Mortgage Choice Limited
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ABN: 57 009 161 979

Appendix 4D
Preliminary Half Year Report
31 December 2019

Lodged with the ASX under Listing Rule 4.2A on 19 February 2020

Reporting Period

This report covers the half year period from 1 July 2019 to 31 December 2019. The previous corresponding period was the half year from 1 July 2018 to 31 December 2018.

Results for announcement to market

Discussion and analysis of statutory results

Operational and financial results analysis

There has been a consistent recovery in the home loan market from July throughout the six months to 31 December 2019 following the federal election in May 2019 and the conclusion of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in February 2019. Settlements for this period of $5.0bn are 21.7% ahead of those for the previous six months yet 4.5% behind the prior comparative period of the six months to 31 December 2018.

When comparing the current period with prior comparative period, settlements in the current six months of 1H2020 were softer in the earlier months of the period and stronger as we moved through the half year. By comparison, the settlements started strongly in 1H2019 but softened later in second quarter such that the comparative periods are relatively equal. The marked improvement on the six months to 30 June 2019 provides evidence of improving market conditions.

During the current six month period, the Group incurred $0.9m pre-tax one-off restructure costs and strategic costs as the business positions itself for future growth. The statutory profit of $4.0m for the six months to 31 December 2019 reflects both the lower settlement values as well as these one-off costs.

Cash NPAT for the half year was $5.5m or $6.1m after adjusting for one-off restructuring costs. The corresponding period for last year contains additional revenue reflecting the change in our franchisee payment model from August 2018. As the change did not occur at the beginning of the financial year, the July 2018 results were reported under the old franchisee payment model and are adjusted in the table below to make the two periods comparable.

The table below shows the comparison of both IFRS and Cash profits for the first six months of FY2020 and FY2019. The fall in the IFRS results reflects the lower level of settlements (-4.5%) in the first half of this year as well as one-off restructuring costs. The Cash result (following one-off adjustments in both periods) is 2% up on the previous corresponding period.

Underlying Results	**1H FY2020 $'m**	1H FY2019 $'m	Movement %
Profit after tax			
Statutory (IFRS) result after tax	**4.0**	6.4	(38%)
Cash result after tax	**5.5**	7.1	(22%)
Restructure and other one-off costs	**0.6**	-	
One month impact of remuneration model change (commenced 1 August 2018)	**-**	(1.1)	
Underlying cash result after tax	**6.1**	6.0	2%

The loan book at 31 December 2019 was $54.3 billion, slightly down on the 31 December 2018 level of $54.5 billion.

The financial planning division is showing an IFRS loss for the six months to 31 December of ($328k) primarily due to restructuring costs as well as higher IT costs in the transition to our new Xplan platform. This is a short term situation that is not expected to continue past FY2021.

The interim dividend of 3 cents is consistent with the prior year.

Financial Summary

	6 months to 31-Dec-18	6 months to 31-Dec-19	% change Dec-18 – Dec 19
	$000's	$000's	
Total revenue from ordinary activities	87,197	83,858	(4%)
Total result before tax	9,326	5,897	(37%)
Profit from ordinary activities after tax attributable to members	6,388	3,964	(38%)
Net tangible asset backing per ordinary share*	58.7 cents	57.8 cents	(2%)

* Net tangible assets excludes intangible assets and right-of-use assets

Dividends

Details of dividends/distributions declared or paid during the twelve months ended 31 December 2019 are as follows:

Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
15 October 2019	Final	3.0 cents	$3,750,000	3.0 cents	-
15 April 2019	Interim	3.0 cents	$3,750,000	3.0 cents	-

Subsequent to 31 December 2019, a fully franked interim dividend of 3 cents was declared on 19 February 2020 and it is expected to be paid on 17 April 2020. The record date for determining entitlement to this dividend will be 30 March 2020.

Mortgage Choice Limited ACN 009 161 979
Interim report
For the half-year ended 31 December 2019

Mortgage Choice Limited
Interim financial report for the half-year ended 31 December 2019

Contents

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 2019 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 2019

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 2019, referred to hereafter as "Mortgage Choice", "the Mortgage Choice Group" or "the Group".

Directors

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

V L Allen
S J Brennan
D Chandran
S J Clancy
A C Gale
P G Higgins
R G Higgins

Principal activities

Mortgage Choice is a financial services organisation helping Australians with their financial needs by delivering a range of financial choices teamed with trusted expert advice. The Group's principal activities include:

Mortgage Broking
- The provision of assistance in determining the borrowing capacities of intending residential mortgage borrowers;
- The assessment, at the request of those borrowers, of a wide range of home loan products; and
- The submission of loan applications on behalf of intending borrowers.

Loans & Credit Services
- The provision of assistance with credit services, for example car loans, equipment finance, general insurance and personal loans to support personal and home pursuits and/or consolidate debts.

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

Review of Operations

The report on the Mortgage Choice Group for the half-year ended 31 December 2019 is as follows:

Operational and financial results analysis

There has been a consistent recovery in the home loan market from July throughout the six months to 31 December 2019 following the federal election in May 2019 and the conclusion of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in February 2019. Settlements for this period of $5.0bn are 21.7% ahead of those for the previous six months yet 4.5% behind the prior comparative period of the six months to 31 December 2018.

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The interim dividend of 3 cents is consistent with the prior year.

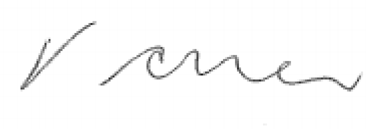
Auditor's independence declaration

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.



Vicki Allen
Chairman

Sydney
19 February 2020

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

19 February 2020

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 2019, 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

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 2019

		Half-year ended	
		31 Dec 2019	31 Dec 2018
	Note	**$'000**	$'000
Continuing operations			
Revenue			
Origination commission		**30,888**	32,091
Trailing commission excluding discount unwind		**36,555**	36,726
Trailing commission discount unwind		**8,355**	9,205
Insurance trailing commission excluding discount unwind		**905**	1,041
Insurance trailing commission discount unwind		**425**	461
Diversified products commission		**2,123**	2,438
Financial Planning income		**3,391**	3,825
Franchise income		**545**	508
Interest		**257**	306
Other income		**414**	596
		83,858	87,197
Direct costs			
Origination commission		**(24,083)**	(24,639)
Trailing commission excluding discount unwind		**(26,563)**	(25,056)
Trailing commission discount unwind – finance costs		**(5,914)**	(6,575)
Insurance trailing commission excluding discount unwind		**(755)**	(845)
Insurance trailing commission discount unwind – finance costs		**(360)**	(386)
Diversified products commission		**(1,544)**	(1,783)
Financial Planning payments		**(2,793)**	(3,181)
Gross profit		**21,846**	24,732
Operating Expenses			
Sales		**(5,142)**	(4,734)
Technology		**(3,005)**	(2,978)
Marketing		**(3,169)**	(3,776)
Corporate		**(4,633)**	(3,918)
Profit before extraordinary items and income tax		**5,897**	9,326
Income tax expense		**(1,933)**	(2,938)
Net profit attributable to the owners of Mortgage Choice Limited		**3,964**	6,388
Earnings per share		**Cents**	Cents
From continuing operations			
Basic earnings per share		**3.2**	5.1
Diluted earnings per share		**3.2**	5.1

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 2019

	Half-year ended	
	31 Dec 2019	31 Dec 2018
	$'000	$'000
Profit for the half-year	**3,964**	6,388
Other comprehensive income	**-**	-
Total comprehensive income attributable to the owners of Mortgage Choice Limited	**3,964**	6,388

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 2019

	Note	**31 December 2019 $'000**	30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**3,010**	1,927
Trade and other receivables		**16,532**	13,750
Contract assets		**92,581**	92,547
Total current assets		**112,123**	108,224
Non-current assets			
Receivables		**3,459**	4,220
Contract assets		**277,752**	283,921
Property, plant and equipment		**620**	717
Right to use assets	1, 8	**4,031**	-
Intangible assets		**10,398**	10,132
Total non-current assets		**296,260**	298,990
Total assets		**408,383**	407,214
LIABILITIES			
Current liabilities			
Trade and other payables		**81,845**	77,734
Lease liabilities	1, 9	**1,055**	-
External borrowings	3	**500**	2,500
Current tax liabilities		**800**	510
Provisions		**1,157**	1,339
Total current liabilities		**85,357**	82,083
Non-current liabilities			
Trade and other payables		**201,230**	205,705
Lease liabilities	1, 9	**3,220**	-
Deferred tax liabilities		**31,131**	32,168
Provisions		**725**	774
Total non-current liabilities		**236,306**	238,647
Total liabilities		**321,663**	320,730
Net assets		**86,720**	86,484
EQUITY			
Contributed equity		**8,113**	8,097
Reserves		**1,501**	1,379
Retained profits		**77,106**	77,008
Total equity		**86,720**	86,484

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 2019

	Note	Contributed equity $'000	Share based payments reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2018		**7,764**	**1,309**	**76,579**	**85,652**
Adjustment for adoption of AASB15	1	-	-	1,705	1,705
Adjusted balance as at 1 July 2018		**7,764**	**1,309**	**78,284**	**87,357**
Total comprehensive income for the half-year		-	-	**6,388**	**6,388**
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	5	276	(276)	-	-
Dividends paid	4	-	-	(11,250)	(11,250)
Employee performance shares – value of employee services		-	205	-	205
		276	(71)	(11,250)	(11,145)
Balance as at 31 December 2018		**8,040**	**1,238**	**73,422**	**82,700**
Balance as at 1 July 2019		**8,097**	**1,379**	**77,008**	**86,484**
Adjustment for adoption of AASB16	1	-	-	(116)	(116)
Adjusted balance as at 1 July 2019		**8,097**	**1,379**	**76,892**	**86,368**
Total comprehensive income for the half-year		-	-	**3,964**	**3,964**
Transactions with equity holders in their capacity as owners:					
Contributions of equity net of transaction costs	5	16	(16)	-	-
Dividends paid	4	-	-	(3,750)	(3,750)
Employee performance shares – value of employee services		-	138	-	138
		16	122	(3,750)	(3,612)
Balance as at 31 December 2019		**8,113**	**1,501**	**77,106**	**86,720**

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

	Half-year ended	
	31 Dec 2019	31 Dec 2018
	$'000	$'000
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	**95,808**	96,163
Payments to suppliers, franchisees and employees (inclusive of goods and services tax)	**(85,198)**	(86,660)
	10,610	9,503
Income taxes paid	**(2,632)**	(2,770)
Net cash inflow from operating activities	**7,978**	6,733
Cash flows from investing activities		
Payments for property, plant, equipment and intangibles	**(1,586)**	(1,951)
Net repayment of/(increase in) loans to franchisees	**882**	(694)
Interest received	**257**	306
Net cash (outflow) from investing activities	**(447)**	(2,339)
Cash flows from financing activities		
Proceeds/(repayment) of external borrowings	**(2,000)**	4,000
Payment of lease liabilities	**(652)**	-
Interest paid	**(46)**	(42)
Dividends paid	**(3,750)**	(11,250)
Net cash (outflow) from financing activities	**(6,448)**	(7,292)
Net decrease in cash and cash equivalents held	**1,083**	(2,898)
Cash and cash equivalents at the beginning of the half-year	**1,927**	3,353
Cash and cash equivalents at the end of the half-year	**3,010**	455

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

Note 1 Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 31 December 2019 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 2019 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except for the impact of the Standards and Interpretations described below. The changes in accounting policies will be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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

- AASB 16 Leases
- AASB 2017-4 Amendments - Interpretation 23 Uncertainty over Income Tax Treatments
- AASB 2018-1 Amendments - Annual Improvements 2015- 2017 Cycle

Impact of the application of AASB 16 Leases

General impact of application of AASB 16 Leases

AASB 16 Leases (AASB16) introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements and the impact of the adoption of AASB 16 on the Group’s consolidated financial statements are described below.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 and IFRIC 4 will continue to be applied to leases entered into or modified before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Note 1 Basis of preparation of half-year report (continued)

The Group applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or modified on or after 1 July 2019. The Group notes that the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

On 1 July 2019 (the date of initial application of AASB 16), the Group has applied AASB 16 using the cumulative catch-up approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed as follows:

Significant accounting policies relating to leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date in the consolidated statement of financial position. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recognised on the consolidated statement of profit and loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. Interest on lease liabilities is recognised in the consolidated statement of profit or loss.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised, or as appropriate.

Lease payments are recognised as amortisation expense of the right-of-use asset over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Transition

The Group leases five office premises that were previously classified as operating leases under AASB 117. The average lease term is 5 years. The Group has the option to extend three of the leases for an additional period of time after the end of the non-cancellable period, and this has not been accounted for in determining the minimum lease payments. The Group's obligations are secured by the lessors' title to the leased assets for such leases and bank guarantees held.

At transition, for leases classified as operating leases under AASB 117, lease liabilities were measured at present value of the lease payments as if AASB 16 had applied from the commencement, discounted at 3.2% being the Group's incremental borrowing rate as at 1 July 2019. The Group has applied the approach of measuring right-of-use assets retrospectively, as if AASB 16 had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application.

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Note 1 Basis of preparation of half-year report (continued)

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Elected to not recognise a right-of-use asset and corresponding lease liability for leases that expire within 12 months of initial date of application. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. Below is the financial impact on transition to AASB 16 as at 1 July 2019:

The following table shows the operating lease commitments disclosed applying IAS 117 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	$'000
Operating lease commitments as at 30 June 2019	4,753
Short term leases and leases of low-value assets	(5)
Effect of discounting the above amounts	(177)
Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	4,571
Lease liabilities recognised at 1 July 2019	**4,571**

The impact of these changes on the Group's retained earnings is as follows:

	Effect on Retained Earnings $'000
Opening balance under AASB 117	**77,008**
Establishment of Right-of-use assets	4,405
Establishment of lease liabilities	(4,571)
Impact before tax effect	**(166)**
Tax effect	50
Total impact	**(116)**
Opening balance under AASB 16	**76,892**

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 on settled loans over the life of the loan based on the loan book balance outstanding subject to the loan continuing to perform. The Group also makes trailing commission payments to franchisees based on their individual loan book balance outstanding.

Note 1 Basis of preparation of half-year report (continued)

On initial recognition a contract asset is recognised, representing management's estimate of the variable consideration to be received from the completion of this performance obligation. The Group uses the 'expected value' method of estimating the variable consideration. 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 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 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 made by management is 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 2019	**30 June 2019**	**31 December 2018**
Weighted average loan life	4.0 years	4.0 years	4.0 years
Weighted average discount rate	4.7%	4.9%	5.3%
Percentage of commissions received paid to franchisees (10 year average)	72%	72%	72%

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.

Reclassification

To increase the ease of understanding for the readers of the financial statements, insurance trailing commission revenue amounting to $1.5m earned by the financial planning business has been reclassified to the following accounts:

- "Insurance trailing commission excluding discount unwind" ($1.0m)
- "Trailing commission excluding discount unwind" ($0.5m)

This balance was previously included in "financial planning income" for the half year ended 31 December 2018. Similarly, the corresponding direct costs amounting to $1.2m of insurance trailing commission expenses has been reclassified to:

- "Insurance trailing commission excluding discount unwind" ($0.8m)
- "Trailing commission excluding discount unwind" ($0.4m)

In addition, $6.0m of current trailing commission receivable and $4.3m of the corresponding current payable as at 30 June 2019 has been reclassified to:

- "Non-current assets – Contract assets" ($6.0m)
- "Non-current liabilities – Trade and other payables" ($4.3m)

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 two reportable product segments, Mortgage Choice franchised mortgage broking (MOC) 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 2019 is as follows:

Product Segments

2019	**Total**	**MOC**	**MCFP**
	$'000	**$'000**	**$'000**
Revenue	83,858	79,096	4,762
Gross Profit (IFRS)	21,846	21,018	828
Gross profit (cash)	23,902	22,925	977
Depreciation and amortisation	1,357	1,357	-
Amortisation of right-of-use asset	580	580	-
OPEX (excl SBP[1])	15,811	14,504	1,307
Income tax expense	1,933	2,077	(144)
NPAT (IFRS)	3,964	4,292	(328)
NPAT (cash)	5,541	5,774	(233)

2018	**Total**	**MOC**	**MCFP**
	$'000	**$'000**	**$'000**
Revenue	87,197	81,895	5,302
Gross Profit (IFRS)	24,732	23,808	924
Gross profit (cash)	25,517	24,483	1,034
Depreciation and amortisation	992	992	-
OPEX (excl SBP1)	15,201	14,212	989
Income tax expense	2,938	2,958	- 20
NPAT (IFRS)	6,388	6,434	- 46
NPAT (cash)	7,142	7,107	35

[1] Share based remuneration

Note 2 Segment information (continued)

IFRS versus Cash

	2019	2018	% change	2019	2018	% change
	IFRS			Cash[2]		
	$'000	$'000		$'000	$'000	
Origination commission	30,888	32,091	(4%)	30,888	32,091	(4%)
Trailing commission	44,910	45,932	(2%)	50,069	50,155	(0%)
	75,798	78,023	(3%)	80,957	82,246	(2%)
Origination commission paid	24,083	24,639	(2%)	24,083	24,639	(2%)
Trailing commission paid[1]	32,477	31,631	3%	35,730	35,179	2%
	56,560	56,270	1%	59,813	59,818	(0%)
Net core commission	19,238	21,753	**(12%)**	21,144	22,428	**(6%)**
Diversified products net revenue	573	646	(11%)	614	660	(7%)
Financial Planning net revenue	819	923	(11%)	928	1,019	(9%)
Other income	1,216	1,410	(14%)	1,216	1,410	(14%)
Gross profit	21,846	24,732	**(12%)**	23,902	25,517	**(6%)**
Operating expenses	15,811	15,201	4%	15,811	15,201	4%
Share based remuneration	138	205	(33%)	-	-	
Net profit before tax	5,897	9,326	(37%)	8,091	10,316	(22%)
Net profit after tax	3,964	6,388	(38%)	5,541	7,142	(22%)

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

[2] Cash excludes share based remuneration and the net present value of future trailing commissions receivable and payable for mortgage and life insurance products.

Note 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:

	2019	2018	% change		2019	2018	% change
	IFRS				Cash		
	$'000	$'000			$'000	$'000	
Diversified products commissions	2,092	2,413	(13%)		2,260	2,477	(9%)
Diversified products commissions paid	1,519	1,767	(14%)		1,646	1,817	(9%)
Diversified products net revenue	573	646	(11%)		614	660	(7%)
Financial Planning revenue	4,752	5,351	(11%)		5,560	5,795	(4%)
Financial Planning payments	3,933	4,428	(11%)		4,632	4,776	(3%)
Financial Planning net revenue	819	923	(11%)		928	1,019	(9%)
Franchise Income	545	508	7%		545	508	7%
Interest	257	306	(16%)		257	306	(16%)
Other income	414	596	(31%)		414	596	(31%)
Other income	1,216	1,410	(14%)		1,216	1,410	(14%)

Diversified life insurance products are reallocated to Financial Planning for segment reporting. The following table shows the reconciliation from the Consolidated Income Statement to this table:

2019	**Total**	**Diversified Products**	**Financial Planning**
Consolidated Income statement		**$'000**	**$'000**
Revenue			
Diversified products commission	2,123	2,092	31
Insurance trailing commission excluding discount unwind	905	-	905
Insurance trailing commission discount unwind	425	-	425
Financial Planning income	3,391	-	3,391
		2,092	4,752
Direct costs			
Diversified products commission	1,544	1,519	25
Insurance trailing commission excluding discount unwind	755	-	755
Insurance trailing commission discount unwind	360	-	360
Financial Planning payments	2,793	-	2,793
		1,519	3,933

2018	**Total**	**Diversified Products**	**Financial Planning**
Consolidated Income statement		**$'000**	**$'000**
Revenue			
Diversified products commission	2,438	2,413	25
Insurance trailing commission excluding discount unwind	1,040	-	1,040
Insurance trailing commission discount unwind	461	-	461
Financial Planning income	3,825	-	3,825
		2,413	5,351
Direct costs			
Diversified products commission	1,783	1,767	16
Insurance trailing commission excluding discount unwind	845	-	845
Insurance trailing commission discount unwind	386	-	386
Financial Planning payments	3,181	-	3,181
		1,767	4,428

Note 2 Segment information (continued)

Other information

(i) Operating income

Operating income from the origination of a residential mortgage is comprised of origination commission paid at the time the loan is originated and a trailing commission which is paid over the life of the loan. Under IFRS, the expected value method is used to the estimate the future trailing cash flows to be received over the life of a loan and is 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 reconciles to the reported profit after tax as follows:

	2019 $'000	2018 $'000
Cash Net profit after tax	**5,541**	7,142
NPV future trails on new loans originated, net of payout	**5,806**	5,707
Less net cash from trail previously recognised under IFRS	**(7,850)**	(8,227)
NPV future trails on new insurance policies, net of payout	**104**	103
Less net cash trail from insurance policies previously recognised under IFRS	**(208)**	(180)
Plus adjustments to loan book assumptions	**-**	-
Gain/(loss) on prepayment/(establishment) of trail liability	**326**	1,756
Plus reversal of amortisation of trail liability[1]	**383**	292
Less share based payments expense	**(138)**	(205)
IFRS	**3,964**	6,388

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

(iii) Timing of revenue recognition

	2019 $'000	2018 $'000
Performance obligations met at a point in time		
MOC		
Origination commission	**30,888**	32,091
Trailing commission	**44,910**	45,932
Diversified products commissions	**2,092**	2,413
Franchise Income	**545**	508
Other income	**404**	581
	78,839	81,525
MCFP		
Financial planning revenue	**3,078**	3,902
Other income	**6**	12
	3,084	3,914
Total Point in time revenue	**81,923**	85,439
Performance obligations met over time		
MCFP		
Financial planning revenue	**1,674**	1,449
Other income	**4**	3
Total Point over time revenue	**1,678**	1,452

Note 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 expected value at the time of recognition and carried at amortised cost.

	31 December 2019		30 June 2019	
	Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Contract assets				
Future Trailing Commission Receivable – Current	**92,581**	**93,232**	92,547	94,604
Future Trailing Commission Receivable - Non current	**277,752**	**296,024**	283,921	304,172
Financial liabilities				
Future Trailing Commission Payable – Current	**66,881**	**67,504**	66,658	68,079
Future Trailing Commission Payable – Non current	**201,230**	**214,930**	205,705	219,496
External borrowings - Current	**500**	**500**	2,500	2,500
External borrowings – Non current	**-**	**-**	-	-

External borrowings
In FY 2019, the Group obtained a new loan facility to the amount of $4,500,000. As at 31 December 2019, the outstanding amount is $500,000. The loan bears interest at variable market rates and is repayable in April 2020. In accordance with the terms of the Group's corporate debt facilities, the Group is required to comply with certain covenants. During the period and as at 31 December 2019, the Group was compliant with these covenants.

The loan facility is secured against the assets of the Group.

Note 4 Dividends

	Half-year	
	2019 $'000	2018 $'000
Ordinary shares		
Dividends provided for or paid during the half-year	**3,750**	11,250
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 3 cents per fully paid ordinary share (2018 – 3.0 cents), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 17 April 2020 out of retained profits at 31 December 2019, but not recognised as a liability at the end of the half-year, is	**3,750**	3,750

Note 5 Equity securities issued

	2019 Shares	2018 Shares	**2019 $'000**	2018 $'000
Issues of ordinary shares during the half-year	**-**	**-**	**-**	-
Issues of treasury shares during the half year				
Shares issued under the Mortgage Choice Performance Share Plan and Performance Rights Plan to employees	12,055	137,423	16	276

Note 6 Contingent liabilities

The parent entity and consolidated entity had contingent liabilities at 31 December 2019 in respect of:

Guarantees
Australian and New Zealand (ANZ) bank guarantee of $852,603 (2018: $883,093).

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 2019, 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.

Note 7 Events occurring after the balance sheet date

No matter or circumstance has arisen subsequent to 31 December 2019 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.

Note 8 Right-of-use assets

	As at 31-Dec-19 $'000	As at 30-Jun-19 $'000
Balance as at 1 July 2019	4,406	-
Additions	205	-
Depreciation	(580)	-
Balance at the end of the financial period	4,031	-
Right-of-use asset at cost	4,611	-
Less accumulated amortisation	(580)	-
Total right-of-use assets	4,031	-

Note 9 Lease liabilities

	As at 31-Dec-19 $'000	As at 30-Jun-19 $'000
Maturity analysis - contractual undiscounted cashflows		
Less than one year	1,173	
One to five years	3,351	
More than five years	-	
Total undiscounted lease liabilities at 31 December 2019	4,524	
Lease liabilities included in the Statement of financial position		
Balance as at 1 July 2019	4,571	-
New lease liabilities	205	-
Interest incurred	75	-
Payments of lease liabilities	(577)	-
Balance as at 31 December 2019	4,275	-
Current	1,055	-
Non-current	3,220	-
	4,275	-
Amounts recognised in Statement of comprehensive income		
Interest expense on lease liabillities	75	-
Amounts recognised in the Statement of cash flows		
Payment of lease liabilities	(652)	-

Mortgage Choice Limited
Directors' declaration
31 December 2019

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 22 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 2019 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.

Vicki Allen
Chairman

Sydney
19 February 2020

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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 2019, 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 7 to 23.

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 2019 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 2019 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

DELOITTE TOUCHE TOHMATSU

Heather Baister
Partner
Chartered Accountants
Sydney, 19 February 2020