



Established 1992

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MORTGAGE CHOICE LIMITED

ABN 57 009 161 979

Appendix 4E Preliminary Final Report 30 June 2009

Lodged with the ASX under Listing Rule 4.3A on 21 August 2009

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Audit/Review

This report is based on accounts which have been audited.

Results for announcement to market

Comparison to previous corresponding period

	To 30 June 2008		30 June 2009	
		% change		A\$'000
Revenue from ordinary activities	up	19.5%	to	192,895
Profit from ordinary activities after tax attributable to members	up	38.8%	to	26,849
Net profit for the period attributable to members	up	38.8%	to	26,849

Dividends

Details of dividends/distributions declared or paid during the year ended 30 June 2009 are as follows:

Record date	Payment date	Type	Amount per security	Total dividend	Franked amount per security	Foreign sourced dividend amount per security
29 August 2008	15 September 2008	Final	8.0 cents	\$9,475,000	8.0 cents	-
6 March 2009	23 March 2008	Interim	4.75 cents	\$5,650,000	4.75 cents	-

A fully franked final dividend of 5.5 cents per share in respect of the year ended 30 June 2009 was declared on 21 August 2009 and is expected to be paid on 16 September 2009. The record date for determining entitlement to this dividend will be 1 September 2009.

Discussion and analysis of financial results

Settlements for the year were \$8.6 billion, down 9.8% on FY2008. The loan book at 30 June 2009 has increased to \$36.03 billion, up 8.3% on FY2008. Revenue for the year totalled \$192.9 million, 19.5% higher than the previous year.

As part of the preparation of the year end results, Mortgage Choice engaged independent actuaries to conduct a full review of its trailing commission book. It was determined that the actual loan run off experience over the last few years has been lower than the assumptions used to model the cash flows in the past. This resulted in a significant one-off, non-cash adjustment to Mortgage Choice's balance sheet. This adjustment of \$15.6million after tax is recognised in the Company's profit and loss for the year. The resulting profit after tax was \$26,849 million, which was 38.8% higher than the previous year.

Earnings per share for the period are 22.6 cents, 37.8% higher than the previous year (16.4 cents).

Net assets at 30 June 2009 were \$66.4 million up from \$55.1 million as at 30 June 2008. The balance sheet is underpinned by \$5.3 million in cash on hand (2008 - \$8.5million).

Cash flow from operating activities during the year was \$13.7 million as compared to \$17.0 million in the previous year. Net cash outflow was \$3.1 million after capital expenditure of \$2.1 million and dividend payments of \$15.1 million.

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Preliminary consolidated income statement

For the year ended 30 June 2009

	Notes	Consolidated	
		2009 \$'000	2008 \$'000
Revenue from continuing operations		191,993	160,169
Other income		902	1,222
Expenses from continuing operations	1		
Sales		(119,809)	(99,290)
Technology		(5,356)	(4,825)
Marketing		(8,941)	(9,041)
Finance		(2,038)	(1,930)
Corporate		(5,449)	(6,435)
Finance costs		(13,157)	(12,195)
Profit before income tax		38,145	27,675
Income tax expense		(11,296)	(8,331)
Net profit attributable to the members of Mortgage Choice Limited		26,849	19,334
		Cents	Cents
Basic earnings per share	5	22.6	16.4
Diluted earnings per share	5	22.6	16.3

Preliminary consolidated balance sheet

As at 30 June 2009

	Notes	Consolidated	
		2009 \$'000	2008 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		5,334	8,482
Trade and other receivables		82,403	59,987
Total current assets		87,737	68,469
Non-current assets			
Receivables		153,874	123,996
Property, plant and equipment		2,046	1,019
Deferred tax assets		675	1,189
Intangible assets		2,725	2,902
Total non-current assets		159,320	129,106
Total assets		247,057	197,575
LIABILITIES			
Current liabilities			
Trade and other payables		57,631	41,180
Current tax liabilities		349	1,692
Provisions		425	711
Total current liabilities		58,405	43,583
Non-current liabilities			
Payables		96,331	79,012
Deferred tax liabilities		25,316	19,449
Provisions		609	410
Total non-current liabilities		122,256	98,871
Total liabilities		180,661	142,454
Net assets		66,396	55,121
EQUITY			
Contributed equity	3	808	437
Reserves	4	471	1,291
Retained profits	4	65,117	53,393
Total equity		66,396	55,121
		Cents	Cents
Net tangible assets per share		53.5	44.3

Preliminary statements of changes in equity

As at 30 June 2009

	Notes	Consolidated 2009 \$'000	2008 \$'000
Total equity at the beginning of the financial year		55,121	52,230
Profit for the year		26,849	19,344
Transactions with equity holders in their capacity as equity holders:			
Employee share rights and options	4	(268)	757
Treasury shares		(181)	(62)
Dividends provided for or paid		(15,125)	(17,148)
		(15,574)	(16,453)
Total equity at the end of the financial year		66,396	55,121

Preliminary cash flow statement

For the year ended 30 June 2009

	Notes	Consolidated	
		2009 \$'000	2008 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		154,229	164,635
Payments to suppliers and employees (inclusive of goods and services tax)		(134,311)	(140,437)
		<u>19,918</u>	<u>24,198</u>
Income taxes paid		(6,257)	(7,201)
		<u>(6,257)</u>	<u>(7,201)</u>
Net cash inflow/(outflow) from operating activities	7	<u>13,661</u>	<u>16,997</u>
Cash flows from investing activities			
Payments for plant and equipment		(1,694)	(529)
Proceeds from sale of plant and equipment		4	0
Payments for software and development costs		(398)	(705)
Interest received from cash and deposits at call		404	746
		<u>(1,684)</u>	<u>(488)</u>
Net cash (outflow) from investing activities		<u>(1,684)</u>	<u>(488)</u>
Cash flows from operating & investing activities		<u>11,977</u>	<u>16,509</u>
Cash flows from financing activities			
Dividends paid		(15,125)	(17,148)
		<u>(15,125)</u>	<u>(17,148)</u>
Net cash (outflow) from financing activities		<u>(15,125)</u>	<u>(17,148)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(3,148)</u>	<u>(639)</u>
Cash and cash equivalents at the beginning of the financial year		<u>8,482</u>	<u>9,121</u>
		<u>8,482</u>	<u>9,121</u>
Cash and cash equivalents at the end of year		<u>5,334</u>	<u>8,482</u>

1. Expenses

Profit from ordinary activities before income tax includes the following specific expenses:

<i>Finance costs</i>				
Interest and finance charges (note (a))	13,157	12,195	13,157	12,195
<i>Net loss on disposal of property, plant and equipment</i>				
	141	5	141	5
<i>Depreciation</i>				
Plant and equipment	254	244	254	244
<i>Amortisation</i>				
Leasehold improvements	268	484	268	484
Computer software	574	456	574	456
<i>Other provisions</i>				
Employee entitlements	(131)	10	(131)	10
<i>Rental expense relating to operating leases</i>	1,085	930	1,085	930
<i>Defined contribution superannuation expense</i>	1,033	1,149	1,033	1,149
<i>Termination benefits</i>	1,548	70	1,548	70

(a) Interest and finance charges

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

2. Segment information

The Mortgage Choice group of companies operates only in Australia and in one segment, mortgage broking.

3. Contributed equity

Movements in ordinary share capital

Date	Details	Number of shares	\$'000
30 June 2007	Opening balance	117,592,767	203
24 August 2007	Shares vested to employees under the Performance Share Plan	322,200	171
22 November 2007	Shares issued to the Mortgage Choice Performance Share Plan Trust	308,750	741
22 November 2007	Held as treasury shares	(308,750)	(741)
7 December 2007	Shares vested to employees under the Performance Share Plan	5,245	10
25 February 2008	Acquisition of shares on market to meet vesting requirements	(34,945)	-
25 February 2008	Shares vested to employees under the Performance Share Plan	94,600	53
30 June 2008	Balance	117,979,867	437
11 September 2008	Shares issued to the Mortgage Choice Performance Share Plan Trust	499,100	-
11 September 2008	Held as treasury shares	(499,100)	-
24 September 2008	Acquisition of shares on market to meet vesting requirements	(172,476)	-
24 September 2008	Shares vested to employees under the Performance Share Plan	172,476	152
17 October 2008	Shares vested to employees under the Performance Share Plan	43,162	78
31 December 2008	Shares vested to employees under the Performance Share Plan	19,632	36
15 May 2009	Shares vested to employees under the Performance Share Plan	26,600	47
12 June 2009	Shares vested to employees under the Performance Share Plan	36,600	58
30 June 2009	Balance	<u>118,105,864</u>	<u>808</u>

4. Reserves and retained profits

(a) Reserves

	Consolidated	
	2008 \$'000	2008 \$'000
Share-based payments reserve	<u>471</u>	1,291
Movements:		
<i>Share-based payments reserve</i>		
Balance 1 July	1,291	830
Options and performance shares expensed/(reversed)	(268)	757
Acquisition of shares on market to meet vesting requirements	(181)	(62)
Vesting of shares held by the Mortgage Choice Performance Share Plan Trust to employees	(371)	(234)
Balance 30 June	<u>471</u>	1,291

(b) Retained profits

	Consolidated	
	2009 \$'000	2008 \$'000
Balance 1 July	53,393	51,197

Mortgage Choice Limited

Net profit for period	26,849	19,344
Dividends	(15,125)	(17,148)
Balance 30 June	65,117	53,393

(c) **Nature and purpose of reserves**

Share-based payments reserve

The share-based payments reserve is used to recognise:-

5. the fair value of options and performance shares granted but not vested.
6. In the parent entity – the fair value of options and performance shares issued and funding of acquisition of shares by the Mortgage Choice Performance Plan Trust.

7. Earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Basic earnings per share	22.6	16.4
Diluted earnings per share	22.6	16.3
	\$'000	\$'000
Earnings used in calculating earnings per share – profit from continuing operations	26,849	19,344
	2009	2008
	Number	Number
Weighted average number of shares used as the denominator		
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	118,811,799	118,270,854
Adjustments for calculation of diluted earnings per share:		
Rights and options	154,769	499,304
<i>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	118,966,568	118,770,158

8. Events occurring after the balance sheet date

Dividend payment

A final ordinary dividend of \$6,542,000 (5.5 cents per fully paid share) was declared out of profits of the Company for the year ended 30 June 2009 on 21 August 2009 to be paid on 16 September 2008.

The financial effects of the above transaction have not been brought to account at 30 June 2009.

9. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2009 \$'000	2008 \$'000
Profit for the year	26,849	19,344
Depreciation and amortisation	1,095	1,184
Non-cash net present value of future trailing inflows	(52,074)	(11,429)
Non-cash net present value of future trailing outflows	32,648	7,440
Non-cash employee expense benefits – share-based payments	(268)	757
Share purchases to meet vesting – share-based payments	(181)	(62)
Interest received on cash and deposits at call	(404)	(746)
Net loss on sale of non-current assets	143	5
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(452)	819
Decrease/(increase) in deferred tax asset	514	(74)
Decrease/(increase) in other operating assets	232	(322)
Increase/(decrease) in trade payables	1,166	(921)
(Decrease)/increase in other operating liabilities	(44)	(402)
(Decrease)/increase in provision for income taxes payable	(1,343)	(379)
Increase/(decrease) in provision for deferred income tax	5,867	1,583
Increase/(decrease) in other provisions	(87)	200
Net cash inflow from operating activities	13,661	16,997