**	**1,865**

(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.

Note 17: Non-current liabilities – Trade and other payables

	2015 $'000	2014 $'000
Net present value of future trailing commissions payable	**142,885**	142,889
Licence fees repayable	**10**	11
	142,895	142,900

Note 18: Non-current liabilities – Deferred tax liabilities

	2015 $'000	2014 $'000
The balance comprises temporary differences attributable to:		
NPV of future trailing commissions receivable	**96,257**	95,133
Intangibles	**1,403**	404
Prepayments and other receivables	**45**	47
	97,705	95,584
Set off of deferred tax assets pursuant to set off provisions (note 13)	**(60,229)**	(58,979)
Net deferred tax assets	**37,476**	36,605
Deferred tax assets to be recovered within 12 months	**25,747**	24,699
Deferred tax assets to be recovered after more than 12 months	**71,958**	70,885
	97,705	95,584

Movements – Consolidated

	NPV of future trailing commissions payable $'000	Intangibles $'000	Prepayments and other receivables $'000	Total $'000
At 30 June 2013	91,780	230	38	92,048
Charged to the income statement	3,353	174	9	3,536
At 30 June 2014	95,133	404	47	95,584
Charged to the income statement	1,124	999	(2)	2,121
At 30 June 2015	**96,257**	**1,403**	**45**	**97,705**

Note 19: Contributed equity

	2015 shares $'000	2014 shares $'000	2015 $'000	2014 $'000
(a) Share capital				
Ordinary shares – fully paid	**123,033**	122,170	**5,780**	4,604

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 2015:

Details	Number of shares $'000
Total ordinary shares on issue	124,216,248
Treasury shares (note (i)	(1,183,391)
Total ordinary shares held as contributed equity	123,032,857

(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 31 for further information).

Date	Details	Number of shares
30 June 2013	Balance	1,722,498
31 August 2013	Treasury shares issues under the Performance Share Plan to employees	(169,333)
3 September 2013	Treasury shares issues under the Performance Share Plan to employees	(189,699)
13 September 2013	Treasury shares issues under the Performance Share Plan to employees	(102,080)
31 October 2013	Shares issued to the Mortgage Choice Performance Share Plan Trust	349,105
30 June 2014	Balance	1,610,491
31 December 2013	Treasury shares issues under the Performance Share Plan to employees	(16,346)
23 August 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	98,909
23 August 2014	Treasury shares issues under the Share Rights Plan to employees	(98,909)
3 September 2014	Treasury shares issues under the Performance Share Plan to employees	(180,452)
12 September 2014	Treasury shares issues under the Performance Share Plan to employees	(567,254)
5 November 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	336,952
30 June 2015	Balance	1,183,391

Movements in ordinary share capital:

Date	Details	Number of shares $'000	$'000
30 June 2013	Balance	121,708,784	4,018
31 August 2013	Treasury shares issues under the Performance Share Plan to employees	169,333	210
3 September 2013	Treasury shares issues under the Performance Share Plan to employees	189,699	223
13 September 2013	Treasury shares issues under the Performance Share Plan to employees	102,080	153
31 October 2013	Shares issued to the Mortgage Choice Performance Share Plan Trust	349,105	–
31 October 2013	Held as treasury shares	(349,105)	–
30 June 2014	Balance	122,169,896	4,604
31 December 2013	Treasury shares issues under the Performance Share Plan to employees	16,346	22
23 August 2014	Treasury shares issues under the Share Rights Plan to employees	98,909	234
3 September 2014	Treasury shares issues under the Performance Share Plan to employees	180,452	225
12 September 2014	Treasury shares issues under the Performance Share Plan to employees	567,254	695
5 November 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	336,952	–
5 November 2014	Held as treasury shares	(336,952)	–
30 June 2015	Balance	123,032,857	5,780

(b) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 31.

(c) 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 is set out in note 31.

Note 20: Reserves and retained profits

(a) Reserves

	2015 $'000	2014 $'000
Share-based payments reserve	**1,909**	2,210
Movements:		
Share-based payments reserve		
Balance 1 July	**2,210**	1,472
Performance shares expensed/(reversed)	**875**	1,324
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	**(1,176)**	(586)
Balance 30 June	**1,909**	2,210

(b) Retained profits

	2015 $'000	2014 $'000
Balance 1 July	**95,517**	93,642
Adjustment for provision for clawbacks	**(923)**	–
Net profit for the year	**18,856**	19,799
Dividends	**(19,227)**	(17,924)
Balance 30 June	**94,223**	95,517

(c) Adjustment for provision for clawbacks

There is a potential for origination commissions to be clawed back by lenders after loans have settled. This is now estimated and recognised at the time of settlement and a provision has been created for potential commission clawbacks as at 1 July 2014. The recognition of this provision has resulted in a reduction of opening retained earnings for the 30 June 2015 full year of $923,000 from $95,517,000 to $94,594,000.

In the event a lender claws commission back, a corresponding clawback will be deducted from franchisees. The adjustment to retained earnings is net of franchisee clawbacks.

Had this accounting treatment been in place for FY2014, the net profit after tax for that period would have reduced by $20,000.

(d) Nature and purpose of reserves

(i) 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 21: Dividends

	2015 $'000	2014 $'000
(a) Ordinary shares		
Final dividend declared out of profits of the Company for the year ended 30 June 2013 of 7.0 cents per fully paid share paid on 16 September 2013:		
Fully franked based on tax paid @ 30%		
7.0 cents per share	**–**	8,640
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2013 of 7.5 cents per fully paid share paid 24 March 2014:		
Fully franked based on tax paid @ 30%		
7.5 cents per share	**–**	9,284
Final dividend declared out of profits of the Company for the year ended 30 June 2014 of 8.0 cents per fully paid share paid on 15 September 2014:		
Fully franked based on tax paid @ 30%		
8.0 cents per share	**9,911**	–
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2014 of 7.5 cents per fully paid share paid 19 March 2015:		
Fully franked based on tax paid @ 30%		
7.5 cents per share	**9,316**	–
	19,227	17,924
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 8.0 cents per fully paid ordinary share, (2014 – 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 10 September 2015 out of retained profits at 30 June 2015, but not recognised as a liability at year end, is	**9,945**	9,910

(c) Franked dividend

The franked portions of the final dividends recommended after 30 June 2015 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 2016.

	2015 $'000	2014 $'000
Franking credits available for subsequent financial years to the equity holders of the parent entity based on a tax rate of 30% (2014 – 30%)	**2,748**	4,602

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 impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $4,262,000 (2014: $4,247,000).

Note 22: Key management personnel disclosures

(e) Key management personnel compensation

	2015 $'000	2014 $'000
Short term employee benefits	**2,486,072**	2,431,947
Post employment benefits	**98,611**	97,761
Long-term benefits	**(5,162)**	19,130
Share based payments	**541,444**	1,000,339
Balance 30 June	**3,120,965**	3,549,177

Detailed remuneration disclosures are provided in the Directors' report on pages 28 – 30 of the remuneration report.

Note 23: 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:

2015	$
(a) Audit services	
Deloitte Touche Tohmatsu Australian firm:	
Audit and review of financial reports	**184,275**
Total remuneration for audit services	**184,275**
(b) Non-audit services	
Non audit-related services	
Deloitte Touche Tohmatsu Australan firm:	
Actuarial services	**75,000**
Risk advice	**131,000**
Taxation services	**24,930**
Total remuneration for non-audit services	**230,930**

2014	$
(a) Audit services	
Deloitte Touche Tohmatsu Australian firm:	
Audit and review of financial reports	**192,500**
Total remuneration for audit services	**192,500**
(b) Non-audit services	
Non audit-related services	
Deloitte Touche Tohmatsu Australan firm:	
Actuarial services	**75,000**
Taxation services	**1,644**
Total remuneration for non-audit services	**76,644**

Note 24: Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2015 in respect of:

Guarantees

Guarantees given in respect of premises leases $755,414 (2013: $760,459).

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 2015 and 30 June 2014, 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 25: Commitments

Lease commitments

Non-cancellable operating leases

The Group 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 Group also leases various pieces of office equipment under non-cancellable operating leases.

	2015 $'000	2014 $'000
Operating leases		
Operating lease expenditure contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	**1,123**	1,070
Later than one year but not later than five years	**2,728**	3,352
Later than five years	**–**	–
	3,851	4,422

Note 26: Related party transactions

(f) Parent entity

The ultimate parent entity within the Group is Mortgage Choice Limited.

(g) Subsidiaries

Interests in subsidiaries are set out in note 27.

(h) Key management personnel

Disclosures relating to key management personnel are set out in note 22. Additional disclosures are set out in the Directors' report in the remuneration report.

(i) Loans to/from related parties

The Group has formed trusts to administer the Group's employee share scheme. These are funded by the parent entity. This trusts are 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 27: Subsidiaries

Significant investments in subsidiaries

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

Name of entity	Country of incorporation	Class of Shares	Equity holding* 2015 %	Equity holding* 2014 %
MC Loan Book Security Pty Limited	Australia	Ordinary	100	100
Help Me Choose Pty Limited	Australia	Ordinary	100	100
Mortgage Choice Financial Planning Pty Limited	Australia	Ordinary	100	100

These subsidiaries, except Mortgage Choice Financial Planning Pty Limited, have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.

* The proportion of ownership interest is equal to the proportion of voting power held.

Note 28: Events occurring after the balance sheet date

Dividend payment

Subsequent to year end, a final ordinary dividend of $9,945,000 (8.0 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2015 on 18 August 2015 to be paid on 10 September 2015.

Note 29: Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 $'000	2014 $'000
Profit for the year	**18,856**	19,799
Depreciation and amortisation	**1,304**	1,603
Change in net present value of future trailing inflows	**(3,744)**	(11,177)
Change in net present value of future trailing outflows	**2,256**	9,932
Employee expense benefits – share-based payments	**875**	1,324
Interest received	**(487)**	(538)
Impairment of non-current assets	**1,187**	–
Net loss (gain) on sales of non-current assest	**4**	–
Net loss/(gain) on sale of LoanKit	**–**	(1,666)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(836)**	(3,014)
(Increase)/decrease in other operating assets	**453**	(51)
Increase/(decrease) in trade payables	**1,711**	847
Increase/(decrease) in other operating liabilities	**577**	766
Increase/(decrease) in provision for income taxes payable	**(2,299)**	401
Increase/(decrease) in deferred tax liabilities	**1,267**	520
Increase/(decrease) in other provisions	**211**	346
Net cash inflow from operating activities	**21,335**	19,092

Note 30: Earnings per share

	Consolidated	
	2015 Cents	2014 Cents
(a) Basic earnings per share		
From continuing operations	**15.2**	15.0
From discontinued operation	**–**	1.0
Total basic earnings per share	**15.2**	16.0
(b) Diluted earnings per share		
From continuing operations	**15.2**	15.0
From discontinued operation	**–**	1.0
Total diluted earnings per share	**15.2**	16.0

	Consolidated 2015 $'000	Consolidated 2014 $'000
Earnings used in calculating earnings per share		
Profit from continuing operations	**18,856**	18,547
Profit from discontinued operations	**–**	1,252
Profit for the year attributable to owners of the Company	**18,856**	19,799

	Consolidated 2015 Number	Consolidated 2014 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	**124,084,916**	123,663,700
Adjustments for calculation of diluted earnings per share:		
Options	**–**	–
Share rights	**14,091**	82,576
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**124,099,007**	123,746,276

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

Shares issued to employees under the Mortgage Choice Performance Share Plan are considered to be ordinary shares and have been included in the determination of basic earnings per share. Details relating to the shares are set out in the Remuneration report.

(c) Share Rights Plan

Share rights granted to the CEO under the Mortgage Choice Share Rights Plan that have vested are considered to be potential ordinary shares and are included in the determination of diluted earnings per share once the hurdles have been met. The share rights have not been included in the determination of basic earnings per share. Details relating to the share rights are set out in the Remuneration report.

Note 31: 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 the Board. The details of each offer may differ as to the particulars, especially with regard to performance criteria, performance period and service criteria. At the present time this is a legacy plan as options have not been issued under the plan since May 2009. In the year ending 30 June 2015, no options were offered.

Under the terms of the EPOP, options are offered over one ordinary share of Mortgage Choice Limited 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 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 assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. The fair value of market based conditions at grant date are independently determined using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method 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.

No options existed during the reporting period.

(b) Performance Share Plan (PSP)

The PSP permits eligible employees as identified by the Board to be granted allocated unvested shares from the outset of the applicable performance period, with the shares to be held on trust for the participants by a share plan trustee. The shares granted to those employees are subject to the achievement of performance and service requirements as specified by the Board. The PSP is designed to provide the medium-term to long-term incentive component of remuneration for executives and other designated employees.

Participation in the PSP is offered on an annual basis. Eligible employees are granted shares to a value determined by reference to the Company's reward policy and market practice with regard to share based incentive arrangements provided by peer organisations. The right to receive vested shares will lapse if the performance and service criteria are not met.

Shares will be acquired for participants following their acceptance of an offer made under the Plan. The shares will be acquired by the plan trustee and held on trust for participants until they are withdrawn from the Plan (after they have vested or are deemed to be vested) or are forfeited, in circumstances outlined below. Shares will be acquired only at times permitted under the Company's share trading policy. Shares may be acquired by on-market or off-market purchases, by subscribing for new shares to be issued by the Company, or through the reallocation of forfeited shares. The method of acquisition for each share allocation will be determined by the Board. The costs of all share acquisitions under the Plan will be funded by the Group. Participants will not be required to make any payment for the acquisition of shares under the Plan.

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

- a date ten years from grant date;
- 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 attached to those shares (such as voting or dividend rights etc). If a participant resigns from his or her employment with the Company, or otherwise ceases employment in circumstances not involving "special circumstances", the participant will be required to forfeit any unvested shares held under the Plan on the participant's behalf, unless the Board otherwise determines. Vested shares will be eligible for withdrawal in accordance with the usual procedure.

If a participant ceases to be employed by the Company or retires from office as a result of special circumstances (including death, disability, retirement, redundancy, corporate restructure, or any other circumstances determined by the Board), the Board may in its discretion determine that all or a portion of the participant's unvested shares are to be treated as vested shares, notwithstanding the fact that the vesting conditions applicable to the shares have not been met because the applicable performance period has not expired.

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 assessed fair value at grant date of performance shares 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.

The fair value of market based conditions at grant date are independently determined using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method that takes into account the term of the performance shares, the vesting criteria, the exercise price (zero), the expected price volatility of the underlying share, the expected dividend yield (acknowledging that dividends will be paid to participants from the date of grant) and the risk free interest rate for the term of the performance shares.

Details of performance shares in the Company provided as remuneration to each Director and other key management personnel are set out below. Further information on the performance shares and the detailed vesting criteria are set out in the remuneration report.

(c) Share Rights Plan

The Share Rights Plan (SRP) permits eligible employees as identified by the Board from time to time to be granted share rights ("rights') from the outset of the applicable performance period. The rights granted to those employees are subject to the achievement of performance and service requirements as specified by the Board. Eligible employees are granted rights to a value determined by reference to the Company's reward policy and market practice with regard to share based incentive arrangements provided by peer organisations. The rights lapse if the performance and service criteria are not met.

Upon vesting, the Company must acquire or issue the number of shares, or the fraction thereof, into which the rights are convertible under the terms of the specific grant. The method of acquisition for each share allocation will be determined by the Board. The costs of all share acquisitions under the SRP will be funded by the Group. Participants will not be required to make any payment for the acquisition of rights under the SRP. The Board at its discretion may choose to settle the rights as a cash payment at its sole discretion.

If a participant ceases to be employed by the Company unvested rights lapse immediately. Notwithstanding this rule if a participant ceases to be an employee for a qualifying reason (including death, disability, retirement, redundancy, corporate restructure, or any other circumstances determined by the Board), the Board may in its discretion determine the treatment of any unvested rights.

If the Board determines that a participant has acted fraudulently or dishonestly; is in breach of his or her obligations to the Group; or is knowingly involved in a material misstatement of financial statements, the Board may determine that the conditions attached to the rights may be reset; the rights that have not vested may lapse; allocated or vested shares may be forfeited; or shares that have been sold on vesting must be repaid in part or in full.

The Board may in its sole discretion determine whether some or all of the rights vest or lapse or whether unvested rights remain subject to applicable conditions of vesting on the event of a change of control.

The assessed fair value at grant date of the 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.

The fair value of market based conditions at grant date are independently determined using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method that takes into account the term of the performance shares, the vesting criteria, the exercise price (zero), the expected price volatility of the

Note 31: Share-based payments (continued)

underlying share, the expected dividend yield (acknowledging that dividends will be paid to participants from the date of grant) and the risk free interest rate for the term of the rights.

Details of rights issued by the Company provided as remuneration are set out below. Further information on the rights and the detailed vesting criteria are set out in the remuneration report.

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

Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number
2015								
20 September 2010	3 September 2014	$1.19	180,452	–	(180,452)	–	–	–
16 February 2012	12 September 2014	$1.26	267,234	–	(267,234)	–	–	–
16 February 2012	12 September 2014	$0.78	218,638	–	(218,638)	–	–	–
14 September 2012	12 September 2014	$1.74	48,690	–	(48,690)	–	–	–
14 September 2012	3 July 2015**	$1.74	15,846	–	–	–	–	15,846
14 September 2012	14 September 2015	$1.74	251,904	–	–	–	–	251,904
14 September 2012	14 September 2015	$1.08	219,060	–	–	–	–	219,060
23 September 2013	12 September 2014	$2.77	32,692	–	(32,692)	–	–	–
23 September 2013	3 July 2015**	$2.77	9,713	–	–	–	–	9,713
23 September 2013	14 September 2015	$2.77	22,979	–	–	–	–	22,979
23 September 2013	14 September 2016	$2.77	179,811	–	–	–	(53,429)	126,382
23 September 2013	14 September 2016	$1.68	147,125	–	–	–	(43,715)	103,410
22 September 2014	3 July 2015**	$2.72	–	8,109	–	–	–	8,109
22 September 2014	14 September 2015	$2.72	–	19,973	–	–	–	19,973
22 September 2014	14 September 2016	$2.72	–	28,082	–	–	(8,109)	19,973
22 September 2014	14 September 2017	$2.72	–	154,436	–	–	(44,596)	109,840
22 September 2014	14 September 2017	$1.68	–	126,352	–	–	(36,488)	89,864
Total			1,594,144	336,952	(747,706)	–	(186,337)	997,053
Weighted average price			$1.53	$2.40	$1.20	–	$2.29	$1.93

Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number
2014								
9 December 2009	31 August 2013	$1.24	169,332	–	(169,332)	–	–	–
20 September 2010	3 September 2013	$1.17	189,699	–	(189,699)	–	–	–
20 September 2010	3 September 2014	$1.19	189,702	–	(9,250)*	–	–	180,452
16 February 2012	13 September 2013	$1.26	51,097	–	(51,097)	–	–	–
16 February 2012	12 September 2014	$1.26	281,031	–	(2,509)*	–	(11,288)*	267,234
16 February 2012	12 September 2014	$0.78	229,925	–	–	–	(11,287)*	218,638
14 September 2012	13 September 2013	$1.74	50,983	–	(50,983)	–	–	–
14 September 2012	12 September 2014	$1.74	50,983	–	(2,293)*	–	–	48,690
14 September 2012	14 September 2015	$1.74	280,364	–	(2,294)*	–	(10,320)*	267,750
14 September 2012	14 September 2015	$1.08	229,380	–	–	–	(10,320)*	219,060
23 September 2013	12 September 2014	$2.77	–	32,692	–	–	–	32,692
23 September 2013	14 September 2015	$2.77	–	32,692	–	–	–	32,692
23 September 2013	14 September 2016	$2.77	–	179,811	–	–	–	179,811
23 September 2013	14 September 2016	$1.68	–	147,125	–	–	–	147,125
Total			1,722,496	392,320	(477,457)	–	(43,215)	1,594,144
Weighted average price			$1.26	$2.36	$1.27	–	$1.21	$1.53

* FY2014 has been restated to correctly reflect the number of performance shares vested and forfeited for Simon Dehne who departed 31/12/13.

**The vesting date of service based performance shares for MI Russell has been brought forward from September 2015 to his termination date of 3 July 2015.

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 0.86 years (2014 – 0.94 years).

The model inputs for performance shares granted on 22 September 2014 included:

(a) performance shares are granted for no consideration and vest over a period of four years;

(b) grant date: 22 September 2014 (2014 – 23 September 2013);

(c) share price at grant date: $2.72 (2014 – $2.77);

(d) expected price volatility of the company's shares: 28.23% (2014 – 27.54%);

(e) expected dividend yield: 0% (2014 – 0%); and

(f) risk-free interest rate: 2.614% (2014 – 2.83%).

Note 31: Share-based payments (continued)

(d) 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:

	2015 $'000	2014 $'000
Shares issued under PSP	**875**	1,324
	875	1,324

Note 32: Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2015 $'000	2014 $'000
Balance sheet		
Current assets	**109,195**	112,548
Total assets	**353,800**	353,085
Current liabilities	**70,471**	69,589
Total liabilities	**251,026**	249,856
Shareholders' equity		
Issued capital	**5,780**	4,604
Share-based payments reserve	**1,909**	2,210
Retained profits	**95,085**	96,415
	102,774	103,229
Profit or loss for the year	**19,901**	20,220
Total comprehensive income	**19,901**	20,220

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees on behalf of subsidiaries.

The parent entity has provided guarantees in respect of obligations under premises leases of its head office and state offices totalling $755,414 (2014 – $760,459). No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees.

(c) Contingent liabilities of the parent entity

Other than the guarantees mentioned above, the parent entity did not have any contingent liabilities as at 30 June 2015 or 30 June 2014.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 41 – 88 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance, for the financial year ended on that date; and

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

(c) 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 the Chief Financial Officer required by Section 295A of the *Corporations Act 2001*.

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

Rodney Higgins
Director

Sydney
18 August 2015

Independent Auditor's Report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

Tel: +61 2 9322 7000
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Independent Auditor's Report to the Members of Mortgage Choice Limited

Report on the Financial Report

We have audited the accompanying financial report of Mortgage Choice Limited, which comprises the balance sheet as at 30 June 2015, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 41 to 89.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mortgage Choice Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 38 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion the Remuneration Report of Mortgage Choice Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Philip Hardy
Partner
Chartered Accountants
Sydney, 18 August 2015

ASX Shareholder Information

The shareholder information set out below was applicable as at 14 August 2015

A. Distribution of equity securities

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

	Class of equity security Ordinary Shares
1 – 1,000	**669**
1,001 – 5,000	**1,350**
5,001 – 10,000	**694**
10,001 – 100,000	**753**
100,001 and over	**43**
	3,509

There were 120 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	**20,611,785**	16.58
J P Morgan Nominees Australia Limited	**18,035,492**	14.51
Citicorp Nominees Pty Limited	**12,853,133**	10.34
Ochoa Pty Ltd	**9,620,000**	7.74
HSBC Custody Nominees (Australia) Limited	**8,446,549**	6.79
National Nominees Limited	**6,069,734**	4.88
Ochoa Pty Ltd <The Rodney Higgins Superannuation Fund>	**3,506,989**	2.82
R G Higgins	**2,094,226**	1.68
SCJ Pty Ltd <Jermyn Family A/C>	**2,000,000**	1.61
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super CorpA/C>	**1,904,649**	1.53
BNP Paribas Noms Pty Ltd <DRP>	**1,771,941**	1.43
Pacific Custodians Pty Ltd <Perf Share Plan Tst A/C>	**1,272,519**	1.02
Michael Russell	**686,390**	0.55
Mr Ian Edwards & Mrs Josephine Edwards	**675,000**	0.54
Mr David Madden	**400,000**	0.32
Pacific Custodians Pty Limited <Employee Incentive Trust>	**328,843**	0.26
RBC Investor Services Australia Nominees Pty Limited <PISelect A/C>	**317,653**	0.26
Mr Peter David Ritchie & Mrs Leigh Margaret Ritchie <Ritchie Fam S/Fd A/C>	**310,000**	0.25
Mrs Susan Mary Taylor	**260,180**	0.21
TM Paddy Pty Ltd <Murray Ball Family A/C>	**253,055**	0.20
	91,418,138	73.52

C. Substantial holders

Substantial holders in the Company are set out below:

	Number held
Ordinary shares	
Commonwealth Bank of Australia*	**25,048,763**
R G Higgins and Ochoa Pty Ltd	**15,231,215**
FMR Corp. & Fidelity International Limited	**15,166,586**
INVESCO Australia Limited	**9,199,996**

* The relevant interests in 4,031,949 shares are/were held by Colonial First State Investments Limited (CFS) as responsible entity of the specified registered managed investment schemes and relate(d) to holdings in connection with the Colonial First State First Choice product range. Decisions to buy/sell those securities and exercise voting rights in relation to those securities are made by external managers (unrelated to the Commonwealth Bank Group) to whom CFS has outsourced those functions. By instrument dated 29 October 2001, the Australian Securities and Investments Commission has granted certain relief to CFS and its related bodies corporate for these holdings from the provisions of Chapter 6 of the Corporations Act in relation to the acquisition of such securities

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

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Corporate Directory

Directors

P D Ritchie
Chairman

S J Clancy

P G Higgins

R G Higgins

S C Jermyn

D E Ralston

Chief Executive Officer

J L Flavell

Secretary

D M Hoskins

Executives

Chief Financial Officer

S R Mitchell

General Manager Operations

N C Rose-Innes

General Manager Product and Distribution

A J Russell

General Manager Group Marketing

M J McCarney

Notice of Annual General Meeting

The Annual General Meeting of Mortgage Choice Limited

Will be held at
Mortgage Choice Limited
Level 10
100 Pacific Highway
North Sydney NSW

Time: 10am

Date 28 October 2015

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

Deloitte Touche Tohmatsu
Chartered Accountants
Grosvenor Place
225 George 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 Securities Exchange.

Website address

www.mortgagechoice.com.au