eChoice Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	eChoice Limited
ABN:	43 002 612 991
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	8.0%	to	32,284
Loss from ordinary activities after tax attributable to the owners of eChoice Limited	down	96.7%	to	(86)
Loss for the half-year attributable to the owners of eChoice Limited	down	96.7%	to	(86)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
Refer to the Directors' report for further commentary on 'Review of operations'.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.65)	(0.87)

4. Control gained over entities

Not applicable.

5. Loss of control over entities

On 1 October 2015 the consolidated entity sold its interests in Warehouse Trust No. 2 and Calibre Fund No. 1. Refer to note 4 to the financial statements for further details.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of eChoice Limited for the half-year ended 31 December 2015 is attached.

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12. Signed

Signed ______________________________ Date: 25 February 2016

Gregory D. Pynt
Chairman
Sydney

eChoice Limited

ABN 43 002 612 991

Interim Report - 31 December 2015

Contents

Directors	Gregory D. Pynt (Chairman) Peter Andronicos Anthony N. Wales David I. Walker Tim Burton-Taylor
Company secretary	Dustine Pang
Registered office	Level 5 55 Mountain Street Ultimo NSW 2007 Phone: 02 9240 8900
Principal place of business	Level 5 55 Mountain Street Ultimo NSW 2007
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Phone: 1300 787 272
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Solicitors	Allion Legal 123 Pitt Street Sydney NSW 2000
Bankers	Commonwealth Bank of Australia 48 Martin Place Sydney NSW 2000
Stock exchange listing	eChoice Limited shares are listed on the Australian Securities Exchange (ASX code: ECO)
Website	www.echoice.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of eChoice Limited (ASX: ECO) (referred to hereafter as the 'company', 'eChoice' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015 (referred to hereafter as the 'financial half-year or 'financial period').

Directors

The following persons were directors of eChoice Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Gregory D. Pynt	Chairman
Peter Andronicos	Managing Director
Tim Burton-Taylor	
Anthony N. Wales	
David I. Walker	

Principal activities

During the financial half-year the continuing principal activities of the consolidated entity consisted of:

- retailing, wholesaling, management and aggregation of mortgages in the home loan financing segment; and
- digital solutions and management in the home loan financing market for itself and third parties.

eChoice discontinued its mortgage securitisation activities.

Features of the financial half-year

eChoice's financial half-year ended 31 December 2015 (1H16) results reflect a period of further transformation and improving financial stability. The board of directors ('the Board') continued to support the strategy to improve revenues, efficiency, margins and shareholder returns through a competitive advantage in technology, people and process as a distributor of choice in financial products and services to brokers, clients and partners.

Key features of the half-year results include:

- Revenue from continuing operations increased 3.8% to $30.1 million on the prior corresponding period ('pcp')
- Other revenue, which includes growth businesses, increased 16.4% on pcp
- Operating Costs reduced $3.1 million compared to pcp
- Operating EBITDA[1] from continuing operations of $0.4 million, improved $1.3 million on pcp
- Cash operating EBITDA[2] from continuing operations of $3.7 million, down 6.1% on pcp
- Total settlement volumes increased by 10.8% on pcp to $1.7 billion
- Loan book declined by 2.7% to $16.8 billion over the period
- Net debt of $47.7 million at 31 December 2015, down $10.6 million over the period

The accounting methodology for trail commissions and expenses establishes a "NPV net asset", which represents the net present value of future net trail commissions. During 1H16, the movement of the NPV net asset adversely impacted earnings by $3.4 million (1H15: $4.9 million) after tax. This was a non-cash impact on statutory reported net profit.

[1] Operating EBITDA represents the continuing operating Earnings before Interest, Tax, Depreciation and Amortisation, and is adjusted for abnormal items including write-back for deferred consideration, share based payments, acquisition costs and restructuring costs.

[2] Cash operating EBITDA represents the continuing operating EBITDA adjusted for the movement in the NPV net asset.

Review of operations

The strategy to differentiate the business from its competitors is clear as the consolidated entity leverages its leading edge expertise and reputation as the industry innovator in digital solutions and the distribution of mortgages and other financial products and services. eChoice has a well-defined growth strategy that emphasises its five pillars of People, Partners, Process, Product and Profit. This approach allows eChoice to concentrate its efforts on the core business generators of market-leading technology development, the creation of tools and programs which continue to expand the broker network, and the implementation of strategies to optimise returns from partnerships and assets. The focus is to grow in both traditional mortgage broking and other growth markets that lend themselves to a digital strategy.

The Board believes eChoice can develop growth opportunities through its strategic partnerships with well-known brands, to touch more potential borrowers by utilising eChoice's technology and specialist industry professionals. The consolidated entity's $16.8 billion cash generative loan book will support growth in long-term shareholder wealth, whilst importantly providing financial confidence. The consolidated entity has established a skilled and experienced management team to expand the number of business partnerships to drive revenue, earnings and shareholder returns. During the period, the partnership with Domain (owned by Fairfax Limited) was further developed and future partnerships are being actively pursued.

eChoice exited the mortgage securitisation business in October 2015, following the sale of assets in Firstfolio Capital, and has redirected resources to business areas that more effectively align with the eChoice's growth strategy and allow it to capitalise on its competitive strengths. Net proceeds from the Firstfolio Capital transaction were $7.8 million, comprising sale proceeds before costs of $2.0 million and the release of $5.8 million in cash collateral.

Following the Firstfolio Capital assets sale, eChoice utilised $6.0 million to reduce debt, contributing to an overall $10.6 million reduction in corporate net debt during 1H16. This reduction in net debt is ahead of the previously stated target of $5.0 million per annum.

The major business restructuring in FY15, which included realigning the management team and relocation of eChoice's premise, delivered significant cost savings and positive cultural change. This has led to greater stability and focus to support growth initiatives with enhanced operating efficiency. The changes delivered cost savings of $3.1 million in 1H16, compared to the pcp.

Progress on digital strategy

- Partnerships – the consolidated entity continued to build on its strategic partnerships with Domain and other leading digital media partners with digital solution revenues increasing by 94.7% compared to pcp;
- Technology – enhancements to software platforms to support growth and create efficiencies include:
    - FLeaTS online platform[3] is now completely digital and online, enabling brokers to access customer loan data and submit new loan applications from any device at any time;
    - eChoice Concierge platform that services partners and brokers;
    - Domain and other portals for lead generation; and
- Broker network – the eChoice broker academy and broker recruitment strategy lifted broker numbers by a net 27 in 1H16, which assisted above market growth in settlement volumes in 1H16 of 10.8%.

Settlement volumes. Including wholesale settlements, total settlement volumes increased by 10.8% over pcp. Aggregation and direct represented 97.7% of mortgage settlements (1HY15: 95.2%), with wholesale settlements the remaining 2.3%.

Wholesale settlement volume decreased by 47.3% from $74.9 million to $39.5 million over the pcp. The decline was anticipated following the strategic decision to refocus operations on aggregation and direct as the market shifted away from wholesale mortgage management.

The 13.7% increase in direct and aggregation settlements compared to pcp was driven by our expanded broker numbers, as a result of graduates from our Broker Academy and newly recruited brokers. In the coming year, we expect to grow settlement volumes above system growth as graduate and recruited broker numbers increase.

Margins. Gross margin from continuing operations in 1H16 decreased by 2.5% on pcp to $7.2 million, with the gross margin percentage falling from 25.4% of revenue to 23.9% of revenue. This was a direct result of the change in mix from higher margin wholesale settlements to lower margin aggregation and direct settlements. The average margin for wholesale was 41.2% compared to aggregation and direct 12.1% in 1H16.
Gross margin was impacted by the $3.4 million (1H15: $4.9 million) non-cash NPV movement for future net trail commissions. The erosion of the NPV net asset occurred at a reduced rate than in the two preceding half-year periods reflecting higher settlement volumes in 1H16 compared to prior periods.

[3] FLeaTS is a customer and loan tracking system used by aggregation and direct brokers.

The operating EBITDA margin, which excludes one-off items, increased to 1.3% from (3.1%) in pcp.

Loan book. The total loan book declined 2.7% over 1H16 to $16.8 billion, due mostly to the rapidly ageing wholesale book. The loan book run off increased to a rate of 4.7% in 1H16 (1H15 3.9%). This increase is a result of new settlement volumes being less than the runoff of existing loans, driven predominantly by the expected decline in new business in wholesale.

Loan book composition reflects the change in mix from wholesale settlements to lower margin aggregation and direct settlements, which was anticipated in accordance with the consolidated entity's strategy. At 31 December 2015, wholesale loans represented 14.6% (1H15: 18.9%) of the book; aggregation and direct loans, 85.4% (1H15: 81.1%).

Financial review

Revenue from continued operations increased by 3.8% to $30.1 million in 1H16. This was due to higher settlement volumes in both aggregation and direct and smaller movement of the NPV asset compared with the prior corresponding period.

Other revenue, which includes revenue from the new digital business lines and the existing asset finance business, increased 16.4% to $0.9 million on pcp. The increase reflects early successes in the roll-out of new business strategies and partnerships. Digital solution revenues account for 62.5% of other revenue, a 94.7% increase over the pcp, with lease generated inertia income being 35.5%. Leasing inertia[4] revenues are expected to decline over the next five years following the decision to cease new originations of asset financing products in early 2015.

Operating costs from continuing operations declined $3.1 million compared to 1H15 driven by the benefits from a major operational restructuring undertaken in FY15. This overall decrease in costs is despite an increase in targeted marketing spending. Cost initiatives are expected to deliver further benefits in FY16 in the areas of consultancy, contractors and occupancy, assisted by the company's relocation to Ultimo offices late in 1H16.

Reported EBITDA from continuing operations improved from a loss of $2.4 million in 1H15 to a loss of just $0.2 million. This was supported by a $1.0 million decrease in restructuring and non-recurring costs compared with the prior year and the increased settlement volumes and significant cost reductions outlined above. The cost initiatives are expected to support EBITDA growth through the FY16.

Operating EBITDA from continuing operations, which excludes one-offs, improved by $1.3 million on pcp due to increased settlement volumes and cost reductions mentioned above.

Net interest expense decreased by 15.2% to $1.8 million due to lower average interest rates and reduced net debt.

[4] Leasing inertia is ongoing lease repayments received once a lease is finished and there is no longer any liability to the funder.

Table 1

Statutory reporting result[1] $'000	Dec 15	Dec 14	Variance
Reported EBITDA	**(173)**	**(2,437)**	2,264
Restructuring/non-recurring costs	195	1,182	(987)
Share-based payments (non-cash)	128	129	(1)
Other non-operating costs	230	233	(3)
Operating EBITDA	**380**	**(893)**	1,273
Depreciation and amortisation	(268)	(674)	406
Net finance costs	(1,755)	(2,070)	315
Underlying loss before income tax	**(1,643)**	**(3,637)**	1,994
Reconciliation to NPAT			
Restructuring/non-recurring costs	(195)	(1,182)	987
Share-based payments (non-cash)	(128)	(129)	1
Other non-operating costs	(230)	(233)	3
Loss before income tax from continuing operations	**(2,196)**	**(5,181)**	2,985
Income tax expense	575	1,493	(918)
Loss after income tax from continuing operations	**(1,621)**	**(3,688)**	2,067
EPS from continuing operations (basic & diluted)	(0.21)	(0.48)	

1 Based on the auditor reviewed interim financial statements from continuing operations

Statement of financial position

Net debt at the reporting date was $47.7 million, compared to $58.3 million as at 30 June 2015. The consolidated entity made $10.5 million in repayments in 1H16. The Board is committed to debt repayments of at least $5.0 million annually and will continue to investigate other corporate options that will enable additional early debt repayments.

Cash based accounting

The accounting policy for future trail income and expenses impacts the statutory results for each reporting period through both the profit or loss and the measure of net assets.

On an equivalent basis, cash operating EBITDA for the continuing operations declined by 6.1% over pcp. The Operating EBITDA margin, which excludes one-offs, increased to 11.5% from 11.3% in pcp, largely as a result of cost saving initiatives.

The performance of the consolidated entity is presented on a cash basis in the following table:

Table 2

Cash reporting result [1] $'000	Dec 15	Dec 14	Variance	Movement
EBITDA	**3,195**	**2,448**	747	30.5%
Restructuring/non-recurring costs	195	1,182	(987)	
Share-based payments (non-cash)	128	129	(1)	
Other non-operating costs	230	233	(3)	
Operating EBITDA	**3,748**	**3,992**	(244)	(6.1%)
Depreciation and amortisation	(268)	(674)	406	
Net finance costs	(1,755)	(2,070)	315	
Underlying profit before income tax	**1,725**	**1,248**	477	38.2%
			-	
Reconciliation to NPAT				
Restructuring/non-recurring costs	(195)	(1,182)	987	
Share-based payments (non-cash)	(128)	(129)	1	
Other non-operating costs	(230)	(233)	3	
Profit/(loss) before income tax	**1,172**	**(296)**	1,468	
Income tax expense	575	1,493	(918)	
Profit after income tax	**1,747**	**1,197**	550	
EPS (basic & diluted)	0.23	0.15		

[1] Based on the auditor reviewed interim financial statements from continuing operations

The impact on the statement of profit or loss and other comprehensive income from NPV accounting, is reconciled below:

Table 3

Statement of profit or loss and other comprehensive Income	Operating EBITDA		EBITDA		NPBT	
$'000	1H16	1H15	1H16	1H15	1H16	1H15
Cash reporting result	3,748	3,992	3,195	2,448	1,725	1,248
Net present value accounting						
Net movement in NPV asset and liability	(4,993)	(6,755)	(4,993)	(6,755)	(4,993)	(6,755)
Discount unwind on NPV asset and liability	1,625	1,870	1,625	1,870	1,625	1,870
Statutory reporting result	**380**	**(893)**	**(173)**	**(2,437)**	**(1,643)**	**(3,637)**

Significant changes in the state of affairs

On 1 October 2015, the consolidated entity sold its interest in the non-core Firstfolio Capital business of mortgage securitisation and origination for $2.0 million, before transaction costs. This transaction also enabled the release of $5.8 million in cash collateral. This business was no longer being pursued under the consolidated entity's growth strategy.

In January 2016, the consolidated entity changed its principal place of business to Ultimo on the edge of the Sydney CBD, in proximity to many of the company's business partners. The new premises not only offers $2.0 million in savings over 5 years compared to the Bridge Street offices but, more importantly, are a more appropriate reflection of a professional environment that embodies and enables the cultural shift of the organisation. Improvements to the working environment have invigorated eChoice's people to strongly align with the consolidated entity's strategic objectives and operational goals.

There were no other significant changes in the state of affairs of the consolidated entity during the half-year.

Likely developments and expected results of operations

eChoice's intention is to capitalise on the $33.5 billion[5] in monthly lending within Australia. Presently eChoice settles less than 1.0%[6] of that market. Under the eChoice strategy, our market-leading technology, systems and processes will be applied to expanding participation in the sector through brokers and business partners to drive revenue, earnings and shareholder returns.

eChoice will continue training and mentoring the future generation of dedicated home loan managers and brokers through its Broker Academy where graduate numbers continue to rise. This differentiated approach combined with effective recruitment of high quality brokers, will underpin our growth.

The consolidated entity will continue to identify and develop alternative revenue streams in the rapidly expanding digital solution market by targeting new additional partners from both established and emerging business channels that the company considers to have significant, yet still unrealised, commercial monetisation potential.

This activity will allow eChoice to capitalise more broadly on its existing intellectual property and in-house expertise to leverage the wealth of data already held within the consolidated entity. A strategic and forward-thinking approach to growth in this expanding business area is expected to support revenue, margin and shareholder return growth, while providing attractive benefits to the company's employees, customers and partners.

[5] RBA D02 Lending and Credit Aggregates December 2015
[6] This is based on settlements made by eChoice in December 2015

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Gregory D. Pynt
Chairman

25 February 2016
Sydney

Deloitte Touche Tohmatsu
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The Board of Directors
eChoice Limited
Level 5
55 Mountain Street
Ultimo NSW 2007

25 February 2016

Dear Board Members

eChoice 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 eChoice Limited.

As lead audit partner for the review of the financial statements of eChoice Limited for the half-year ended 31 December 2015, 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

Philip Hardy
Partner
Chartered Accountants

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 31 Dec 2014 $'000
Revenue			
Commission and fee revenue		24,897	23,480
Discount unwind on net present value trail income		4,229	4,682
Other revenue		928	797
		30,054	28,959
Commission and fee expense		(20,279)	(18,794)
Discount unwind on net present value trail expense		(2,604)	(2,812)
		(22,883)	(21,606)
Gross margin		7,171	7,353
Other interest		49	32
Expenses			
Advertising and promotion		(729)	(736)
Contractors and outsourcing		(257)	(421)
Depreciation and amortisation		(268)	(674)
Employee benefits		(3,676)	(4,448)
Finance costs		(1,804)	(2,102)
Insurance and compliance		(291)	(313)
IT and communications		(795)	(757)
Management and professional fees		(471)	(678)
Occupancy		(414)	(567)
Restructuring costs		(195)	(446)
Non-operating expenses		(358)	(1,098)
Other expenses		(158)	(326)
Loss before income tax benefit from continuing operations		(2,196)	(5,181)
Income tax benefit		575	1,493
Loss after income tax benefit from continuing operations		(1,621)	(3,688)
Profit after income tax expense from discontinued operations	4	1,535	1,043
Loss after income tax (expense)/benefit for the half-year attributable to the owners of eChoice Limited		(86)	(2,645)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of eChoice Limited		(86)	(2,645)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(1,621)	(3,688)
Discontinued operations		1,535	1,043
		(86)	(2,645)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 31 Dec 2015 $'000	31 Dec 2014 $'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of eChoice Limited			
Basic earnings per share	13	(0.21)	(0.48)
Diluted earnings per share	13	(0.21)	(0.48)
Earnings per share for profit from discontinued operations attributable to the owners of eChoice Limited			
Basic earnings per share	13	0.20	0.13
Diluted earnings per share	13	0.20	0.13
Earnings per share for loss attributable to the owners of eChoice Limited			
Basic earnings per share	13	(0.01)	(0.34)
Diluted earnings per share	13	(0.01)	(0.34)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

eChoice Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Assets			
Cash and cash equivalents	5	1,746	7,324
Trade and other receivables		3,271	2,570
Loans and advances to customers		-	130,353
Net present value of trail commission income		126,803	129,364
Property, plant and equipment		303	491
Intangibles	6	20,106	20,049
Total assets		152,229	290,151
Liabilities			
Trade and other payables		2,501	3,610
Warehouse and other funding		-	127,017
Net present value of trail commission expense		81,444	80,637
Borrowings	7	47,681	58,309
Provisions		628	682
Deferred tax		4,912	4,875
Total liabilities		137,166	275,130
Net assets		15,063	15,021
Equity			
Issued capital		41,328	41,328
Reserves		1,269	1,141
Accumulated losses		(27,534)	(27,448)
Total equity		15,063	15,021

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014	41,328	917	(6,316)	35,929
Loss after income tax benefit for the half-year	-	-	(2,645)	(2,645)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(2,645)	(2,645)
Transactions with owners in their capacity as owners:				
Share-based payments	-	129	-	129
Balance at 31 December 2014	41,328	1,046	(8,961)	33,413

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2015	41,328	1,141	(27,448)	15,021
Loss after income tax benefit for the half-year	-	-	(86)	(86)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(86)	(86)
Transactions with owners in their capacity as owners:				
Share-based payments	-	128	-	128
Balance at 31 December 2015	41,328	1,269	(27,534)	15,063

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

eChoice Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Cash flows from operating activities		
Commissions and fees received	32,821	33,348
Commissions, salaries and other expenses paid	(30,754)	(31,674)
Interest received	69	91
Interest and other finance costs paid	(1,807)	(2,559)
Net warehouse interest	399	1,025
Net cash from operating activities	728	231
Cash flows from investing activities		
Payments for property, plant and equipment	(401)	(30)
Payments for intangibles	(128)	(9)
Payments of security deposits	(306)	(138)
Repayments of security deposits	-	26
Repayments of loans from borrowers	10,261	21,524
Receipt from disposal of trusts	1,960	-
Cash released on disposal of discontinued operation	(4,831)	-
Net cash from investing activities	6,555	21,373
Cash flows from financing activities		
Proceeds from borrowings	5,785	463
Repayment of borrowings	(10,628)	(244)
Repayment of warehouse facility (net)	(8,018)	(24,874)
Other financing costs	-	(868)
Net cash used in financing activities	(12,861)	(25,523)
Net decrease in cash and cash equivalents	(5,578)	(3,919)
Cash and cash equivalents at the beginning of the financial half-year	7,324	10,217
Cash and cash equivalents at the end of the financial half-year	1,746	6,298

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

Note 1. General information

The financial statements cover eChoice Limited as a consolidated entity consisting of eChoice Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is eChoice Limited's functional and presentation currency.

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

Level 5
55 Mountain Street
Ultimo NSW 2007

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Discontinued operations
A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments
Internal reports that are reviewed and used by the Chief Operating Decision Makers (‘CODMs’) in assessing the performance of the consolidated entity and in decision making regarding resource allocation, identify two operating segments. The consolidated entity’s CODMs are the Chief Executive Officer, together with the Board of Directors.

The information reported to the CODMs is on at least a monthly basis.

Note 3. Operating segments (continued)

Reportable segments

The consolidated entity's reportable segments are distinguished by the nature of revenue generation and resourcing requirements and are:

Manufacturing (discontinued)	Covers the operations of Firstfolio Capital which comprise mortgage origination and the securitisation of mortgages through a bank funded warehouse. These operations were discontinued during the financial half-year.
Distribution (continuing)	Encompasses all parts of the business relating to the sale of mortgages. This includes mortgages distributed in the aggregation, broking and wholesale arenas, and includes the distribution of ancillary products such as asset leasing. The key operating objective of this segment is the distribution of mortgages to the Australian market.

Operating segment information

Consolidated - 31 Dec 2015	Manufacturing (discontinued) $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	2,178	30,054	-	32,232
Other revenue	-	-	52	52
Total revenue	2,178	30,054	52	32,284
Segment result	574	382	-	956
Depreciation and amortisation				(272)
Interest revenue				52
Finance costs				(1,804)
Non-operating expenses				(358)
Restructuring costs				(583)
Gain on sale of discontinued operations				1,960
Loss before income tax expense				(49)
Income tax expense				(37)
Loss after income tax expense				(86)
Assets				
Segment assets	271	151,958	-	152,229
Total assets				152,229
Liabilities				
Segment liabilities	125	83,820	-	83,945
Unallocated liabilities:				
Borrowings				47,681
Provisions				628
Tax related liabilities				4,912
Total liabilities				137,166

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2014	Manufacturing (discontinued) $'000	Distribution $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	6,107	28,959	-	35,066
Other revenue	-	-	36	36
Total revenue	6,107	28,959	36	35,102
Segment result	922	(353)	-	569
Depreciation and amortisation				(678)
Interest revenue				36
Finance costs				(2,102)
Non-operating expenses				(1,098)
Restructuring costs				(446)
Loss before income tax benefit				(3,719)
Income tax benefit				1,074
Loss after income tax benefit				(2,645)
Consolidated - 30 June 2015				
Assets				
Segment assets	134,060	156,091	-	290,151
Total assets				290,151
Liabilities				
Segment liabilities	127,970	83,294	-	211,264
Unallocated liabilities:				
Borrowings				58,309
Provisions				682
Tax related liabilities				4,875
Total liabilities				275,130

Note 4. Discontinued operations

Description

On 1 October 2015 the consolidated entity's Manufacturing operating segment was discontinued (refer to note 3). Interests in Warehouse Trust No. 2 and Calibre Fund No. 1 were sold for $2,000,000, resulting in a gain on disposal of $1,960,000. The sale released overcollaterlised warehouse notes to Firstfolio Capital Pty Ltd of $5,785,000. $6,000,000 was used to reduce loans from Welas Pty Limited - director related entity (refer to note 7). Warehouse Trust No. 2 and Calibre Fund No. 1 were in the business of mortgage securitisation and origination which is no longer being pursued under the current strategy of the consolidated entity. The comparative profit or loss from discontinued operations have been represented to include those operations classified as discontinued in the current financial half-year.

Note 4. Discontinued operations (continued)

Financial performance information

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Total revenue	2,178	6,107
Other interest	3	4
Total expenses	(1,994)	(4,649)
Profit before income tax expense	187	1,462
Income tax expense	(24)	(419)
Profit after income tax expense	163	1,043
Gain on disposal before income tax	1,960	-
Income tax expense	(588)	-
Gain on disposal after income tax expense	1,372	-
Profit after income tax expense from discontinued operations	1,535	1,043

Cash flow information

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Net cash from operating activities	157	472
Net cash from investing activities	5,390	21,676
Net cash used in financing activities	(8,700)	(25,909)
Net decrease in cash and cash equivalents from discontinued operations	(3,153)	(3,761)

Note 5. Cash and cash equivalents

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Cash at bank and in hand	1,746	4,281
Trust collection account	-	2,885
Restricted cash	-	158
	1,746	7,324

'Trust collection account' is held on trust and is not available for general use of the consolidated entity.

'Restricted cash' represents credit support for the warehouse facility which is held as a cash reserve and not available for general use of the consolidated entity. Restricted cash was separate to the other credit support that was previously provided to the warehouse facility in the form of over-collateralisation.

Note 6. Intangibles

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Goodwill - at carrying value	15,194	16,087
Less: Impairment	(15,194)	(16,087)
	-	-
Contract rights - at cost	-	7,181
Less: Accumulated amortisation	-	(2,573)
Less: Impairment	-	(4,608)
	-	-
Software and websites - at carrying value	9,283	9,260
Less: Accumulated amortisation	(7,601)	(7,530)
Less: Impairment	(1,450)	(1,450)
	232	280
Intellectual property - at carrying value	19,190	19,190
Other intangibles - at cost	684	579
	20,106	20,049

During the financial half-year the intangible assets (goodwill cost of $893,000 and contract rights costs of $7,181,000 both with a net book value of $nil) relating to CGU 2 were disposed of (refer to note 4).

Impairment tests for indefinite life intangibles, software and websites
The carrying value of indefinite life intangibles and contract rights have been allocated to the 'Distribution' (encompassing retailing, wholesaling. management and aggregation of mortgages) cash generating unit ('CGU').

At 31 December 2015, the recoverable amount of the consolidated entity's intangibles, for the Distribution CGU, was determined by a value in use calculation, using a discounted cash flow model. The model is based on a ten year projection period approved by management, together with a terminal value.

The key assumptions used for the value in use calculation:

Overall approach
Revenue projections are based on detailed plans and projections for the 12 months to 31 December 2016, relying on observed results for the financial half-year to 31 December 2015. The projections are extrapolated in future years based on knowledge and assumptions around the growth in revenue, determined using statistical market data, and the level of expense required to support it.

Loan settlements
The cash flow projections are influenced by the loan settlement forecast, which takes account of historical loan settlement volumes. Variable growth rates from 3% to 10% were assumed for settlements for future years, reflecting applied strategies and historical market performance.

Trail income
The settlement volumes noted above influence the future trail income estimates in association with loan products settled in the period. Trail income estimates are based on trail margins earned on the current loan book.

Loan discharge rates
Discharges rates of loans experienced over the preceding 12 months have been used. Newly settled loans are expected to have a lower discharge rate early in their lives with the rate increasing over time.

Overhead expenses
Overhead expenses have been projected in line with the current business structure and future growth expectations.

Note 6. Intangibles (continued)

Discount rate
The discount rate applied to cash flow projections is 15.15% pre-tax. Discount rates applied reflect management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Results
No impairment charge was required during the financial half-year.

Sensitivity
The directors have made judgements and estimates in respect of impairment testing of goodwill and other intangible assets. Should these judgements and estimates not occur, the resulting carrying amounts of intangibles may decrease. The sensitivities are as follows:

(a) Total settlement volumes would need to decrease by more than 2.5% before the intangibles would need to be impaired, with all other assumptions remaining constant.
(b) Total revenue would need to decrease by more than 2.0% before the intangibles would need to be impaired, with all other assumptions remaining constant.
(c) The non-mortgage related income would need to decrease by more than 13.0% before the intangibles would need to be impaired, with all other assumptions remaining constant.
(d) Total expenses would need to increase by more than 2.5% before the intangibles would need to be impaired, with all other assumptions remaining constant.
(e) The discount rate would be required to increase by more than 0.68% before the intangibles would need to be impaired, with all other assumptions remaining constant.

Note 7. Borrowings

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Loans from director related entity	47,930	58,430
Facility transaction costs	(442)	(350)
Lease liability	193	229
	47,681	58,309

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Loans from director related entity	47,930	58,430
Lease liability	193	229
	48,123	58,659

Assets pledged as security
The loan from the director related entity is secured by a fixed and floating charge over the assets of the consolidated entity, excluding the assets of Firstfolio Capital Pty Ltd and Firstfolio Capital Management Pty Ltd. The loan has a repayment date of 7 July 2018.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 8. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 9. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 10. Contingent liabilities

	Consolidated	
	31 Dec 2015 $'000	30 June 2015 $'000
Bank guarantees	740	457

Note 11. Related party transactions

Parent entity
eChoice Limited is the parent entity.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	31 Dec 2015 $	31 Dec 2014 $
Other transactions:		
Interest paid on loan from Welas Pty Limited	1,788,285	1,912,417
Legal fees paid to Allion Legal	39,937	-
Loan establishment fee paid to Welas Pty Ltd *	292,000	-

* Non-cash transaction costs expensed to profit or loss amounted to $215,587 (2014: $175,081) related to the $450,000 disclosed in the 2015 Annual Report and the $292,000 disclosed above.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	31 Dec 2015 $	30 June 2015 $
Current payables:		
Trade payable to Allion Legal	4,004	-

Note 11. Related party transactions (continued)

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	31 Dec 2015 $	30 June 2015 $
Non-current borrowings:		
Loan from Welas Pty Limited	47,929,865	58,429,865

Welas Pty Limited is an entity related to the director Anthony Wales. Refer to note 7 for details of the loan repayment date and loan security. Allison Legal is a law firm in which David Walker is a Principal.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 12. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings per share

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Earnings per share for loss from continuing operations		
Loss after income tax attributable to the owners of eChoice Limited	(1,621)	(3,688)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	773,886,809
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	773,886,809
	Cents	Cents
Basic earnings per share	(0.21)	(0.48)
Diluted earnings per share	(0.21)	(0.48)

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Earnings per share for profit from discontinued operations		
Profit after income tax attributable to the owners of eChoice Limited	1,535	1,043
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	773,886,809
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	773,886,809

Note 13. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	0.20	0.13
Diluted earnings per share	0.20	0.13

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Earnings per share for loss		
Loss after income tax attributable to the owners of eChoice Limited	(86)	(2,645)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	773,886,809	773,886,809
Weighted average number of ordinary shares used in calculating diluted earnings per share	773,886,809	773,886,809

	Cents	Cents
Basic earnings per share	(0.01)	(0.34)
Diluted earnings per share	(0.01)	(0.34)

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Gregory D. Pynt
Chairman

25 February 2016
Sydney

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Independent Auditor's Review Report to the Members of eChoice Limited

We have reviewed the accompanying half-year financial report of eChoice Limited, which comprises the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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 2015 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 eChoice 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

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we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of eChoice 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 eChoice 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 2015 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

Philip Hardy
Partner
Chartered Accountants
Sydney, 25 February 2016