



## **Mortgage Choice Limited**

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ABN: 57 009 161 979

# **Appendix 4D Preliminary Half Year Report 31 December 2016**

**Lodged with the ASX under Listing Rule 4.2A on 23 February 2017**

### **Reporting Period**

This report covers the half year period from 1 July 2016 to 31 December 2016. The previous corresponding period was the half year from 1 July 2015 to 31 December 2015.

## Results for announcement to market

### Discussion and analysis of statutory results

#### Operational results

Mortgage Choice's half year profit to 31 December 2016 of \$11.4m represented a 6.4% increase from \$10.7m in the prior comparative period (PCP). Likewise the interim dividend increased 6.3% from 8 cents (PCP) to 8.5 cents for the half year ended 31 December 2016. Mortgage Choice achieved its highest half year settlements of \$6.4bn which represents a 2.4% increase on the prior comparative period of \$6.2m.

Loan book growth outstripped settlements growth at 3.3% with the loan book reaching \$52.4 billion at 31 December 2016 compared to \$50.7 billion PCP.

#### Financial results analysis

This half year to 31 December 2016 represented Mortgage Choice's best first half interim result at \$11.4m, up 6.4% PCP. The result was driven by higher settlement volumes to record a 4.4% increase in upfront commissions. The Financial Planning division delivered a profit for the half year, achieving profit five months out of six in the half.

A comparison of the two halves at a more detailed level highlights differences caused by one-off occurrences in the comparative period. The six months to 31 December 2015 included revenue and significant expense from our subsidiary HelpMeChoose.com.au, which was closed in September 2015 and therefore had no comparable revenue or operating expense in the current period. The significant improvement in the after tax result highlighted the strength of the decision to close that operation. The Group also changed the timing of its two major professional development events from the first half of the financial year last year to the second half this year. This resulted in lower levels of other income and operating expenses in the current period as compared to the first half of FY2016. The major professional development events will continue to be held in the second half of the financial year going forward so this distortion should not arise in future.

The assumptions used to value both trailing commission receivable and payable on loans settling during the period were more conservative than those use in the prior comparative period resulting in a reduction of statutory trailing revenue and cost. Further, the reduced discount unwind income and cost reflects the fall in the weighted average discount rate Mortgage Choice has experienced in the falling interest rate environment over the past few years. On a cash basis, both trailing income received and paid increased by 2%.

	6 months to 31-Dec-15	6 months to 31-Dec-16	% change Dec-15 – Dec 16
	\$000's	\$000's	

#### Financial Summary

Total revenue from ordinary activities	102,310	99,552	(2.7%)
Total result before tax	15,573	16,425	5.5%
Profit from ordinary activities after tax attributable to members	10,749	11,434	6.4%
Net tangible asset backing per ordinary share	77.5 cents	78.0 cents	0.6%

## Dividends

Details of dividends/distributions declared or paid during the twelve months ended 31 December 2016 are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
13 September 2016	Final	8.5 cents	\$10,579,000	8.5 cents	-
11 March 2016	Interim	8.0 cents	\$9,957,000	8.0 cents	-

Subsequent to 31 December 2016, a fully franked interim dividend of 8.5 cents was declared on 22 February 2017 and it is expected to be paid on 23 March 2017. The record date for determining entitlement to this dividend will be 08 March 2017.

## Non IFRS Cash Results

The Company also presents its non IFRS cash results from ordinary activities of \$11,719,000, after tax which is a 16% increase on the previous corresponding period. Further discussion regarding the cash results can be found in the Company's Half Year Presentation.

**Mortgage Choice Limited** ACN 009 161 979  
**Interim report**  
**For the half-year ended 31 December 2016**

# Mortgage Choice Limited

## Interim financial report for the half-year ended 31 December 2016

<b>Contents</b>	<b>Page</b>
Half-year financial report	
Directors' report	3
Auditors' independence declaration	5
Condensed consolidated statement of profit and loss	6
Condensed consolidated statement of comprehensive income	7
Condensed consolidated statement of financial position	8
Condensed consolidated statement of changes in equity	19
Condensed consolidated statement of cash flows	10
Notes to the condensed consolidated financial statements	11
Directors' declaration	17
Independent auditor's review report to the members	18

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Mortgage Choice Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## **Mortgage Choice Limited**

### **Directors' report**

As at 31 December 2016

Your Directors present their report on the consolidated entity consisting of Mortgage Choice Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2016, referred to hereafter 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 half-year and up to the date of this report:

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

#### **Principal activities**

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

##### **Mortgage Broking**

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

##### **Financial Planning**

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

#### **Review of Operations**

The report on the Mortgage Choice Group for the half-year ended 31 December 2016 is as follows:

##### ***Operational results***

Mortgage Choice's half year profit to 31 December 2016 of \$11.4m represented a 6.4% increase from \$10.7m in the prior comparative period (PCP). Likewise the interim dividend increased 6.3% from 8 cents (PCP) to 8.5 cents for the half year ended 31 December 2016. Mortgage Choice achieved its highest half year settlements of \$6.4bn which represents a 2.4% increase on the prior comparative period of \$6.2m.

## **Mortgage Choice Limited**

### **Directors' report**

As at 31 December 2016

Loan book growth outstripped settlements growth at 3.3% with the loan book reaching \$52.4 billion at 31 December 2016 compared to \$50.7 billion PCP.

#### ***Financial results analysis***

This half year to 31 December 2016 represented Mortgage Choice's best first half interim result at \$11.4m, up 6.4% PCP. The result was driven by higher settlement volumes to record a 4.4% increase in upfront commissions. The Financial Planning division delivered a profit for the half year, achieving profit five months out of six in the half.

A comparison of the two halves at a more detailed level highlights differences caused by one-off occurrences in the comparative period. The six months to 31 December 2015 included revenue and significant expense from our subsidiary HelpMeChoose.com.au, which was closed in September 2015 and therefore had no comparable revenue or operating expense in the current period. The significant improvement in the after tax result highlighted the strength of the decision to close that operation. The Group also changed the timing of its two major professional development events from the first half of the financial year last year to the second half this year. This resulted in lower levels of other income and operating expenses in the current period as compared to the first half of FY2016. The major professional development events will continue to be held in the second half of the financial year going forward so this distortion should not arise in future.

The assumptions used to value both trailing commission receivable and payable on loans settling during the period were more conservative than those use in the prior comparative period resulting in a reduction of statutory trailing revenue and cost. Further, the reduced discount unwind income and cost reflects the fall in the weighted average discount rate Mortgage Choice has experienced in the falling interest rate environment over the past few years. On a cash basis, both trailing income received and paid increased by 2%.

#### **Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

#### **Rounding**

The Group 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.

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



Peter Ritchie  
Chairman

Sydney  
22 February 2017



Deloitte Touche Tohmatsu  
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The Board of Directors  
Mortgage Choice Limited  
100 Pacific Highway  
North Sydney NSW 2060

22 February 2017

Dear Board Members

**Mortgage Choice Limited**

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

As lead audit partner for the review of the financial statements of Mortgage Choice Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Heather Baister  
Partner  
Chartered Accountants

**Mortgage Choice Limited**  
**Condensed consolidated statement of profit and loss**  
For the half-year ended 31 December 2016

	<b>Half-year ended</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Continuing operations</b>		
<b>Revenue</b>		
Origination commission	38,958	37,320
Trailing commission excluding discount unwind	41,545	42,988
Trailing commission discount unwind – finance income	9,597	10,255
Diversified products commission	3,206	3,688
Help Me Choose income including discount unwind	1	754
Financial Planning income	4,855	4,174
Franchise income	502	686
Interest	220	208
Other income	668	2,237
	99,552	102,310
<b>Direct costs</b>		
Origination commission	(28,464)	(27,100)
Trailing commission excluding discount unwind	(25,733)	(26,706)
Trailing commission discount unwind – finance costs	(5,892)	(6,205)
Diversified products commission	(2,395)	(2,847)
Help Me Choose direct costs	(1)	(297)
Financial Planning commission	(3,922)	(3,396)
	(33,927)	(33,351)
<b>Gross profit</b>	<b>33,145</b>	<b>35,759</b>
<b>Operating Expenses</b>		
Sales	(5,430)	(8,632)
Technology	(2,575)	(3,183)
Marketing	(4,464)	(4,420)
Corporate	(4,251)	(3,951)
	(16,720)	(20,206)
<b>Profit before income tax</b>	<b>16,425</b>	<b>15,573</b>
Income tax expense	(4,991)	(4,824)
	(11,434)	10,749
<b>Net profit attributable to the owners of Mortgage Choice Limited</b>	<b>11,434</b>	<b>10,749</b>
	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>		
From continuing operations		
Basic earnings per share	9.2	8.6
Diluted earnings per share	9.2	8.6

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

**Mortgage Choice Limited**  
**Condensed consolidated statement of comprehensive income**  
For the half-year ended 31 December 2016

	<b>Half-year ended</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Profit for the half-year</b>	<b>11,434</b>	<b>10,749</b>
Other comprehensive income	-	-
<b>Total comprehensive income attributable to the owners of Mortgage Choice Limited</b>	<b>11,434</b>	<b>10,749</b>

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

**Mortgage Choice Limited**  
**Condensed consolidated statement of financial position**  
As at 31 December 2016

	<b>31 December</b>	30 June
	<b>2016</b>	2016
	<b>\$'000</b>	\$'000
	Note	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	6,805	8,068
Trade and other receivables	102,918	102,140
<b>Total current assets</b>	<b>109,723</b>	110,208
<b>Non-current assets</b>		
Receivables	248,325	245,717
Property, plant and equipment	539	450
Intangible assets	6,191	6,475
<b>Total non-current assets</b>	<b>255,055</b>	252,642
<b>Total assets</b>	<b>364,778</b>	362,850
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	68,593	69,940
Current tax liabilities	990	1,159
Provisions	902	1,084
<b>Total current liabilities</b>	<b>70,485</b>	72,183
<b>Non-current liabilities</b>		
Trade and other payables	151,979	150,015
Deferred tax liabilities	37,998	37,661
Provisions	695	664
<b>Total non-current liabilities</b>	<b>190,672</b>	188,340
<b>Total liabilities</b>	<b>261,157</b>	260,523
<b>Net assets</b>	<b>103,621</b>	102,327
<b>EQUITY</b>		
Contributed equity	7,365	6,804
Reserves	1,542	1,664
Retained profits	94,714	93,859
<b>Total equity</b>	<b>103,621</b>	102,327

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

**Mortgage Choice Limited**  
**Condensed consolidated statement of changes in equity**  
As at 31 December 2016

	Note	Contributed equity \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2015</b>		<b>5,780</b>	<b>1,909</b>	<b>94,223</b>	<b>101,912</b>
<b>Total comprehensive income for the half-year</b>		-	-	<b>10,749</b>	<b>10,749</b>
<b>Transactions with equity holders in their capacity as owners:</b>					
Contributions of equity net of transaction costs	5	1,024	(1,024)	-	-
Dividends paid	4	-	-	(9,945)	(9,945)
Employee performance shares – value of employee services		-	320	-	320
		1,024	(704)	(9,945)	(9,625)
<b>Balance at 31 December 2015</b>		<b>6,804</b>	<b>1,205</b>	<b>95,027</b>	<b>103,036</b>
<b>Balance at 1 July 2016</b>		<b>6,804</b>	<b>1,664</b>	<b>93,859</b>	<b>102,327</b>
<b>Total comprehensive income for the half-year</b>		-	-	<b>11,434</b>	<b>11,434</b>
<b>Transactions with equity holders in their capacity as owners:</b>					
Contributions of equity net of transaction costs	5	561	(561)	-	-
Dividends paid	4	-	-	(10,579)	(10,579)
Employee performance shares – value of employee services		-	439	-	439
		561	(122)	(10,579)	(10,140)
<b>Balance at 31 December 2016</b>		<b>7,365</b>	<b>1,542</b>	<b>94,714</b>	<b>103,621</b>

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

**Mortgage Choice Limited**  
**Condensed consolidated statement of cash flows**  
For the half-year ended 31 December 2016

	<b>Half-year ended</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	<b>105,636</b>	108,351
Payments to suppliers and employees (inclusive of goods and services tax)	<b>(91,118)</b>	(95,772)
	<b>14,518</b>	12,579
Income taxes paid	<b>(4,823)</b>	(3,454)
<b>Net cash inflow from operating activities</b>	<b>9,695</b>	9,125
<b>Cash flows from investing activities</b>		
Payments for property, plant, equipment and intangibles	<b>(600)</b>	(340)
Proceeds from sale of PPE	<b>1</b>	-
Interest received	<b>220</b>	208
<b>Net cash (outflow) from investing activities</b>	<b>(379)</b>	(132)
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(10,579)</b>	(9,945)
<b>Net cash (outflow) from financing activities</b>	<b>(10,579)</b>	(9,945)
<b>Net decrease in cash and cash equivalents held</b>	<b>(1,263)</b>	(952)
Cash and cash equivalents at the beginning of the half-year	<b>8,068</b>	7,827
<b>Cash and cash equivalents at the end of the half-year</b>	<b>6,805</b>	6,875

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

## 1. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Mortgage Choice Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

All accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

### Critical accounting estimates and assumptions

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

#### *Trailing commissions*

The Group receives trailing commissions from lenders over the life of the settled loans in its loan book based on outstanding balance. The Group also 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.

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

The determination of the assumptions to be used in the valuation is made by Management based primarily on two factors: an annual assessment at year end, 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:

	31 December 2016	30 June 2016	31 December 2015
Weighted average loan life	3.8 years	3.8 years	3.8 years
Weighted average discount rate	5.9%	6.2%	6.5%
Percentage of commissions received paid to franchisees (10 year average)	62%	62%	61%

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.

## 2. 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 the 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). The Group operates only in Australia.

### (b) Information provided to the Chief Executive Officer

Information provided to the Chief Executive Officer for the purpose of making strategic and operating decisions for the half-year ended 31 December 2016 is as follows:

#### Product Segments

2016	Total \$'000	MOC \$'000	HMC \$'000	MCFP \$'000
Revenue (IFRS)	99,552	94,606	1	4,945
Gross Profit (IFRS)	33,145	32,122	-	1,023
Gross profit (cash)	32,924	31,459	442	1,023
OPEX (excl SBR)*	16,281	15,300	-	981
Depreciation and amortisation	796	783	-	13
Income tax expense	4,991	4,984	-	7
NPAT (IFRS)	11,434	11,418	-	16
NPAT (cash)	11,719	11,375	309	35
2015	Total \$'000	MOC \$'000	HMC \$'000	MCFP \$'000
Revenue (IFRS)	102,310	97,372	755	4,183
Gross Profit (IFRS)	35,759	34,514	458	787
Gross profit (cash)	34,359	32,728	844	787
OPEX (excl SBR)*	19,866	16,996	1,696	1,174
Depreciation and amortisation	833	733	67	33
Income tax expense	4,824	5,311	(365)	(122)
NPAT (IFRS)	10,749	11,884	(851)	(284)
NPAT (cash)	10,089	10,958	(603)	(266)

\* Share based remuneration

**2. Segment information (continued)**

**Cash versus IFRS**

	2016	2015	%	2016	2015	%
	Cash*			IFRS		
	\$000's	\$000's	change	\$000's	\$000's	change
Origination commission income	38,958	37,320	4%	38,958	37,320	4%
Trailing commission income**	48,267	47,395	2%	51,142	53,243	(4%)
	87,225	84,715	3%	90,100	90,563	(1%)
Origination commission paid	28,464	27,100	5%	28,464	27,100	5%
Trailing commission paid**	29,412	28,849	2%	31,625	32,911	(4%)
	57,876	55,949	3%	60,089	60,011	0%
<b>Net core commissions</b>	<b>29,349</b>	<b>28,766</b>	<b>2%</b>	<b>30,011</b>	<b>30,552</b>	<b>(2%)</b>
Diversified products net revenue	811	841	(4%)	811	841	(4%)
Financial planning net revenue	933	778	20%	933	778	20%
Help Me Choose net revenue	442	843	(48%)	-	457	(100%)
Other income	1,390	3,131	(56%)	1,390	3,131	(56%)
<b>Gross Profit</b>	<b>32,925</b>	<b>34,359</b>	<b>(4%)</b>	<b>33,145</b>	<b>35,759</b>	<b>(7%)</b>
Operating Expenses	16,281	19,866	(18%)	16,281	19,866	(18%)
Share based remuneration	-	-		439	320	37%
Net profit before tax	16,644	14,493	15%	16,425	15,573	5%
<b>Net profit after tax</b>	<b>11,719</b>	<b>10,089</b>	<b>16%</b>	<b>11,434</b>	<b>10,749</b>	<b>6%</b>

\* Cash excludes share based remuneration and the net present value of future trailing commissions receivable and payable.

\*\* IFRS trailing commission income and trailing commission paid include discount unwind as itemised in the condensed consolidated statement of profit and loss.

**2. Segment information (continued)**

The following provides additional detail to assist in reconciliation of the above table to the condensed consolidated statement of profit and loss:

	2016	2015	%		2016	2015	%
	Cash				IFRS		
	\$000's	\$000's	change		\$000's	\$000's	change
Diversified products commission	3,206	3,688	(13%)		3,206	3,688	(13%)
Diversified products direct costs	2,395	2,847	(16%)		2,395	2,847	(16%)
<b>Diversified products net income</b>	<b>811</b>	<b>841</b>	<b>(4%)</b>		<b>811</b>	<b>841</b>	<b>(4%)</b>
Financial planning revenue	4,855	4,174	16%		4,855	4,174	16%
Financial planning direct costs	3,922	3,396	15%		3,922	3,396	15%
<b>Financial planning net revenue</b>	<b>933</b>	<b>778</b>	<b>20%</b>		<b>933</b>	<b>778</b>	<b>20%</b>
Help Me Choose income*	443	1,140	(61%)		1	754	(100%)
Help Me Choose direct costs	1	297	(100%)		1	297	(100%)
<b>Help Me Choose net income</b>	<b>442</b>	<b>843</b>	<b>(48%)</b>		<b>-</b>	<b>457</b>	<b>(100%)</b>
Franchise income	502	686	(27%)		502	686	(27%)
Interest	220	208	6%		220	208	6%
Other Income	668	2,237	(70%)		668	2,237	(70%)
<b>Other income</b>	<b>1,390</b>	<b>3,131</b>	<b>(56%)</b>		<b>1,390</b>	<b>3,131</b>	<b>(56%)</b>

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

**(c) Other information**

*(i) Operating income*

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

*(ii) Asset write-off in Help Me Choose*

Following the close down of the Help Me Choose business in September 2015, the assets that were no longer in use were written off. The total value of the write-off in the half year ended 31 December 2015 was \$361,000, which related to software and plant and equipment.

**2. Segment information (continued)**

(iii) *Net profit after tax*

The cash net profit after tax reconciles to the reported profit after tax as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Cash Net profit after tax</b>	<b>11,719</b>	<b>10,089</b>
NPV future trails on new loans originated, net of payout	10,631	11,229
Less net cash from trail previously recognised under IFRS	(10,252)	(10,024)
NPV future trails on Help Me Choose policies written	-	118
Less net cash from trail previously recognised under IFRS	(309)	(388)
Plus gain on prepayment of trail liability	16	-
Plus reversal of amortisation of trail liability*	68	45
Less share based remuneration expense	(439)	(320)
<b>Net IFRS after tax profit for the half-year</b>	<b>11,434</b>	<b>10,749</b>

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

**3. Financial Instruments**

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values with the exception of those listed in the following table. The carrying amount represents the net present value of trailing commissions receivable and payable recorded at fair value at the time of recognition and carried at amortised cost.

	<b>31 December 2016</b>		<b>30 June 2016</b>	
	<b>Carrying amount \$'000</b>	<b>Fair value \$'000</b>	<b>Carrying amount \$'000</b>	<b>Fair value \$'000</b>
<b>Financial assets</b>				
Future Trailing Commission Receivable - Current	<b>86,342</b>	<b>86,759</b>	86,372	87,139
Future Trailing Commission Receivable – Non current	<b>245,654</b>	<b>261,382</b>	243,191	262,027
<b>Financial liabilities</b>				
Future Trailing Commission Payable - Current	<b>53,049</b>	<b>53,348</b>	52,930	52,981
Future Trailing Commission Payable – Non current	<b>151,979</b>	<b>161,758</b>	150,012	160,391

#### 4. Dividends

	Half-year	
	2016	2015
	\$'000	\$'000
<b>Ordinary shares</b>		
Dividends provided for or paid during the half-year	10,579	9,945
<b>Dividends not recognised at the end of the half-year</b>		
In addition to the above dividends, since the end of the half-year the Directors have recommended the payment of an interim 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 23 March 2017 out of retained profits at 31 December 2016, but not recognised as a liability at the end of the half-year, is	10,621	9,957

#### 5. Equity securities issued

	2016	2015	2016	2015
	Shares	Shares	\$'000	\$'000
<b>Issues of ordinary shares during the half-year</b>				
Shares issued under the Mortgage Choice Performance Share Plan and Performance Rights Plan	272,232	538,670	561	1,024

#### 6. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 31 December 2016 in respect of:

##### *Guarantees*

Australian and New Zealand (ANZ) bank guarantee of \$631,559 (2015: \$755,414).

##### *Contingent claims*

From time to time, disputes occur between the group and its franchisees in the normal course of operation, a number of which may be unresolved at any point in time. At 31 December 2016, there were no disputes or claims in progress that are expected to have a material financial impact on the group.

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

#### 7. Events occurring after the balance sheet date

No matter or circumstance has arisen subsequent to 31 December 2016 that has significantly affected, or may significantly affect:

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

**Mortgage Choice Limited**

**Directors' declaration**

31 December 2016

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 16 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 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Mortgage Choice Limited will be able to pay its debts as and when they become due and payable.

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



Peter Ritchie  
Chairman

Sydney  
22 February 2017



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

We have reviewed the accompanying half-year financial report of Mortgage Choice Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit and loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half year as set out on pages 6 to 17.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mortgage Choice Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Auditor's Independence Declaration*

In conducting our review, 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 review report.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mortgage Choice Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Heather Baister  
Partner  
Chartered Accountants  
Sydney, 22 February 2017