

2016 Annual Report



We believe that every Australian has the right to home loan and financial advice they can trust and afford. And to reach every Australian. We are going to need more people. And increased brand awareness. **We're off to a good start.**



Our national network of mortgage brokers has access to a panel of over 20 leading lenders offering hundreds of loans. We've written a home loan for over 360,000 customers and continue to write a home loan every 15 minutes in Australia.

But our brokers also help customers to source credit cards, car loans, commercial loans, asset finance, deposit bonds, and risk and general insurances. They also refer

customers to our growing network of Mortgage Choice financial advisers, who are committed to the concept of driving 'real, relevant results' for everyday Australians.

Our network of franchises right across Australia all operate with a commitment to helping our customers make better choices for a better life via expert advice and great service.

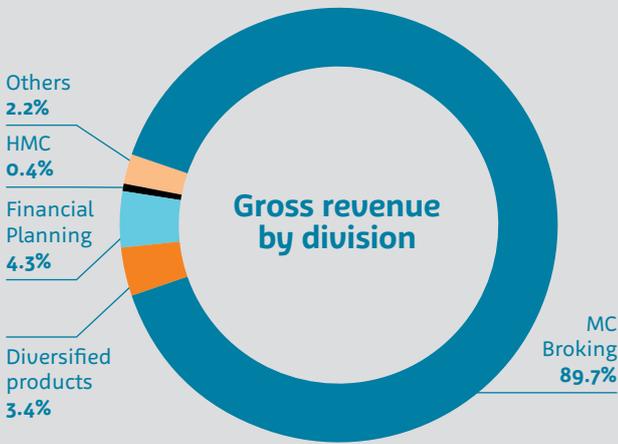
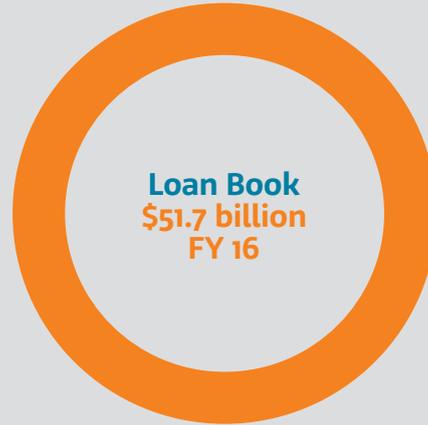
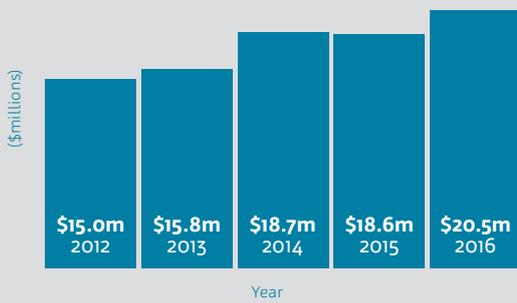


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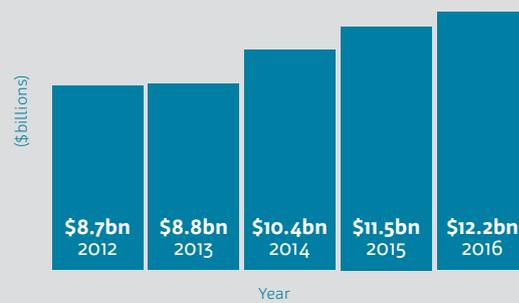
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2016 performance

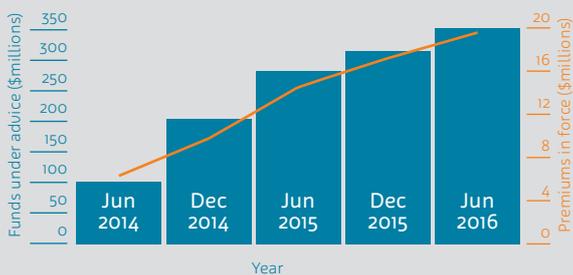
NPAT Cash \$m



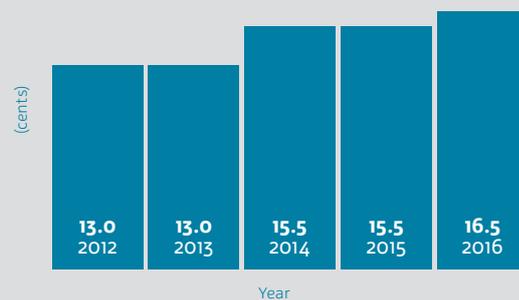
Total settlements \$bn



Funds under advice and premiums in force



Total dividends ¢



Chairman's Report



Throughout FY2016, we invested in the capability of our people to position the group for continued growth whilst maintaining a discipline in relation to expense and revenue management for a NPAT cash result of \$20.5 million – up 11% YoY. This allowed us to deliver a final dividend of 8.5 cents per share, taking the full year dividend to 16.5 cents per share fully franked – which is our largest ever annual dividend.

PETER RITCHIE, CHAIRMAN

This year was a very positive one for Mortgage Choice, our customers, franchisees, employees and shareholders.

We brought on more new customers than ever before, and delivered solutions for more of their needs.

This resulted in franchisee revenue growing by 7% year on year to record levels.

In addition, we managed to grow our loan book by 4.4% to a new high of \$51.7 billion, and settle \$12.2 billion worth of home loans – up 6.3% on the previous year, marking another milestone.

We also delivered a record cash profit after tax result of \$20.5 million – up 11% on FY2015.

We increased our number of credit representatives to more than 600, while our number of financial advisers also grew slightly over the course of the year.

Pleasingly, our loan writers and financial advisers (both new and established), were able to take advantage of the continued growth in the housing finance market and superannuation system.

Over the course of FY2016, we saw a significant increase in the productivity of our loan writers and financial advisers.

These solid business results are a testament to the ongoing strength of Mortgage Choice as a company and a brand.

I am very much encouraged by the fact that these results were achieved at a time when our chief executive officer John Flavell and his executive team were laying down good foundations for future growth.

In April 2015, I welcomed John as our newly appointed chief executive officer.

John immediately set about understanding the business more deeply, and focused on putting a plan in place that will enable Mortgage Choice to prosper.

This plan was set against an expected backdrop of volatility and change in the economy.

Twelve months on and I believe John's first full financial year results speak for themselves.

The Business achieved all of the goals we set for ourselves in FY2016 and is well progressed against our plans for 2020.

Mortgage Choice continues to evolve and build our capability to deliver a broader range of financial services to our customers.

Whether our customers wish to interact with us online, over the telephone, face to face, or a combination of all three, we are well positioned to do just that.

Beyond meeting our customers' debt needs, Mortgage Choice is also well positioned to provide value to our customers by meeting their broader wealth requirements.

Building a wealth offering from the ground up has required significant conviction and investment by the group. I am pleased to see these convictions and subsequent investments are now starting to pay off for our customers, franchisees, and shareholders.

The growth of our wealth business over the last four years has been impressive. In February 2016, we were pleased to announce that our wealth business had – for the first time – delivered a monthly profit result.

Pleasingly, this milestone occurred before the deadline we had set ourselves and the Business has continued to go from strength to strength since then. We will continue to invest in our wealth business as we believe it plays a powerful role in the Group's profitability growth over this next year and beyond.

Heading into FY2017, our expectation is that there will continue to be a high degree of volatility in the markets we participate in, driven out of both domestic and global events.

But, if our success over the last financial year has proven anything, it has shown us that in periods of uncertainty and volatility, people value expert advice and Mortgage Choice is well positioned to be our customers' trusted adviser.

Mortgage Choice Glenelg franchisee Keith Caine discusses home loan options with a customer.



Mortgage Choice loan book reaches record high of

\$51.7bn



CEO Overview

The future looks bright for Mortgage Choice as we continue our transition into an omni-channel, integrated financial services company that delivers value to our customers.

JOHN FLAVELL, CHIEF EXECUTIVE OFFICER



What a year it has been.

Throughout FY2016, there was a great deal of volatility in the economic, political and regulatory environment – both globally and domestically. This provided Mortgage Choice with both opportunities and challenges in the markets we operate within.

In June, we saw Britain's withdrawal from the European Union, negatively impacting consumer and investor confidence across the globe – albeit very briefly as the case would seem.

Closer to home, historically low interest rates and strong lender competition helped to keep the property market moving. Property prices rose 8.3% across the combined capital cities over the 12 months to July 2016. Sydney and Melbourne were the standout performers, with price growth of 11.3% and 11.5% respectively.

A cap on growth in investment lending, put in place by the prudential regulator, changed the composition of the overall residential mortgage system. Thankfully however, the cap did nothing to restrict overall growth.

Data from the Australian Bureau of Statistics found approximately 36% of the value of all home loan approvals in June 2016 were for investment purposes, down from 42% the year prior.

Meanwhile, home loan demand remained at all-time highs, with the value of all home loans approved averaging \$32 billion a month.

On the domestic political front, the 2016 financial year brought with it a Federal Budget that should best be described as 'frightening'.

In the face of a much needed structural overhaul of our taxation system designed to stimulate growth and business investment, I believe we received a Federal Budget that did its best not to offend anyone in the midst of one of the longest and drawn out election campaigns on record.

Amongst all of this volatility, Mortgage Choice continued to invest in the business to help us deliver solid results, today, tomorrow and long into the future.

With our strategy for 2020 set over 12 months ago, we have started to build our capabilities in order to better cater to our customers' growing financial needs.

We are positioning Mortgage Choice to become Australia's leading provider of financial choices and advice, while delivering exceptional customer value.

As we do this, we will continue to generate profitability for our franchisees and deliver strong returns to our shareholders.

At the beginning of FY2016, I shared with the market our four short term priorities for the period. They were:

- Franchisee revenue growth;
- Integration of Mortgage Choice Financial Planning;
- Market share growth; and
- Net Profit After Tax growth driven by positive revenue and managed expenses.

In addition, I shared our long term business priorities and where I would like to see Mortgage Choice in 2020. Those priorities included:

- The development of an Omni-Channel Customer experience;



Mortgage Choice Glenelg, SA franchisee Keith Caine and financial adviser Malcom Simpson display some of the Company's key branding material.

- A Broader range of services;
- Increased distribution growth; and
- A shift to a Customer Centric culture.

Twelve months on, and I am pleased to announce that we have managed to achieve or exceed all of the targets we set for the business in FY2016, and progressed further than predicted against our 2020 priorities.

Franchisee revenue grew 7% year on year, which has allowed our franchisees to increase their profitability and re-invest in their own businesses.

The proportion of our debt customers whose wealth needs we are meeting, has doubled over the last 12 months, hitting 10%. As a result, we have seen revenue for our financial advice business surge more than 40% year on year.

We had said to the market that our financial advice business would deliver profitability on a month on month basis by the fourth quarter of FY2016, and we are happy to report that we achieved this outcome ahead of schedule in February.

This business is now at the next stage of maturity and will make a positive contribution to the Group's results from here on.

In addition to the ongoing strength of our financial planning business, our core broking business continued to prosper, with national home loan lead volumes surging 23%.

This growth in national leads helped us to achieve a new settlement record, with \$12.2 billion in residential home loans settled throughout FY2016.



We also managed to grow our loan book by 4.4% from \$49.5 billion to \$51.7 billion.

The growth we saw in settlements, loan book and market share can be attributed to growth in our loan writer numbers and enhanced productivity levels. At the end of FY2016, we had 618 credit representatives on

board. Looking ahead, I am confident of returning even better results in FY2017 and beyond as our new loan writers continue to embed themselves in the business.

At the half year we reported strong growth in our NPAT cash result of 10.4% on the prior corresponding period. Over the second half of the year, we managed to steepen this trajectory even further, delivering a record NPAT cash result of \$20.5 million for FY2016 – up 10.7% year on year.

In the same way that we delivered to all of our goals for FY2016, I am confident that we are on the right path to deliver to our 2020 goals.

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

On the omni-channel customer experience front, we have developed new tools and platforms that allow our franchisees to communicate with their customers on a regular basis.

We have integrated a new state-of-the-art Customer Relationship Management (CRM) platform that allows

our brokers to send personalised, engaging marketing content, which has led to the proliferation of stickier customers and client enquiries.



At the end of FY2016,
Mortgage Choice had

618

credit representatives

We launched Web Chat functionality to improve the customer experience, and enhanced the capability and scale of our telephone based Customer Contact Centre.

Mortgage Choice franchisee Julie Brown outside her shop.





We also launched a powerful and industry leading Retirement Income Calculator in a bid to digitise part of our wealth capability and further integrate the financial planning business into Mortgage Choice.

At the same time, we have grown our suite of services with the launch of Mortgage Choice Asset Finance, and strengthened our capabilities in the area of property referrals and personal loans.

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

We are committed to delivering any product, through any channel at any time.

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

Strategic focus for FY2017

Just as we did in FY2016, Mortgage Choice's success in FY2017 will be measured against four key metrics/short term priorities:

Mortgage Choice's customer service expert, Meghan Castledine chats with a customer.

- Increased and further diversifying franchisee revenue;
- Enhanced brand awareness and engagement;
- Profitable market share growth; and
- Growth in net profit.

To achieve our first priority, we understand that we must increase the footprint and productivity of the network. We will improve our productivity by leveraging off the efficiencies provided to us by our new CRM platform, and grow our broker numbers by focusing on recruitment.

Further, we will continue to review and enhance our portfolio of financial services to ensure we are meeting the growing needs of our customers.

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

Growth in brand awareness and subsequent lead volumes was incredibly strong over FY2016. We will carry the momentum we have generated from our collaborative marketing activities and national



radio advertising campaign into FY2017 and continue to further expand our points of presence in the communities we serve.

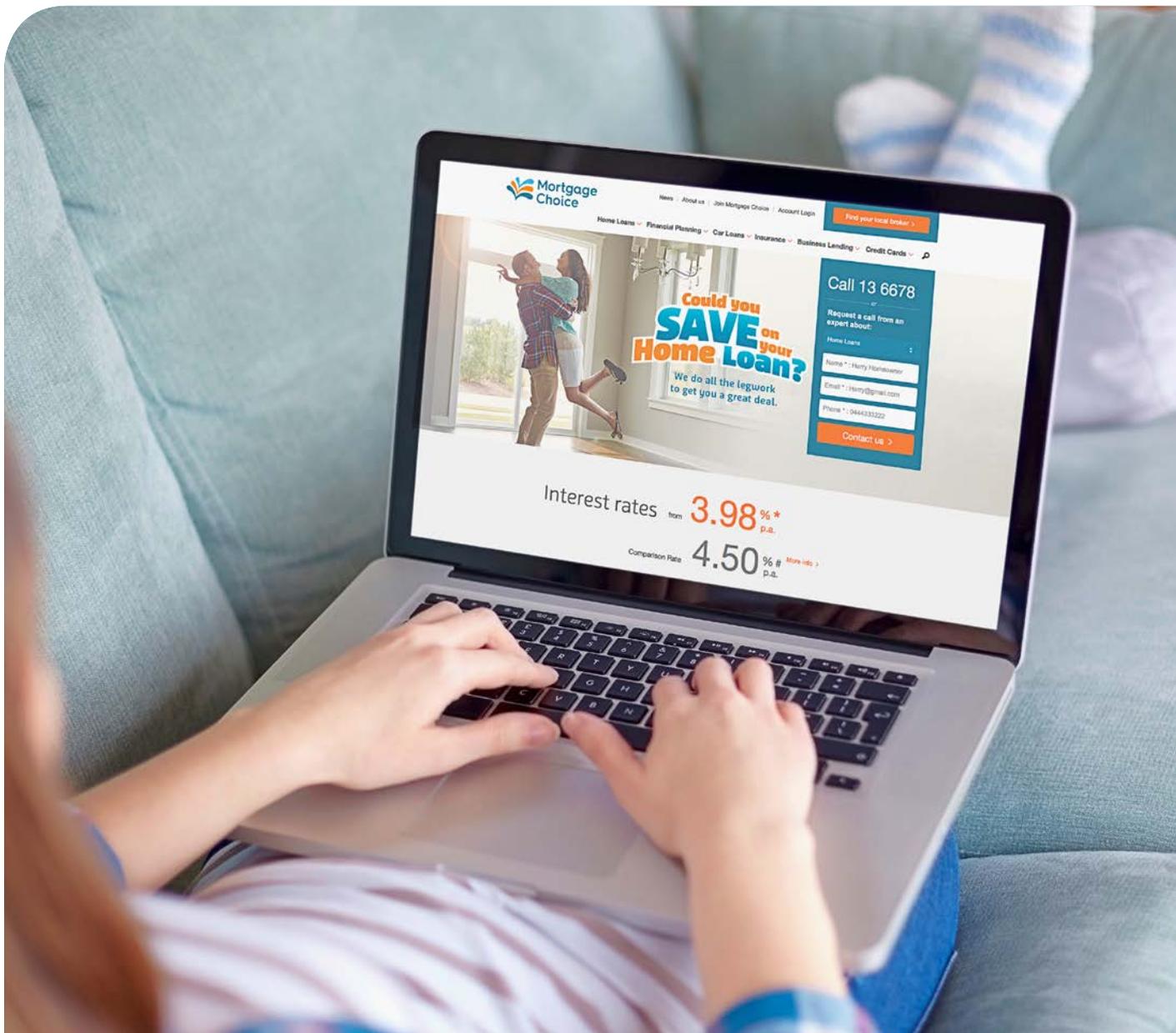
Our third priority is to grow our market share and we will do this by investing more in our business technology, franchisee platforms, loan writer and financial adviser recruitment and onboarding.

For FY2017 and beyond we will continue to invest in the business for growth, while ensuring gross revenue

growth outpaces growth in expenses – delivering positive jaws.

I am incredibly proud of what Mortgage Choice has achieved throughout FY2016. We have accomplished a lot – all of which has been done against a backdrop of economic uncertainty and market challenges. I have every expectation that the market will continue to be complex in FY2017 – perhaps more so than FY2016. Thankfully, our track record of delivering exceptional results in a challenging environment, gives me the confidence to state that we have set ourselves up to thrive in FY2017.

A Mortgage Choice customer jumps online to search for the best deals on the market.



Mortgage Choice continues to grow its brand awareness across Australia thanks to more branded cars, more shopfronts and more marketing activities.



2016 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 the Australian currency.

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

Mortgage Choice Limited
Level 10, 100 Pacific Highway
North Sydney NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' report.

The financial statements were authorised for issue by the Directors on 24 August 2016.

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 Company's website:
www.mortgagechoice.com.au.

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Directors' Report

Your Directors present their report on the consolidated entity consisting of Mortgage Choice Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2016, hereafter referred to as "Mortgage Choice", "the Mortgage Choice Group" or "the Group".

Directors

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

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

Principal activities

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

- the provision of assistance in determining the borrowing capacities of prospective borrowers;
- the assessment, at the request of those borrowers, of a wide range of home loans or other products; and
- the submission of applications on behalf of prospective borrowers.

Dividends

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

A final ordinary dividend of \$9.945 million (8.0 cents per fully paid share) was declared for the year ended 30 June 2015 on 18 August 2015 and paid on 11 September 2015.

An interim ordinary dividend of \$9.957 million (8.0 cents per fully paid share) was declared for the half-year ended 31 December 2015 on 17 February 2016 and paid on 11 March 2016.

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 to be paid on 16 September 2016.

Corporate Governance Statement

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

Review of Operations

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

Operating and Financial Review

At the end of FY2015, Mortgage Choice's newly appointed chief executive officer John Flavell identified the Company's four strategic priorities to achieve success in the 2016 financial year.

These priorities included:

- Enhanced franchisee revenue growth;
- Integration of Mortgage Choice Financial Planning;
- Market share growth; and
- Net Profit After Tax growth driven by positive revenue and managed expenses.

Throughout the 2016 financial year, the Company not only achieved, but in some instances exceeded, all of these business targets.

Franchisee revenue growth climbed 7% throughout FY2016, while the Company's diversified services – including financial planning – outperformed expectations. The Company's financial planning arm delivered its first monthly profit result in February 2016, and repeated the achievement in May and June. This business is now at the next stage of maturity and will continue to make positive contributions to the Group's results.

On a market share front, Mortgage Choice managed to arrest the fall and reverse the trend. Heading into the new financial year, market share growth will form one of the Company's key FY2017 priorities – more details will be provided in 'Strategic Focus for FY2017' section.

In terms of Net Profit After Tax, the Company achieved a statutory result of \$19.5 million – up from \$18.9 million in FY2015. The Group's Net Profit After Tax cash result was \$20.5 million – up from \$18.6 million. This result was driven by strategic expense management and significant growth in the Company's gross revenue generated from the core broking business.

Throughout FY2016, home loan settlements rose 6.3%, from \$11.5 billion to \$12.2 billion. Meanwhile, the

Company's loan book reached \$51.7 billion – up from \$49.5 billion.

These financial results can be attributed to a number of factors including successful business initiatives and ongoing strength in the property and lending markets.

Strong market conditions present opportunities

Australia's property and lending markets were strong in FY2016. Record low home loan rates helped keep heat in the property market, with data from CoreLogic showing property prices rose 8.3% across the combined capital cities over the 12 months to 30 June 2016.

This lift in property values was reflected in the value of home loans being written, with data from the Australian Bureau of Statistics showing approximately \$32 billion in home loan approvals were written each month.

The Australian Bureau of Statistics also found that more than 50,000 home loans were written every single month, the majority of which was being written by Australia's third party distribution channel. According to the Mortgage and Finance Association of Australia, more than 50% of all home loans written are now written by mortgage brokers – a new high for the industry.

Demand for professional mortgage advice from a trusted third party adviser continues to grow year on year. Heading into FY2017, this is a trend Mortgage Choice expects to continue as the home loan market becomes increasingly complex.

Greater lending regulation and a significant change in the investment lending policies of Australia's lenders over the last 18 months, has made the home loan market more complex than ever before.

In December 2014, the Australian Prudential Regulation Authority (APRA) put a benchmark on growth in investment lending, forcing lenders to tweak their investment policy and pricing. Following that time, APRA and the Australian Securities Investments Commission increased the level of regulatory scrutiny on the lending market. In times of uncertainty and confusion, people look to trusted experts for advice so it is not surprising to see an increase in the percentage of people turning to mortgage brokers for assistance with their home loan.

Mortgage Choice has successfully taken advantage of the positive market conditions to grow home loan settlements by 6.3% throughout FY2016.

Settlements trend



In addition to achieving a record settlement result, the Company delivered an impressive underlying statutory result. Underlying statutory revenue and profit before tax were up 3% on revenue and 4% on profit before tax year on year.

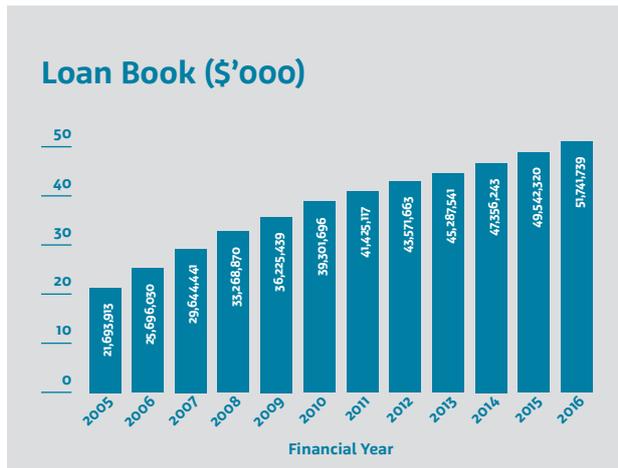
Underlying Statutory Results

	2016 \$'000	2015 \$'000
Operating Revenue		
Underlying operating revenue	197,677	191,587
Adjustment to valuation of loan book receivable	(237)	(6,792)
Total operating revenue	197,440	184,795
Profit before tax		
Underlying result before tax	29,881	28,801
Adjustment to valuation to net loan book receivable	(1,535)	(2,293)
Total profit before tax	28,346	26,508

It is worth noting that a spike in refinancing activity combined with record low interest rates, resulted in increased run-off across the industry – though this was expected.

At Mortgage Choice, increased refinancing activity led to record growth in loan settlements and higher commission payments to our franchisees. These higher commission payments affected Mortgage Choice's net margin, resulting in a 1% write down of the Company's loan book net value.

Throughout FY2016, Mortgage Choice's loan book grew 4.4% – sitting at \$51.7 billion as at 30 June 2016.



Mortgage Choice Financial Planning

But it wasn't just the core business that delivered a strong financial result. Mortgage Choice Financial Planning also performed well, with the business recording a 52% increase in Net Profit After Tax on a cash basis.

At the same time, overall revenue growth for the financial planning business was up 40%, while Funds Under Advice and Premiums In Force grew 19% and 28% respectively. Pleasingly, the business also delivered its first month of profit in February 2016 – a result that was repeated in both May and June.

These strong business results can be attributed to a lift in both organic growth as well as the number of referrals coming from the Company's core broking business. Over the last 12 months, the number of financial planning referrals coming from the Company's core broking business rose 21%.

Looking ahead, more emphasis will be placed on growing referral numbers from the Company's brokers to ensure the financial planning arm continues to make a positive profit contribution to the Group in FY2017 and beyond.

Diversified products

The Company's other diversified services also performed well throughout FY2016, with total revenue rising from \$6.4 million in FY2015 to \$6.7 million. In addition to an improvement in total revenue, the Group strengthened its diversified services offering, launching Mortgage Choice Asset Finance in 2H2016.

Mortgage Choice is an advocate of the diversified business model and believes diversification will help drive greater gross profits and business opportunities in FY2017. That said, the Company will only diversify into services that complement the core broking business and have the ability to thrive.

Help Me Choose

At the beginning of FY2016, the Company's Chief Executive Officer John Flavell completed a strategic review of the Group and the decision was made to close the Help Me Choose (HMC) division. The costs associated with the closure are reflected in this year's financial results. Given that we continue to receive trailing commission related to products introduced prior to the closure of HMC, this business has been included in the continuing operations of the Group.

Investing for future growth

Throughout FY2016, Mortgage Choice introduced and developed a range of initiatives to position the Company for future growth. These initiatives included the development of a centralised marketing platform, an industry-first retirement calculator, and the implementation of various recruitment initiatives.

Enterprise marketing platform

In 2H2016, the Company integrated an enterprise marketing platform into its CRM (Microsoft Dynamics). This has enabled the automation of a centralised email marketing program to assist franchisees, loan writers and advisers to keep in touch with customers on a regular basis. The targeted marketing campaigns enabled by the system drive business efficiencies and opportunities for the network. In FY2017, the Group will continue to maximise the extensive functionality within the platform to deliver highly personalised, timely and relevant market information to every single customer and prospect, which will in turn drive conversion, repeat business and customer referrals.

Retirement Income Calculator

In addition to the new marketing platform, the Group launched an industry-leading Retirement Income Calculator that boasts a 90% accuracy rate. The calculator, developed by fintech company Investfit, uses stochastic modelling, pulling historical investment market data to project a person's income in retirement based on their current investment strategy. Heading into FY2017, the Group will use the calculator to drive leads and greater client conversion.

Recruitment initiatives deliver results

Finally, Mortgage Choice also worked throughout FY2016 to launch a series of recruitment initiatives, helping the Company grow its total loan writer and limited credit representative numbers by 43 which will continue to

deliver strong results throughout FY2017. The initiatives included a program that transitions administration assistants into loan writers, and a financial incentive program that supports the cash flow of new franchisees.

Strategic focus for FY2017

Throughout FY2017, Mortgage Choice will continue down the path of becoming Australia's leading provider of financial choices and advice.

The Group will deliver this through four strategic business priorities, including:

- Further diversification and growth in franchisee revenue;
- Greater brand awareness and engagement;
- Improved market share;
- Continued growth in Net Profit After Tax.

To meet these strategic priorities, the Company will continue to build upon the initiatives developed in FY2016. Further, the Group will develop and implement new strategies to grow and diversify franchisee revenue with a focus on continually increasing referrals to Mortgage Choice Financial Advisers and increasing take up of the diversified product suite, in particular, Mortgage Choice Asset Finance.

Growing home leads and increasing brand awareness is also on the agenda, with a key focus on increasing local brand presence. A new marketing campaign will be launched that will set Mortgage Choice up to position the brand as a full financial services brand now and into the future.

Continued network growth is imperative to the Company's success in FY2017 and beyond, and for that reason, a dedicated Growth department has been created with a clear remit to deliver network growth in order to capture more market share.

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

Looking further ahead, creating an omni-channel experience for our customers remains a strategic imperative. Mortgage Choice will build an experience for customers that delivers any financial product at any time through the customer's choice of channel.

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 2016 that have significantly affected, or may significantly affect:

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

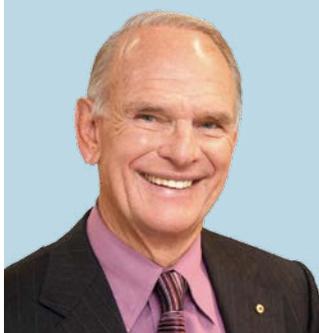
Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors



Peter Ritchie

AO, Hon.DBus, BCom
Independent Non-Executive
Chairman
Chairman of nomination and
remuneration committees
Director since 5 April 2004

Peter has been Chairman of Reverse Corp Limited since 1999. He previously served as Managing Director of McDonald's

Australia from 1974 to 1995 and as its Chairman from 1995 to 2001. Peter was deputy Chairman of Seven Group Holdings from April 2010 to November 2014 and was a Director of Westpac Banking Corporation from 1993 to 2002 and Solution 6 Holdings from 2000 to 2002. Age 74.



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 56.



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 56.



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 61.



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 67.



Deborah Ralston

PhD, FAICD, SFFin, FCPA
Independent Non-Executive
Director
Member of audit committee
and Chairman of the
Mortgage Choice Financial
Planning investment
committee
Director since 24 May 2004

Deborah is Professor of Finance at Monash

University and Chair of the Australian Securities and Investment Commission Digital Finance Advisory Committee and a Non-Executive Director of SMSF Association. 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 63.

The table below sets out the Directors' interests at 30 June 2016:

Director	Particulars of Directors' interests in shares
P D Ritchie	530,125 ordinary shares
S J Clancy	75,000 ordinary shares
P G Higgins	359,253 ordinary shares
R G Higgins	15,380,212 ordinary shares
S C Jermyn	2,000,000 ordinary shares
D E Ralston	145,000 ordinary shares.

Company Secretary

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

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each board committee held during the year ended 30 June 2016, 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	9	10	*	*	1	1	1	1
S J Clancy	10	10	3	3	1	1	1	1
P G Higgins	7	10	2	3	*	*	*	*
R G Higgins	10	10	*	*	1	1	1	1
S C Jermyn	8	10	2	3	*	*	*	*
D E Ralston	10	10	3	3	*	*	*	*

A = Number of meetings attended

B = Number of meetings held

* = Not a member of the relevant committee

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 (i) Glossary.

The report contains the following sections:

- (a) Chairman's introduction
- (b) Directors and executive KMP disclosed in this report
- (c) Remuneration governance

- (d) Executive remuneration policy and framework
- (e) Executive remuneration for FY2016
- (f) Relationship between remuneration and Mortgage Choice Limited's performance
- (g) Non-executive Director remuneration
- (h) Statutory disclosures
- (i) Glossary

a. Chairman's introduction

Dear fellow shareholders

On behalf of the Board, I am pleased to present our FY 2016 Remuneration Report to you.

The Board is focused on continuing to deliver value to you our shareholders, progress its growth plans and pursue opportunities. Having a robust remuneration and reward framework that supports and encourages sustainable growth and motivates our people is critical to the successful execution of our strategy.

This year we made several changes in our executive remuneration framework to bring our executive KMPs in line with the remuneration arrangements introduced for our CEO, Mr Flavell (appointed April 2015). The structuring of Mr Flavell's remuneration package incorporated feedback we had previously sought from you in response to the "No" vote we received at the 2014 AGM. During FY2016 we embedded those changes into the remuneration structures of the remaining executive KMPs. The changes consist of:

- removing all share based remuneration vesting solely on tenure from both the fixed and long term incentive portions of executive pay;
- making the LTI vesting schedule more challenging:
 - increasing the threshold level of performance for the Cash EPS component as well as increasing the level of performance required for full vesting; and
 - increasing the threshold level of performance for the Total Shareholder Return component so that vesting only occurs when performance has reached the median level for the comparator group.

This year we have adopted a new structure for our Remuneration Report, which is aimed at more clearly and transparently explaining our remuneration arrangements to you. We have taken your feedback onboard in response to our consultation following the "No" vote on the remuneration report at the 2015 AGM and have expanded our disclosure of the criteria under which the short term incentive is awarded. The Board is committed to providing you with all the information you need to properly understand the Company's remuneration framework and outcomes for the financial year.

There is one area in particular where we have maintained our position after much discussion and thought following feedback from some of our shareholders. We will continue to pay dividends on unvested performance shares. Performance shares under our LTI plan are existing issued shares held in trust. Dividends will be paid on these shares and the value of expected dividends is taken into consideration when determining the value of the LTI grants. We believe

that this part of our remuneration structure clearly aligns our executives with you, our shareholders, by avoiding any distortion and ensuring participants focus not only on share price but also dividend returns to shareholders. The Board believes that this structure will maximise shareholder return over the long run.

Peter Ritchie
Chair of the Remuneration Committee

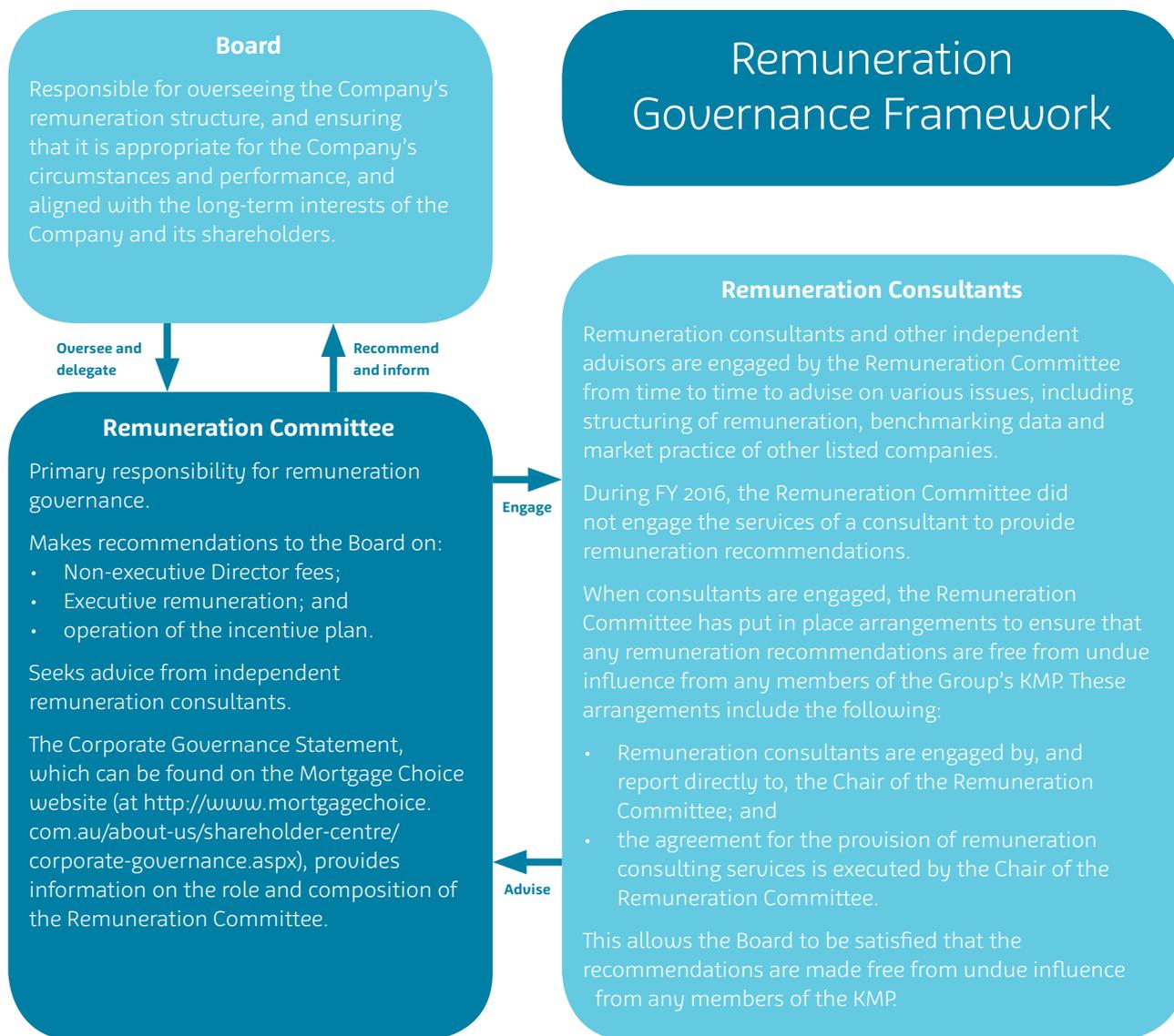
(b) Directors and executive KMP disclosed in this report

Table A: KMP during FY2016

Name	Position
Non-executive Directors	
Peter D Ritchie	Non-Executive Chairman
Sean J Clancy	Non-Executive Director
Peter G Higgins	Non-Executive Director
Rodney G Higgins	Non-Executive Director
Stephen C Jermyn	Non-Executive Director
Deborah E Ralston	Non-Executive Director
Executive KMP	
John L Flavell	Chief Executive Officer
Susan R Mitchell	Chief Financial Officer
Neill C Rose-Innes	General Manager, Distribution (appointed 2nd November 2015, formerly Chief Operating Officer)
Andrew J Russell	General Manager, Product and Distribution (resigned effective 25th September 2015)
Melissa J McCarney	General Manager, Group Marketing
Emma A Dupont-Brown	General Manager, Product (appointed 6th July 2015)
Tania J Milnes	General Manager, Financial Planning (included as KMP from 1st July 2015)
Marie J Pitton	General Manager, Human Resources (included as KMP from 1st July 2015)
Vincent C ten Krooden	Head of IT (appointed 1st November 2015)

(c) Remuneration Governance

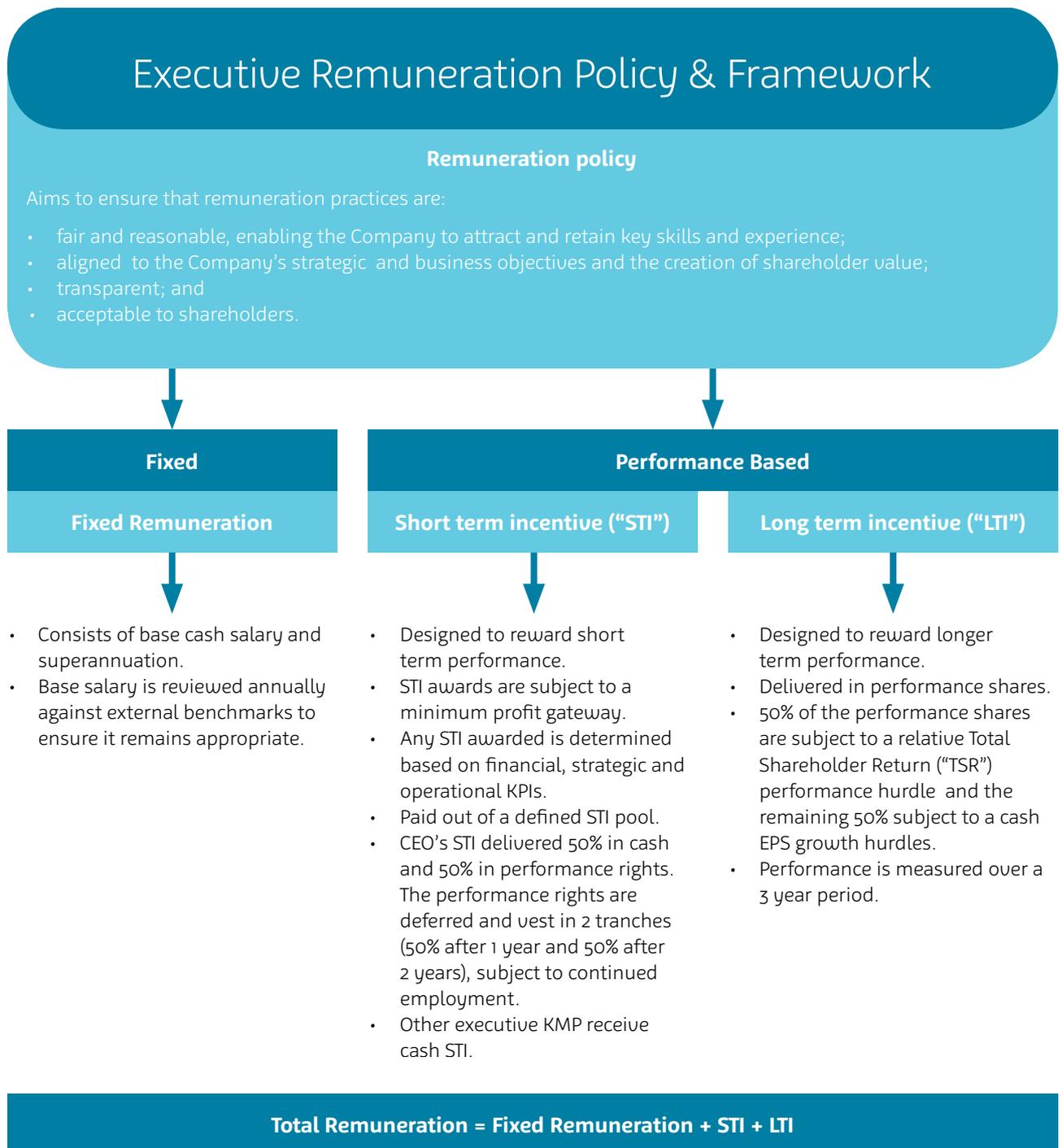
The diagram below provides an overview of the Company's remuneration governance framework.



(d) Executive remuneration policy and framework

As stated in last year's Remuneration Report, the Board introduced a new executive remuneration structure during FY2015 and FY2016. These changes applied to the CEO, John Flavell, from his appointment in April 2015 and to other members of executive KMP from 1 July 2015.

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



The FY2017 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%	33%	30%
Other executive KMP	67%	18%	15%

(e) Executive remuneration for FY2016

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.

As other aspects of the remuneration package have a 'retention' component, share based remuneration that vests solely based on tenure is no longer provided as part of an executive's fixed remuneration.

Short-term incentives

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

Table C: Summary of FY2016 STI arrangements

What is the STI plan?	<p>The STI plan is an incentive plan under which participants are eligible to receive an annual award if they satisfy pre-determined and challenging profit, operational, strategic and individual performance conditions.</p> <p>The STI plan and the performance conditions set are designed to motivate and reward high performance. Under the STI plan, a portion of executive KMP's remuneration is only delivered if targets linked to the Company's financial and strategic objectives are satisfied. This aligns the executives' interests with the Company's performance.</p>
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 FY2016, 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 15% and 32% of base salary. Target STI may be exceeded if an individual exceeds his or her own KPIs.</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 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 2106 is set at 1.</p> <p>From time to time, bonuses may be paid outside this structure in relation to special projects or in special circumstances. No such special bonuses were paid in the period covered by this report.</p>

What is the performance period?	The performance period is 1 year and aligns with the financial year. For FY2016, the performance period was 1 July 2015 – 30 June 2016.
What are the requirements for an STI award to be made?	STI awards will be paid to participants where: <ul style="list-style-type: none"> the executive has been continuously employed until the end of the relevant financial year; the Company has met the profit gateway determined by the Board (see below); and the executive has satisfied his or her individual KPIs (see below).
What is the profit gateway?	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.

What are the performance conditions? **CEO**

At the beginning of FY2016 the Board established four areas of short term strategic focus for the CEO as discussed in his Overview and set his KPIs directly in line with these areas of strategic focus:

KPI	Result
Achieve cash profit target through "positive jaws"	Cash profit target exceeded by 2.3% with revenue and gross profit growth exceeding operating expense growth
Stop decline in market share of residential mortgages	Market share for fourth quarter of FY2016 is 3.74% against 3.56% for the prior comparative period
Implement structural changes to embed new growth initiatives	Dedicated resources deployed at national and state level to focus on growth and productivity of franchise network
Maintain high visibility in media to support brand awareness	Spokesperson rating increased from 75% to 81% along with increase in share of voice from 72% to 78%
MCFP to achieve profit on monthly basis by end of FY2016	Divisional profit in February, May and June
Address impact of Help Me Choose business on Group profitability	Division closed down in September with all related redundancy and asset write downs included in FY2016, resulting in a cash loss of \$418,000

Some details of the CEO's KPIs are not disclosed due to the commercial sensitivity inherent in those KPIs. All of the CEO's STI performance conditions were achieved or exceeded in respect of FY 2106.

Other executives

The CEO annually sets KPIs that apply to other executive KMP. KPIs include the same profit target as the CEO as well as specific operational targets closely aligned with the areas of strategic focus identified for the CEO by the Board. Examples of individual KPIs included:

- specific growth targets in the number of franchises and loan writers;
- specific growth targets for settlements and group office generated leads; and
- franchisee behavioural targets such as an increase in the use of customer contact tools and an improvement in the results of compliance audits.

How is performance assessed?	Following the audit of the Company's accounts, the Board 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.
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, stand alone calculation.</p> <p>At the Board's discretion, the STI pool may be subject to a group modifier based on 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 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 FY2016 is set at 1. Although the profit target is exceeded, the excess is not sufficient to invoke the group modifier.</p>
How is reward delivered under the STI Plan?	<p>From FY2016, 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 FY2016, this will be on or around 26 August 2016.</p>
Is there discretion to adjust STI awards?	In limited circumstances, the CEO may adjust the portion of the STI awarded to executive KMP (other than himself).

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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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 FY2016, this means that 50% of the performance rights granted to the CEO will vest in September 2017, and the remaining 50% will vest in September 2018 following the approval the financial statements for the related period, 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 FY2016 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 FY2016, 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.

How is reward delivered under the LTI Plan? LTI awards are delivered in the form of performance shares under the Company's Performance Share Plan ("PSP").

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.

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.

Performance shares are offered at no cost to the executives.

What is the performance period? Performance is measured over a 3 year performance period. Following testing, vesting of performance shares (if any) occurs in September of each year.

What are the vesting requirements for an LTI award? In order for an LTI award to vest:

- 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).

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 2015, excluding Real Estate Investment Trusts. The performance period is 1 September 2015 – 31 August 2018. Vesting (if any) will occur in September 2018.

The specific Comparator Group for the PSP offers made in FY2016 are listed 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%

What are the performance conditions? (continued)

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 2015 – 30 June 2018. Vesting (if any) will occur in September 2018.

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%

What rights are attached to the performance shares?

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).

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. The Board considers that this approach is appropriately aligned with the interests of shareholders, as it does not discourage the payment of dividends in preference for share price growth. The Board believes that this structure will maximise shareholder return over the long-run.

What happens if an executive ceases employment?

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.

What restrictions apply?

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.

Is there discretion to adjust awards?

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.

(f) 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 FY2012 have been subject to cash EPS growth hurdle. The following table shows the Company's cash EPS results in FY2016 and the previous four financial years:

Table E: Cash EPS for FY2012 – FY2016

Financial Year	Cash EPS (cents per share)
2012	12.5
2013	12.9
2014	16.2
2015	15.0
2016	16.5

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 but growth may be moderate given the Board's relatively high dividend payout policy.

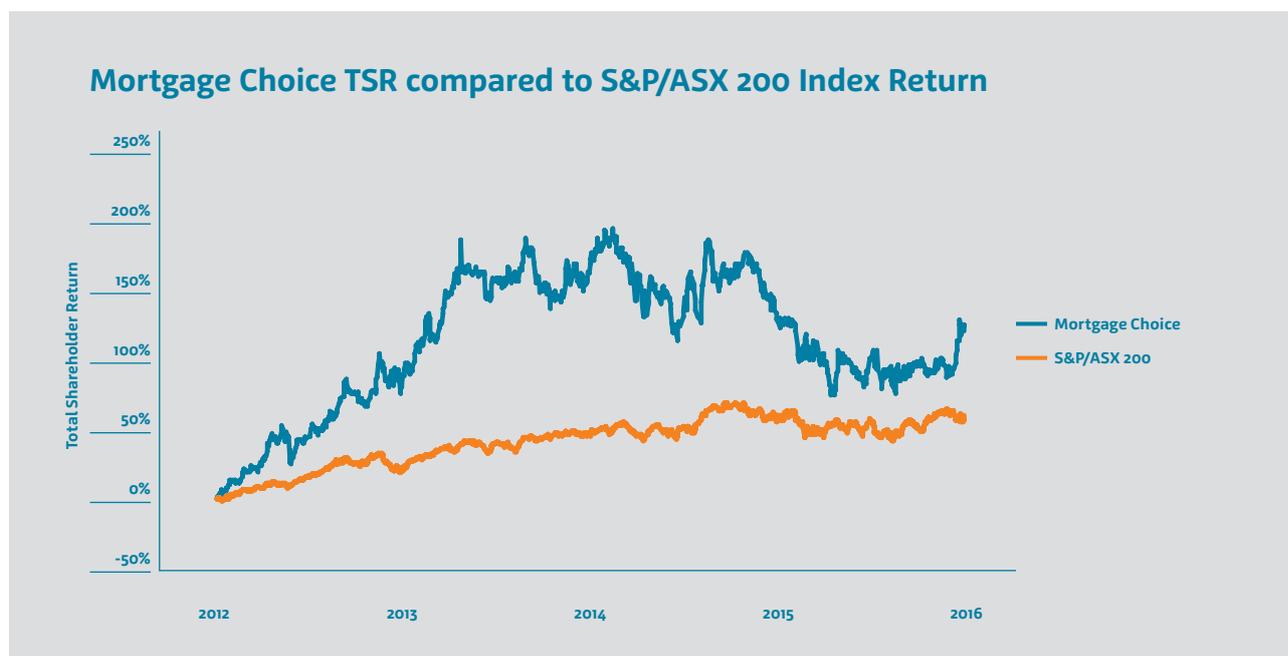
Tranche 2: TSR Component

LTI grants made under the PSP since FY2012 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 FY2016 and the previous four financial years:

Table F: Share price movements, dividends and TSR for FY2012 – FY2016

Financial Year	Opening share price \$	Closing share price \$	Dividends paid during year (cents)	TSR
2012	1.24	1.29	13.0	14%
2013	1.29	2.13	13.0	79%
2014	2.13	2.84	14.5	41%
2015	2.85	2.30	15.5	-14%
2016	2.30	1.95	16.0	-8%

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 2016. The diagram shows the superior performance of Mortgage Choice compared to the ASX 200 index over this period.



Source: Guerdon Associates

(g) Non-Executive Director remuneration policy

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:

- (i) the level of fees paid to Non-executive Directors of other major Australian companies;
- (ii) the size and complexity of the Company; and
- (iii) 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 \$750,000 per annum at the 2004 Annual General Meeting.

The following table shows the annual fees payable to the Chairman and Non-executive Directors as at 30 June 2016:

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. Since FY2015, the fees of each of the Chairman and Non-executive Directors increased by \$20,000 per annum to recognise the significant

contributions involved in being a Director of the Company and to ensure fees remain market competitive. This was the first increase since 1 October 2010.

The Board will seek shareholder approval at the 2016 Annual General Meeting for an increase in the aggregate fee pool to \$1,000,000 per annum. The Board does not propose to increase fees for the Non-executive Directors in FY2017, however believes that the proposed increase is reasonable in light of the Company's size and complexity, the fees paid by peer companies and the need to ensure that the Company can continue to attract and retain directors with the necessary skills and experience. The increased fee pool will provide a buffer for changes in Board composition or fee level changes in the future. Further information about the proposed increase will be provided in the Notice of Meeting for the 2016 Annual General Meeting.

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.

(h) Statutory disclosures

The following table sets out the statutory disclosures required under the Corporations Act 2001 (Cth) for the 2015 and 2016 financial years for Directors and executive KMP and has been prepared in accordance with the Australian Accounting Standards.

Table H: Statutory remuneration table

2016	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Deferred STI and Other \$	LTI \$	
Name								
Non-Executive Directors								
P D Ritchie, Chairman								
FY2016	135,000	-	-	12,825	-	-	-	147,825
FY2015	125,000	-	-	11,875	-	-	-	136,875
S J Clancy								
FY2016	85,000	-	-	8,075	-	-	-	93,075
FY2015	75,000	-	-	7,125	-	-	-	82,125
P G Higgins								
FY2016	85,000	-	-	8,075	-	-	-	93,075
FY2015	75,000	-	-	7,125	-	-	-	82,125
R G Higgins								
FY2016	85,000	-	-	8,075	-	-	-	93,075
FY2015	75,000	-	-	7,125	-	-	-	82,125
S C Jermyn								
FY2016	85,000	-	-	8,075	-	-	-	93,075
FY2015	75,000	-	-	7,125	-	-	-	82,125

2016 Name	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total \$
	Cash salary and fees \$	STI \$	Non-monetary benefits \$	Super-annuation \$	Long service leave \$	Deferred STI and Other \$	LTI \$	
V C ten Krooden								
FY2016	156,194	24,000	-	16,549	569	-	-	197,312
FY2015	-	-	-	-	-	-	-	-
Total								
FY2016	2,719,101	624,794	20,068	209,175	25,414	327,793	293,088	4,219,433
FY2015	1,795,051	300,679	10,724	130,178	22,225	102,937	271,721	2,633,515

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 (g) for further details.

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

(a) A “make whole” performance rights grant 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 (e) (except that the only vesting condition is continued employment).

(b) Deferred STI of \$261,000 in relation to FY2016 being 50% of the total STI 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 (e).

3 As Mr Flavell only commenced employment in April 2015, he was not eligible to receive STI or LTI awards in respect of FY2015.

The following table shows the relative proportion of remuneration that each executive received during FY2016 and whether it is fixed remuneration or performance based remuneration.

Table I: Remuneration mix

Name	Fixed Remuneration				Performance Based Remuneration		
	Fixed remuneration %	Share Based %	Make whole deferred shares rights ¹ %	Total %	Cash STI %	Share Based %	Total %
J L Flavell	54%	-	18%	72%	20%	8%	28%
S R Mitchell	68%	2%	-	70%	18%	12%	30%
N C Rose-Innes	68%	2%	-	70%	18%	12%	30%
A J Russell ²	(168%)	35%	-	(133%)	-	233%	233%
M J McCarney	73%	2%	-	75%	15%	10%	25%
E A Dupont-Brown	77%	-	-	77%	20%	3%	23%
T J Milnes	77%	2%	-	79%	12%	9%	21%
M J Pitton	83%	1%	-	84%	9%	7%	16%
V C ten Krooden	88%	-	-	88%	12%	-	12%

1 A “make whole” performance rights was granted to John Flavell to compensate him for the LTI value forfeited on his departure from his former employer to join the Company. Footnote 2(a) in Table H describes the terms of this grant.

2 AJ Russell resigned on 25 September 2015

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, FY2016 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 FY2016

Grant date	Vesting date	Value per performance share at grant date ¹	Performance assessment	% Vested
FY2013 LTI grants				
14 September 2012	14 September 2015	\$1.74	service condition satisfied	100
14 September 2012	14 September 2015	\$1.74	partial vesting	96
14 September 2012	14 September 2015	\$1.08	partial vesting	34
FY2014 LTI grants				
23 September 2013	14 September 2015	\$2.77	service condition satisfied	100
23 September 2013	14 September 2016	\$2.77	service based	to be determined
23 September 2013	14 September 2016	\$2.77	to be determined	to be determined
23 September 2013	14 September 2016	\$1.68	to be determined	to be determined
FY2015 LTI grants				
22 September 2014	14 September 2015	\$2.72	service condition satisfied	100
22 September 2014	14 September 2016	\$2.72	service based	to be determined
22 September 2014	14 September 2017	\$2.72	service based	to be determined
22 September 2014	14 September 2017	\$2.72	to be determined	to be determined
22 September 2014	14 September 2017	\$1.68	to be determined	to be determined
FY2016 LTI grants				
17 September 2015	14 September 2018	\$2.01	to be determined	to be determined
17 September 2015	14 September 2018	\$1.19	to be determined	to be determined

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, FY2016 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 FY2016

Grant date	Vesting date	Value per share right at grant date ¹	Performance achieved	% Vested
Initial 'make good' equity grant ²				
7 April 2015	15 September 2015	\$2.60	service condition satisfied	100
7 April 2015	15 September 2016	\$2.60	service based	to be determined
7 April 2015	15 September 2017	\$2.60	service based	to be determined
FY2016 deferred STI award ³				
1 July 2015	14 September 2017		service based	to be determined
1 July 2015	14 September 2018		service based	to be determined

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 See footnote 2 of the statutory remuneration table for further details.

3 Board resolved on the date of this report to grant share rights for the deferred portion of the CEO's STI for FY2016 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 2016 with set vesting dates noted above. The accounting grant date for these share rights is 1 July 2015.

Details of remuneration paid, vested, lapsed or forfeited during FY2016

The percentage of the available grant that was paid, or that vested, in FY2016, and the percentage that was forfeited because the executive did not meet the service or performance criteria is set out below.

Table L: Remuneration forfeited and vested during FY2016 and outstanding at 30 June 2016

Name	STI		LTI (Performance shares)					
	Potential FY2016 bonus paid %	Potential FY2016 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 ¹ \$
J L Flavell	100	-	2016	-	-	30/6/2019	Nil	376,739
S R Mitchell	95	5	2016	-	-	30/6/2019	Nil	74,189
			2015	-	-	30/6/2018	Nil	59,291
			2015	-	-	30/6/2017	Nil	7,162
			2015	100	-	-	Nil	-
			2014	-	-	30/6/2017	-	70,153
			2014	100	-	-	-	-
			2013	68	32	-	Nil	-
N C Rose-Innes	90	10	2016	-	-	30/6/2019	Nil	67,411
			2015	-	-	30/6/2018	Nil	53,879
			2015	-	-	30/6/2017	Nil	6,506
			2015	100	-	-	Nil	-
			2014	-	-	30/6/2017	-	63,748
			2014	100	-	-	-	-
			2013	68	32	-	Nil	-

Name	STI		LTI (Performance shares)						
	Potential FY2016 bonus paid %	Potential FY2016 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 ¹ \$	
A J Russell	-	-	2015	-	100	-	-	-	
			2015	-	100	-	-	-	
			2015	100	-	-	-	-	
			2014	-	100	-	-	-	
			2014	100	-	-	-	-	
			2013	68	32	-	-	-	
M J McCarney	90	10	2016	-	-	30/6/2019	Nil	45,773	
			2015	-	-	30/6/2018	Nil	36,584	
			2015	-	-	30/6/2017	Nil	4,417	
			2015	100	-	-	Nil	-	
			2014	-	-	30/6/2017	Nil	43,266	
			2014	100	-	-	-	-	
E A Dupont-Brown	90	10	2016	-	-	30/6/2019	Nil	30,038	
T J Milnes	90	10	2016	-	-	30/6/2019	Nil	31,293	
			2015	-	-	30/6/2018	Nil	25,006	
			2015	-	-	30/6/2017	Nil	3,022	
			2015	100	-	-	-	-	
			2014	-	-	30/6/2017	Nil	29,600	
			2014	100	-	-	-	-	
M J Pitton	91	9	2016	-	-	30/6/2019	Nil	19,738	
			2015	-	-	30/6/2018	Nil	15,776	
			2015	-	-	30/6/2017	Nil	1,904	
			2015	100	-	-	-	-	
			2014	-	-	30/6/2017	Nil	18,647	
			2014	100	-	-	-	-	
V C ten Krooden	100	-	2013	68	32	-	-	-	

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

Name	Performance Shares					
	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 ¹ \$
J L Flavell ²	2015	-	-	2018	Nil	146,834
	2015	-	-	2017	Nil	146,834
	2015	100	-	-	-	-

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

2 2015 awards relate to J L Flavell's initial 'make whole' award of share rights.

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. The employment terms do not prescribe the duration of employment for executives. The periods of notice required to terminate employment are set out below:

- (a) The employment contract of Mr J L Flavell is terminable by either the Company or the executive with six months notice.
- (b) 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.

Legacy performance awards

A summary of the awards that remain on foot at the end of FY2016 or that were tested during FY2016 are set out below. Full details of prior year equity awards are set out in the Remuneration Report for the year in which the award was granted.

FY2013, FY2014 and FY2015 LTI grants

Shares offered under the PSP in FY2013, FY2014 and FY2015 were divided into three tranches each subject to different vesting criteria. The two largest tranches (which comprise 75% of the year's grant) vest at the end of a three-year period if the relevant performance criteria were satisfied.

The first tranche (25%) vests over a three year period with a third vesting one year into the period, a third two years in and the remaining third vesting at year three, subject to continued service until the relevant vesting date. The second tranche (37.5%) will vest based on achieving a target compound growth in cash EPS over a three-year performance period. The third tranche (37.5%) will vest, subject to relative TSR performance condition measured over a three-year performance period.

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 FY2016

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	376,739	-	-	-	235,462
S R Mitchell	115,636	46,368	74,189	(40,016)	78,031	(15,884)	106,104
N C Rose-Innes	103,417	42,132	67,412	(35,225)	68,689	(13,908)	96,416
A J Russell	106,301	-	-	(35,466)	69,159	(70,835)	-
M J McCarney	40,373	28,608	45,773	(3,524)	6,872	-	65,457
E A Dupont-Brown	-	18,774	30,039	-	-	-	18,774
T J Milnes	47,709	19,558	31,293	(16,146)	31,485	(6,362)	44,759
M J Pitton	30,329	12,336	19,738	(10,354)	20,190	(4,090)	28,221
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 FY2016

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	169,679	-	-	(56,559)	113,215	-	113,119

(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 FY2016

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 ²	Purchases/sales during the year	Balance at the end of the year
Non-executive Directors					
P D Ritchie	510,125	-	-	20,000	530,125
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	-	58,966	-	(28,996)	29,970
S R Mitchell	50,000	-	40,016	-	90,016
N C Rose-Innes	69,233	-	35,225	-	104,458
A J Russell ³	78,314	-	35,466	-	-
M J McCarney	1,900	-	3,524	-	5,424
E A Dupont-Brown	-	-	-	-	-
T J Milnes	93,567	-	16,146	-	109,713
M J Pitton	16,656	-	10,354	-	27,010
V C ten Krooden	-	-	-	-	-

1 Shares issued on vesting of performance rights.

2 These are the performance shares that vested during FY2016 under LTI awards.

3 AJ Russell resigned on 25 September 2015

Shares under option

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

No options were exercised during the year.

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 2015	\$1.92	58,966

(i) Glossary

The following table defines terms used throughout this Remuneration Report:

Table Q: Glossary of terms used

Director	Particulars of Directors' interests in shares
Comparator group	The Comparator Group for the PSP offers made in FY2016 are: FlexiGroup Ltd/Australia, Cover More Group, Eclix Group, Servcorp, OzForex Group, Pepper Group Ltd, Clearview Wealth, Gateway Lifestyle, Austbrokers Holdings, Peet, Equity Trustees, MyState Ltd, Cedar Woods Properties, HFA Holdings, Sunland Group, Finbar Group, Lifestyle Communication, Phileo Australia, Blue Sky Alternative Investments, AVJennings, IMF Bentham, Villa World, Australian Finance Group Ltd, Treasury Group, ASF Group, Auswide Bank Ltd, K2 Asset Management Holdings, Payce Consolidated, FSA Group, Folkestone, Euroz, Money3 Corp, Yellow Brick Road Holdings, Beston Global Food Co, Wilson Group, LionHub Group, Emerchants, Bell Financial Group, Devine, APN Property Group, HUB24, Eureka Group Holdings, PBD Developments, Pioneer Credit, Centuria Capital, Onevue Holdings, Hunter Hall International, Australian Ethical Investment, Homeloans, Fiducian Group, Centrepoint Alliance, Spring FG, ThinkSmart, Austock Group.
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 17.
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 2016 in respect of Directors' and Officers' liability and legal expenses for Directors and Officers of the Company and all controlled entities. The insurance contract prohibits disclosure of the premium paid. The insurance premiums relate to:

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

The Company has entered into deeds of access, insurance and indemnity with the Directors, the Chief Executive Officer, the Chief Financial Officer and Company Secretary. The indemnity is subject to the restrictions prescribed in

the Corporations Act. Subject to the terms of the deed, it also gives each executive a right of access to certain documents and requires the Company to maintain insurance cover for the executives.

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

Proceedings on behalf of the Company

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

Non-audit services

The Company may decide to employ the auditor on assignments in addition to their statutory audit duties where the auditor's expertise and experience with the Company or Group are important. Details of the amounts paid or payable to the auditor (Deloitte Touche Tohmatsu) for non-audit services provided during the year are set out in Note 22.

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 22, 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 39.

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.



Peter Ritchie
Director

Sydney
24 August 2016

Auditor's Independence Declaration

Deloitte.

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

24 August 2016

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 2016, 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



Philip Hardy
Partner
Chartered Accountants

Consolidated Income Statement

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue	5		
Origination commission		72,306	69,997
Trailing commission excluding discount unwind		84,652	70,298
Trailing commission discount unwind		20,056	22,192
Diversified products commission		6,711	6,387
Help Me Choose income excluding discount unwind		631	5,729
Help Me Choose income discount unwind		104	83
Financial Planning income		8,396	5,996
Franchise income		1,231	1,504
Interest		419	487
Other income	6	2,934	2,122
		197,440	184,795
Direct costs			
Origination commission		(52,944)	(51,492)
Trailing commission excluding discount unwind		(54,724)	(42,773)
Trailing commission discount unwind – finance costs	7	(12,162)	(13,444)
Diversified products commission		(5,130)	(4,820)
Help Me Choose direct costs		(298)	(2,045)
Financial planning commission		(6,705)	(4,838)
Gross profit		65,477	65,383
Operating Expenses	7		
Sales		(14,650)	(16,653)
Technology		(5,181)	(6,335)
Marketing		(9,241)	(8,887)
Corporate		(8,059)	(7,000)
Profit before income tax		28,346	26,508
Income tax expense	8	(8,808)	(7,652)
Profit for the period from continuing operations		19,538	18,856
Net profit attributable to the owners of Mortgage Choice Limited		19,538	18,856
		Cents	Cents
Earnings per share			
From continuing operations			
Basic earnings per share	29	15.7	15.2
Diluted earnings per share	29	15.7	15.2

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 2016

	Notes	2016 \$'000	2015 \$'000
Profit for the year		19,538	18,856
Other comprehensive income		-	-
Total comprehensive income attributable to the owners of Mortgage Choice Limited		19,538	18,856

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

Consolidated Balance Sheet

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	8,068	7,827
Trade and other receivables	10	102,140	100,399
Total current assets		110,208	108,226
Non-current assets			
Receivables	10	245,717	238,209
Property, plant and equipment	11	450	826
Deferred tax assets	12	-	-
Intangible assets	13	6,475	7,148
Total non-current assets		252,642	246,183
Total assets		362,850	354,409
LIABILITIES			
Current liabilities			
Trade and other payables	14	69,940	69,931
Current tax liabilities		1,159	119
Provisions	15	1,084	1,305
Total current liabilities		72,183	71,355
Non-current liabilities			
Trade and other payables	16	150,015	142,895
Deferred tax liabilities	17	37,661	37,476
Provisions	15	664	771
Total non-current liabilities		188,340	181,142
Total liabilities		260,523	252,497
Net assets		102,327	101,912
EQUITY			
Contributed equity	18	6,804	5,780
Reserves	19(a)	1,664	1,909
Retained profits	19(b)	93,859	94,223
Total equity		102,327	101,912

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 2016

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2014		4,604	2,210	95,517	102,331
Total comprehensive income for the year as reported in the 2015 financial statements		-	-	18,856	18,856
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	18	1,176	(1,176)	-	-
Dividends paid	20	-	-	(19,227)	(19,227)
Adjustment for provision for clawbacks	19	-	-	(923)	(923)
Employee share plans – value of employee services	30	-	875	-	875
		1,176	(301)	(20,150)	(19,275)
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	18	1,024	(1,024)	-	-
Dividends paid	20	-	-	(19,902)	(19,902)
Employee share plans – value of employee services	30	-	779	-	779
		1,024	(245)	(19,902)	(19,123)
Balance at 30 June 2016		6,804	1,664	93,859	102,327

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 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		206,602	198,237
Payments to suppliers and employees (inclusive of goods and services tax)		(178,298)	(168,218)
		28,304	30,019
Income taxes paid		(7,584)	(8,684)
Net cash inflow from operating activities	28	20,720	21,335
Cash flows from investing activities			
Payments for property, plant, equipment and intangibles		(1,040)	(7,213)
Proceeds from sale of property, plant and equipment		44	-
Interest received		419	487
Net cash (outflow) from investing activities		(577)	(6,726)
Cash flows from financing activities			
Dividends paid to Company's shareholders		(19,902)	(19,227)
Net cash (outflow) from financing activities		(19,902)	(19,227)
Net increase/(decrease) in cash and cash equivalents		241	(4,618)
Cash and cash equivalents at the beginning of the financial year		7,827	12,445
Cash and cash equivalents at the end of year	9	8,068	7,827

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

Notes to the Consolidated Financial Statements

Note 1: Summary of significant accounting policies

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

A. Basis of preparation

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

Compliance with IFRS

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

New and amended standards adopted by the Group

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

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality' This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

The application of this amendment 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.

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

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

(ii) Employee Share Trust

The Group has formed two trusts to administer the Group's employee share scheme. These trusts are

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) Mortgage lead income

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

(vi) Financial 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.

(vii) Interest income

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

(viii) Other income

Other income includes contributions from lenders towards conferences and workshops which are

recognised as income in the period the conference or workshop is held. Also included in this category are other non-operating revenues recognised in the period to which the income relates.

E. Income tax

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

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

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

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

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

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

Mortgage Choice Limited and its wholly-owned controlled entities have elected to consolidate under the tax consolidation legislation. As a consequence, these

entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

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

Investment allowances

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

Tax consolidation legislation

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

The head entity Mortgage Choice Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

F. Leases

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

Note 1: Summary of significant accounting policies (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

G. Business combinations

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

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

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

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

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

H. Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If

any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

I. Cash and cash equivalents

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

J. Trade receivables

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the

difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

K. Trailing commissions receivable

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

L. Investments and other financial assets

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

Loans and receivables

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

M. Property, plant and equipment

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

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

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

Office equipment	5-10 years
Computer equipment	3-4 years
Furniture and fittings	5-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

N. Intangible assets

Software

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

Costs associated with developing or maintaining computer software 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.

O. Trade and other payables

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

P. Trailing commissions payable

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

Q. Borrowing costs

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

R. Provisions

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably

Note 1: Summary of significant accounting policies (continued)

estimated. Provisions are not recognised for future operating losses.

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

S. Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and any annual leave, which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provisions and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting period on 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 30.

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).

Short-term incentive plans

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

Termination benefits

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

T. Contributed equity

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

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

U. Dividends

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

V. Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

W. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

X. Rounding of amounts

The Company is 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.

Note 1: Summary of significant accounting policies (continued)

Y. New accounting standards and interpretations

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 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'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB101'	1 January 2016	30 June 2017
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) 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
Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'	1 January 2018	30 June 2019

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

Z. Parent entity financial information

The financial information for the parent entity, Mortgage Choice Limited, disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

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

Tax consolidation legislation

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

The head entity, Mortgage Choice Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

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

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

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

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

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

Financial guarantees

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

Note 2: Financial risk management

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

	2016 \$'000	2015 \$'000
Financial Assets		
Current		
Cash and cash equivalents	8,068	7,827
Trade and other receivables*	99,468	98,879
Non-current		
Receivables	245,717	238,209
	353,253	344,915

* Excludes prepayments

Note 2: Financial risk management (continued)

	2016 \$'000	2015 \$'000
Financial Liabilities		
Current		
Trade and other payables	69,940	69,931
Non-current		
Trade and other payables	150,015	142,895
	219,955	212,826

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 2016 the weighted average interest rate on its cash balances was 1.75% (2015 2.00%). If interest rates were to increase by 100 basis points, the Group's after tax result would increase by \$84,000 (2015 \$90,000). A decrease of 100 basis points would reduce the Group's after tax result by \$84,000 (2015 \$90,000).

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

(b) Credit risk

Credit risk is assessed on a Group basis. It arises from cash and cash equivalents placed with banks as well as credit exposure to financial institutions on the Group's lender panel from which future trailing commissions are due. The majority of these financial institutions are Authorised Deposit-taking Institutions (ADIs) and therefore regulated by the Australian Prudential Regulation Authority (APRA) and are independently rated. This forms the basis of the Group's assessment of credit risk. If the lender has not been independently rated, credit risk is assessed taking into account its financial position, past experience and other factors. The table below indicates the Group's exposure to each ratings category.

The Group bears the risk of non-payment of future trailing commissions by lenders should they become insolvent but correspondingly, there is no legal requirement to pay franchisees trailing commissions that have not been received. The risk profile of the Group is set out in the table below.

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

(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.

Note 2: Financial risk management (continued)

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 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. 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 4.0%. There has been no change to the valuation technique during the year.

At 30 June 2015	Less than 6 months \$'000	6 – 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000	Carrying amount \$'000
Non-derivatives							
<i>Interest bearing</i>							
Cash and cash equivalents	7,824	-	-	-	-	7,824	7,824
Franchisee receivables	416	444	970	1,229	-	3,059	2,657
<i>Non-interest bearing</i>							
Cash and cash equivalents	3	-	-	-	-	3	3
Trade receivables	12,132	-	-	-	-	12,132	12,132
Franchisee and other receivables	1,216	108	72	49	-	1,445	1,445
Future trailing commissions receivable	45,683	41,982	71,835	136,809	99,913	396,222	320,854
	67,274	42,534	72,877	138,087	99,913	420,685	344,915

The fair value of the future trailing commissions receivable is \$339,690,000. The fair value of all other assets is the same as their carrying amount.

The 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 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.

Contractual maturities of financial liabilities At 30 June 2015	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total cash flows \$'000	Carrying amount \$'000
Non-derivatives							
<i>Non-interest bearing</i>							
Trade payables	12,476	-	-	-	-	12,476	12,476
Licence fees and other payables	6,394	155	10	-	-	6,559	6,559
Future trailing commissions payable	27,409	25,204	43,203	82,881	60,682	239,379	193,791
	46,279	25,359	43,213	82,881	60,682	258,414	212,826

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

(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

Note 3: Critical accounting estimates and judgements (continued)

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:

	2016 \$'000	2015 \$'000
Weighted average loan life	3.8 years	3.8 years
Average discount rate	6.2%	6.8%
Percentage paid to franchisees	62%	61%

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

- a decrease in net assets of \$7.4 million (made up of decreases in current assets of \$1.2 million, non-current assets of \$26.4 million, current liabilities of \$0.7 million, non-current liabilities of \$16.3 million and deferred tax liabilities of \$3.2 million) if run-off rates increase by 10%; or
- an increase in net assets of \$8.5 million (made up of increases in current assets of \$1.2 million, non-current assets of \$30.7 million, current liabilities of \$0.7 million, non-current liabilities of \$19.0 million and deferred tax liabilities of \$3.7 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.

In the current period, the annual review found that the payout rate experienced in 2016 was higher than that assumed in the valuation model and an adjustment to the profit and loss for the year was recognised to reflect the actual experience in the portfolio. In addition the assumptions used in the valuation of future trailing commissions were changed to reflect an extension of the current economic environment for the short to medium term. These changes to the trailing commission model resulted in a \$1.1 million negative adjustment after tax to the Group's profit and loss for FY2016 (2015 - \$1.6 million negative adjustment), refer Note 4 (c) (ii).

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), Help Me Choose health fund and mortgage comparison website (HMC) and Mortgage Choice Financial Planning (MCFP). MCFP includes revenue from wealth products, including investment advice as well as all risk insurance products written across the Group. Operating expenses presented in HMC and MCFP 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 2016 is as follows:

Product Segments

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

* Share based remuneration

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

* Share based remuneration

Note 4: Segment information (continued)

Cash versus IFRS

	2016	2015	% change	2016	2015	% change
	Cash*			IFRS		
	\$'000	\$'000		\$'000	\$'000	
Origination commission income	72,306	69,997	3%	72,306	69,997	3%
Trailing commission income**	95,082	89,333	6%	104,708	92,490	13%
	167,388	159,330	5%	177,014	162,487	9%
Origination commission paid	52,944	51,492	3%	52,944	51,492	3%
Trailing commission paid**	57,852	54,138	7%	66,886	56,217	19%
	110,796	105,630	5%	119,830	107,709	11%
Net core commissions	56,592	53,700	5%	57,184	54,778	4%
Diversified products net revenue	1,581	1,567	1%	1,581	1,567	1%
Financial Planning net revenue	1,691	1,158	46%	1,691	1,158	46%
HMC net revenue	1,354	3,179	(57%)	437	3,767	(88%)
Other income	4,584	4,113	11%	4,584	4,113	11%
Gross Profit	65,802	63,717	3%	65,477	65,383	0%
Operating Expenses	36,352	38,000	(4%)	36,352	38,000	(4%)
Share based remuneration	-	-		779	875	(11%)
Net profit before tax	29,450	25,717	15%	28,346	26,508	7%
Net profit after tax	20,545	18,566	11%	19,538	18,856	4%

* 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.

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

	2016	2015	% change	2016	2015	% change
	Cash			IFRS		
	\$'000	\$'000		\$'000	\$'000	
Diversified products commissions	6,711	6,387	5%	6,711	6,387	5%
Diversified products direct costs	5,130	4,820	6%	5,130	4,820	6%
Diversified products net income	1,581	1,567	1%	1,581	1,567	1%
Financial Planning revenue	8,396	5,996	40%	8,396	5,996	40%
Financial Planning direct costs	6,705	4,838	39%	6,705	4,838	39%
Financial Planning net revenue	1,691	1,158	46%	1,691	1,158	46%
Help Me Choose commissions*	1,652	5,224	(68%)	735	5,812	(87%)
Help Me Choose direct costs	298	2,045	(85%)	298	2,045	(85%)
Help Me Choose net revenue	1,354	3,179	(57%)	437	3,767	(88%)
Franchise income	1,231	1,504	(18%)	1,231	1,504	(18%)
Interest	419	487	(14%)	419	487	(14%)
Other Income	2,934	2,122	38%	2,934	2,122	38%
Other income	4,584	4,113	11%	4,584	4,113	11%

* 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.

Note 4: Segment information (continued)

(ii) Net profit after tax

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

	2016 \$'000	2015 \$'000
Cash Net profit after tax	20,545	18,566
NPV future trails on new loans originated, net of payout	21,723	20,603
Less net cash from trail previously recognised under IFRS	(20,317)	(18,368)
Less adjustments to loan book assumptions	(1,074)	(1,605)
Plus gain on prepayment of trail liability	-	-
Plus reversal of amortisation of trail liability*	82	124
NPV future trails on Help Me Choose policies written	115	989
Less net cash from trail previously recognised under IFRS	(757)	(578)
Less share based payments expense	(779)	(875)
Net IFRS after tax profit for the year	19,538	18,856

* 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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash	65,802	63,717	56,592	53,699
NPV future trails on new loans originated, net of payout	31,033	29,435	31,033	29,435
Less net cash from trail previously recognised under IFRS	(29,023)	(26,241)	(29,023)	(26,241)
Less adjustments to loan book assumptions	(1,535)	(2,293)	(1,535)	(2,293)
Plus gain on prepayment of trail liability	-	-	-	-
Plus reversal of amortisation of trail liability*	117	177	117	177
NPV future trails on Help Me Choose policies written	165	1,413	-	-
Less net cash from trail previously recognised under IFRS	(1,082)	(825)	-	-
IFRS	65,477	65,383	57,184	54,778

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

Note 5: Revenue

	2016 \$'000	2015 \$'000
Revenue from continuing operations		
<i>Sales revenue</i>		
Services	173,927	159,911
<i>Other revenue</i>		
Interest earned on deposits and loans	419	487
Interest in relation to discount unwind	20,160	22,275
Other income	2,934	2,122
	197,440	184,795

Note 6: Other income

	2016 \$'000	2015 \$'000
Conference sponsorships (a)	2,296	2,079
Other	638	43
	2,934	2,122

(a) Conference sponsorships

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

Note 7: Expenses

	2016 \$'000	2015 \$'000
Profit from ordinary activities before income tax includes the following specific expenses:		
<i>Finance costs</i>		
Interest and finance charges (a)	12,162	13,444
<i>Net loss on disposal of property, plant and equipment</i>	121	4
<i>Depreciation</i>		
Plant and equipment	231	266
<i>Amortisation</i>		
Leasehold improvements	(5)	23
Computer software	1,315	1,015
Impairment loss (b)	–	1,187
<i>Other provisions</i>		
Employee entitlements	(198)	266
<i>Rental expense relating to operating leases</i>	1,323	1,133
<i>Defined contribution superannuation expense</i>	1,540	1,612
<i>Termination benefits</i>	473	23

(a) Interest and finance charges

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

(b) Impairment loss

An impairment loss of \$1.187m was included in technology operating expenses in FY2015.

Note 8: Income tax

(a) Income tax expense

	2016 \$'000	2015 \$'000
Current tax	8,641	6,781
Deferred tax	185	871
Under (over) provided in prior years	(18)	-
	8,808	7,652
Income tax expense is attributable to:		
Profit from continuing operations	8,808	7,652
	8,808	7,652
Deferred income tax (revenue) expense including income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 12)	(2,372)	(1,250)
Increase/(decrease) in deferred tax liabilities (note 17)	2,557	2,121
	185	871

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

	2016 \$'000	2015 \$'000
Profit from continuing operations before income tax expense	28,346	26,508
Income tax calculated @ 30% (2015 - 30%)	8,504	7,952
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:	385	202
Research and Development Tax Incentive	(63)	(502)
	8,826	7,652
Under/(over) provision from prior years	(18)	-
Income tax expense	8,808	7,652

No part of the deferred tax asset shown above and in note 12 is attributable to tax losses.

Note 9: Current Assets – Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and on hand	8,068	7,827

Risk exposure

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

Note 10: Trade and other receivables

	2016			2015		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Trade receivables ⁽ⁱ⁾	11,496	–	11,496	12,132	–	12,132
Net present value of future trailing commissions receivable	86,372	243,191	329,563	84,774	236,080	320,854
Franchisee receivables	1,130	2,510	3,640	975	2,100	3,075
Other receivables	470	16	486	998	29	1,027
Prepayments	2,672	–	2,672	1,520	–	1,520
	102,140	245,717	347,857	100,399	238,209	338,608

(i) Subject to a limited charge in favour of The Loan Book Security Trust (refer to note 14)

(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 2016 current trade receivables were not impaired (2015 – nil).

(c) Risk exposure

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

(d) Fair values

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

Note 11: Non-Current Assets – Property, plant and equipment

	Plant and Equipment \$'000	Leasehold Improvements \$'000	Total \$'000
At 30 June 2014			
Cost	2,416	1,320	3,736
Accumulated depreciation	(1,721)	(1,108)	(2,829)
Net book amount	695	212	907
Year ended 30 June 2015			
Opening net book amount	695	212	907
Additions	207	5	212
Disposals	(4)	-	(4)
Depreciation charge	(266)	(23)	(289)
Closing net book amount	632	194	826
At 30 June 2015			
Cost	2,581	1,318	3,899
Accumulated depreciation	(1,949)	(1,124)	(3,073)
Net book amount	632	194	826
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

Note 12: Non-current assets – Deferred tax assets

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
Net present value of future trailing commissions payable	60,883	58,137
Employee benefits	898	991
Depreciation and amortisation	203	331
Accrued expenses	617	770
Total deferred tax assets	62,601	60,229
Set off of deferred tax assets pursuant to set off provisions (note 17)	(62,601)	(60,229)
Net deferred tax assets	-	-
Deferred tax assets to be recovered within 12 months	17,303	16,948
Deferred tax assets to be recovered after more than 12 months	45,298	43,281
	62,601	60,229

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 2014	57,459	945	317	258	-	58,979
Charged/(credited) to the income statement	678	46	14	512	-	1,250
At 30 June 2015	58,137	991	331	770	-	60,229
Charged/(credited) to the income statement	2,746	(93)	(128)	(153)	-	2,372
At 30 June 2016	60,883	898	203	617	-	62,601

Note 13: Non-current assets – intangible assets

	Computer Software \$'000
At 30 June 2014	
Cost	9,200
Accumulated amortisation	(6,851)
Net book amount	2,349
Year ended 30 June 2015	
Opening net book amount	2,349
Additions	7,001
Amortisation charge	(1,015)
Impairment loss	(1,187)
Closing net book amount	7,148
At 30 June 2015	
Cost	15,014
Accumulated amortisation	(7,866)
Net book amount	7,148
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 depreciation	(8,846)
Net book amount	6,475

(a) Impairment loss

Project One replaces the Group's core broker platform for the use of the Mortgage Choice franchised mortgage broking segment. After the delivery of the first phase of Project One, the Group carried out a review of the recoverable amount of the intangible asset. The review led to the recognition of an impairment loss of \$1.2 million in FY2015, which has been recognised in the technology operating expense line item in the profit or loss (see Note 7).

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

Note 14: Current liabilities – Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables ^(a)	12,190	12,476
Net present value of future trailing commissions payable	52,930	50,906
Licence fees repayable	173	257
Other payables	4,647	6,292
	69,940	69,931

(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 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 2016, 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 \$4,380,592 (2015 - \$4,410,359). This is included as part of the balance of trade payables at 30 June 2016 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 15: Provisions

	2016			2015		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Make good provision ^(a)	40	358	398	40	488	528
Employee entitlements – annual leave	691	–	691	963	–	963
Employee entitlements – long service leave	353	306	659	302	283	585
	1,084	664	1,748	1,305	771	2,076

(a) Make good provision

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

Note 16: Non-current liabilities – Trade and other payables

	2016 \$'000	2015 \$'000
Net present value of future trailing commissions payable	150,012	142,885
Licence fees repayable	3	10
	150,015	142,895

Note 17: Non-current liabilities – Deferred tax liabilities

	2016 \$'000	2015 \$'000
The balance comprises temporary differences attributable to:		
NPV of future trailing commissions receivable	98,869	96,257
Intangibles	1,355	1,403
Prepayments and other receivables	38	45
	100,262	97,705
Set off of deferred tax assets pursuant to set off provisions (note 12)	(62,601)	(60,229)
Net deferred tax assets	37,661	37,476
Deferred tax assets to be recovered within 12 months	26,225	25,747
Deferred tax assets to be recovered after more than 12 months	74,037	71,958
	100,262	97,705

Movements – Consolidated

	NPV of future trailing commissions payable \$'000	Intangibles \$'000	Prepayments and other receivables \$'000	Total \$'000
At 30 June 2014	95,133	404	47	95,584
Charged to the income statement	1,124	999	(2)	2,121
At 30 June 2015	96,257	1,403	45	97,705
Charged to the income statement	2,612	(48)	(7)	2,557
At 30 June 2016	98,869	1,355	38	100,262

Note 18: Contributed equity

	2016 shares '000	2015 shares '000	2016 \$'000	2015 \$'000
(a) Share capital				
Ordinary shares – fully paid	123,572	123,033	6,804	5,780

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 2016:

Details	Number of shares
Total ordinary shares on issue	124,458,863
Treasury shares (a)	(887,336)
Total ordinary shares held as contributed equity	123,571,527

(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 30 for further information).

Date	Details	Number of shares
30 June 2014	Balance	1,610,491
31 December 2013	Treasury shares issues under the Performance Share Plan to employees	(16,346)
23 August 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	98,909
23 August 2014	Treasury shares issues under the Share Rights Plan to employees	(98,909)
3 September 2014	Treasury shares issues under the Performance Share Plan to employees	(180,452)
12 September 2014	Treasury shares issues under the Performance Share Plan to employees	(567,254)
5 November 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	336,952
30 June 2015	Balance	1,183,391
3 July 2015	Treasury shares issues 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 issues under the Share Rights Plan to employees	(99,100)
14 September 2015	Treasury shares issues 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 issues 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

Note 18: Contributed equity (continued)

Movements in ordinary share capital:

Date	Details	Number of shares \$'000	\$'000
30 June 2014	Balance	122,169,896	4,604
31 December 2013	Treasury shares issues under the Performance Share Plan to employees	16,346	22
23 August 2014	Treasury shares issues under the Share Rights Plan to employees	98,909	234
3 September 2014	Treasury shares issues under the Performance Share Plan to employees	180,452	225
12 September 2014	Treasury shares issues under the Performance Share Plan to employees	567,254	695
5 November 2014	Shares issued to the Mortgage Choice Employee Incentive Trust	336,952	-
5 November 2014	Held as treasury shares	(336,952)	-
30 June 2015	Balance	123,032,857	5,780
3 July 2015	Treasury shares issues under the Performance Share Plan to employees	33,668	77
14 July 2015	Treasury shares issues under the Share Rights Plan to employees	99,100	289
14 September 2015	Treasury shares issues under the Performance Share Plan to employees	346,936	511
15 September 2015	Treasury shares issues 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

(a) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 30.

(b) Options

Information relating to the Mortgage Choice Executive Performance Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year is set out in note 30.

Note 19: Reserves and retained profits

(a) Reserves

	2016 \$'000	2015 \$'000
Share-based payments reserve	1,664	1,909
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	1,909	2,210
Performance shares expensed/(reversed)	779	875
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	(1,024)	(1,176)
Balance 30 June	1,664	1,909

(b) Retained profits

	2016 \$'000	2015 \$'000
Balance 1 July	94,223	95,517
Adjustment for provision for clawbacks	-	(923)
Net profit for the year	19,538	18,856
Dividends	(19,902)	(19,227)
Balance 30 June	93,859	94,223

Adjustment for provision for clawbacks

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

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

Nature and purpose of reserves

Share-based payments reserve

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

Note 20: Dividends

	2016 \$'000	2015 \$'000
(a) Ordinary shares		
Final dividend declared out of profits of the Company for the year ended 30 June 2014 of 8.0 cents per fully paid share paid on 15 September 2014:		
Fully franked based on tax paid @ 30%		
8.0 cents per share	-	9,911
Interim dividend declared out of profits of the Company for the half-year ended 31 December 2014 of 7.5 cents per fully paid share paid 19 March 2015:		
Fully franked based on tax paid @ 30%		
7.5 cents per share	-	9,316
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 2016:		
Fully franked based on tax paid @ 30%		
8.0 cents per share	9,957	-
	19,902	19,227

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 8.5 cents per fully paid ordinary share, (2015 – 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 September 2016 out of retained profits at 30 June 2016, but not recognised as a liability at year end, is

10,579	9,945
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(c) Franked dividend

The franked portions of the final dividends recommended after 30 June 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2016.

	2016 \$'000	2015 \$'000
Franking credits available for subsequent financial years to the equity holders of the parent entity based on a tax rate of 30% (2015 – 30%)	2,835	2,748

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$4,534,000 (2015: \$4,262,000).

Note 21: Key management personnel disclosures

(e) Key management personnel compensation

	2016 \$'000	2015 \$'000
Short-term employee benefits	2,773,963	2,486,072
Post-employment benefits	153,125	98,611
Long-term benefits	25,414	(5,162)
Termination benefits	-	-
Share-based payments	620,881	541,444
Balance 30 June	3,573,383	3,120,965

Detailed remuneration disclosures are provided in the Directors' report on pages 16-37 of the remuneration report.

Note 22: 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:

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 22: Remuneration of auditors (continued)

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

Note 23: Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 June 2016 in respect of:

Guarantees

Guarantees given in respect of premises leases \$771,914 (2015: \$755,414).

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 2016 and 30 June 2015, 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 24: 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.

	2016 \$'000	2015 \$'000
Operating leases		
Operating lease expenditure contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	930	1,123
Later than one year but not later than five years	1,341	2,728
Later than five years	-	-
	2,271	3,851

Note 25: 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 26.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 21. 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.

Note 26: 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*	
			2016 %	2015 %
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 27: Events occurring after the balance sheet date

Dividend payment

Subsequent to year end, a final ordinary dividend of \$10,579,000 (8.5 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2016 on 24 August 2016 to be paid on 16 September 2016.

Note 28: Reconciliation of profit after income tax to net cash inflow from operating activities

	2016 \$'000	2015 \$'000
Profit for the year	19,538	18,856
Depreciation and amortisation	1,541	1,304
Change in net present value of future trailing inflows	(8,710)	(3,744)
Change in net present value of future trailing outflows	9,151	2,256
Employee expense benefits – share-based payments	779	875
Interest received	(419)	(487)
Impairment of non-current assets	–	1,187
Reversal of make good provision	130	–
Net loss (gain) on sales of non-current asset	374	4
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	613	(836)
(Increase)/decrease in other operating assets	(1,152)	453
Increase/(decrease) in trade payables	(293)	1,711
Increase/(decrease) in other operating liabilities	(1,729)	577
Increase/(decrease) in provision for income taxes payable	1,040	(2,299)
Increase/(decrease) in deferred tax liabilities	185	1,267
Increase/(decrease) in other provisions	(328)	211
Net cash inflow from operating activities	20,720	21,335

Note 29: Earnings per share

	Consolidated	
	2016 Cents	2015 Cents
(a) Basic earnings per share		
From continuing operations	15.7	15.2
(b) Diluted earnings per share		
From continuing operations	15.7	15.2

Note 29: Earnings per share (continued)

	Consolidated	
	2016 \$'000	2015 \$'000
Earnings used in calculating earnings per share		
Profit from continuing operations	19,538	18,856
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>		
	124,410,527	124,084,916
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Share rights	-	14,091
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>		
	124,410,527	124,099,007

Information concerning the classification of securities**(a) Options**

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

(b) Performance Share Plan

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

(c) Share Rights Plan

Share rights granted to the CEO under the Mortgage Choice Share Rights Plan that have vested are considered to be 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 30: Share-based payments

(a) Executive Performance Option Plan (EPOP)

The Executive Performance Option Plan may be offered on an annual basis to eligible executives as determined by the Board. The details of each offer may differ as to the particulars, especially with regard to performance criteria, performance period and service criteria. At the present time this is a legacy plan as options have not been issued under the plan since May 2009. In the year ending 30 June 2016, no options were offered.

Under the terms of the EPOP, options are offered over one ordinary share of Mortgage Choice Limited and have an exercise price based on the market value of the Company's shares at the time of offer. Market value will be the trade-weighted average price of the Company's shares over the one-week period immediately preceding the date of

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

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

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

When a participant ceases to be employed by the Company prior to the end of the performance period, other than because of a 'qualifying reason', any options that have not become exercisable will lapse. However, if there is cessation of employment due to a 'qualifying reason', the Board may determine that some or all of the options may vest. In the event of a change of control of the Company, options will vest on a pro-rata basis or in their entirety for certain senior executives.

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

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. The fair value of market based conditions at grant date are independently determined using a Monte Carlo simulation model utilising a lattice-based trinomial valuation method that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non tradeable nature of the option, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

No options existed during the reporting period.

(b) Performance Share Plan (PSP)

The PSP permits eligible employees as identified by the Board to be granted allocated unvested shares from the outset of the applicable performance period, with the shares to be held on trust for the participants by a share plan trustee. The shares granted to those employees are subject to the achievement of performance and service requirements as specified by the Board. The PSP

is designed to provide the medium-term to long-term incentive component of remuneration for executives and other designated employees.

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

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

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

- a date ten years from grant date;
- the participant ceasing to be an employee of the Company;
- a 'capital event' (generally, a successful takeover offer or scheme of arrangement relating to the Company) occurring; or
- the date upon which the Board gives its written consent to the lodgement of a Notice of Withdrawal by the participant.

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

If a participant ceases to be employed by the Company or retires from office as a result of special circumstances (including death, disability, retirement, redundancy, corporate restructure, or any other circumstances determined by the Board), the Board may in its discretion

Note 30: Share-based payments (continued)

determine that all or a portion of the participant's unvested shares are to be treated as vested shares, notwithstanding the fact that the vesting conditions applicable to the shares have not been met because the applicable performance period has not expired.

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

The assessed fair value at grant date of performance shares granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

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

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

(c) Share Rights Plan

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

Upon vesting, the Company must acquire or issue the number of shares, or the fraction thereof, into which the rights are convertible under the terms of the

specific grant. The method of acquisition for each share allocation will be determined by the Board. The costs of all share acquisitions under the SRP will be funded by the Group. Participants will not be required to make any payment for the acquisition of rights under the SRP. The Board at its discretion may choose to settle the rights as a cash payment at its sole discretion.

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

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

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

The assessed fair value at grant date of the rights granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above.

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

Note 30: Share-based payments (continued)

Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number
2015								
20 September 2010	3 September 2014	\$1.19	180,452	-	(180,452)	-	-	-
16 February 2012	12 September 2014	\$1.26	267,234	-	(267,234)	-	-	-
16 February 2012	12 September 2014	\$0.78	218,638	-	(218,638)	-	-	-
14 September 2012	12 September 2014	\$1.74	48,690	-	(48,690)	-	-	-
14 September 2012	3 July 2015**	\$1.74	15,846	-	-	-	-	15,846
14 September 2012	14 September 2015	\$1.74	251,904	-	-	-	-	251,904
14 September 2012	14 September 2015	\$1.08	219,060	-	-	-	-	219,060
23 September 2013	12 September 2014	\$2.77	32,692	-	(32,692)	-	-	-
23 September 2013	3 July 2015**	\$2.77	9,713	-	-	-	-	9,713
23 September 2013	14 September 2015	\$2.77	22,979	-	-	-	-	22,979
23 September 2013	14 September 2016	\$2.77	179,811	-	-	-	(53,429)	126,382
23 September 2013	14 September 2016	\$1.68	147,125	-	-	-	(43,715)	103,410
22 September 2014	3 July 2015**	\$2.72	-	8,109	-	-	-	8,109
22 September 2014	14 September 2015	\$2.72	-	19,973	-	-	-	19,973
22 September 2014	14 September 2016	\$2.72	-	28,082	-	-	(8,109)	19,973
22 September 2014	14 September 2017	\$2.72	-	154,436	-	-	(44,596)	109,840
22 September 2014	14 September 2017	\$1.68	-	126,352	-	-	(36,488)	89,864
Total			1,594,144	336,952	(747,706)	-	(186,337)	997,053
Weighted average price			\$1.53	\$2.33	\$1.20	-	\$2.29	\$1.90

* 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 1.60 years (2015 – 0.86 years).

The model inputs for performance shares granted on 17 September 2015 included:

- (a) performance shares are granted for no consideration and vest over a period of four years;
- (b) grant date: 17 September 2015 (2015 – 22 September 2014);
- (c) share price at grant date: \$2.01 (2015 – \$2.72);
- (d) expected price volatility of the Company's shares: 29.60% (2015 – 28.23%);
- (e) expected dividend yield: 0% (2015 – 0%); and
- (f) risk-free interest rate: 1.768% (2015 – 2.614%).

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
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
Offer Date	Vesting date	Value	Balance at start of the year Number	Granted during the year Number	Vested during the year Number	Expired during the year Number	Forfeited during the year Number	Balance at end of the year Number
2015								
20 August 2013	30 June 2016	\$2.50	281,250	-	-	-	(281,250)	-
30 September 2014	1 July 2015	\$3.09	-	93,750	-	-	-	93,750
30 September 2014	1 July 2017	\$3.09	-	281,250	-	-	(281,250)	-
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			281,250	544,678	-	-	(562,500)	263,428
Weighted average price			\$2.50	\$2.94	-	-	\$2.80	\$2.77

The weighted average remaining contractual life of performance shares outstanding at the end of the period was 0.71 years (2015 – 0.78 years).

FY2016 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 FY2016 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 2016 with 50% vesting 14 September 2017 and 50% vesting 14 September 2018. The accounting grant date for these share rights are 1 July 2015.

(d) Expenses arising from share-based payment transactions

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

	2016 \$'000	2015 \$'000
Shares issued under PSP	779	875
	779	875

Note 31: Parent entity financial information**(a) Summary financial information**

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

	2016 \$'000	2015 \$'000
Balance sheet		
Current assets	110,998	109,195
Total assets	363,274	353,800
Current liabilities	71,905	70,471
Total liabilities	260,245	251,026
<i>Shareholders' equity</i>		
Issued capital	6,804	5,780
Share-based payments reserve	1,664	1,909
Retained profits	94,561	95,085
	103,029	102,774
Profit or loss for the year	20,913	19,901
Total comprehensive income	20,913	19,901

(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 \$771,914 (2015 - \$755,414). 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 2016 or 30 June 2015.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 40-89 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 2016 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.



Peter Ritchie
Director

Sydney
24 August 2016

Independent Auditor's Report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

Report on the Financial Report

We have audited the accompanying financial report of Mortgage Choice Limited, which comprises the consolidated balance sheet as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 40 to 89.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Mortgage Choice Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 37 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Mortgage Choice Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU



Philip Hardy
Partner
Chartered Accountants
Sydney, 24 August 2016

ASX Shareholder Information

The shareholder information set out below was applicable as at 29 July 2016

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	713
1,001 – 5,000	1,435
5,001 – 10,000	774
10,001 – 100,000	842
100,001 and over	49
	3,813

There were 118 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary Shares	
	Number held	Percentage of issued shares
J P Morgan Nominees Australia Limited	22,081,441	17.74
Finconnect (Australia) Pty Ltd	20,611,785	16.56
Citicorp Nominees Pty Limited	9,656,080	7.76
Ochoa Pty Ltd	9,620,000	7.73
HSBC Custody Nominees (Australia) Limited	5,853,125	4.70
Ochoa Pty Ltd <The Rodney Higgins Superannuation Fund>	3,506,989	2.82
National Nominees Limited	3,081,948	2.48
R G Higgins	2,094,226	1.68
SCJ Pty Limited <Jermyn Family A/C>	2,000,000	1.61
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super CorpA/C>	1,931,909	1.55
BNP Paribas Noms Pty Ltd <DRP>	1,496,901	1.20
Pacific Custodians Pty Limited <Perf Share Plan Tst A/C>	876,096	0.70
Pacific Custodians Pty Limited MOC Plans Ctrl A/C	418,152	0.34
RBC Investor Services Australia Nominees Pty Limited <PISelect>	415,407	0.33
Pacific Custodians Pty Limited <Employee Incentive Trust>	401,884	0.32
Mr David Madden	400,000	0.32
Mr Samuel William Duddy	395,000	0.32
Mr Peter David Ritchie & Mrs Leigh Margaret Ritchie <Ritchie Fam S/Fd A/C>	330,000	0.27
Fretensis Pty Ltd	325,000	0.26
TM Paddy Pty Ltd <Murray Ball Family A/C>	304,337	0.24
	85,800,280	68.93

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

P D Ritchie
Chairman

S J Clancy

P G Higgins

R G Higgins

S C Jermyn

D E Ralston

Chief Executive Officer

J L Flavell

Secretary

D M Hoskins

Executives

Chief Financial Officer

S R Mitchell

General Manager, 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 18 October 2016

Principal registered office in Australia

Level 10
100 Pacific Highway
North Sydney NSW 2060
(02) 8907 0444

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
(02) 8280 7111

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
Grosvenor Place
225 George Street
Sydney NSW 2000

Solicitors

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

