



Mortgage Choice Limited

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ABN: 57 009 161 979

Appendix 4D Preliminary Half Year Report 31 December 2014

Lodged with the ASX under Listing Rule 4.2A on 25 February 2015

Reporting Period

This report covers the half year period from 1 July 2014 to 31 December 2014. The previous corresponding period was the half year from 1 July 2013 to 31 December 2013.

Results for announcement to market

Discussion and analysis of statutory results

Operational results

For the half-year to 31 December 2014, both Mortgage Choice's residential approvals and settlements have increased 14% and 12% respectively compared to the prior six month period to 30 June 2014. By comparison to the half-year to December 2013, volumes have increased 11% for approvals and have increased 9% for settlements.

		6 mths to 31-Dec-13	6 mths to 30-Jun-14	6 mths to 31-Dec-14
Loans approved	(\$m)	6,191	6,043	6,898
Growth			-2%	14%
Loans settled	(\$m)	5,261	5,110	5,736
Growth			-3%	12%

The loan book balance continued to grow. At 31 December 2014, the balance was \$48.4 billion, including diversified loans. Mortgage Choice's residential loan book increased to \$48.0 billion, a 2.2% increase on the 30 June 2014 balance of \$47.0 billion and a 4.4% increase on the 31 December 2013 balance of \$46.0 billion.

Financial results

The underlying revenue for the half-year to 31 December 2014 was higher than the previous two six months periods due to commission revenue from higher settlements, increased revenue from diversified products and increased revenue from Financial Planning and HelpMeChoose.com.au. The underlying result for the current period before tax, compared to the previous two six months periods, was higher reflecting the increased revenue as well as continued investment in Financial Planning and HelpMeChoose.

At 30 June 2014, the Company performed a full actuarial review of the loan book and the assumptions used to estimate future trailing commission. At 31 December 2014, the Company reviewed the actual run off experienced against those assumptions and determined that no adjustment was required. At 30 June 2015 a full actuarial review will be completed and the assumptions used to estimate future trailing commission will be reviewed by management in full and any adjustments arising from that review will be booked at that time.

The following summarises the results of the Group for the six months to 31 December 2014 and the two prior periods:

	6 months to 31-Dec-13	6 months to 30-Jun-14	6 months to 31-Dec-14	% change Dec 13-Dec 14
Financial Summary	\$000's	\$000's	\$000's	
Underlying revenue	87,429	87,626	97,029	11.0%
Adjustment to loan book assumptions	-	3,409	-	
Revenue from continuing operations	87,429	91,035	97,029	11.0%
Discontinued operations	1,994	-	-	
Total revenue from ordinary activities	89,423	91,035	97,029	8.5%
Underlying result before tax	14,136	14,298	14,363	1.6%
Adjustment to loan book assumptions	-	(1,638)	-	
Result from continuing operations	14,136	12,660	14,363	1.6%
Discontinued operations	1,534	-	-	
Total result before tax	15,670	12,660	14,363	(8.3%)
Profit after tax from continuing operations	9,749	8,798	9,972	2.3%
Discontinued operations	1,252	-	-	
Profit from ordinary activities after tax attributable to members	11,001	8,798	9,972	(9.4%)
Net tangible asset backing per ordinary share	81.0 cents	80.8 cents	78.1 cents	(3.6%)

Dividends

Details of dividends/distributions declared or paid during the twelve months ended 31 December 2014 are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
11 September 2014	Final	8.0 cents	\$9,910,000	8.0 cents	-
24 March 2014	Interim	7.5 cents	\$9,284,000	7.5 cents	-

Subsequent to 31 December 2014, a fully franked interim dividend of 7.5 cents was declared on 24 February 2015 and it is expected to be paid on 19 March 2015. The record date for determining entitlement to this dividend will be 4 March 2015.

Non IFRS Cash Results

The Company also presents its non IFRS cash results from ordinary activities of \$8,972,000, after tax which is in line with 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 2014

Mortgage Choice Limited

Interim financial report for the half-year ended 31 December 2014

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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 2014 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 2014

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 2014, 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

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

- 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; and
- the submission of loan applications on behalf of intending borrowers.

The Group provides credit advice and assistance on a broad range of loan products as well as other ancillary products. In addition for the last two years the Group has provided financial advice appropriate to the lifestyles of our clients covering life insurance, super and investment advice through the Group's financial planning side of the business. Mortgage Choice's subsidiary HelpMeChoose.com.au manages a comparison website that provides comparisons for several critical categories of household expenses: mortgages, health insurance, life insurance (through our financial planning arm) and energy.

Review of Operations

The report on the Mortgage Choice Group for the half-year ended 31 December 2014 is as follows:

Operational results

For the half-year to 31 December 2014, both Mortgage Choice's residential approvals and settlements have increased 14% and 12% respectively compared to the prior six month period to 30 June 2014. By comparison to the half-year to December 2013, volumes have increased 11% for approvals and have increased 9% for settlements.

Mortgage Choice Limited

Directors' report

As at 31 December 2014

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The loan book balance continued to grow. At 31 December 2014, the balance was \$48.4 billion, including diversified loans. Mortgage Choice's residential loan book increased to \$48.0 billion, a 2.2% increase on the 30 June 2014 balance of \$47.0 billion and a 4.4% increase on the 31 December 2013 balance of \$46.0 billion.

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The underlying revenue for the half-year to 31 December 2014 was higher than the previous two six months periods due to commission revenue from higher settlements, increased revenue from diversified products and increased revenue from Financial Planning and HelpMeChoose.com.au. The underlying result for the current period before tax, compared to the previous two six months periods, was higher reflecting the increased revenue as well as continued investment in Financial Planning and HelpMeChoose.

At 30 June 2014, the Company performed a full actuarial review of the loan book and the assumptions used to estimate future trailing commission. At 31 December 2014, the Company reviewed the actual run off experienced against those assumptions and determined that no adjustment was required. At 30 June 2015 a full actuarial review will be completed and the assumptions used to estimate future trailing commission will be reviewed by management in full and any adjustments arising from that review will be booked at that time.

The following summarises the results of the Group for the six months to 31 December 2014 and the two prior periods:

	6 months to 31-Dec-13	6 months to 30-Jun-14	6 months to 31-Dec-14
Financial Summary	\$000's	\$000's	\$000's
Underlying revenue	87,429	87,626	97,029
LoanKit revenue	329	-	-
Gain on sale of LoanKit	1,665	-	-
Adjustment to loan book assumptions	-	3,409	-
Total Revenue	89,423	91,035	97,029
Full Year Ended 30 June 2014		180,458	
Underlying result before tax	14,136	14,298	14,363
LoanKit result before tax	(131)	-	-
Gain on sale of LoanKit before tax	1,665	-	-
Adjustment to loan book assumptions	-	(1,638)	-
Total result before tax	15,670	12,660	14,363
Full Year Ended 30 June 2014		28,330	

Mortgage Choice Limited

Directors' report

As at 31 December 2014

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 6.

Rounding of amounts to the nearest thousand dollars

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



Peter Ritchie
Chairman

Sydney
24 February 2015

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

24 February 2015

Dear Board Members

Mortgage Choice Limited

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

As lead audit partner for the review of the financial statements of Mortgage Choice Limited for the half-year ended 31 December 2014, 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



Philip Hardy
Partner
Chartered Accountants

Mortgage Choice Limited
Consolidated statement of profit and loss
For the half-year ended 31 December 2014

	Note	Half-year ended	
		31 Dec 2014 \$'000	31 Dec 2013 \$'000
Continuing operations			
Revenue			
Origination commission	7	34,980	31,722
Trailing commission excluding discount unwind		39,574	35,898
Trailing commission discount unwind		11,296	12,064
Diversified products commission		3,432	2,805
Help Me Choose income excluding discount unwind		2,443	1,711
Help Me Choose income discount unwind		38	47
Financial Planning income		2,624	1,034
Franchise income		596	554
Interest		268	258
Other income		1,778	1,336
		<u>97,029</u>	<u>87,429</u>
Direct costs			
Origination commission	7	(25,828)	(23,084)
Trailing commission excluding discount unwind		(24,088)	(20,893)
Trailing commission discount unwind – finance costs		(6,839)	(7,227)
Diversified products commission		(2,655)	(2,202)
Help Me Choose direct costs		(777)	(668)
Financial Planning commission		(2,147)	(843)
		<u>(34,695)</u>	<u>(32,512)</u>
Gross profit			
Operating Expenses			
Sales		(9,148)	(7,110)
Technology		(2,535)	(2,814)
Marketing		(4,731)	(4,391)
Corporate		(3,918)	(4,061)
		<u>(14,363)</u>	<u>(14,136)</u>
Profit before income tax			
Income tax expense		(4,391)	(4,387)
		<u>(4,391)</u>	<u>(4,387)</u>
Profit for the period from continuing operations			
		<u>9,972</u>	<u>9,749</u>
Discontinued operation			
Profit/(loss) for the period from discontinued operation	3	-	1,252
		<u>-</u>	<u>1,252</u>
Net profit attributable to the owners of Mortgage Choice Limited			
		<u>9,972</u>	<u>11,001</u>
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share		8.0	8.9
Diluted earnings per share		8.0	8.9
From continuing operations			
Basic earnings per share		8.0	7.9
Diluted earnings per share		8.0	7.9

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

Mortgage Choice Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2014

	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Profit for the half-year	9,972	11,001
Other comprehensive income	-	-
Total comprehensive income attributable to the owners of Mortgage Choice Limited	9,972	11,001

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

Mortgage Choice Limited
Consolidated statement of financial position
As at 31 December 2014

		31 December	30 June
		2014	2014
		\$'000	\$'000
	Note		
ASSETS			
Current assets			
Cash and cash equivalents		6,264	12,445
Trade and other receivables	7	97,936	98,876
Total current assets		104,200	111,321
Non-current assets			
Receivables		242,976	238,244
Property, plant and equipment		905	907
Intangible assets		5,249	2,349
Total non-current assets		249,130	241,500
Total assets		353,330	352,821
LIABILITIES			
Current liabilities			
Trade and other payables	7	64,112	66,702
Current tax liabilities		865	2,418
Provisions		1,143	1,103
Total current liabilities		66,120	70,223
Non-current liabilities			
Trade and other payables		146,090	142,900
Deferred tax liabilities		38,082	36,605
Provisions		826	762
Total non-current liabilities		184,998	180,267
Total liabilities		251,118	250,490
Net assets		102,212	102,331
EQUITY			
Contributed equity		5,758	4,604
Reserves		1,799	2,210
Retained profits		94,655	95,517
Total equity		102,212	102,331

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

Mortgage Choice Limited
Consolidated statement of changes in equity
As at 31 December 2014

Note	Contributed equity \$'000	Share based payments reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013	4,018	1,472	93,642	99,132
Total comprehensive income for the half-year	-	-	11,001	11,001
Transactions with equity holders in their capacity as owners:				
Contributions of equity net of transaction costs	586	(586)	-	-
Dividends paid	-	-	(8,640)	(8,640)
Employee performance shares – value of employee services	-	605	-	605
	586	19	(8,640)	(8,035)
Balance at 31 December 2013	4,604	1,491	96,003	102,098
Balance at 1 July 2014	4,604	2,210	95,517	102,331
Total comprehensive income for the half-year	-	-	9,972	9,972
Transactions with equity holders in their capacity as owners:				
Contributions of equity net of transaction costs	1,154	(1,154)	-	-
Dividends paid	-	-	(9,910)	(9,910)
Adjustment for provision for clawbacks	-	-	(924)	(924)
Employee performance shares – value of employee services	-	743	-	743
	1,154	(411)	(10,834)	(10,091)
Balance at 31 December 2014	5,758	1,799	94,655	102,212

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

Mortgage Choice Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2014

	Half-year ended	
	31 Dec 2014	31 Dec 2013
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	99,332	90,352
Payments to suppliers and employees (inclusive of goods and services tax)	(88,263)	(78,964)
	11,069	11,388
Income taxes paid	(4,070)	(3,901)
Net cash inflow from operating activities	6,999	7,487
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	(3,538)	(725)
Proceeds from sale of LoanKit net of selling costs	-	1,595
Interest received	268	258
Net cash (outflow) from investing activities	(3,270)	1,128
Cash flows from financing activities		
Dividends paid to company's shareholders	(9,910)	(8,640)
Net cash (outflow) from financing activities	(9,910)	(8,640)
Net decrease in cash and cash equivalents held	(6,181)	(25)
Cash and cash equivalents at the beginning of the half-year	12,445	10,953
Cash and cash equivalents at the end of the half-year	6,264	10,928

The above 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 2014 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 2014 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 Company 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.

The Company receives trailing commissions from lenders over the life of the settled loans in its loan book based on outstanding balance. The Company 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, 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 2014	31 December 2013
Weighted average loan life	4.0 years	4.0 years
Weighted average discount rate	7.2%	8.0%
Percentage of commissions received paid to franchisees (10 year average)	61%	60%

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 four reportable product segments, Mortgage Choice franchised mortgage broking (MOC), Help Me Choose health fund and mortgage comparison website (HMC), LoanKit aggregation mortgage broking (LoanKit) (discontinued) 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 half-year ended 31 December 2014 is as follows:

Product Segments

2014	Total \$'000	MOC \$'000	HMC \$'000	LoanKit \$'000 (Discontinued)	MCFP \$'000
Revenue (IFRS)	97,029	91,827	2,502	0	2,700
Revenue (cash)	90,268	85,253	2,315	0	2,700
Gross Profit (IFRS)	34,695	32,417	1,725	0	553
Gross profit (cash)	32,205	30,093	1,559	0	553
Depreciation and amortisation	605	509	63	0	33
Income tax expense	4,391	4,726	(181)	0	(154)
NPAT (IFRS)	9,972	10,753	(422)	0	(359)
NPAT (cash)	8,972	9,836	(522)	0	(342)
2013	Total \$'000	MOC \$'000	HMC \$'000	LoanKit \$'000 (Discontinued)	MCFP \$'000
Revenue (IFRS)	87,758	84,598	1,776	329	1,055
Revenue (cash)	83,685	80,595	1,705	329	1,055
Gross Profit (IFRS)	32,841	31,191	1,108	329	213
Gross profit (cash)	30,995	29,398	1,055	329	213
Depreciation and amortisation	900	801	63	28	8
Income tax expense	4,348	4,618	(76)	(39)	(155)
NPAT (IFRS)	9,657	10,291	(177)	(92)	(365)
NPAT (cash)	8,970	9,620	(203)	(98)	(349)
NPAT (IFRS) including sale of Loankit	11,001	11,635	(177)	(92)	(365)
NPAT (cash) including sale of Loankit	10,314	10,964	(203)	(98)	(349)

2. Segment information (continued)

Cash versus IFRS

	2014	2013	%	2014	2013	%
	Cash*			IFRS***		
	\$000's	\$000's	change	\$000's	\$000's	change
Origination commission income	34,980	31,722	10%	34,980	31,722	10%
Trailing commission income**	44,273	43,942	1%	50,870	47,962	6%
	79,253	75,664	5%	85,850	79,684	8%
Origination commission paid	25,828	23,084	12%	25,828	23,084	12%
Trailing commission paid**	26,654	25,893	3%	30,927	28,120	10%
	52,482	48,977	7%	56,755	51,204	11%
Net core commissions	26,771	26,687	0%	29,095	28,480	2%
Diversified products net revenue	777	603	29%	777	603	29%
Help Me Choose and Financial planning net revenue	2,015	1,228	64%	2,181	1,281	70%
LoanKit revenue	-	310	(100%)	-	310	(100%)
Other income	2,642	2,167	22%	2,642	2,167	22%
Gross Profit	32,205	30,995	4%	34,695	32,841	6%
Operating Expenses	19,589	18,231	7%	19,589	18,231	7%
Share based remuneration	-	-		743	605	23%
Net profit before tax	12,616	12,764	(1%)	14,363	14,005	3%
Net profit after tax	8,972	8,970	0%	9,972	9,657	3%
After tax gain on sale of LoanKit	-	1,344	(100%)	-	1,344	(100%)
NPAT including gain on sale of LoanKit	8,972	10,314	(13%)	9,972	11,001	(9%)

* 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 consolidated statement of profit and loss.

*** IFRS income and expenses include trading results to 30 September 2013 in the discontinued operation (LoanKit). Refer note 3 for further details.

2. Segment information (continued)

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

	2014	2013	%		2014	2013	%
	Cash				IFRS		
	\$000's	\$000's	change		\$000's	\$000's	change
Diversified products commission	3,432	2,805	22%		3,432	2,805	22%
Diversified products direct costs	2,655	2,202	21%		2,655	2,202	21%
Diversified products net income	777	603	29%		777	603	29%
Help Me Choose income*	2,315	1,705	36%		2,481	1,758	41%
Help Me Choose direct costs	777	668	16%		777	668	16%
Help Me Choose net income	1,538	1,037	48%		1,704	1,090	56%
Financial planning revenue	2,624	1,034	154%		2,624	1,034	154%
Financial planning direct costs	2,147	842	155%		2,147	843	155%
Financial planning net revenue	477	192	150%		477	191	150%
LoanKit service fees	-	310	(100%)		-	310	(100%)
HMC, LoanKit and Financial planning net revenue	2,015	1,539	31%		2,181	1,591	37%
Franchise income	596	554	8%		596	554	8%
Interest	268	258	4%		268	258	4%
Other Income	1,778	1,355	31%		1,778	1,355	31%
Other income	2,642	2,167	22%		2,642	2,167	22%

* 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.

2. Segment information (continued)

(ii) *Net profit after tax*

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

	2014 \$000's	2013 \$000's
Cash Net profit after tax excluding gain on sale of LoanKit	8,972	8,970
Plus gain on sale of LoanKit	-	1,344
Cash Net profit after tax including gain on sale of LoanKit	8,972	10,314
NPV future trails on new loans originated, net of payout	10,494	9,918
Less net cash from trail previously recognised under IFRS	(8,936)	(8,955)
NPV future trails on Help Me Choose policies written	373	184
Less net cash from trail previously recognised under IFRS	(257)	(146)
Plus gain on prepayment of trail liability	-	184
Plus reversal of amortisation of trail liability*	69	107
Less share based payments expense	(743)	(605)
Net IFRS after tax profit for the half-year	9,972	11,001

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

3. Discontinued operation

(i) *Description*

On 30 September 2013 Mortgage Choice sold 100% of the issued shares in Beagle Finance Pty Limited, owner of the LoanKit mortgage brokerage aggregation business, for cash consideration of \$1,750,000 and contingent consideration of \$100,000. The LoanKit division is reported in these financial statements as a discontinued operation.

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

(ii) *Financial performance and cash flow information*

The financial performance and cash flow information presented are for the half year ended 31 December 2013. This includes costs incurred by Mortgage Choice between 1 October 2013 and 31 December 2013.

	Half-year
	2013
	\$'000
Revenue	310
Interest	-
Other income	19
	<u>329</u>
Expenses	460
Loss before income tax	(131)
Income tax expense	39
Loss after tax of discontinued operation	<u>(92)</u>
Gain on sale of division before income tax	1,665
Income tax expense	(321)
Gain on sale of division after income tax	<u>1,344</u>
Profit/(loss) from discontinued operation	<u><u>1,252</u></u>

3. Discontinued operation (continued)

	Half-year
	2013
	\$'000
Net cash inflow/(outflow) from operating activities	(60)
Net cash inflow from investing activities (2013 includes inflow of \$1,750,000 from sale of the division)	1,750
Net increase/(decrease) in cash for discontinued operation	<u><u>1,690</u></u>

(iii) *Details of the sale of the division*

	2013
	\$'000
Consideration received or receivable:	
Cash	1,750
Fair value of contingent consideration	100
Total disposal consideration	<u>1,850</u>
Selling costs	(155)
Carrying amount of net assets sold	<u>(30)</u>
	1,665
Income tax expense	<u>(321)</u>
	<u>1,344</u>

Contingent consideration of \$100,000 was paid on 31 March 2014 as Mortgage Choice met specified hand over requirements. At 31 December 2013, the fair value of the contingent consideration was recognised as a receivable.

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

	30 September
	2013
	\$'000
Assets	
Cash and cash equivalents	13
Trade and other receivables	6
Intangible assets	29
Total assets	<u>48</u>
Liabilities	
Trade and other payables	18
Total Liabilities	<u>18</u>
Net assets	<u>30</u>

4. Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the 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.

	31 December 2014		30 June 2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Future Trailing Commission Receivable - Current	82,884	83,570	80,975	82,082
Future Trailing Commission Receivable – Non current	240,989	261,414	236,135	260,100
Financial liabilities				
Future Trailing Commission Payable - Current	49,816	50,251	48,645	49,166
Future Trailing Commission Payable – Non current	146,090	158,170	142,889	156,913

5. Dividends

	Half-year	
	2014 \$'000	2013 \$'000
Ordinary shares		
Dividends provided for or paid during the half-year	9,910	8,640
Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the Directors have recommended the payment of an interim dividend of 7.5 cents per fully paid ordinary share (2013 – 7.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 19 March 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is	9,316	9,284

6. Equity securities issued

	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Issues of ordinary shares during the half-year				
Shares issued under the Mortgage Choice Performance Share Plan	862,961	461,112	1,154	585

7. Adjustment to retained earnings for the 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 31 December 2014 half year of \$924,000 from \$95,517,000 to \$94,593,000.

Should commission be clawed back by lenders, a corresponding clawback will be deducted from franchisees and the adjustment to retained earnings is net of this deduction.

Had this accounting treatment been in place for the period July – December 2013, the net profit after tax for that period would have reduced by \$110,000.

8. Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 31 December 2014 in respect of:

Guarantees

Australian and New Zealand (ANZ) bank guarantee of \$809,315 (2013: \$772,375).

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 31 December 2014, there were no disputes or claims in progress that are expected to have a material financial impact on the company.

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

9. Events occurring after the balance sheet date

No matter or circumstance has arisen subsequent to 31 December 2014 that has significantly affected, or may significantly affect:

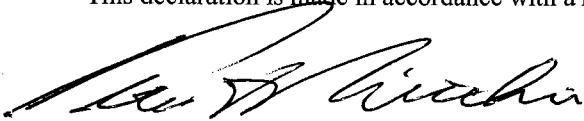
- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

Mortgage Choice Limited
Directors' declaration
31 December 2014

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 19 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 2014 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
24 February 2015

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 consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the 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 7 to 20.

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 2014 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.

Deloitte.

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 2014 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*.

The logo for Deloitte Touche Tohmatsu, written in a cursive, handwritten style.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to read 'Philip Hardy'.

Philip Hardy
Partner
Chartered Accountants
Sydney, 24 February 2015