

2017

Annual Report



*Better choices
for a better life*

At Mortgage Choice, we believe in helping our customers make better choices with their money so they can afford to enjoy the things in life that are important to them. We do this by offering expert advice across our full suite of services to help them make:

Better choices for a better life

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654

Credit representatives in our Australia wide network

486

Franchises across Australia

60%

Increase in FUA in FY 2017

1,600+

Number of asset finance loans settled

\$22.6m

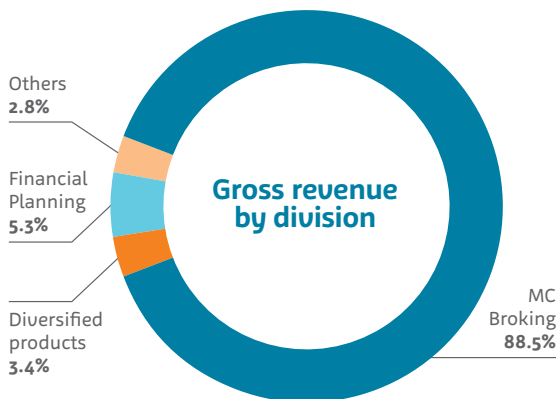
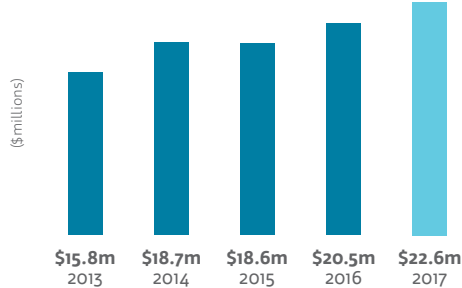
Cash Net Profit After Tax



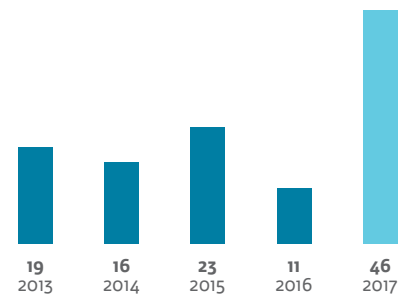
Performance

Despite increasing market volatility, Mortgage Choice continues to go from strength to strength. Throughout FY 2017, the company managed to grow its loan book, Net Profit After Tax (NPAT), settlements and Financial Planning revenue.

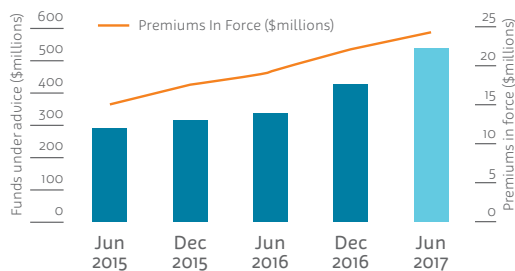
NPAT Cash \$m



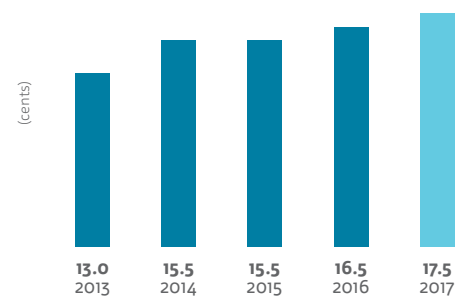
Greenfield franchise recruitment



Funds Under Advice and Premiums In Force



Total dividends ¢





VICKI ALLEN
CHAIRMAN

Chairman's Report

Throughout FY 2017, Mortgage Choice grew its cash NPAT by 10.2% to \$22.6 million, highlighting the ongoing strength of the business. Directors have declared a final dividend of 9 cents per share, taking the full year dividend to 17.5 cents per share fully franked.

Mortgage Choice's full year dividend of 17.5 cents per share pleasingly represents an increase of 1 cent per share on the prior year and has been driven by the organisation's strong cash NPAT result. This is the second consecutive year that Mortgage Choice has delivered cash NPAT growth of more than 10%.

Mortgage Choice has increased its profit by driving growth across all of its key business channels and by prudent management of operating expenses. The Company's diversified service offerings, such as asset finance and financial planning, have continued to grow their contribution to NPAT.

In addition, the Company's core broking business remains strong and, I believe, is well positioned for further growth over the coming years.

Given that this is my first report to you as Chairman of Mortgage Choice, I take this opportunity to introduce myself.

On 1 July 2017, I was appointed Chairman. Over the last couple of months, I have prioritised engaging with many of our key stakeholders, in particular franchisees, shareholders and employees. It is clear from those conversations that Mortgage Choice is a company with a well understood and supported purpose and vision.

The Company's vision, to be Australia's leading provider of financial choices and advice, is supported by a sound strategy that will deliver exceptional value to customers and profitability to franchisees and shareholders. And the Company's firm commitment to fulfilling its purpose of helping all Australians create a life of abundance, is one of the things that first attracted me to the role.

Having spent many years working within the financial services and property investment industries, I understand all too well how important it is for a company to deliver a customer experience that is second to none.

Mortgage Choice's unique way of doing business ensures our customers' best interests are always put first and enables the brand to differentiate itself in a highly competitive market.

This year, Mortgage Choice celebrates its 25th birthday. The Company was a pioneer in the mortgage broking industry in Australia and remains one of the pre-eminent brands within the marketplace. And it is clear to see why. The pride in the Mortgage Choice brand is shared by franchisees and staff alike.

Heading into FY 2018, we will continue to deliver on our four strategic business priorities. This will occur in a volatile market. Global and domestic events will continue to place pressure on the mortgage market. But, if our achievements over the last financial year are anything to go by, Mortgage Choice is well positioned to achieve its ongoing business objectives.

I look forward to working alongside both the Board and the executive team to continue to deliver positive results for the Company.

The Board and I look forward to holding the 2017 Annual General Meeting in Sydney in October. The agenda will be outlined in the formal Notice of Meeting.

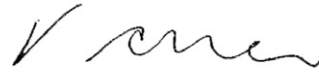
I take the opportunity to thank my predecessor, Peter Ritchie, for his invaluable contribution to Mortgage Choice.

Chairman's Report continued

Peter has been a true advocate for the business. Throughout his 13 year tenure with Mortgage Choice, Peter helped the Company transform from a mortgage broker, to an ASX300 financial services organisation that has cemented itself as one of Australia's most admired financial services brands.

Peter's integrity, professionalism and dedication has proven invaluable to Mortgage Choice. I know I speak on behalf of the Board, the executive team, and the network when I say that Peter will be missed.

On behalf of the Board I would like to thank everyone at Mortgage Choice for their skills and commitment to the important role we play in supporting the financial wellbeing of our customers.



If our achievements over the last financial year are anything to go by, Mortgage Choice is well positioned to achieve its ongoing business objectives.

Mortgage Choice delivers record full year fully franked dividend of

17.5cents





JOHN FLAVELL, CHIEF
EXECUTIVE OFFICER

CEO Overview

Against a backdrop of increased volatility and complexity in both global and domestic financial markets, Mortgage Choice delivered NPAT Cash growth of more than 10%, compounding on an equally strong result for the previous financial year.

FY 2017 was a year largely dominated by all things political.

At home, the focus was on the first double dissolution election since 1987 and the first under a new voting system for the Senate. Large sectors of the Australian economy held their economic breath in the lead up to 2 July 2017. No more than a partial collective sigh was given on 11 July when it was finally confirmed a majority government could be formed but only by the narrowest margin.

Globally, we saw a surprise election result in the US in November 2016, a run-off election in France yielding unexpected outcomes in May, and a snap election in the UK in June leading to the incumbents holding onto a win but losing the majority.

Amidst all of this political turmoil, then the only consistent view that could be formed in relation to economic growth was that things would be volatile. And so it was.

Over the year, the US Federal Reserve took the opportunity to increase the benchmark short-term interest rate, whilst making it clear that additional rate increases were firmly on the agenda. Global volatility added to the cost of wholesale funds.

Domestically, the Reserve Bank of Australia cut the official cash rate in August 2016 to the new historical low of 1.5%. With anemic economic growth, below target inflation, softening employment conditions and an Australian dollar stubbornly determined to stay above USD \$0.75, it wasn't surprising to see the cash rate remain at this record low for the rest of the financial year.

For Australian policy makers, there has been a shift to macro prudential policy being the instrument for change in the home lending market. In March 2017, the Australian Prudential Regulation

Authority wrote to Australia's banks and asked them to limit their level of interest only lending to 30% of all new residential mortgages. This change, in addition to the existing caps on investor lending growth, has driven responses from lending institutions on both pricing and lending policy for this part of the market. Typical pricing responses have been increases in interest rates to investors and interest only borrowers of between 40 and 80 basis points, and lending policy responses have been in the form of reductions in loan to value ratios and servicing ratios.

Rolling interest rate adjustments and lending policy adjustments, outside any changes to the cash rate, have become the norm.

Despite this, the home loan market has remained robust.

Data from the Australian Bureau of Statistics found the total value of home lending approvals each month continued to sit at approximately \$33 billion. In addition to this, data from CoreLogic found property values continued to grow across the combined capital cities.

Throughout FY 2017, property prices across the combined capital cities rose 9.6%, led by Melbourne and Sydney. In Melbourne, property values jumped 13.7% in the 12 months to June 30, and Sydney values grew by 12.2% over the same time period. Darwin and Perth were the only capital cities that failed to record growth in property values, with prices reducing by 7% and 1.7% respectively.

In March 2017, the Australian Securities and Investments Commission (ASIC) unveiled the outcomes of its review into mortgage broker remuneration. In these outcomes, ASIC made it clear that brokers play a very important role



1,600+

Asset finance loans
settled in FY 2017

Our network is comfortable speaking to their customers about more of their financial needs and our customers value these solutions.

in the home loan market and in generating good consumer outcomes. In addition to this, ASIC's report stated the logic behind the current commission model, which involves an upfront and trailing commission payment, is sound. Beyond this, the review has pointed out that there are some areas of the model that could be strengthened in relation to governance, enterprise ownership transparency and other payments relating to volume or incentives. Mortgage Choice has supported ASIC's Mortgage Broker Remuneration Review from the outset, and has worked closely with the regulator, Treasury and the industry throughout the process. We will continue to do so to promote better outcomes for consumers and better outcomes for the industry and industry participants.

Business outcomes

At the beginning of FY 2017, I shared the Company's four priorities for the year. They were:

- Net Profit After Tax Growth (Positive Jaws);
- Increase and diversify franchisee revenue;
- Market Share Growth; and
- Brand awareness and engagement.

12 months on and I am pleased to announce the business has performed well against our key targets.

Net Profit After Tax on a cash basis is up 10.2% to \$22.6 million compounding on 10.7% growth in FY 2016.

This growth was underwritten by 'best ever' results in our core home loan business. Our loan settlements result was \$12.3 billion for the year and the loan book grew to \$53.4 billion.

Franchisees and the broader business continued to accelerate revenue growth through diversification, particularly in the area of financial advice. For the year, Mortgage Choice Financial Planning performed very well. Funds Under Advice grew by more than 60% and Premiums In Force increased by 26%. This resulted in gross revenue exceeding \$10 million and gross profit growing by 26%. As planned, the business unit delivered its first full year profit.

In FY 2017, the Company launched Mortgage Choice Asset Finance, our own branded asset finance solution. Since its launch, we have financed more than 1,600 loans across the country. These results prove how comfortable our network is speaking to their customers about more of their financial needs and how highly our customers value these solutions.

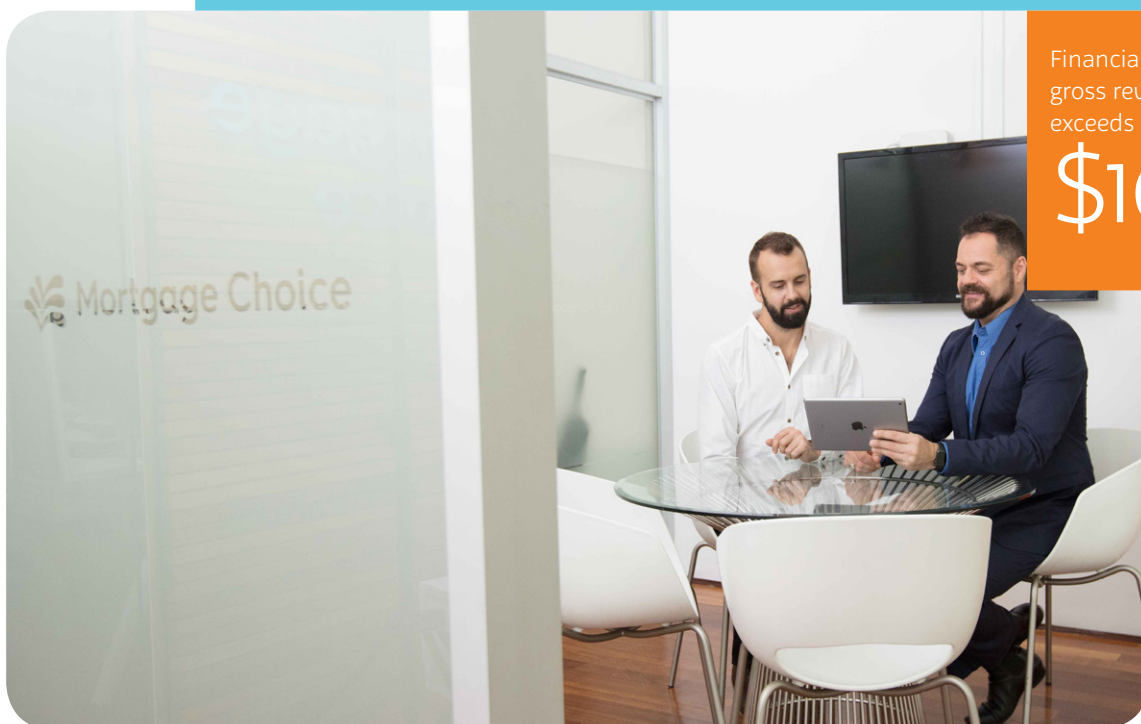
Building out our network and expanding our footprint enables Mortgage Choice to grow its market share. In FY 2017, we added 46 new Greenfield Franchises to the network and expanded our number of Credit Representatives significantly.

Beyond increasing the size of the network, we have also greatly enhanced our local brand presence. Throughout FY 2017, we implemented a series of grass-roots marketing initiatives that have proven to be very successful. You may well have noticed a new Mortgage Choice retail store in your local shopping strip, seen more Mortgage Choice branded vehicles on the road, heard more Mortgage Choice advertising on the radio and read more about Mortgage Choice in the press and online. We will continue accelerating our local area marketing activities to deepen the relationships we have with our customers and build the brand in the communities we are a part of.

Looking beyond FY 2017, I am confident that we are on the right path to deliver to our 2020 objectives, which include:

- Omni-channel customer experience;
- Broader range of services;
- Distribution growth;
- Customer-centric culture; and
- Increased brand consideration.

Franchisees and the broader business continued to accelerate revenue growth through diversification.



Financial planning
gross revenue
exceeds

\$10m



Number of
Greenfields added to
the network

46

Building out our network and expanding our footprint allows Mortgage Choice to grow brand awareness.

In fact, I am pleased to announce that we have already made significant inroads into all of the aforementioned 2020 ambitions.

At Mortgage Choice, our vision is to be Australia's leading provider of financial choices and advice, delivering exceptional customer value and profitability for our franchisees and shareholders.

Strategic Focus for FY 2018

Heading into FY 2018, we have outlined the four key business priorities for the Company. They include:

- Increase and diversify franchisee revenue and asset growth;
- Drive distribution growth;
- Create deeper customer relationships; and
- Grow Net Profit After Tax (positive jaws).

To achieve our first priority, we will focus on helping more customers with more of their financial needs. To this end, we will continue to embed Mortgage Choice Financial Planning and our new Mortgage Choice Asset Finance offering.

In delivering to our second priority, we will increase our footprint across the country and

enhance the productivity of our network. We will improve our productivity by leveraging business efficiencies introduced throughout FY 2017, whilst continuing to grow our franchise and broker numbers.

Meeting objectives for priority three involves the development of deeper customer relationships and putting more solutions in our customer's hands. We will achieve this by leveraging our current media strategy, and putting an increased focus on local area marketing initiatives and customer contact programs.

We will continue to maintain a revenue growth focus to deliver to our fourth priority whilst investing in the business for future growth. We will enhance our systems to improve the broker and customer experience. As we continue to invest in the business, we will ensure our revenue growth continues to outpace any growth in expenses, creating positive jaws and a favorable Net Profit After Tax result.

I am pleased with what the Company has achieved in FY 2017 and am looking forward to another strong year with a focus on the prosperity of our Franchisees and helping our customers make better choices for a better life.

2017

Financial Report

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2017 Financial Report

These financial statements are the consolidated financial statements of the consolidated entity consisting of Mortgage Choice Limited and its subsidiaries. The financial statements are presented in Australian currency.

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

Mortgage Choice Limited

Level 10, 100 Pacific Highway
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 23 August 2017.

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

We will deepen the relationships we have with our customers and build the brand in the communities we are part of.

Mortgage Choice
loan book hits

\$53.4bn



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 2017, hereafter referred to as "Mortgage Choice", "the Mortgage Choice Group" or "the Group".

Directors

The following persons were the Directors of Mortgage Choice Limited during the financial year and up to the date of this report.

P D Ritchie (resigned 1 July 2017)
V L Allen (appointed 19 June 2017)
S J Clancy
P G Higgins
R G Higgins
S C Jermyn
D E Ralston

Principal activities

Mortgage Choice is a full financial services organisation offering financial choices and advice across Australia. The Group's principal activities include:

Mortgage Broking

- The provision of assistance in determining the borrowing capacities of intending residential mortgage borrowers;
- The assessment, at the request of those borrowers, of a wide range of home loan products;
- The submission of loan applications on behalf of intending borrowers; and
- The provision of assistance with other credit services, for example; car loans, equipment finance and general insurance.

Financial Planning

- The provision of assistance in determining superannuation and wealth management strategies;
- Coaching and active management of the above mentioned strategies;
- The assessment of the customer's protection insurance needs;
- The submission of insurance policy applications on the customer's behalf; and
- Budgeting and cash flow management advice.

Dividends

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

A final ordinary dividend of \$10.579 million (8.5 cents per fully paid share) was declared for the year ended 30 June 2016 on 24 August 2016 and paid on 16 September 2016.

An interim ordinary dividend of \$10.621 million (8.5 cents per fully paid share) was declared for the half-year ended 31 December 2016 on 22 February 2017 and paid on 23 March 2017.

A final ordinary dividend of \$11.246 million (9.0 cents per fully paid share) was declared for the year ended 30 June 2017 on 23 August 2017 to be paid on 21 September 2017.

Corporate Governance Statement

The Company's Corporate Governance Statement can be found at 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 Highlights

Mortgage Choice delivered a strong profit result for FY 2017 with an increase in the statutory profit of 13.5% to \$22.2 million and an increase in cash profits of 10.2% to \$22.6 million. This result was achieved with a good mix of revenue growth, increased diversification, and expense control.

Settlements rose 1.2% to \$12.3 billion and the Company's loan book grew 3.2% to \$53.4 billion.

Mortgage Choice Financial Planning hit \$10 million in gross revenue and Funds Under Advice and Premiums In Force were up 60% and 26% respectively.

The Company's newly launched Mortgage Choice Asset Finance offering built up significant momentum within the network, outperforming initial expectations.

Local brand presence strengthened across the country with the Company's retail presence growing to 139 shopfronts, and adding more than 80 Mortgage Choice branded vehicles.

Recruitment was strong, with 46 Greenfield franchises added to the network, marking the largest number of Greenfields recruited within one year.

Directors' Report

Importantly, the Company achieved this solid business performance during a time of significant regulatory change within the industry.

Operating Review

Regulatory Change

The 2017 Financial Year was punctuated by plenty of regulatory change and broker scrutiny.

Australia's lenders made significant changes to their investment policy and pricing in response to increased regulatory change. Meanwhile, in March, the Australian Securities & Investments Commission unveiled its review into Broker Remuneration structures. While the report made it clear that brokers do an excellent job of delivering positive consumer outcomes, it pointed out that there are some areas of the current remuneration model that could be strengthened. Despite the heightened level of regulatory change, the Company continues to go from strength to strength.

Delivering on FY 2017 Focus Areas

At the end of FY 2016, Mortgage Choice's chief executive officer, John Flavell, established the Company's four strategic priorities to achieve success in the 2017 Financial Year.

These priorities included:

- Increase and diversify franchisee revenue;
- Brand awareness and engagement;
- Market share growth; and
- Net profit after tax growth.

Diversification

Throughout FY 2017, the business continued to diversify its financial services product suite.

Asset Finance

Launched at the beginning of FY 2017, Mortgage Choice's Asset Finance offering has helped hundreds of customers, financing more than 1,600 vehicle, plant and equipment deals across the country.

In addition, the Company has built out its array of asset finance marketing tools to help brokers promote the new service offering to customers such as MoneyChat explanation videos and a full set of marketing collateral. This includes the creation of a quarterly email campaign run centrally on behalf of the brokers, to the existing

customer base, promoting the different facets of the offering.

Mortgage Choice Asset Finance has performed beyond expectations as brokers embrace the offering. We look forward to an even more successful result next year as the offering expands to its full potential.

Financial Planning

The Company's Financial Planning arm outperformed expectations achieving \$10 million in gross revenue and delivering a profit of \$177,000 for the year. Revenue growth was up 22%, while Funds Under Advice and Premiums In Force grew 60% and 26% respectively.

As the financial advice business matures and advisers spend more time working with the network of brokers, the level of referrals coming from our core broking business naturally grows. Throughout FY 2017, the number of referrals coming from the core broking business rose 13%.

Brand

Throughout FY 2017, the Company introduced a number of strategic programs to increase brand awareness at a local level.

Retail Shopfronts and Branded Vehicles

Mortgage Choice invested in various programs to help franchisees move into retail stores, including finance for fit outs and rental assistance. Consequently, the Company expanded its retail footprint significantly and today, we have 139 retail sites across the country. We added over 80 branded vehicles to the streets.

Collaborative Marketing

The Company invested heavily in Collaborative Marketing throughout FY 2017. The program gives franchisees the opportunity to increase local brand awareness along with other franchisees in their marketing area. Group Office matches the franchisees' marketing investment dollar for dollar to help them fund local area marketing activities in the field that may have otherwise been out of their reach individually. 37% of the network participated in the Collaborative Marketing program in FY 2017 and we will seek to increase the level of participation in FY 2018.

The Company also invested in franchisee self-service and automation tools, including local area marketing materials and email

Directors' Report

marketing campaigns that allowed the network to personalise and segment relevant messages to their customer database.

National and Local Leads

Lead flow was strong in FY 2017. The Company adopted a new media strategy in FY 2016 which saw national leads increase by 23% compared to the prior year. As part of the strategy, the Company invested heavily in strategic online activities to drive lead flow. This strategy was maintained throughout FY 2017, resulting in a further 2% increase in national leads.

Public Relations

A core strategy remains to leverage John Flavell through the media. In the last 12 months, Share of Voice and Media Mentions have increased by 10% and 5% respectively. The Company also launched its first Whitepaper that investigated The Evolving Great Australian Dream. New projects are currently underway to create further high-profile opportunities.

Distribution Growth

Recruitment

In late FY 2016, the Company created a specialised growth team to help drive greater quality recruitment opportunities for the business.

Throughout FY 2017, this team focused on recruiting people with the experience and business acumen to operate successful franchises. As at 30 June 2017, the Company's total number of loan writers, including limited credit representatives, reached 654 – up from 618 at the end of FY 2016. The Company also grew its number of franchises by 7%. At the end of FY 2017, the Company had 449 broking franchises and 37 financial planning franchises. This growth in franchise numbers was largely driven by an increase in Greenfield appointments, with 46 added to the network. This is the highest number of Greenfields recruited within a single year.

Training

Training resources have been increased to help Greenfields and new franchisees become productive sooner.

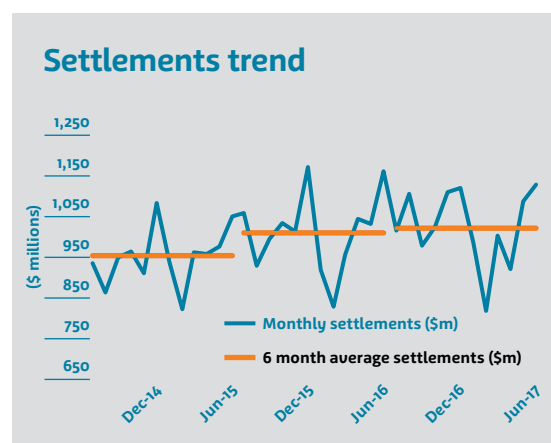
To further enhance their productivity and effectiveness, we have implemented a longer and broader program focused not only on lending skills but those skills necessary to run a successful business.

The productivity of each new franchisee is reviewed by their coach on an ongoing basis to ensure they have the best chance of success.

In addition, the Company introduced a new growth incentive that enabled administration staff to upskill and become limited credit representatives. This incentive program proved very successful and provided franchises with the ability to help key staff members take the next step in their careers.

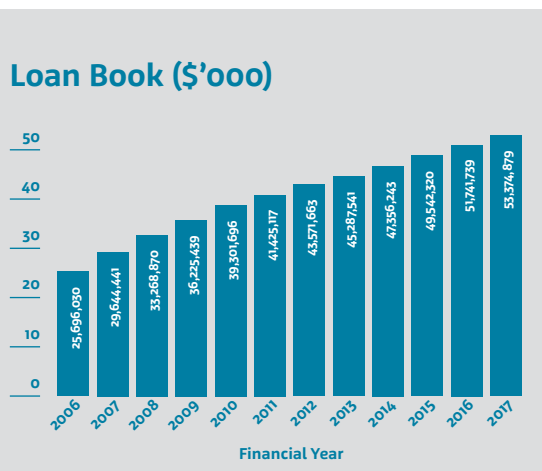
Financial Review

Our statutory profit increased 13.5% to \$22.2 million with a corresponding increase in cash profits of 10.2% to \$22.6 million. Settlements for the year were \$12.3 billion, up 1.2% on FY 2016.



Mortgage Choice's loan book grew in line with settlements, with the total book increasing 3.2%. As at 30 June, Mortgage Choice's total loan book (including residential and commercial loans) stood at \$53.4 billion – up from \$51.7 billion in FY 2016.

Directors' Report



As in prior years, an actuarial review was conducted on the residential loan book underlying the trailing commission book. The review found the run-off rate of the loan book was negligibly faster than last year but slower than the assumptions used in the valuation at 30 June 2016. This finding required a positive balance sheet adjustment at year end of \$1.6 million to bring the valuation in line with the actual loan book position. The underlying revenue before adjustment, is down 0.9% year on year. Higher FY 2017 settlements should lead to a higher revenue number, but the fall in discount unwind year on year, the higher discount rate in FY 2017, and the closure of the Help Me Choose business in FY 2016, have resulted in a lower underlying revenue figure as compared to FY 2016. The table below shows the movement in the underlying statutory results year on year.

Underlying Statutory Results

	2017 \$'000	2016 \$'000
Operating Revenue		
Underlying operating revenue	195,870	197,677
Adjustment to valuation of loan book receivable	3,927	(237)
Total operating revenue	199,797	197,440

	2017 \$'000	2016 \$'000
Profit before tax		
Underlying result before tax	30,222	29,881
Adjustment to valuation to net loan book receivable	1,644	(1,535)
Total profit before tax	31,866	28,346

Cash results increased 10.2% to \$22.6 million for the year. This growth in cash results of more than 10% following the 10.7% increase in cash profits from FY 2015 to FY 2016 was achieved through a good mix of growth in revenue and expense control. Cash revenue rose 3%, cash gross profit rose 3% and, due to the closure of Help Me Choose in the comparative year, operating expenses fell 2%.

MC delivers record dividend

The growth in cash profits allowed Mortgage Choice to increase its dividend to 17.5 cents for the year, up from 16.5 cents in FY 2016. This is a new record for the business and highlights the ongoing strength of the organisation.

Focus for FY 2018

Mortgage Choice has highlighted its four key business priorities for FY 2018:

- Increase and diversify franchisee revenue and asset growth;
- Distribution growth;
- Deeper customer relationships;
- Growth in Net Profit After Tax.

As highlighted in the Chief Executive Officer's overview, we will achieve the aforementioned priorities through a strategic mix of new and existing business initiatives.

We will continue to enhance our diversified offering and provide our network with the opportunity to have more discussions with their customers about their full financial needs. In addition, our current focus on recruitment will continue. The training programs already in place will help to ensure all new recruits are more productive sooner. Finally, we will expand our current customer communication platform and deliver two new IT projects.

Directors' Report

Investment in the above priorities will drive revenue growth and expenses will be managed to continue to create positive jaws.

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 2017 that have significantly affected, or may significantly affect:

- the Group's operations in future financial years,
- the results of those operations in future financial years, or
- 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



Vicki Allen

BBus, MBA, FAICD

Independent Non-Executive Chairman

Chairman of nomination and remuneration committees

Director since 19 June 2017

Vicki was appointed the independent Non-Executive

Chairman in July 2017. Vicki has over 25 years of senior executive experience across the financial services and property sectors. She previously

served as Chief Operating Officer of The Trust Company Limited and prior to this held various senior roles at both National Australia Bank and Lend Lease Corporation. She has held a number of non-executive director roles in recent years and is currently a Non-Executive director of Bennelong Funds Management Limited and the BT Funds Board. She is a Fellow of the Australian Institute of Company Directors and a Trustee Fellow of The Association of Superannuation Funds of Australia. Age 55.



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 of Metropolis Inc. and Touch to Buy, Non-Executive Director of Gowing Brothers and of Whitecoat and Ambassador to Business Events Sydney. Age 57.



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 57.

Directors' Report



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 62.



Steve 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 68.



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 a member of the

Reserve Bank of Australia's Payments System Board, Chair of the Australian Securities and

Investment Commission Digital Finance Advisory Committee, and a Non-Executive Director of SMSF Association. She is also a Professorial Fellow of Monash Business School, Monash University. 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 64.



Peter Ritchie

AO, Hon. DBus, BCom (resigned 1 July 2017)

Independent Non-Executive Chairman Chairman of nomination and remuneration committees

Director 5 April 2004 – 1 July 2017

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 75.

Directors' Report

The table below sets out the Directors' interests at 30 June 2017:

Director	Particulars of Directors' interests in shares
P D Ritchie	530,125 ordinary shares
V L Allen	0 ordinary shares
S J Clancy	75,000 ordinary shares
P G Higgins	259,253 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 2017, 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	8	8	*	*	3	3	1	1
V L Allen	0	0	*	*	0	0	0	0
S J Clancy	8	8	2	2	3	3	1	1
P G Higgins	8	8	2	2	*	*	*	*
R G Higgins	8	8	*	*	3	3	1	1
S C Jermyn	7	8	2	2	*	*	*	*
D E Ralston	8	8	2	2	*	*	*	*

A = Number of meetings attended

B = Number of meetings held

* = Not a member of the relevant committee

Remuneration report

This Remuneration Report sets out remuneration information for the Company's Non-Executive Directors, Chief Executive Officer ("CEO") and other key management personnel (collectively "KMP") as defined in the Glossary at the end of this report.

The report contains the following sections:

- Chairman's introduction
- Directors and executive KMP disclosed in this report
- Remuneration governance
- Executive remuneration policy and framework

Directors' Report

- (e) Changes to executive remuneration in FY 2018
- (f) Executive remuneration for FY 2017
- (g) Relationship between remuneration and Mortgage Choice Limited's performance
- (h) Non-executive Director remuneration
- (i) Statutory disclosures
- (j) Glossary

a. Chairman's introduction

Dear shareholders

On behalf of the Board, I am pleased to present the FY 2017 Remuneration Report to you.

The Remuneration Report explains the link between the Company's performance and our remuneration strategy. We have retained the overall structure of the report developed in 2016, to continue to present a full picture of the Company's remuneration arrangements in a clear and transparent manner.

At the FY 2016 AGM, Mortgage Choice received a no vote in excess of 25% on its Remuneration Report – a first strike. In response to the shareholder vote, the Remuneration Committee reflected on the feedback it had received and, in conjunction with the Board, made a change to the structure of the long-term incentive (LTI) framework. From FY 2018, the LTI award will be delivered in the form of performance rights and participants will no longer receive dividends or any dividend equivalent payments in respect of LTI awards prior to vesting.

To offset the impact of removing dividends on unvested LTI awards, the Board will increase the fixed remuneration of LTI participants by an amount equal to the estimated dividends they would have received had they held performance shares in respect of FY 2018. Stepped increases in fixed remuneration will occur in FY 2018 and the two following years to reflect the progressive transition from performance shares to performance rights as legacy awards reach the end of their vesting periods.

We have set out further details explaining this change on page 21.

The Board will continue to review the Company's remuneration structure during FY 2018 and remains committed to a remuneration approach linked to company strategy and performance which balances the long term interests of

shareholders and the need to attract and retain top performing executives.

Vicki Allen

Chair of the Remuneration Committee

(b) Directors and executive KMP disclosed in this report

Table A: KMP during FY2017

Name	Position
Non-Executive Directors	
Peter D Ritchie ¹	Non-Executive Chairman
Vicki L Allen ²	Non-Executive Director
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
Executive KMP	
John L Flavell	Chief Executive Officer
Susan R Mitchell	Chief Financial Officer
Neill C Rose-Innes	General Manager – Distribution
Melissa J McCarney	General Manager – Group Marketing
Emma A Dupont-Brown	General Manager – Product
Tania J Milnes	General Manager – Financial Planning
Marie J Pitton	General Manager – Human Resources
Vincent C ten Krooden	Head of IT

1 Mr Ritchie retired from the Board on 1 July 2017.

2 Ms Allen was appointed as a Director on 19 June 2017 and commenced as Chairman on 1 July 2017.

Directors' Report

(c) Remuneration Governance

The diagram below provides an overview of the Company's remuneration governance framework.

Remuneration Governance Framework



(d) Executive remuneration policy and framework

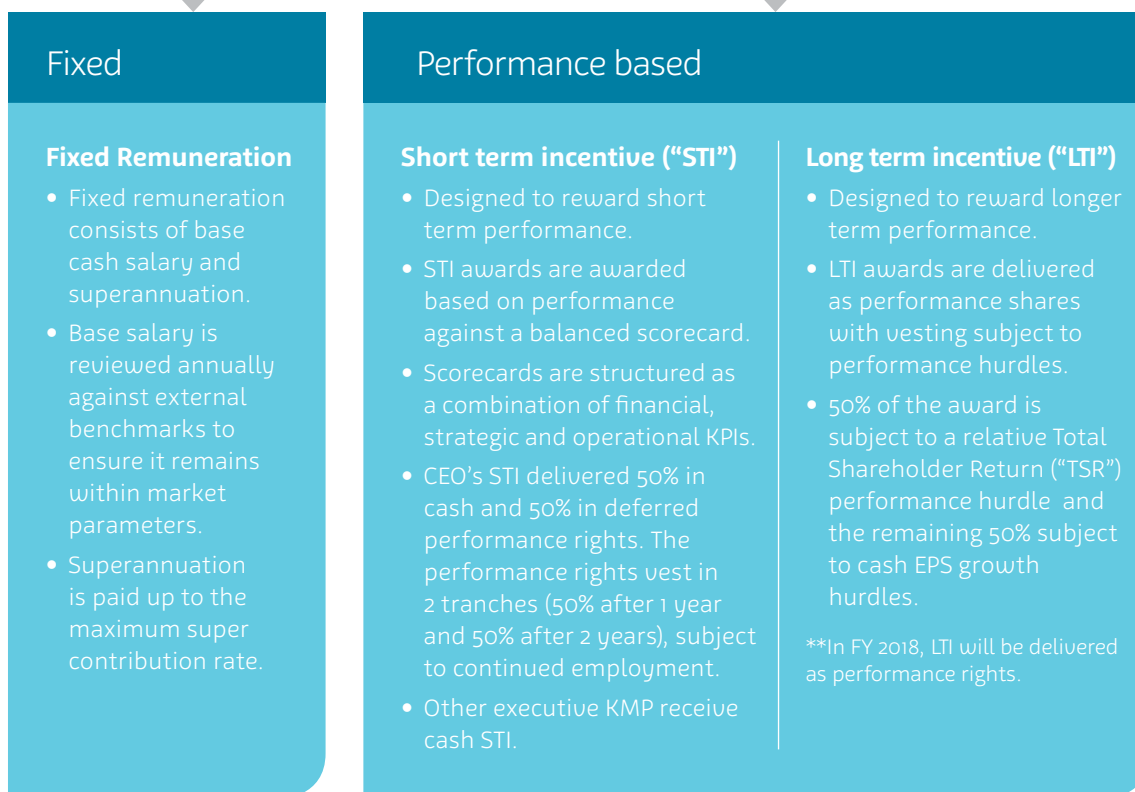
The following diagram shows the remuneration policy and framework that the Board, as advised by the Remuneration Committee, applies in setting executive remuneration.

Executive Remuneration Policy & Framework

Remuneration policy

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.



Total Remuneration = Fixed Remuneration + STI + LTI

Directors' Report

(e) Changes to executive remuneration in FY 2018

To address issues raised in relation to the 2016 Remuneration Report, a change will be made to the LTI remuneration structure with effect from FY 2018 related to the payment of dividends on unvested shares:

- For LTI grants made in FY 2018 and future years, participants will be granted rights to receive ordinary shares in the Company (i.e. performance rights).
- If the applicable performance conditions are met, the performance rights will vest and the participants will be allocated shares at the end of the performance period (or at the discretion of the Board, an equivalent cash payment).
- Performance rights issued as LTI awards will not carry dividend rights. This means participants will not be entitled to receive dividends on unvested performance rights. Under the LTI plan, participants will also not receive any dividend equivalent payments on vesting of performance rights.
- If participants are allocated shares on vesting of their performance rights, they will be entitled to dividends that accrue in respect of those shares after allocation in line with other shareholders.

All LTI participants will receive an additional amount added to their fixed remuneration for FY 2018 which is equivalent to the estimated dividends that they would have received had they held performance shares in respect of their FY 2018 LTI award. The CEO's fixed remuneration for FY 2018 will increase by \$53,634 to reflect this change. Similar adjustments will also be made in respect of all participants' salaries in FY 2019 and FY 2020 to reflect the progressive transition from performance shares to performance rights as legacy awards reach the end of their vesting periods. The Board believes this adjustment is necessary to ensure the remuneration framework remains competitive and is appropriate for the Company's circumstances, given that the level of executive remuneration previously took the receipt of dividends on LTI awards into consideration. The Board will continue to review the Company's remuneration levels as part of its ongoing monitoring of the remuneration framework.

The resulting FY 2018 remuneration mix for the CEO and the other executive KMP, assuming achievement of all performance based performance criteria, is set out in the following table:

Table B: Remuneration mix

Position	Fixed	Performance Based	
	Base remuneration	Maximum STI opportunity	Maximum LTI opportunity
CEO	37%	34%	29%
Other executive KMP	67%	18%	15%

(f) Executive remuneration for FY 2017

Fixed remuneration

An executive's fixed remuneration comprises a base cash salary plus superannuation limited to the maximum super contribution base. Executives have an opportunity to salary sacrifice amounts from their base salary towards additional superannuation as well as a series of prescribed benefits including any associated fringe benefits tax.

Fixed remuneration is reviewed annually by the Remuneration Committee against external benchmarks, such as industry pay scale surveys and increases to CPI, to ensure it remains appropriate relative to the market. Although fixed remuneration adjustments may be made after comparison to external benchmarks, or on promotion, there are no guaranteed fixed remuneration increases in any executive contracts.

Short-term incentives

A summary of the Company's STI arrangements are set out in the table below:

Directors' Report

Table C: Summary of FY 2017 STI arrangements

What is the STI plan?	The STI plan is an incentive plan under which participants are eligible to receive an annual award if they satisfy pre-determined performance criteria. The criteria are designed as a balanced scorecard to deliver against the Company's strategic and financial goals as well as motivate and reward high performance. This aligns the executives' interests with the Company's performance.
Who can participate?	The CEO and other executive KMP are eligible to participate in the STI plan.
What is the maximum opportunity for executives?	<p>For FY 2017, the CEO's maximum STI opportunity is 90% of fixed remuneration.</p> <p>The STI opportunity for other executive KMP is structured as a target STI of between 20% and 32% of base salary. Target STI may be exceeded if an individual exceeds his or her own KPIs. There is no predetermined maximum opportunity.</p> <p>In addition, at the Board's sole discretion, the STI pool may be subject to a group modifier based on the Company's profit as compared to the annual target determined by the Board. An increase in the pool may allow KMP to receive STI in excess of target. The group modifier is applicable to the CEO but not in excess of his maximum STI opportunity.</p> <p>The group modifier for FY 2017 was set at 1.</p>
What is the performance period?	The performance period is 1 year and aligns with the financial year. For FY 2017, the performance period was 1 July 2016 – 30 June 2017.
What are the requirements for an STI award to be made?	<p>STI awards will be paid to participants where:</p> <ul style="list-style-type: none"> • The executive has been continuously employed until the end of the relevant financial year; • The executive has satisfied his or her individual KPIs to a minimum standard; and • The Company has achieved a minimum profit threshold.
How does the group modifier work if the Company does not achieve its profit target?	The group modifier will reduce the STI pool if the Company does not achieve its profit target. The Board will not authorise the payment of STI to KMP unless a minimum profit threshold has been achieved. This means that STI payments are only available when value has been created for shareholders in a manner consistent with the Company's financial and strategic objectives.

Directors' Report

<p>What are the performance conditions for the CEO?</p>	<p>The CEO was assessed against three key measures supporting the Group's strategy and business objectives: cash results, distribution growth and the successful implementation of a series of strategic objectives:</p>
<p>KPI</p>	<p>Result</p>
<p>Cash NPAT</p>	<p>Results above Expectation</p> <p>Cash earnings of \$22.6 million were 10.2% ahead of FY 2016. The result was driven by a solid performance in the broking division in a challenging mortgage environment, the first year of profit for Financial Planning, and a reduction in cash operating expenses of 1.7%.</p>
<p>Distribution growth</p>	<p>Results at Expectation</p> <p>Greenfield recruitment increased significantly from 11 in FY 2016 to 46 in FY 2017. Registered credit representatives numbers rose by 6%. Market share remained steady at 3.7%.</p>
<p>Strategic objectives</p>	<p>Results at Expectation</p> <p>Several strategic initiatives were successfully implemented, including the introduction of an alternative payment model that provides franchisees with a more stable earnings stream, allowing for further investment in their business; and a number of initiatives designed to increase participation in branding across the network.</p>
<p>What are the performance conditions for other executive KMP?</p>	<p>The CEO established four areas of strategic focus in support of the goals and business objectives for FY 2017:</p> <ul style="list-style-type: none"> • Increase and diversify franchisee revenue; • Distribution growth; • Brand awareness and engagement; • NPAT growth through positive jaws. <p>KPIs included the same profit target as the CEO as well as specific operational targets closely aligned with the four areas of strategic focus in the form of a balanced scorecard. Examples of individual KPIs were:</p> <ul style="list-style-type: none"> • Specific growth targets in the number of franchises and loan writers; • Specific growth targets for settlements and group office generated leads; • Specific targets for an increase in brand presence through an increase in shopfronts, branded cars and local area marketing activity in conjunction with the franchisees; and • Franchisee behavioural targets including an increase in the use of customer contact tools, diversification of revenue and improved compliance and advice results.
<p>How is performance assessed?</p>	<p>The Remuneration Committee assesses the CEO's performance against his KPIs and determines the CEO's STI award (if any). For other executive KMP, this assessment is completed by the CEO. Other executive KMP may receive more or less than their target STI, depending on their performance against their KPIs and their relative performance compared to other participants.</p>

Directors' Report

How is the STI pool calculated?	<p>STI awards are paid out of a defined STI pool. The STI pool is created based on the combined value of the STI participants' target STI, excluding the CEO. Funds forfeited by one participant, due to the failure to achieve individual KPIs, are available to cover the excess achievements of another participant so long as the pool in total is not exceeded. Should the total STI award determined be smaller than the STI pool, any remaining funds would be released to profit.</p> <p>The calculation of the CEO's STI opportunity and the achievement of the related performance criteria is a separate, standalone calculation.</p> <p>At the Board's discretion, the STI pool may be subject to a group modifier based on the Company's profit as compared to the target determined by the Board. This would cause the final STI awarded to be increased or decreased by the group modifier based on the Company's achievement of the profit target for the year.</p> <p>The group modifier is applicable to the CEO's STI award but not in excess of his maximum STI opportunity.</p> <p>The group modifier aligns the STI outcome with the Company's financial objectives. If a profit target is exceeded, executives are eligible to share a percentage of the additional value created for shareholders. Likewise, if a profit target is missed but the profit gateway is exceeded, executives are penalised even if individual KPIs are achieved.</p> <p>The group modifier for FY 2017 is set at one. Although the profit target was exceeded, the excess was not considered sufficient to invoke the group modifier.</p>
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How is reward delivered under the STI Plan?	<p>Any STI awarded to the CEO is delivered 50% in cash and 50% in performance rights. Vesting of performance rights is deferred for up to two years. Further details regarding the deferred component of the CEO's STI award are set out below.</p> <p>For other executives, any STI awarded is paid 100% in cash.</p> <p>Cash STI awards are paid following the signing of the Annual Report each year. For FY 2017, this will be on or around 24 August 2017.</p>
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Is there discretion to adjust STI awards?	<p>In limited circumstances, the CEO may adjust the portion of the STI awarded to executive KMP (other than himself).</p>
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Deferred STI arrangements for the CEO

How do the deferred STI arrangements work?	<p>If the CEO is granted an STI award, 50% is delivered in the form of performance rights granted under the Company's Share Rights Plan.</p> <p>The number of performance rights granted is determined by dividing 50% of any STI awarded to the CEO by the volume weighted average price (VWAP) of shares in the Company traded on the ASX over the 5 trading days prior to the grant.</p> <p>Performance rights are offered at no cost to the CEO.</p> <p>Subject to the vesting conditions being met (see below), the CEO will be allocated one share for every performance right that vests, plus the number of shares that would have resulted from dividend reinvestment during the vesting period. Shares may be sourced on-market, from a new issue of shares or from shares held by the trustee of the Company's employee share plan trust. In certain circumstances the Board has the discretion to pay a cash equivalent amount in lieu of an allocation of shares.</p>
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Directors' Report

What are the vesting conditions applicable to the performance rights?	<p>Performance rights are subject to a continuous service condition. No other performance conditions are applicable on the basis that challenging performance conditions relating to the STI award were met before any performance rights were granted.</p> <p>Vesting of performance rights occurs as follows:</p> <ul style="list-style-type: none"> • 50% are deferred for 12 months after the end of the STI performance period; and • 50% are deferred for 2 years after the end of the STI performance period. <p>For FY 2017, this means that 50% of the performance rights granted to the CEO will vest in September 2018, and the remaining 50% will vest in September 2019 following the approval the financial statements for the related period and subject to his continued employment.</p>
What rights are attached to the performance rights?	Performance rights do not carry any voting or dividend rights, however shares allocated upon vesting of performance rights will carry the same rights as other ordinary shares.
Does the Board have discretion to clawback the award?	Performance rights may be forfeited if a material financial misstatement is uncovered relating to the year of the original STI award.
What happens if the CEO ceases employment?	The CEO will forfeit unvested performance rights on cessation of employment with the Company unless cessation results from death, total and permanent disability, retirement or redundancy as determined by the Board in its absolute discretion. In these circumstances the Board may, in its discretion, determine the treatment of any unvested performance rights.
What restrictions apply?	The CEO is prohibited from entering into any hedging (or risk reduction) arrangements in relation to unvested performance rights. In addition, all shares allocated on vesting can only be dealt with in accordance with the Company's Share Trading Policy.

Long-term incentives

A summary of the Company's LTI arrangements is set out in the table below.

Table D: Summary of FY 2017 LTI arrangements

What is the LTI plan?	<p>The LTI plan awards executives for achieving specified performance conditions which underpin sustainable long-term growth.</p> <p>The Company believes that granting performance based equity to its executives under the LTI plan is an effective way of aligning the interests of executives with shareholders.</p>
Who can participate?	CEO and other executive KMP are eligible to participate in the LTI plan. Subject to the Board's discretion, grants are made annually to executives.
What is the maximum opportunity for executives?	For FY 2017, the CEO's maximum LTI opportunity is 80% of fixed remuneration and for other executive KMP, it is between 0% and 30% of base salary.

Directors' Report

How is reward delivered under the LTI Plan?	<p>LTI awards are delivered in the form of performance shares under the Company's Performance Share Plan ("PSP").</p> <p>Performance shares are shares in Mortgage Choice that are held in an employee share plan trust. They are granted at the beginning of the performance period and vest subject to satisfaction of specified performance conditions.</p> <p>The number of performance shares to be allocated to an executive is determined by dividing the executive's maximum LTI opportunity by the volume weighted average price of shares in the Company traded on the ASX over the 5 trading days prior to the grant. Performance shares may be sourced on-market or from a new issue of shares.</p> <p>Performance shares are offered at no cost to the executives.</p> <p>It should be noted that FY 2017 is the last year performance shares will be used for LTI awards. From FY 2018 onwards, LTI awards will be in the form of performance rights.</p>
What is the performance period?	<p>Performance is measured over a 3 year performance period. Following testing, vesting of performance shares (if any) occurs in September of each year.</p>
What are the vesting requirements for an LTI award?	<p>In order for an LTI award to vest:</p> <ul style="list-style-type: none">• The executive must be continuously employed by the Group until the vesting date (unless service ends due to death, disability, redundancy or other exceptional circumstances); and• Performance conditions must be met (see below).

Directors' Report

What are the performance conditions?

Performance shares are divided in two equal tranches:

- 50% of the performance shares are subject to a relative TSR performance hurdle (the "TSR component"); and
- 50% of the performance shares are subject to a performance hurdle based on cash earnings per share ("EPS") growth on a compound annual growth basis with target performance consistent with the Company's strategic plan (the "EPS component").

Further details about each performance hurdle are set out below.

As shown in the vesting schedules below, 40% of the LTI award will vest on achievement of threshold performance.

Relative TSR 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 is comprised of companies within the ASX Financials sector with a market capitalisation between \$40 million and \$1 billion as at 31 August 2016, excluding Real Estate Investment Trusts. The performance period is 1 September 2016 – 31 August 2019. Vesting (if any) will occur in September 2019.

The specific Comparator Group for the PSP offers made in FY 2017 is detailed in the Glossary at the end of this Remuneration Report.

The following vesting schedule shows the proportion of the TSR component that will vest for various performance levels.

TSR ranking relative to the Comparator Group over the performance period	% of TSR component that vests
Threshold – 50th percentile	40%
Between 50th and 90th percentiles	Pro rata vesting between 40% and 100%
Maximum	100%

Cash EPS growth hurdle

Cash EPS growth is based on cash profits 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. Growth is measured using the compound annual growth rate (CAGR). The performance period is 1 July 2016 – 30 June 2019. Vesting (if any) will occur in September 2019.

Cash profits are calculated by adjusting audited statutory profits for trail commission recognised on a net present value basis and share based remuneration expense.

The following vesting schedule shows the proportion of the EPS component that will vest for various performance levels.

CAGR of cash EPS over the performance period	% of EPS component that vests
3% (threshold)	40%
Between 3% and 6%	Pro rata vesting between 40% and 100%
6% (maximum)	100%

Directors' Report

<p>What rights are attached to the performance shares?</p>	<p>While performance shares remain subject to the PSP rules, participants will, in general, enjoy the rights attached to those shares (such as voting rights, etc).</p> <p>Dividends on unvested performance shares are distributed to participants throughout the performance period. The level of executive remuneration takes the receipt of dividends into consideration.</p> <p>It should be noted that the LTI grants made in September 2016 for FY 2017 are the last grants to be in the form of performance shares and therefore the last grants on which KMP will receive dividends on unvested shares.</p>
<p>What happens if an executive ceases employment?</p>	<p>Executives will forfeit unvested performance shares on cessation of employment with the Company unless the cessation results from death, redundancy, disablement, retirement or other special circumstances, in which case, unvested performance shares may vest at the Board's discretion.</p>
<p>What restrictions apply?</p>	<p>Executives are prohibited from entering into any hedging (or risk reduction) arrangements in relation to unvested performance shares. In addition, on vesting shares can only be dealt with in accordance with the Company's Share Trading Policy.</p>
<p>Is there discretion to adjust awards?</p>	<p>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.</p>

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

The Company's success in aligning the executive remuneration framework with shareholder value creation is evidenced by the Company's strong performance and the value derived by executives from the Company's remuneration arrangements.

The CEO and other executive KMP have a significant proportion of their remuneration structured to be dependent on achieving performance based criteria aligned to the Company's financial and strategic objectives. Awards made under the STI and LTI programs all have minimum thresholds that must be achieved to receive any award at all, thus ensuring KMP are not rewarded unless value in the enterprise has been enhanced.

The KPIs established as performance criteria for STI and LTI programs are focused primarily on growth in sustainable net profit that directly leads to increased value for shareholders whether distributed as dividends or increasing shareholder value. The STI performance criteria tend to be more short term and operational in nature but designed to push profits forward for the period.

LTI performance criteria are strategically focussed on long term value creation with 50% subject to sustained long term cash profit creation (tranche 1), which is a direct component of value creation, and 50% subject to the relative shareholder value created over the performance period (tranche 2). Further information on the LTI performance criteria is set out below.

Tranche 1: EPS Component

LTI grants made under the PSP since FY 2012 have been subject to cash EPS growth hurdle. The following table shows the Company's cash EPS results in FY 2017 and the previous four financial years:

Directors' Report

Table E: Cash EPS for FY 2013 – FY 2017

Financial Year	Cash EPS (cents per share)
2013	12.9
2014	16.2
2015	15.0
2016	16.5
2017	18.1

The cash EPS growth hurdle is consistent with the Company's remuneration philosophy and strategic plan, and recognises that increasing cash results is important to our shareholders.

Tranche 2: TSR Component

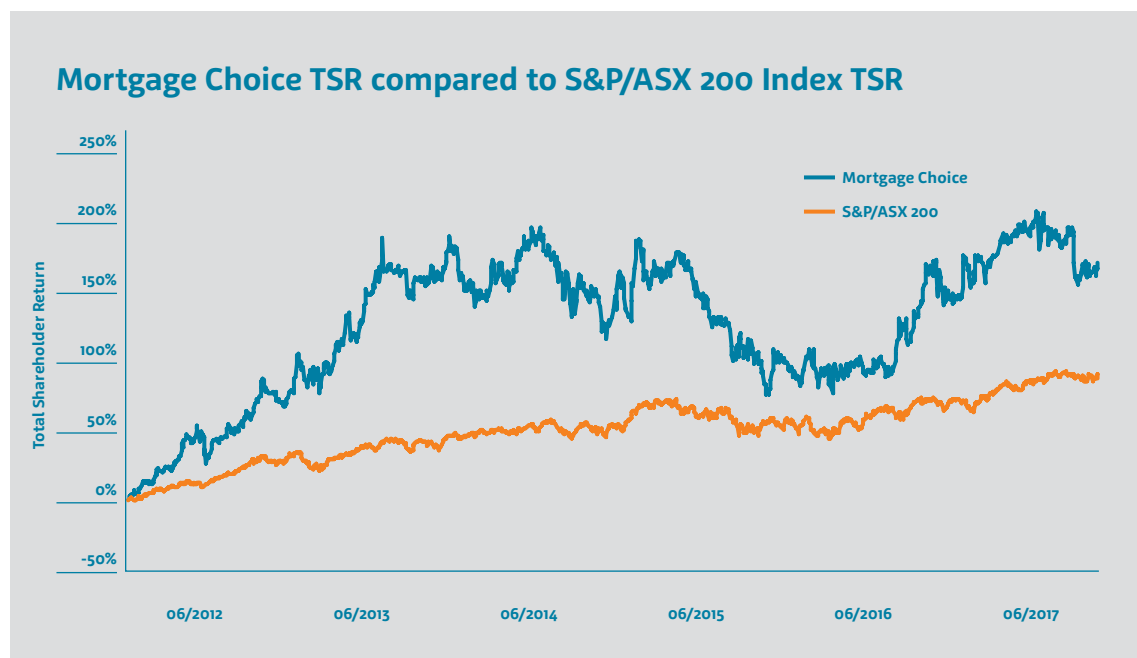
LTI grants made under the PSP since FY 2012 have also been subject to a relative TSR performance hurdle which compares the Company's TSR against the TSRs of comparator groups of companies. TSR is the percentage increase in the Company's share price plus reinvested dividends and reflects the increase in value delivered to shareholders over the period. The following table shows the Company's TSR expressed as a percentage of the opening share price for each period. The table also shows the opening and closing share price and dividends paid in FY 2017 and the previous four financial years:

Table F: Share price movements, dividends and TSR for FY 2013 – FY 2017

Financial Year	Opening share price \$	Closing share price \$	Dividends paid during year (cents)	TSR
2013	1.29	2.13	13.0	79%
2014	2.13	2.84	14.5	41%
2015	2.85	2.30	15.5	-14%
2016	2.30	1.95	16.0	-8%
2017	1.95	2.15	17.0	18%

Directors' Report

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 2017. The diagram shows the superior performance of Mortgage Choice compared to the ASX 200 index over this period.



Source: Guerdon Associates

(h) Non-Executive Director remuneration

Policy

The Company's remuneration policy for Non-executive Directors aims to ensure it can attract and retain suitably qualified and experienced Directors having regard to:

- The level of fees paid to Non-executive Directors of other major Australian companies;
- The size and complexity of the Company; and
- The role and responsibilities of Directors.

Non-executive Directors do not receive any short-term cash incentives or share-based payments; nor do they receive additional payments for representation on Board Committees other than the chairman of the Mortgage Choice Financial Planning Pty Ltd Investment Committee.

No element of Non-executive Director remuneration is performance-based to preserve the independence and impartiality of Directors.

Fee levels and fee pool

Shareholders set the maximum aggregate fee pool for the Non-executive Directors of the Board at \$1,000,000 per annum at the 2016 Annual General Meeting.

Directors' Report

The following table shows the annual fees payable to the Chairman and Non-executive Directors as at 30 June 2017:

Table G: Non-executive Director fees

Role	Fees
Chairman	\$145,000
Non-executive Director	\$95,000
Fees for Chair of Mortgage Choice Financial Planning Pty Ltd Investment Committee	\$30,000

Fees paid to the Chairman and the Non-executive Directors take into account the demands made on, and the role and responsibilities of, the Directors. The Board reviews fees paid to Non-executive Directors periodically. There were no changes to level of Directors fees in FY 2017.

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 in addition to the fees above.

(i) Statutory disclosures

The following table sets out the statutory disclosures required under the Corporations Act 2001 (Cth) for the 2016 and 2017 financial years for Directors and executive KMP and has been prepared in accordance with the Australian Accounting Standards.

Table H: Statutory remuneration table

Name	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary, fees and annual leave \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Deferred STI and Other \$	LTI \$	
Non-Executive Directors								
P D Ritchie, Chairman								
FY 2017	145,000	-	-	13,775	-	-	-	158,775
FY 2016	135,000	-	-	12,825	-	-	-	147,825
V L Allen (from 19/6/17 to 30/6/17)								
FY 2017	3,123	-	-	297	-	-	-	3,420
S J Clancy								
FY 2017	95,000	-	-	9,025	-	-	-	104,025
FY 2016	85,000	-	-	8,075	-	-	-	93,075
P G Higgins								
FY 2017	95,000	-	-	9,025	-	-	-	104,025
FY 2016	85,000	-	-	8,075	-	-	-	93,075
R G Higgins								
FY 2017	95,000	-	-	9,025	-	-	-	104,025
FY 2016	85,000	-	-	8,075	-	-	-	93,075

Directors' Report

Name	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary, fees and annual leave \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Deferred STI and Other \$	LTI \$	
S C Jermyn								
FY 2017	95,000	-	-	9,025	-	-	-	104,025
FY 2016	85,000	-	-	8,075	-	-	-	93,075
D E Ralston¹								
FY 2017	125,000	-	-	11,875	-	-	-	136,875
FY 2016	115,000	-	-	10,925	-	-	-	125,925
Executive KMP								
J L Flavell, CEO²								
FY 2017	580,322	266,220	4,412	19,616	2,647	283,913	216,903	1,374,033
FY 2016	571,465	261,000	5,666	19,308	1,231	327,793	98,832	1,285,295
S R Mitchell								
FY 2017	300,609	99,411	4,547	19,616	7,240	-	68,364	499,787
FY 2016	303,397	92,588	5,474	19,308	7,069	-	74,343	502,179
N C Rose-Innes								
FY 2017	298,321	94,080	4,665	19,616	16,313	-	63,149	496,144
FY 2016	292,659	86,400	2,395	19,308	11,673	-	67,373	479,808
M J McCarney								
FY 2017	226,419	65,553	4,631	19,616	2,272	-	44,410	362,901
FY 2016	223,197	50,738	5,666	19,308	2,048	-	42,602	343,559
E A Dupont-Brown								
FY 2017	197,004	57,000	-	19,616	1,311	-	19,657	294,588
FY 2016	191,196	53,262	-	17,682	-	-	7,882	270,022
T J Milnes								
FY 2017	192,633	49,139	-	19,616	4,203	-	30,752	296,343
FY 2016	186,568	34,686	-	19,308	7,019	-	31,216	278,797
M J Pitton								
FY 2017	165,861	31,406	2,516	17,725	3,204	-	19,782	240,494
FY 2016	167,928	22,120	867	17,527	6,490	-	19,726	234,658

Directors' Report

Name	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary, fees and annual leave \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Deferred STI and Other \$	LTI \$	
V C ten Krooden								
FY 2017	170,464	30,600	-	18,598	1,989	-	-	221,651
FY 2016	156,194	24,000	-	16,549	569	-	-	197,312
Total								
FY 2017	2,784,756	693,409	20,771	216,066	39,179	283,913	463,017	4,501,111
FY 2016	2,682,604	624,794	20,068	204,348	36,099	327,793	341,974	4,237,680

1 Ms D E Ralston is the Chairman of the Mortgage Choice Financial Planning Investment Committee and receives fees in addition to her base Non-executive Director fees for this role – see section (h) for further details.

2 Share based payments relating to Mr J L Flavell include 2 components:

(a) performance rights granted at commencement to compensate him for the LTI value forfeited on his departure from his former employer to join the Company. The grant was the equity equivalent of \$440,500 and was granted as performance rights. The number of performance rights was determined based on the VWAP of the Company's shares over the 5 trading days prior to the start of his employment on 7 April 2015. 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 (f) (except that the only vesting condition is continued employment).

(b) Deferred STI of \$261,000 in relation to FY 2016 and \$266,220 in relation to FY 2017 being 50% of the total STI granted or to be granted as share rights with 50% due to vest in 12 months and 50% to vest in 24 months. The terms of the performance rights are described to those described in section (f).

The following table shows the relative proportion of remuneration that each executive received during FY 2017 and whether it is fixed remuneration or performance based remuneration.

Table I: Remuneration mix

Name	Fixed Remuneration				Performance Based Remuneration		
	Fixed remuneration %	Share-based %	Commencement shares' rights' %	Total %	Cash STI %	Share Based %	Total %
J L Flavell	49%	-	16%	65%	19%	16%	35%
S R Mitchell	66%	1%	-	67%	20%	13%	33%
N C Rose-Innes	68%	1%	-	69%	19%	12%	31%
M J McCarney	69%	1%	-	70%	18%	12%	30%
E A Dupont-Brown	74%	-	-	74%	19%	7%	26%
T J Milnes	72%	1%	-	73%	17%	10%	27%
M J Pitton	79%	-	-	79%	13%	8%	21%
V C ten Krooden	86%	-	-	86%	14%	-	14%

1 Footnote 2(a) in Table H describes the terms of this grant.

Directors' Report

Details of share-based remuneration

The key terms of performance shares granted as LTI awards to executive KMP that were tested during, or remain on foot at the end of, FY 2017 are set out in the following table. The table also explains the vesting outcome of awards that were tested during the year:

Table J: Performance shares on foot or tested during FY2017

Grant date	Vesting date	Value per performance share at grant date ¹	% Vested
FY 2014 LTI grants			
23 September 2013	14 September 2016	\$2.77	100
23 September 2013	14 September 2016	\$2.77	100
23 September 2013	14 September 2016	\$1.68	0
FY 2015 LTI grants			
22 September 2014	14 September 2016	\$2.72	100
22 September 2014	14 September 2017	\$2.72	
22 September 2014	14 September 2017	\$2.72	
22 September 2014	14 September 2017	\$1.68	
FY 2016 LTI grants			
17 September 2015	14 September 2018	\$2.01	
17 September 2015	14 September 2018	\$1.19	
FY 2017 LTI grants			
25 October 2016	14 September 2019	\$2.28	
25 October 2016	14 September 2019	\$1.30	

1 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 key terms of performance rights granted to the CEO as deferred STI that were tested during, or remain on foot at the end of, FY 2017 are set out in the following table. The table also explains the vesting outcome of awards that were tested during the year.

Table K: Performance rights on foot or tested during FY 2017

Grant date	Vesting date	Value per performance right at grant date ¹	% Vested
Commencement grant			
7 April 2015	15 September 2016	\$2.60	100
7 April 2015	15 September 2017	\$2.60	
FY 2016 deferred STI award ²			
25 August 2016	14 September 2017	\$2.21	
25 August 2016	14 September 2018	\$2.21	

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

2 Board resolved on the date of this report to grant share rights for the deferred portion of the CEO's STI for FY 2017 as per his contract. The value of the share rights in total has been determined but the VWAP used to calculate the number of performance rights to be issued has not yet been struck. The rights are expected to be granted in the first week of September 2017 with set vesting dates noted above. The accounting grant date for these share rights is 1 July 2016.

Directors' Report

Details of remuneration paid, vested, lapsed or forfeited during FY 2017

The percentage of the available grant that was paid, vested or forfeited in FY 2017 is set out below.

Table L: Remuneration forfeited and vested during FY2017 and outstanding at 30 June 2017

Name	STI		LTI (Performance shares)						
	Potential FY 2017 bonus paid %	Potential FY 2017 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 \$	
J L Flavell	100	-	2017	-	-	30/6/2020	Nil	388,025	
			2016	-	-	30/6/2019	Nil	376,739	
S R Mitchell	100	-	2017	-	-	30/6/2020	Nil	76,408	
			2016	-	-	30/6/2019	Nil	74,189	
			2015	-	-	30/6/2018	Nil	59,291	
			2015	100	-	-	-	-	-
			2014	55	45	-	-	-	
N C Rose-Innes	98	2	2017	-	-	30/6/2020	Nil	73,787	
			2016	-	-	30/6/2019	Nil	67,412	
			2015	-	-	30/6/2018	Nil	53,879	
			2015	100	-	-	-	-	
			2014	55	45	-	-	-	
M J McCarney	95	5	2017	-	-	30/6/2020	Nil	56,575	
			2016	-	-	30/6/2019	Nil	45,773	
			2015	-	-	30/6/2018	Nil	36,584	
			2015	100	-	-	-	-	
			2014	55	45	-	-	-	
E A Dupont-Brown	95	5	2017	-	-	30/6/2020	Nil	40,994	
			2016	-	-	30/6/2019	Nil	30,038	
T J Milnes	100	-	2017	-	-	30/6/2020	Nil	40,289	
			2016	-	-	30/6/2019	Nil	31,293	
			2015	-	-	30/6/2018	Nil	25,006	
			2015	100	-	-	-	-	
			2014	55	45	-	-	-	
M J Pitton	95	5	2017	-	-	30/6/2020	Nil	27,104	
			2016	-	-	30/6/2019	Nil	19,738	
			2015	-	-	30/6/2018	Nil	15,776	
			2015	100	-	-	-	-	
			2014	55	45	-	-	-	

Directors' Report

Name	STI		LTI (Performance shares)					
	Potential FY 2017 bonus paid %	Potential FY 2017 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 \$
V C ten Krooden	90	10		-	-	-	-	-

1 The maximum value is based on the fair value at grant date using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method.

Table L: Remuneration forfeited and vested during FY 2017 and outstanding at 30 June 2017 (continued)

Name	Financial Year granted	Performance Rights				
		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 ¹ \$
J L Flavell (Commencement)	2015	-	-	30/6/2018	Nil	146,834
	2015	100	-	-	-	-
J L Flavell (2016 Deferred STI)	2017	-	-	30/6/2018	Nil	130,500
	2017	-	-	30/6/2019	Nil	130,500

1 The maximum value is based on the share price at grant.

Legacy performance awards

Full details of prior year equity awards are set out in the Remuneration Report for the year in which the award was granted.

Service agreements

Non-executive Directors appointed to the Board following listing as a public company 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 and employment contracts. 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 executive KMP are terminable by either the Company or the executive with one or three months notice.

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

Directors' Report

Key management personnel equity holdings

(a) Performance shares

The movements in performance shares held by executive KMP and their related parties are set out below.

Table M: Movements in performance shares during FY 2017

Name	Balance at the start of the year	Granted as compensation	Value granted \$	Vested	Value at vesting date \$	Forfeited	Balance at the end of the year
Executive KMP							
J L Flavell	235,462	216,774	388,025	-	-	-	452,236
S R Mitchell	106,104	42,686	76,408	(19,559)	41,074	(13,850)	115,381
N C Rose-Innes	96,416	41,222	73,787	(17,773)	37,323	(12,585)	107,280
M J McCarney	65,457	31,606	56,575	(12,064)	25,334	(8,540)	76,459
E A Dupont-Brown	18,774	22,902	40,994	-	-	-	41,676
T J Milnes	44,759	22,508	40,289	(8,252)	17,329	(5,845)	53,170
M J Pitton	28,221	15,142	27,104	(5,200)	10,920	(3,680)	34,483
V C ten Krooden	-	-	-	-	-	-	-

(b) Performance rights

The movements in performance rights held by executive KMP and their related parties are set out below.

Table N: Movements in performance rights during FY 2017

Name	Balance at the start of the year	Granted as compensation	Value granted \$	Vested	Value at vesting date \$	Forfeited	Balance at the end of the year
Executive KMP							
J L Flavell (Commencement)	113,119	-	-	(56,559)	135,112	-	56,560
J L Flavell (Deferred STI)	-	119,544	264,192	-	-	-	119,544

Directors' Report

(c) Share holdings

The number of shares in the Company held during the financial year by each Director and member of executive KMP, including their close family members and their controlled entities, are set out below.

Table O: Movements in KMP shareholdings during FY 2017

Name	Balance at the start of the year	Received during the year on the vesting of performance rights ¹	Received during the year on the vesting of performance shares	Purchases/sales during the year	Balance at the end of the year
Non-executive Directors					
P D Ritchie	530,125	-	-	-	530,125
V L Allen	-	-	-	-	-
S J Clancy	75,000	-	-	-	75,000
P G Higgins	359,253	-	-	-	359,253
R G Higgins	15,380,212	-	-	-	15,380,212
S C Jermyn	2,000,000	-	-	-	2,000,000
D E Ralston	145,000	-	-	-	145,000
Executive					
J L Flavell	29,970	64,339	-	-	94,309
S R Mitchell	90,016	-	19,559	-	109,575
N C Rose-Innes	104,458	-	17,773	-	122,231
M J McCarney	5,424	-	12,064	-	17,488
E A Dupont-Brown	-	-	-	-	-
T J Milnes	109,713	-	8,252	-	117,965
M J Pitton	27,010	-	5,200	(9,400)	22,810
V C ten Krooden	-	-	-	-	-

¹ Shares issued on vesting of 56,559 performance rights. Additional shares represent the value of dividends over the vesting period.

Shares provided on vesting of performance rights

The number of shares in the Company issued during the financial year on the vesting of share rights are set out below.

Table P: Shares provided on exercise of performance rights

Date share rights vested	Issue price of shares	Number of shares issued
15 September 2016	\$2.10	64,339

Directors' Report

(j) Glossary

The following table defines terms used throughout this Remuneration Report:

Table Q: Glossary of terms used

Term	Definition
Comparator group	nib holdings Australia Ltd, Steadfast Group Ltd, Genworth Mortgage Insurance Australia Ltd, Eclipx Group Ltd, FlexiGroup Australia Ltd, FlexiGroup Australia Ltd, Credit Corp Group Ltd, ClearView Wealth Australia Ltd, AUB Group Ltd, OFX Group Ltd, Blue Sky Alternative Investments Ltd, Scottish Pacific Group Ltd, Pepper Group Ltd Cover-More Group Ltd, PSC Insurance Group Ltd, Emerchants Ltd, HFA Holdings Ltd, MyState Ltd, EQT Holdings Ltd, Ding Sheng Xin Finance Co Ltd, IMF Benthams Ltd, Pinnacle Investment Management Group Ltd, 8I Holdings Ltd, Australian Finance Group Ltd, HUB24 Ltd, Money3 Corp Ltd, Auswide Bank Ltd, Bell Financial Group Ltd, zipMoney Ltd, Beston Global Food Co Ltd, Kina Securities Ltd, APN Property Group Ltd, Euroz Ltd, FSA Group Ltd, Onevue Holdings Ltd, Pacific Current Group Ltd, Hunter Hall International Ltd, Pioneer Credit Ltd, K2 Asset Management Holdings Ltd, Centuria Capital Ltd, Centrepoint Alliance Ltd, Yellow Brick Road Holdings Ltd, Diversa Ltd
KMP	Key management personnel, being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any directors. KMP includes Executives and Non-executive Directors and are detailed on page 18.
KPI	Key Performance Indicator
LTI	Long Term Incentive
Performance right	A performance right is a right to one Mortgage Choice share, plus the number of shares that would have resulted from reinvestment of dividends paid during the vesting period on the shares acquired on vesting of the rights. In certain circumstances the Board has a discretion to pay a cash equivalent amount in lieu of an allocation of shares. Performance rights are used to deliver the CEO's deferred STI awards.
Performance share	Performance shares are shares in Mortgage Choice that are held in an employee share plan trust. LTI awards to executive KMP are delivered using performance shares.
PSP	The Performance Share Plan used to make LTI awards to executives.
STI	Short Term Incentive
VWAP	Volume weighted average price

Insurance of Directors and Officers

Insurance premiums were paid for the year ended 30 June 2017 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.

Directors' Report

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 20.

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 20, 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 41.

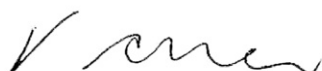
Rounding

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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.



Vicki Allen
Chairman
Sydney
23 August 2017

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

The Board of Directors
Mortgage Choice Limited
Level 10, 100 Pacific Highway
North Sydney NSW 2060

23 August 2017

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 2017, 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



Heather Baister
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Consolidated Income Statement

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue	5		
Origination commission		75,082	72,306
Trailing commission excluding discount unwind		83,601	84,652
Trailing commission discount unwind		18,890	20,056
Diversified products commission		6,573	6,711
Help Me Choose income excluding discount unwind		(53)	631
Help Me Choose income discount unwind		53	104
Financial Planning income		10,225	8,396
Franchise income		1,126	1,231
Interest		474	419
Other income	6	3,826	2,934
		199,797	197,440
Direct costs			
Origination commission		(54,611)	(52,944)
Trailing commission excluding discount unwind		(52,171)	(54,724)
Trailing commission discount unwind – finance costs		(11,612)	(12,162)
Diversified products commission		(4,881)	(5,130)
Help Me Choose direct costs		-	(298)
Financial Planning commission		(8,153)	(6,705)
Gross profit		68,369	65,477
Operating Expenses			
Sales		(13,301)	(14,650)
Technology		(4,994)	(5,181)
Marketing		(9,347)	(9,241)
Corporate		(8,861)	(8,059)
Profit before income tax		31,866	28,346
Income tax expense	7	(9,689)	(8,808)
Profit for the period from continuing operations		22,177	19,538
Net profit attributable to the owners of Mortgage Choice Limited		22,177	19,538
		Cents	Cents
Earnings per share			
From continuing operations			
Basic earnings per share	27	17.8	15.7
Diluted earnings per share	27	17.7	15.7

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 2017

	2017 \$'000	2016 \$'000
Profit for the year	22,177	19,538
Other comprehensive income	-	-
Total comprehensive income attributable to the owners of Mortgage Choice Limited	22,177	19,538

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

Consolidated Balance Sheet

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		8,646	8,068
Trade and other receivables	8	101,089	102,140
Total current assets		109,735	110,208
Non-current assets			
Receivables	8	251,234	245,717
Property, plant and equipment	9	658	450
Intangible assets	11	6,081	6,475
Total non-current assets		257,973	252,642
Total assets		367,708	362,850
LIABILITIES			
Current liabilities			
Trade and other payables	12	68,605	69,940
Current tax liabilities		1,448	1,159
Provisions	13	965	1,084
Total current liabilities		71,018	72,183
Non-current liabilities			
Trade and other payables	14	153,812	150,015
Deferred tax liabilities	15	37,899	37,661
Provisions	13	791	664
Total non-current liabilities		192,502	188,340
Total liabilities		263,520	260,523
Net assets		104,188	102,327
EQUITY			
Contributed equity	16	7,277	6,804
Reserves	17(a)	2,075	1,664
Retained profits	17(b)	94,836	93,859
Total equity		104,188	102,327

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 2017

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2015		5,780	1,909	94,223	101,912
Total comprehensive income for the year as reported in the 2016 financial statements		-	-	19,538	19,538
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	16	1,024	(1,024)	-	-
Dividends paid	18	-	-	(19,902)	(19,902)
Employee share plans - value of employee services	28	-	779	-	779
		1,024	(245)	(19,902)	(19,123)
Balance at 30 June 2016		6,804	1,664	93,859	102,327
Total comprehensive income for the year as reported in the 2017 financial statements					
		-	-	22,177	22,177
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	16	473	(473)	-	-
Dividends paid	18	-	-	(21,200)	(21,200)
Employee share plans - value of employee services	28	-	884	-	884
		473	411	(21,200)	(20,316)
Balance at 30 June 2017		7,277	2,075	94,836	104,188

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 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		214,259	206,602
Payments to suppliers and employees (inclusive of goods and services tax)		(182,399)	(178,298)
		31,860	28,304
Income taxes paid		(9,162)	(7,584)
Net cash inflow from operating activities	26	22,698	20,720
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(1,395)	(1,040)
Proceeds from sale of property, plant and equipment		1	44
Interest received		474	419
Net cash (outflow) from investing activities		(920)	(577)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(21,200)	(19,902)
Net cash (outflow) from financing activities		(21,200)	(19,902)
Net increase/(decrease) in cash and cash equivalents		578	241
Cash and cash equivalents at the beginning of the financial year		8,068	7,827
Cash and cash equivalents at the end of year		8,646	8,068

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

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of 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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

The application of these Standards and amendments does not have any material impact on the disclosures 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.

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

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies (continued)

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 and included in origination commission revenue.

(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.

(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) Financial planning 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.

Notes to the Consolidated Financial Statements

(vi) 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.

(vii) 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.

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 (e.g 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.

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

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies (continued)

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.

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. 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.

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

H. 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.

I. 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.

Notes to the Consolidated Financial Statements

J. Trailing commissions receivable

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

K. Investments and other financial assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Note 8).

L. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Office equipment	5-10 years
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Computer equipment	3-4 years
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Furniture and fittings	5-15 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(G)).

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

M. Intangible assets

Software

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

Costs associated with developing or maintaining computer software programs 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.

N. Trade and other payables

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

O. Trailing commissions payable

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

P. Borrowing costs

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

Q. Provisions

Provisions for legal claims and make good obligations are recognised when the Group

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies (continued)

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.

R. 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 high quality corporate 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 28.

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 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).

Notes to the Consolidated Financial Statements

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.

S. 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.

T. 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.

U. 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.

V. Rounding of amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies (continued)

W. 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 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards - Effective date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards - Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2016-5 'Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019
AASB 2017-2 'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle'	1 January 2017	30 June 2018

From the above table, the potential effect of the revised Standards/Interpretations on the Group's financial statements is discussed for the most impactful Standards below:

AASB 9 Financial Instruments

AASB 9 and the relevant amending standards introduced new requirements for the classification and measurement of financial assets and impairment of financial assets.

Key requirements considered most relevant to Group are:

- All recognised financial assets that are within the scope of AASB 9 are required to be subsequently measured at amortised cost or fair value. Generally, debt investments that are held under a business model to collect the contractual cash flows, which consist solely of payments of principal and interest are measured at amortised cost at the end of subsequent accounting periods. Most, other debt and equity investments are measured at their fair value at the end of subsequent accounting periods; and
- A new model in relation to the credit impairment of financial assets, being an expected credit loss model, as opposed to an incurred credit loss model under AASB 139. Due to the nature of the mortgage broking industry, the Group is not exposed to the credit risk of the underlying loan books on which it derives its commissions.

Based off the Group's preliminary assessment, it is not expected to have a material impact on the financial statements on implementation.

Notes to the Consolidated Financial Statements

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede the current revenue recognition guidance including AASB 118 Revenue and the related Interpretations when it becomes effective.

Under AASB 15, an entity recognises revenue when that service (performance obligation) is satisfied. The Group recognises revenue from the following major sources:

- Origination commissions arising from mortgage broking activities;
- Trailing commissions arising from mortgage broking activities; and
- Financial Planning income

The impact of AASB 15 on the financial statements for the recognition of revenue from these major sources of revenue is not expected to be material.

However, based off the Group's preliminary assessment, it is expected that the associated future trail receivable would be accounted for as a contract asset. It is anticipated that this would not have a material impact on the financial statements on implementation.

X. Parent entity financial information

The financial information for the parent entity, Mortgage Choice Limited, disclosed in Note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries

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

Notes to the Consolidated Financial Statements

Note 2: Financial risk management

The Group has limited exposure to financial risks with the exception of credit risk, liquidity 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:

	2017 \$'000	2016 \$'000
Financial Assets		
Current		
Cash and cash equivalents	8,646	8,068
Trade and other receivables*	100,620	99,468
Non-current		
Receivables	251,234	245,717
	360,500	353,253

* Excludes prepayments

	2017 \$'000	2016 \$'000
Financial Liabilities		
Current		
Trade and other payables	68,605	69,940
Non-current		
Trade and other payables	153,812	150,015
	222,417	219,955

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 2017 the weighted average interest rate on its cash balances was 1.5% (2016 1.75%). If interest rates were to increase by 100 basis points, the Group's after tax result would increase by \$83,000 (2016 \$84,000). A decrease of 100 basis points would reduce the Group's after tax result by \$83,000 (2016 \$84,000).

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)

Notes to the Consolidated Financial Statements

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.

2017	Standard & Poor's Credit Rating	Cash and cash equivalents \$'000	Trade and franchisee receivables \$'000	NPV Future trailing commissions receivable \$'000
ADIs	AA-	8,646	9,708	234,128
	A+	-	1,154	16,767
	A	-	1,375	15,677
	A-	-	943	25,943
	BBB+	-	110	2,599
	BBB	-	1,204	27,613
	BBB-	-	-	-
	Not rated	-	240	5,502
		8,646	14,734	328,229
Non ADIs	AA-	-	51	-
	A+	-	358	-
	A	-	-	-
	A-	-	-	-
	BBB+	-	-	-
	BBB-	-	137	2,324
	Not rated	-	5,674	4,301
		-	6,220	6,625
Total Receivable		8,646	20,954	334,854

Notes to the Consolidated Financial Statements

Note 2: Financial risk management (continued)

2016	Standard & Poor's Credit Rating	Cash and cash equivalents \$'000	Trade and franchisee receivables \$'000	NPV Future trailing commissions receivable \$'000
ADIs	AA-	8,068	10,184	234,964
	A+	-	1,069	20,346
	A	-	203	4,945
	A-	-	1,553	28,275
	BBB+	-	1,339	24,950
	BBB	-	34	759
	BBB-	-	-	-
	Not rated	-	207	5,377
		8,068	14,589	319,616
Non ADIs	AA-	-	138	-
	A+	-	135	-
	A	-	298	3,254
	A-	-	19	-
	BBB+	-	1	-
	BBB-	-	51	1,347
	Not rated	-	4,045	5,346
		-	4,687	9,947
Total Receivable		8,068	19,276	329,563

(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.

Notes to the Consolidated Financial Statements

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 2017	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							
<i>Interest bearing</i>							
Cash and cash equivalents	8,644	-	-	-	-	8,644	8,644
Franchisee receivables	680	813	1,568	2,042	134	5,237	4,588
<i>Non-interest bearing</i>							
Cash and cash equivalents	2	-	-	-	-	2	2
Trade receivables	11,907	-	-	-	-	11,907	11,907
Franchisee and other receivables	406	34	58	7	-	505	505
Future trailing commissions receivable	47,294	42,820	73,331	139,026	100,429	402,900	334,854
	68,933	43,677	74,957	141,075	100,563	429,195	360,500

The fair value of the future trailing commissions receivable is \$349,564,000. 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 4.21%. There has been no change to the valuation technique during the year.

At 30 June 2016	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							
<i>Interest bearing</i>							
Cash and cash equivalents	8,066	-	-	-	-	8,066	8,066
Franchisee receivables	376	560	947	2,199	263	4,345	3,331
<i>Non-interest bearing</i>							
Cash and cash equivalents	2	-	-	-	-	2	2
Trade receivables	11,496	-	-	-	-	11,496	11,496
Franchisee and other receivables	638	87	55	10	5	795	795
Future trailing commissions receivable	46,727	42,324	72,213	137,857	100,978	400,099	329,563
	67,305	42,971	73,215	140,066	101,246	424,803	353,253

The fair value of the future trailing commissions receivable is \$349,166,000. The fair value of all other assets is the same as their carrying amount.

Notes to the Consolidated Financial Statements

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 2017	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							
<i>Non-interest bearing</i>							
Trade payables	11,286	-	-	-	-	11,286	11,286
Licence fees and other payables	3,545	-	-	-	-	3,545	3,545
Future trailing commissions payable	29,258	26,537	45,540	86,286	62,313	249,934	207,587
	44,089	26,537	45,540	86,286	62,313	264,765	222,418

The fair value of the future trailing commissions payable is \$216,831,000. The fair value of all other liabilities is the same as their carrying amount.

Contractual maturities of financial liabilities at 30 June 2016	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							
<i>Non-interest bearing</i>							
Trade payables	12,190	-	-	-	-	12,190	12,190
Licence fees and other payables	4,751	69	3	-	-	4,823	4,823
Future trailing commissions payable	28,600	25,924	44,342	83,080	62,346	244,292	202,942
	45,541	25,993	44,345	83,080	62,346	261,305	219,955

The fair value of the future trailing commissions payable is \$213,372,000. The fair value of all other liabilities is the same as their carrying amount.

(d) Prepayment risk

Prepayment risk has been assessed through the sensitivity analysis of run-off rates, 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 are 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:

	2017	2016
Weighted average loan life	3.7 years	3.8 years
Average discount rate	5.7%	6.2%
Percentage paid to franchisees	62%	62%

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 \$7.9 million (made up of decreases in current assets of \$1.5 million, non-current assets of \$28.2 million, current liabilities of \$0.9 million, non-current liabilities of \$17.5 million and deferred tax liabilities of \$3.4 million) if run-off rates increase by 10%; or
- an increase in net assets of \$8.8 million (made up of increases in current assets of \$1.2 million, non-current assets of \$32.1 million, current liabilities of \$0.8 million, non-current liabilities of \$19.9 million and deferred tax liabilities of \$3.8 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 value of trailing commissions receivable and payable as they are calculated using amortised cost rather than fair value. Management does not consider material changes to the percentage paid to franchisees to be reasonably possible.

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 \$1.2 million positive adjustment after tax to the Group's profit and loss for FY 2017 (2016 – \$1.1 million negative adjustment), refer Note 4 (c) (ii).

Notes to the Consolidated Financial Statements

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 three reportable product segments, Mortgage Choice franchised mortgage broking (MOC), Mortgage Choice Financial Planning (MCFP) and Help Me Choose health fund and mortgage comparison website (HMC). MCFP includes revenue from wealth products, including investment advice as well as all risk insurance products written across the Group. Operating expenses presented in MCFP and HMC represent the expenses solely attributable to those business segments. The Group operates only in Australia.

(b) Information provided to the Chief Executive Officer

Information provided to the Chief Executive Officer for the year ended 30 June 2017 is as follows:

Product Segments

2017	Total \$'000	MOC \$'000	MCFP \$'000	HMC \$'000
Revenue	199,797	189,452	10,345	-
Gross Profit (IFRS)	68,369	66,177	2,192	-
Gross profit (cash)	67,756	64,753	2,192	811
OPEX (excl SBR*)	(35,619)	(33,665)	(1,954)	-
Depreciation and amortisation	(1,581)	(1,513)	(68)	-
Income tax expense (IFRS)	(9,689)	(9,629)	(60)	-
NPAT (IFRS)	22,177	22,036	141	-
NPAT (cash)	22,634	21,889	177	568

* Share based remuneration

2016	Total \$'000	MOC \$'000	MCFP \$'000	HMC \$'000
Revenue	197,440	188,254	8,450	736
Gross Profit (IFRS)	65,477	63,295	1,745	437
Gross profit (cash)	65,800	62,700	1,745	1,355
OPEX (excl SBR*)	(36,352)	(32,219)	(2,189)	(1,944)
Depreciation and amortisation	(1,541)	(1,426)	(67)	(48)
Income tax expense (IFRS)	(8,808)	(9,397)	144	445
NPAT (IFRS)	19,538	20,913	(336)	(1,039)
NPAT (cash)	20,545	21,264	(300)	(419)

* Share based remuneration

Notes to the Consolidated Financial Statements

Cash versus IFRS

	2017	2016	% change	2017	2016	% change
	Cash*			IFRS		
	\$'000	\$'000		\$'000	\$'000	
Origination commission income	75,082	72,306	4%	75,082	72,306	4%
Trailing commission income**	96,389	95,082	1%	102,491	104,708	(2%)
	171,471	167,388	2%	177,573	177,014	0%
Origination commission paid	54,611	52,944	3%	54,611	52,944	3%
Trailing commission paid**	59,103	57,852	2%	63,783	66,886	(5%)
	113,714	110,796	3%	118,394	119,830	(1%)
Net core commissions	57,757	56,592	2%	59,179	57,184	3%
Diversified products net revenue	1,692	1,581	7%	1,692	1,581	7%
Financial Planning net revenue	2,072	1,691	23%	2,072	1,691	23%
HMC net revenue	811	1,354	(40%)	-	437	(100%)
Other income	5,426	4,584	18%	5,426	4,584	18%
Gross Profit	67,758	65,802	3%	68,369	65,477	4%
Operating Expenses	35,619	36,352	(2%)	35,619	36,352	(2%)
Share-based remuneration	-	-		884	779	13%
Net Profit Before Tax	32,139	29,450	9%	31,866	28,346	12%
Net Profit After Tax	22,634	20,545	10%	22,177	19,538	14%

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

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

Notes to the Consolidated Financial Statements

Note 4: Segment information (continued)

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

	2017	2016	% change	2017	2016	% change
	Cash			IFRS		
	\$'000	\$'000		\$'000	\$'000	
Diversified products commissions	6,573	6,711	(2%)	6,573	6,711	(2%)
Diversified products direct costs	4,881	5,130	(5%)	4,881	5,130	(5%)
Diversified products net income	1,692	1,581	7%	1,692	1,581	7%
Financial Planning revenue	10,225	8,396	22%	10,225	8,396	22%
Financial Planning direct costs	8,153	6,705	22%	8,153	6,705	22%
Financial Planning net revenue	2,072	1,691	23%	2,072	1,691	23%
Help Me Choose commissions*	811	1,652	(51%)	-	735	(100%)
Help Me Choose direct costs	-	298	(100%)	-	298	(100%)
Help Me Choose net revenue	811	1,354	(40%)	-	437	(100%)
Franchise income	1,126	1,231	(9%)	1,126	1,231	(9%)
Interest	474	419	13%	474	419	13%
Other Income	3,826	2,934	30%	3,826	2,934	30%
Other income	5,426	4,584	18%	5,426	4,584	18%

* 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.

Notes to the Consolidated Financial Statements

(ii) Net Profit After Tax

The cash Net Profit After Tax (as shown above) reconciles to the IFRS profit after tax as follows:

	2017 \$'000	2016 \$'000
Cash Net Profit After Tax	22,634	20,545
NPV future trails on new loans originated, net of payout	20,336	21,723
Less net cash from trail previously recognised under IFRS	(20,536)	(20,317)
Less adjustments to loan book assumptions	1,151	(1,074)
Gain/(loss) on prepayment/(establishment) of trail liability	(75)	-
Plus reversal of amortisation of trail liability*	119	82
NPV future trails on Help Me Choose policies written	-	115
Less net cash from trail previously recognised under IFRS	(568)	(757)
Less share based payments expense	(884)	(779)
Net IFRS After Tax Profit for the year	22,177	19,538

* 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash	67,758	65,802	57,757	56,592
NPV future trails on new loans originated, net of payout	29,051	31,033	29,051	31,033
Less net cash from trail previously recognised under IFRS	(29,335)	(29,023)	(29,335)	(29,023)
Less adjustments to loan book assumptions	1,644	(1,535)	1,644	(1,535)
Gain/(loss) on prepayment/(establishment) of trail liability	(108)	-	(108)	-
Plus reversal of amortisation of trail liability*	170	117	170	117
NPV future trails on Help Me Choose policies written	-	165	-	-
Less net cash from trail previously recognised under IFRS	(811)	(1,082)	-	-
IFRS	68,369	65,477	59,179	57,184

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

Notes to the Consolidated Financial Statements

Note 5: Revenue

	2017 \$'000	2016 \$'000
Revenue from continuing operations		
<i>Sales revenue</i>		
Services	176,554	173,927
<i>Other revenue</i>		
Interest earned on deposits and loans	474	419
Interest in relation to discount unwind	18,943	20,160
Other income	3,826	2,934
	199,797	197,440

Note 6: Other income

	2017 \$'000	2016 \$'000
Sponsorship and educational support	2,748	2,296
Other	1,078	638
	3,826	2,934

Note 7: Income tax

(a) Income tax expense

	2017 \$'000	2016 \$'000
Current tax	9,472	8,641
Deferred tax	238	185
Under (over) provided in prior years	(21)	(18)
	9,689	8,808
Income tax expense is attributable to:		
Profit from continuing operations	9,689	8,808
	9,689	8,808
Deferred income tax (revenue) expense including income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 10)	(1,344)	(2,372)
Increase/(decrease) in deferred tax liabilities (note 15)	1,582	2,557
	238	185

Notes to the Consolidated Financial Statements

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

	2017 \$'000	2016 \$'000
Profit from continuing operations before income tax expense	31,866	28,346
Income tax calculated @ 30% (2016 – 30%)	9,560	8,504
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:		
Research and Development Tax Incentive	231	385
	(81)	(63)
	9,710	8,826
Under/(over) provision from prior years	(21)	(18)
Income tax expense	9,689	8,808

No part of the deferred tax asset shown above and in note 10 is attributable to tax losses.

Note 8: Trade and other receivables

	2017			2016		
	Current \$'000	Non-current \$'000	Total \$'000	Current \$'000	Non-current \$'000	Total \$'000
Trade receivables ⁽ⁱ⁾	11,907	–	11,907	11,496	–	11,496
Net present value of future trailing commissions receivable	86,955	247,898	334,853	86,372	243,191	329,563
Franchisee receivables	1,505	3,332	4,837	1,130	2,510	3,640
Other receivables	252	4	256	470	16	486
Prepayments	470	–	470	2,672	–	2,672
	101,089	251,234	352,323	102,140	245,717	347,857

(i) Subject to a limited charge in favour of The Loan Book Security Trust (refer to note 12)

(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 2017 current trade receivables were not impaired (2016 – 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.

Notes to the Consolidated Financial Statements

Note 9: Non-current assets – Property, plant and equipment

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
Year ended 30 June 2016			
Opening net book amount	632	194	826
Additions	86	46	132
Disposals	(147)	(135)	(282)
Depreciation charge	(231)	5	(226)
Closing net book amount	340	110	450
At 30 June 2016			
Cost	2,205	1,056	3,261
Accumulated depreciation	(1,865)	(946)	(2,811)
Net book amount	340	110	450
Year ended 30 June 2017			
Opening net book amount	340	110	450
Additions	272	185	457
Disposals	-	-	-
Depreciation charge	(193)	(56)	(249)
Closing net book amount	419	239	658
At 30 June 2017			
Cost	1,901	1,241	3,142
Accumulated depreciation	(1,482)	(1,002)	(2,484)
Net book amount	419	239	658

Notes to the Consolidated Financial Statements

Note 10: Non-current assets – Deferred tax assets

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
Net present value of future trailing commissions payable	62,276	60,883
Employee benefits	843	898
Depreciation and amortisation	142	203
Accrued expenses	684	617
Total deferred tax assets	63,945	62,601
Set off of deferred tax assets pursuant to set off provisions (note 15)	(63,945)	(62,601)
Net deferred tax assets	-	-
Deferred tax assets to be recovered within 12 months	17,578	17,303
Deferred tax assets to be recovered after more than 12 months	46,367	45,298
	63,945	62,601

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 2015	58,137	991	331	770	-	60,229
Charged/(credited) to the income statement	2,746	(93)	(128)	(153)	-	2,372
At 30 June 2016	60,883	898	203	617	-	62,601
Charged/(credited) to the income statement	1,393	(55)	(61)	67	-	1,344
At 30 June 2017	62,276	843	142	684	-	63,945

Notes to the Consolidated Financial Statements

Note 11: Non-current assets – Intangible assets

	Computer Software \$'000
Year ended 30 June 2016	
Opening net book amount	7,148
Additions	908
Amortisation charge	(1,315)
Disposals	(266)
Closing net book amount	6,475
At 30 June 2016	
Cost	15,321
Accumulated amortisation	(8,846)
Net book amount	6,475
Year ended 30 June 2017	
Opening net book amount	6,475
Additions	937
Amortisation charge	(1,331)
Disposals	–
Closing net book amount	6,081
At 30 June 2017	
Cost	16,090
Accumulated depreciation	(10,009)
Net book amount	6,081

Note 12: Current liabilities – Trade and other payables

	2017 \$'000	2016 \$'000
Trade payables ^(a)	11,286	12,190
Net present value of future trailing commissions payable	53,775	52,930
Licence fees repayable	91	173
Other payables	3,453	4,647
	68,605	69,940

(a) 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

Notes to the Consolidated Financial Statements

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 2017, 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 \$4,962,579 (2016 - \$4,380,592). This is included as part of the balance of trade payables at 30 June 2017 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 13: Provisions

	2017			2016		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Make good provision ^(a)	40	448	488	40	358	398
Employee entitlements - annual leave	647	-	647	691	-	691
Employee entitlements - long service leave	278	343	621	353	306	659
	965	791	1,756	1,084	664	1,748

(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.

Notes to the Consolidated Financial Statements

Note 14: Non-current liabilities – Trade and other payables

	2017 \$'000	2016 \$'000
Net present value of future trailing commissions payable	153,812	150,012
Licence fees repayable	–	3
	153,812	150,015

Note 15: Non-current liabilities – Deferred tax liabilities

	2017 \$'000	2016 \$'000
The balance comprises temporary differences attributable to:		
NPV of future trailing commissions receivable	100,456	98,869
Intangibles	1,346	1,355
Prepayments and other receivables	42	38
	101,844	100,262
Set-off of deferred tax assets pursuant to set off provisions (note 10)	(63,945)	(62,601)
Net deferred tax assets	37,899	37,661
Deferred tax assets to be recovered within 12 months	26,396	26,225
Deferred tax assets to be recovered after more than 12 months	75,448	74,037
	101,844	100,262

Movements – Consolidated

	NPV of future trailing commissions payable \$'000	Intangibles \$'000	Prepayments and other receivables \$'000	Total \$'000
At 30 June 2015	96,257	1,403	45	97,705
Charged to the income statement	2,612	(48)	(7)	2,557
At 30 June 2016	98,869	1,355	38	100,262
Charged to the income statement	1,587	(9)	4	1,582
At 30 June 2017	100,456	1,346	42	101,844

Notes to the Consolidated Financial Statements

Note 16: Contributed equity

	2017 shares '000	2016 shares '000	2017 \$'000	2016 \$'000
(a) Share capital				
Ordinary shares – fully paid	123,756	123,572	7,277	6,804

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 2017:

Details	Number of shares
Total ordinary shares on issue	124,958,734
Treasury shares (a)	(1,202,873)
Total ordinary shares held as contributed equity	123,755,861

(a) 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 28 for further information).

Date	Details	Number of shares
30 June 2015	Balance	1,183,391
3 July 2015	Treasury shares issued under the Performance Share Plan to employees	(33,668)
14 July 2015	Shares issued to the Mortgage Choice Employee Incentive Trust	99,100
14 July 2015	Treasury shares issued under the Share Rights Plan to employees	(99,100)
14 September 2015	Treasury shares issued under the Performance Share Plan to employees	(346,936)
15 September 2015	Shares issued to the Mortgage Choice Employee Incentive Trust	58,966
15 September 2015	Treasury shares issued under the Share Rights Plan to employees	(58,966)
19 November 2015	Shares issued to the Mortgage Choice Employee Incentive Trust	84,549
30 June 2016	Balance	887,336
14 September 2016	Treasury shares issued under the Performance Share Plan to employees	(119,995)
15 September 2016	Treasury shares issued under the Share Rights Plan to employees	(64,339)
1 December 2016	Shares issued to the Mortgage Choice Employee Incentive Trust	499,871
30 June 2017	Balance	1,202,873

Notes to the Consolidated Financial Statements

Note 16: Contributed equity (continued)

Movements in ordinary share capital:

Date	Details	Number of shares \$'000	\$'000
30 June 2015	Balance	123,032,857	5,780
3 July 2015	Treasury shares issued under the Performance Share Plan to employees	33,668	77
14 July 2015	Treasury shares issued under the Share Rights Plan to employees	99,100	289
14 September 2015	Treasury shares issued under the Performance Share Plan to employees	346,936	511
15 September 2015	Treasury shares issued under the Share Rights Plan to employees	58,966	147
19 November 2015	Shares issued to the Mortgage Choice Employee Incentive Trust	84,549	-
19 November 2015	Held as treasury shares	(84,549)	-
30 June 2016	Balance	123,571,527	6,804
14 September 2016	Treasury shares issued under the Performance Share Plan to employees	119,995	326
15 September 2016	Treasury shares issued under the Share Rights Plan to employees	64,339	147
1 December 2016	Shares issued to the Mortgage Choice Employee Incentive Trust	499,871	-
1 December 2016	Held as treasury shares	(499,871)	-
30 June 2017	Balance	123,755,861	7,277

Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in Note 28.

Notes to the Consolidated Financial Statements

Note 17: Reserves and retained profits

(a) Reserves

	2017 \$'000	2016 \$'000
Share-based payments reserve	2,075	1,664
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	1,664	1,909
Performance shares expensed/(reversed)	884	779
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	(473)	(1,024)
Balance 30 June	2,075	1,664

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance shares granted but not vested.

(b) Retained profits

	2017 \$'000	2016 \$'000
Balance 1 July	93,859	94,223
Net profit for the year	22,177	19,538
Dividends	(21,200)	(19,902)
Balance 30 June	94,836	93,859

Notes to the Consolidated Financial Statements

Note 18: Dividends

	2017 \$'000	2016 \$'000
(a) Ordinary shares		
Final dividend declared out of profits of the Company for the year ended 30 June 2015 of 8.0 cents per fully paid share paid on 11 September 2015: Fully franked based on tax paid @ 30%		
8.0 cents per share	-	9,945
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2015 of 8.0 cents per fully paid share paid 11 March 2015: Fully franked based on tax paid @ 30%		
8.0 cents per share	-	9,957
Final dividend declared out of profits of the Company for the year ended 30 June 2016 of 8.5 cents per fully paid share paid on 16 September 2016: Fully franked based on tax paid @ 30%		
8.5 cents per share	10,579	-
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2016 of 8.5 cents per fully paid share paid 23 March 2017: Fully franked based on tax paid @ 30%		
8.5 cents per share	10,621	-
	21,200	19,902

(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 9.0 cents per fully paid ordinary share, (2016 – 8.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 21 September 2017 out of retained profits at 30 June 2017, but not recognised as a liability at year end, is

11,246	10,579
---------------	--------

(c) Franked dividend

The franked portions of the final dividends recommended after 30 June 2017 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 2017.

	2017 \$'000	2016 \$'000
Franking credits available for subsequent financial years to the equity holders of the parent entity based on a tax rate of 30% (2016 – 30%)	3,206	2,835

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;

Notes to the Consolidated Financial Statements

(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 \$4,820,000 (2016: \$4,534,000).

Note 19: Key management personnel disclosures

(e) Key management personnel compensation

	2017 \$'000	2016 \$'000
Short-term employee benefits	2,845,813	2,773,963
Post-employment benefits	154,019	153,125
Long-term benefits	39,179	25,414
Termination benefits	-	-
Share-based payments	746,930	620,881
Balance 30 June	3,785,941	3,573,383

Detailed remuneration disclosures are provided in the remuneration report on pages 17-39 of the Directors' report.

Note 20: 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:

2017	\$
(a) Audit services	
Deloitte Touche Tohmatsu Australian firm:	
Audit and review of financial reports	201,490
Total remuneration for audit services	201,490
(b) Non-audit services	
<i>Non audit-related services</i>	
Deloitte Touche Tohmatsu Australian firm:	
Actuarial services	75,000
Taxation services	17,723
Financial modelling services ¹	276,350
Total remuneration for non-audit services	369,073

¹ Financial modelling services relate to a one-off project to review franchise remuneration structures.

Notes to the Consolidated Financial Statements

Note 20: Remuneration of auditors (continued)

2016	\$
(a) Audit services	
Deloitte Touche Tohmatsu Australian firm:	
Audit and review of financial reports	193,490
Total remuneration for audit services	193,490
(b) Non-audit services	
<i>Non audit-related services</i>	
Deloitte Touche Tohmatsu Australian firm:	
Actuarial services	75,000
Taxation services	88,720
Total remuneration for non-audit services	163,720

Note 21: Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2017 in respect of:

Guarantees

Guarantees given in respect of premises leases \$723,150 (2016: \$771,914).

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 2017 and 30 June 2016, 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 22: 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.

	2017 \$'000	2016 \$'000
Operating leases		
Operating lease expenditure contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	1,197	930
Later than one year but not later than five years	1,289	1,341
Later than five years	-	-
	2,486	2,271

Note 23: Related party transactions

(a) Parent entity

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 24.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 19. Additional disclosures are set out in the Directors' report in the remuneration report.

(d) 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. These 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.

Notes to the Consolidated Financial Statements

Note 24: 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*	
			2017 %	2016 %
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 25: Events occurring after the balance sheet date

Dividend payment

Subsequent to year end, a final ordinary dividend of \$11,246,000 (9.0 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2017 on 23 August 2017 to be paid on 21 September 2017.

Notes to the Consolidated Financial Statements

Note 26: Reconciliation of profit after income tax to net cash inflow from operating activities

	2017 \$'000	2016 \$'000
Profit for the year	22,177	19,538
Depreciation and amortisation	1,581	1,541
Change in net present value of future trailing inflows	(5,291)	(8,710)
Change in net present value of future trailing outflows	4,741	9,151
Employee expense benefits – share-based payments	884	779
Interest received	(474)	(419)
Reversal of make good provision	–	130
Net loss (gain) on sales of non-current asset	(1)	374
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,377)	613
(Increase)/decrease in other operating assets	2,202	(1,152)
Increase/(decrease) in trade payables	(1,003)	(293)
Increase/(decrease) in other operating liabilities	(1,276)	(1,729)
Increase/(decrease) in provision for income taxes payable	289	1,040
Increase/(decrease) in deferred tax liabilities	238	185
Increase/(decrease) in other provisions	8	(328)
Net cash inflow from operating activities	22,698	20,720

Note 27: Earnings per share

	Consolidated	
	2017 Cents	2016 Cents
(a) Basic earnings per share		
From continuing operations	17.8	15.7
(b) Diluted earnings per share		
From continuing operations	17.7	15.7

Notes to the Consolidated Financial Statements

Note 27: Earnings per share (continued)

	Consolidated	
	2017 \$'000	2016 \$'000
Earnings used in calculating earnings per share		
Profit from continuing operations	22,177	19,538
<hr/>		
	2017 Number	2016 Number
Weighted average number of shares used as the denominator		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	124,749,199	124,410,527
Adjustments for calculation of diluted earnings per share:		
Share rights	367,192	249,999
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	125,116,391	124,660,526

Information concerning the classification of securities

(a) 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.

(b) Share Rights Plan

Share rights granted to the CEO under the Mortgage Choice Share Rights Plan that have vested are considered to be ordinary shares and have been included in the determination of basic earnings per share. Details relating to the share rights are set out in the Remuneration report.

Note 28: Share-based payments

(a) 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

Notes to the Consolidated Financial Statements

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 unlawful 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. In the event that no further grants are made under this plan, the PSP will not be terminated before the end of the last vesting period of shares granted under this plan.

(b) 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

Notes to the Consolidated Financial Statements

Note 28: Share-based payments (continued)

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 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 Performance Share 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
2017								
23 September 2013	14 September 2016	\$2.77	98,396	-	(98,396)	-	-	-
23 September 2013	14 September 2016	\$1.68	80,510	-	-	-	(80,510)	-
22 September 2014	14 September 2016	\$2.72	15,379	-	(15,379)	-	-	-
22 September 2014	14 September 2017	\$2.72	84,580	-	(1,819)	-	(6,234)	76,527
22 September 2014	14 September 2017	\$1.68	69,197	-	(1,489)	-	(5,098)	62,610
17 September 2015	14 September 2018	\$2.01	269,736	-	(1,456)	-	(13,026)	255,254
17 September 2015	14 September 2018	\$1.19	269,736	-	(1,456)	-	(13,026)	255,254
25 October 2016	14 September 2019	\$2.28	-	261,760	-	-	(7,329)	254,431
25 October 2016	14 September 2019	\$1.30	-	261,760	-	-	(7,329)	254,431
Total			887,534	523,520	(119,995)	-	(132,552)	1,158,507
Weighted average price			\$1.87	\$1.79	\$2.72	-	\$1.73	\$1.76

Notes to the Consolidated Financial Statements

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
2016								
14 September 2012	3 July 2015*	\$1.74	15,846	-	(15,846)	-	-	-
14 September 2012	14 September 2015	\$1.74	251,904	-	(234,735)	-	(17,169)	-
14 September 2012	14 September 2015	\$1.08	219,060	-	(71,092)	-	(147,968)	-
23 September 2013	3 July 2015*	\$2.77	9,713	-	(9,713)	-	-	-
23 September 2013	14 September 2015	\$2.77	22,979	-	(21,986)	-	(993)	-
23 September 2013	14 September 2016	\$2.77	126,382	-	-	-	(27,986)	98,396
23 September 2013	14 September 2016	\$1.68	103,410	-	-	-	(22,900)	80,510
22 September 2014	3 July 2015*	\$2.72	8,109	-	(8,109)	-	-	-
22 September 2014	14 September 2015	\$2.72	19,973	-	(19,123)	-	(850)	-
22 September 2014	14 September 2016	\$2.72	19,973	-	-	-	(4,594)	15,379
22 September 2014	14 September 2017	\$2.72	109,840	-	-	-	(25,260)	84,580
22 September 2014	14 September 2017	\$1.68	89,864	-	-	-	(20,667)	69,197
17 September 2015	14 September 2018	\$2.01	-	269,736	-	-	-	269,736
17 September 2015	14 September 2018	\$1.19	-	269,736	-	-	-	269,736
Total			997,053	539,472	(380,604)	-	(268,387)	887,534
Weighted average price			\$1.90	\$1.60	\$1.77	-	\$1.59	\$1.87

* 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 1.53 years (2016 - 1.60 years).

The model inputs for performance shares granted on 25 October 2016 included:

- (a) performance shares are granted for no consideration and vest over a period of four years;
- (b) grant date: 25 October 2016 (2016 - 17 September 2015);
- (c) share price at grant date: \$2.28 (2016 - \$2.01);
- (d) expected price volatility of the Company's shares: 29.04% (2016 - 29.60%);
- (e) expected dividend yield: 0% (2016 - 0%); and
- (f) risk-free interest rate: 1.686% (2016 - 1.768%).

Notes to the Consolidated Financial Statements

Note 28: Share-based payments (continued)

Set out below are summaries of shares conditionally issued under the Share Rights 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
2017								
7 April 2015	15 September 2016	\$2.60	56,559	-	(56,559)	-	-	-
7 April 2015	15 September 2017	\$2.60	56,560	-	-	-	-	56,560
25 August 2016	14 September 2017	\$2.18	-	59,772	-	-	-	59,772
25 August 2016	14 September 2018	\$2.18	-	59,772	-	-	-	59,772
Total			113,119	119,544	(56,559)	-	-	176,104
Weighted average price			\$2.60	\$2.18	\$2.60	-	-	\$2.32

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
2016								
30 September 2014	1 July 2015	\$3.09	93,750	-	(93,750)	-	-	-
7 April 2015	15 September 2015	\$2.60	56,559	-	(56,559)	-	-	-
7 April 2015	15 September 2016	\$2.60	56,559	-	-	-	-	56,559
7 April 2015	15 September 2017	\$2.60	56,560	-	-	-	-	56,560
Total			263,428	-	(150,309)	-	-	113,119
Weighted average price			\$2.77	-	\$2.90	-	-	\$2.60

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 0.52 years (2016 - 0.71 years).

FY 2017 deferred STI award

Board resolved on the date of this report to grant share rights for the deferred portion of the CEO's STI for FY 2017 as per his contract. The value of the share rights in total has been determined but the VWAP used to calculate the number of performance rights to be issued has not yet been struck. The rights are expected to be granted in the first week of September 2017 with 50% vesting 14 September 2018 and 50% vesting 14 September 2019. The accounting grant date for these share rights are 1 July 2016.

(c) Expenses arising from share-based payment transactions

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

	2017 \$'000	2016 \$'000
Shares issued under PSP	884	779
	884	779

Notes to the Consolidated Financial Statements

Note 29: Parent entity financial information

(a) Summary financial information

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

	2017 \$'000	2016 \$'000
Balance sheet		
Current assets	107,795	110,998
Total assets	365,768	363,274
Current liabilities	70,016	71,905
Total liabilities	262,518	260,245
<i>Shareholders' equity</i>		
Issued capital	7,189	6,804
Share-based payments reserve	2,163	1,664
Retained profits	93,898	94,561
	103,250	103,029
Profit or loss for the year		
	22,036	20,913
Total comprehensive income		
	22,036	20,913

(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 \$723,150 (2016 - \$771,914). 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 2017 or 30 June 2016.

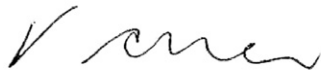
Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 42-87 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 2017 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.



Vicki Allen
Chairman
Sydney
23 August 2017



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Independent Auditor's Report to the Members of Mortgage Choice Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mortgage Choice Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company and Group's financial position as at 30 June 2017 and of their financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report



addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Future Trailing commissions</i></p> <p>As at 30 June 2017, trailing commissions receivable of \$335 million (2016: 330 million) as disclosed in Note 10 and trailing commissions payable of \$208 million (2016: 203 million) as disclosed in Note 14 and 16 represent the net present value of future trailing commissions receivable and payable by the Group.</p> <p>Measuring fair value at initial recognition and applying amortised cost accounting subsequent to initial recognition of the trail commissions receivable and payables requires significant management judgement with regard to weighted average loan life, discount rate, loan book run off rates and proportion of commissions paid to franchisees.</p>	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating and testing the key controls relevant to the determination of the net present value of future trail commissions, • Challenging the assumptions applied in the calculation of weighted average loan life, discount rate, loan book run off and percentage of commissions paid to franchisees in determining the value of future trail commissions by; <ul style="list-style-type: none"> ◦ Comparing assumptions to historical loan book performance, ◦ Benchmarking assumptions against market peers and external market data, and ◦ Assessing management's assumptions against industry and economic indicators. • Testing the mathematical accuracy of the model. <p>We also considered the appropriateness of the Group's disclosures in note 3 the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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

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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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 39 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Mortgage Choice Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



DELOITTE TOUCHE TOHMATSU



Heather Baister
Partner
Chartered Accountants
Sydney, 23 August 2017

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2017.

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	864
1,001 – 5,000	1,742
5,001 – 10,000	900
10,001 – 100,000	1,077
100,001 and over	56
	4,639

There were 130 holders of less than a marketable parcel of ordinary shares.

Shareholder Information

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	16.49
J P Morgan Nominees Australia Limited	17,790,050	14.24
Ochoa Pty Ltd	9,620,000	7.70
HSBC Custody Nominees (Australia) Limited	7,035,713	5.63
Citicorp Nominees Pty Limited	6,149,451	4.92
Ochoa Pty Ltd <The Rodney Higgins Superannuation Fund>	3,506,989	2.81
National Nominees Limited	2,775,303	2.22
R G Higgins	2,094,226	1.68
SCJ Pty Limited <Jermyn Family A/C>	2,000,000	1.60
BNP Paribas Noms Pty Ltd <DRP>	1,912,717	1.53
Pacific Custodians Pty Limited <Employee Incentive Tst>	902,356	0.72
RBC Investor Services Australia Nominees Pty Limited <VFA A/C>	729,200	0.58
TM Paddy Pty Ltd <Murray Ball Family A/C>	400,130	0.32
Mr Mike Fegelson	400,000	0.32
Mr David Madden	400,000	0.32
Pacific Custodians Pty Limited <Perf Share Plan Tst A/C>	396,615	0.32
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	363,202	0.29
Pacific Custodians Pty Limited <MOC Plans Ctrl A/C>	337,375	0.27
Mr Peter David Ritchie & Mrs Leigh Margaret Ritchie <Ritchie Fam S/Fd A/C>	330,000	0.26
Fretensis Pty Ltd	325,000	0.26
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	320,818	0.26
	78,400,930	62.74

Shareholder Information

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

* 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

Corporate Directory

Directors

V L Allen
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, Distribution

N C Rose-Innes

General Manager, Group Marketing

M J McCarney

General Manager, Product

E A Dupont-Brown

General Manager, Financial Planning

T J Milnes

General Manager, Human Resources

M J Pitton

Head of IT

V C ten Krooden

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: 25 October 2017

Registered office

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

Herbert Smith Freehills
ANZ Tower
161 Castlereagh 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



*Better choices
for a better life*