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MORTGAGE CHOICE LIMITED

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Appendix 4E
Preliminary Final Report
for the year ended 30 June 2015

Lodged with the ASX under Listing Rule 4.3A on 19 August 2015

Contents	**Page**

Audit/Review

This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu.

Results for announcement to market

Comparison to previous corresponding period

	To 30 June 2014		30 June 2015	
		% change		A$'000
Revenue from ordinary activities				
Including discontinued operations	up	3.4%	to	184,795
Excluding discontinued operations	up	3.5%	to	184,795
Profit from ordinary activities after tax attributable to members				
Including discontinued operations	down	4.8%	to	18,856
Excluding discontinued operations	up	1.7%	to	18,856
Net profit for the period attributable to members				
Including discontinued operations	down	4.8%	to	18,856
Excluding discontinued operations	up	1.7%	to	18,856
Earnings per share				
Including discontinued operations	down	5.0%	to	15.2 cents
Excluding discontinued operations	up	1.3%	to	15.2 cents

Dividends

Details of dividends/distributions declared or paid during the year ended 30 June 2015 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
1 September 2014	15 September 2014	Final	8.0 cents	$9,911,000	8.0 cents	-
4 March 2015	19 March 2015	Interim	7.5 cents	$9,316,000	7.5 cents	-

A fully franked final dividend of 8.0 cents per share in respect of the year ended 30 June 2015 was declared on 18 August 2015 and is expected to be paid on 10 September 2015. The record date for determining entitlement to this dividend will be 26 August 2015.

Discussion and analysis of financial results

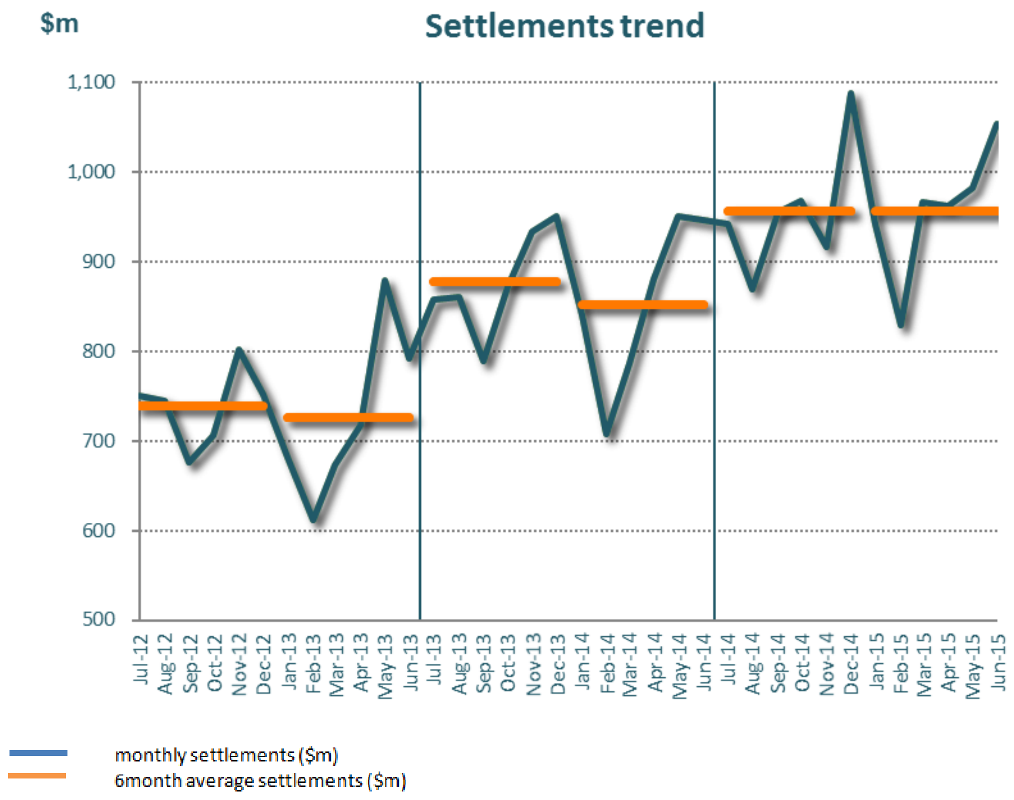
Operating and Financial Review
2014/15 was a year of mixed results for Mortgage Choice.

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

But while the core broking business performed in line with expectations, the Group lost some ground in comparison to last year on a cash net profit after tax basis.

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

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



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

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

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

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

Broker usage growing in buoyant market

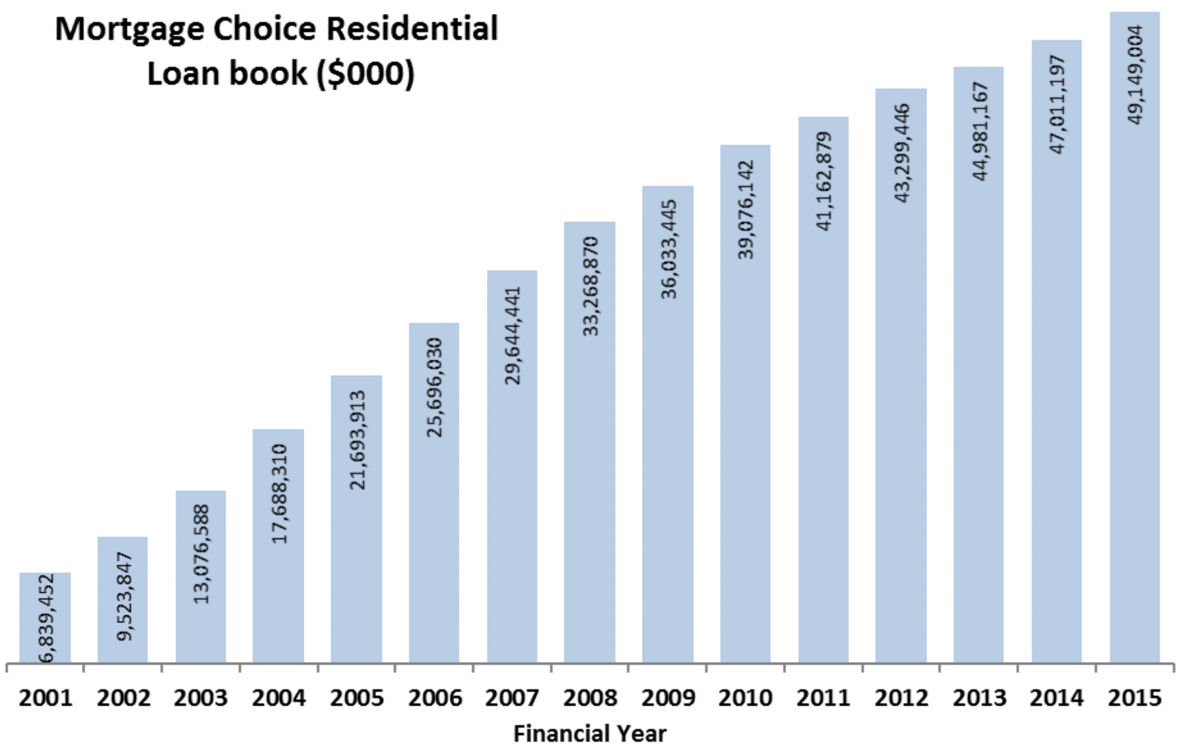
The market for home loans grew to new heights in FY15, with data from the Australian Bureau of Statistics showing dwelling commitments hitting a five year high in April 2015. More than 53,000 home loans were approved over the course of April 2015 - a level not seen since October 2009 when the boosted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

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

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

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

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



Total growth for the residential loan book over the course of FY15 was 4.5% - up from $47 billion in FY14.

MC retains dividend

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

Mortgage Choice Financial Planning

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

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

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

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

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

Diversified services

Throughout FY15, the percentage of gross revenue from diversification grew, reaching 9.8% from 7.4% the year prior.

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

Help Me Choose

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

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

Investing for future growth

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

Refreshing the Mortgage Choice Brand

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

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

Project One – Phase one on time and on budget

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

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

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

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

Plus One

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

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

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

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

Financial Results wrap-up

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

Yet, despite the non-recurring expenses and the disappointing result from HMC, Mortgage Choice managed to return a profit similar to last year and maintain the dividend.

New CEO appointed

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

Mr Flavell, who officially took over the role of chief executive officer on 23 April 2015, joined the company with more than 20 years management experience and 15 years financial services experience.
In his role as chief executive officer, John Flavell is committed to helping the Company take the next step in its evolution.

Strategic focus for 2016 and beyond
Throughout FY2015, Mortgage Choice continued its transition toward becoming a diversified retail financial services player.

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

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

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

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

The ongoing profitability of Help Me Choose is a short term priority.

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

Preliminary consolidated income statement
For the year ended 30 June 2015

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

Earnings per share		**Cents**	**Cents**
From continuing and discontinued operations			
Basic earnings per share	5	**15.2**	16.0
Diluted earnings per share	5	**15.2**	16.0
From continuing operations			
Basic earnings per share	5	**15.2**	15.0
Diluted earnings per share	5	**15.2**	15.0

Preliminary consolidated balance sheet

As at 30 June 2015

	Notes	Consolidated 2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**7,827**	12,445
Trade and other receivables		**100,399**	98,876
Total current assets		**108,226**	111,321
Non-current assets			
Receivables		**238,209**	238,244
Property, plant and equipment		**826**	907
Deferred tax assets		**-**	-
Intangible assets		**7,148**	2,349
Total non-current assets		**246,183**	241,500
Total assets		**354,409**	352,821
LIABILITIES			
Current liabilities			
Trade and other payables		**69,931**	66,702
Current tax liabilities		**119**	2,418
Provisions		**1,305**	1,103
Total current liabilities		**71,355**	70,223
Non-current liabilities			
Payables		**142,895**	142,900
Deferred tax liabilities		**37,476**	36,605
Provisions		**771**	762
Total non-current liabilities		**181,142**	180,267
Total liabilities		**252,497**	250,490
Net assets		**101,912**	102,331
EQUITY			
Contributed equity	3	**5,780**	4,604
Reserves	4	**1,909**	2,210
Retained profits	4	**94,223**	95,517
Total equity		**101,912**	102,331
		Cents	Cents
Net tangible assets per share		**76.3**	80.8

Preliminary statements of changes in equity
As at 30 June 2015

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

Preliminary cash flow statement

For the year ended 30 June 2015

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

Note 1 Expenses

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

(a) Interest and finance charges

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

(b) Impairment loss

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

Note 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 management has identified four reportable product segments, Mortgage Choice franchised mortgage broking (MOC) , Help Me Choose health fund and mortgage comparison website (HMC), Mortgage Choice Financial Planning (MCFP) and LoanKit aggregation mortgage broking (LoanKit) (discontinued). The Group operates only in Australia.

(b) Information provided to the senior executive

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

Product Segments

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

*Share based remuneration

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

*Share based remuneration

Note 2 Segment information (continued)

Cash versus IFRS

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

* 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.

$^{\beta}$ 2014 income and expenses have been restated to combine trading results to 30 September 2013 in the discontinued operation (LoanKit) with the after tax gain on sale of LoanKit. Refer note 5 for further details.

Note 2 Segment information (continued)

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

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

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

(c) Other information

(i) Operating income

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

(ii) Net profit after tax

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

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

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

Note 2 Segment information (continued)

(iii) Gross profit and net core commissions

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

	Gross Profit			Net Core Commissions	
	2015 $000's	2014 $000's		**2015 $000's**	2014 $000's
Cash	**63,717**	61,126		**53,699**	52,452
NPV future trails on new loans originated, net of payout	**29,435**	28,476		**29,435**	28,476
Less net cash from trail previously recognised under IFRS	**(26,241)**	(25,906)		**(26,241)**	(25,906)
Plus adjustments to loan book assumptions	**(2,293)**	(1,638)		**(2,293)**	(1,638)
Plus gain on prepayment of trail liability	**-**	264		**-**	264
Plus reversal of amortisation of trail liability*	**177**	283		**177**	283
NPV future trails on Help Me Choose policies written	**1,413**	590		**-**	-
Less net cash from trail previously recognised under IFRS	**(825)**	(540)		**-**	-
IFRS	**65,383**	62,745		**54,778**	53,931

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

Note 3 Contributed equity

Movements in ordinary share capital

Date	Details	Number of shares	$'000
30 June 2013	Balance	121,708,784	4,018
31 August 2013	Treasury shares issues under the Performance Share Plan to employees	169,333	21
September 2013	Treasury shares issues under the Performance Share Plan to employees	189,699	22
13 September 2013	Treasury shares issues under the Performance Share Plan to employees	102,080	15
31 October 2013	Shares issued to the Mortgage Choice Performance Share Plan Trust	349,105	
31 October 2013	Held as treasury shares	(349,105)	
30 June 2014	Balance	122,169,896	4,604
31 December 2013	Shares issued to the Mortgage Choice Performance Share Plan Trust	16,346	2
23 August 2014	Treasury shares issues under the Share Rights Plan to employees	98,909	23
3 September 2014	Treasury shares issues under the Performance Share Plan to employees	180,452	22
12 September 2014	Treasury shares issues under the Performance Share Plan to employees	567,254	69
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

Note 4 Reserves and retained profits

(a) Reserves

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

(b) Retained profits

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

(c) Adjustment for provision for clawbacks

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

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

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

(d) Nature and purpose of reserves

(ii) *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 5 Earnings per share

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

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

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

Note 6 Events occurring after the balance sheet date

(a) Dividend payment

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

Note 7 Reconciliation of profit after income tax to net cash inflow from operating activities

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