MFAA
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

Annual Report
2016/2017


MFAA

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Chairman's Report

Dear members,

It is with great pleasure that I report on a year in which the MFAA has realigned the delivery of its strategy for members and taken a genuine leadership position at a time when our Association and our industry have faced unprecedented challenges.

Over the past 12 months, we have taken a proactive and consultative approach in response to the most significant regulatory review our industry has faced. We have collaborated with government, regulators and various stakeholders on a range of solutions and the MFAA is now recognised as a major contributor in what is a crucial debate for broker remuneration and sustainability.

We are continuing to make progress with a revitalised management team and a growing membership base.

As I prepare to retire from my role as Chairman of the MFAA, it gives me great satisfaction that we have prepared the ground for our incoming Chairman, Donna Beazley. I have every confidence she will continue to build on this positive trajectory.

During FY17, we have seen membership growth of more than 6.1 percent, which means the MFAA now represents more than 13,000 members across Australia.

More importantly, our members are doing the right thing by their customers. Our latest research shows that 92 percent of brokers' customers are satisfied with their broker. Default rates remain comparatively low and we are seeing increased competition and professionalism in the industry, during a period when the broader industry is coming under increased pressure from regulators grappling with housing affordability and economic stability in Australia.

As we close out the financial year, our Association and our industry are healthy. However, there is no doubt that we faced some significant challenges just 12 months ago.

In July 2016, we experienced disruption of our management team, ASIC had announced its Review of Mortgage Broker Remuneration and a series of additional regulatory changes and reviews were looming on the horizon, such as ASIC's Industry Funding Model review and a review of External Dispute Resolution.

As a result, during the second half of 2016, the Board and I undertook a series of steps to respond to these issues, stabilise the management team and accelerate advocacy efforts on behalf of our members.

My priority was to execute the key responsibility of any Chairman – to oversee the appointment of a CEO, and ensure the management team had the appropriate leadership and direction during the appointment process. Secondly, the Board and I immediately began to represent the MFAA in an intensive advocacy program with the Federal Government and key regulators.

The appointment of Chris McRostie as interim CEO proved successful, as Chris was able to bring leadership to our management team, provide strong support to the Board and begin to implement some necessary core process changes and initiatives.

Management Team

After an intensive selection process from July to October 2016, the Board appointed Mike Felton as the new CEO. Mike joined us in December 2016.

In making this appointment, we sought a candidate with a depth of experience in financial services to reflect the breadth of the role and help us respond to the ongoing changes and challenges facing the industry. Mike's 30 years' experience in financial markets, treasury, asset finance and project management, as well executive roles, gave the Board confidence that we could appoint him to implement our strategies and drive value for our members.

Advocacy

As the various regulatory reviews into the broking industry began to gather momentum in mid-2016, the Board and I made a concerted effort to inform policy debates and achieve a voice at the table for the MFAA and our members.

Our objectives in increasing our advocacy efforts were to respond to imminent regulatory challenges but also to drive understanding and support across government, so that relevant stakeholders understand the value our industry brings to Australia's economy, society and community.

We took delegations to Canberra to meet with the Office of the Minister for Revenue and Financial Services and senior staff members at Treasury. We were engaged in regular briefings with highly placed ASIC staff to understand the direction and likely outcomes of the Remuneration Review. These briefings allowed us to discuss likely policy implications and to help these stakeholders understand how these policy changes would impact our industry and consumers.

We also held a series of briefings with Australia's Minister for Small Business, the Hon Michael McCormack MP and Senator Katy Gallagher, Shadow Minister for Financial Services and Small Business. We talked to them about the broking sector's positive impact and our significant contribution to Australia's small business sector – especially in regional areas.

This intense advocacy in the first half of FY17 laid the foundations for our ongoing efforts throughout the year, which have driven strong outcomes for members. ASIC adopted a variation of one of our proposals for its Industry Funding Model, and the MFAA – in collaboration with industry partners and stakeholders – contributed strongly to ASIC's well-considered and informed Review of Mortgage Broker Remuneration.

Governance

As a Board, we listened to member feedback and took action to clarify the Director nominations process for members. We have established a Director Nominations Committee, revised the Director Nomination process to include key checks and balances and created clearer procedures for changing a Nominated Representative.

We have made all the relevant information available on the MFAA website.

An Open Door

As we move into FY18, we will continue to strive to understand your needs and listen to your feedback. Our broker roundtables, events and forums are key opportunities for our Directors and management team to listen to 'coalface' views from brokers, aggregators and lenders.

I encourage every member to make their voice heard. The door is always open and your feedback will be critical in determining how the Board and management team will prioritise their efforts into the future.

In closing, I would like to thank my fellow Directors both past and present who have assisted and supported me over the past two years as Chairman and the previous three years as a Director of the MFAA.

The MFAA Board is strong because its Directors are diligent in their duties, committed to the industry and steadfastly champion the value of the broker proposition.

I would also like to thank the MFAA management team for their commitment to achieving the objectives of the MFAA over the past year.

I believe that through the continued efforts of the Board and Management, the MFAA will continue to grow and prosper.

Lastly, I would like to thank the members who continue to entrust the MFAA to act on their behalf in advocacy and promoting the profession of finance and mortgage broking.

Cynthia Grisbrook
Chairman

I encourage every member to make their voice heard. The door is always open and your feedback will be critical in determining how the Board and management team will prioritise their efforts into the future.

CEO's Report

Dear members,

Over the past year, our industry has faced a significant level of change. This creates risk and is inevitably unsettling but change can also provide real opportunities to drive the sustainability of our industry into the future.

Having joined the MFAA as CEO in December 2016, at the height of a number of these industry challenges, I believe the organisation has taken great strides during FY17 in strongly representing the interests of our members with the objective of ensuring that we have a highly professional industry with strong customer outcomes at its heart.

I am pleased to report on a year of growth and re-focus for the MFAA and our members. I am confident that we are exceptionally well placed to meet the challenges that still lie ahead, whilst continuing to ensure the best possible results for our members.

Upon joining the MFAA team late last year, my focus was directed towards four key areas. Firstly, to listen and consult with a wide range of people. Secondly, to evaluate the feedback and work with the MFAA Board to re-align the delivery of our strategy. Thirdly, to maintain a strong focus on advocacy efforts to address unprecedented regulatory challenges.

Finally and most importantly, this focus has enabled me to foster a greater degree of genuine collaboration within the industry to achieve better outcomes for members. Indeed, the achievement of which I am most proud in FY17 is the role the MFAA has played in the unification of our industry during a critical period.

Consultation and Realignment

My immediate focus upon my appointment was to consult broadly and listen to a diversity of views. This involved an initial six week period of consultation with many hundreds of people across the entire industry value chain to obtain honest feedback. Following this, my management team and I worked with the Board to realign our strategy and prepare an action plan for 2017.

We presented the realigned strategy and action plan at ten professional development events around the country, which was invaluable in gathering further feedback from members.

We have taken a number of key actions since then, including:

- Improvement in communications and engagement through the relaunch of the MFAA member forums in an enhanced format;
- Expansion of our broker regulatory roundtables, which now occur at least twice annually across six cities with audiences of up to 35 brokers;
- Attendance at MFAA National Forums by management – a critical opportunity for enhanced engagement and consultation;
- Regular CEO updates at key events such as PD days, State Excellence Awards and various other industry events;
- Continually improved service levels and productivity for members;
- Development and launch of a new website with a simple and streamlined format; and
- Increased transparency and engagement with member feedback – my management team and I will continue to be available to listen and respond positively to feedback.

We have also taken action to drive improvement in professional standards and professional development. In this regard, we appointed a Head of Education to lead the organisation's professional development strategies and develop an industry competency framework. We have also focused on the quality and relevance of our event program to optimise educational content and to provide genuine assistance to brokers in improving their businesses.

Advocacy

Advocacy has always been a core strength and has remained a key focus for the MFAA Board and management team and I believe the MFAA's advocacy efforts have been highly effective during FY17. We have provided a strong voice for members and ensured effective collaboration between the industry, ASIC, Treasury and the Government.

The key highlights have been the outcomes of ASIC's Review of Mortgage Broker Remuneration and the ASIC Industry Funding Model review.

The Remuneration Review in particular was the greatest threat to face our industry since the global financial crisis. However, following months of engagement with the Government, we have received a well-informed and considered report that re-affirms the competition and positive outcomes driven by brokers, albeit with six key areas for potential improvement. The industry's proactive approach to self-regulation has without doubt assisted in earning the trust of regulators as this process continues.

During FY17, the MFAA made thirteen regulatory submissions on behalf of the industry, assisted by government relations partners GRACosway, who provided support and expertise at a crucial time for the industry.

Finally, we ensured a firm but measured approach to advocacy beyond our work with regulators, which has been reflected by strong and timely responses to unwarranted attacks by media and other stakeholders.

Industry Collaboration

Prior to my appointment, I observed a growing broking industry, with thousands of talented people driving healthy competition and great consumer outcomes. However, this same industry was pulling in different directions.

After joining the organisation, it quickly became clear that collaboration across the entire value chain would be critical in our efforts to address a series of looming industry and regulatory challenges.

The MFAA has actively pursued this objective and has sought to play a key role in driving collaboration with the ABA, FBAA, COBA and AFIA to unite the industry in its response to the ASIC Remuneration Review. I have been delighted by the response of the industry associations and stakeholder groups that have united at this critical time.

The creation and continuing engagement of the Combined Industry Forum drew public praise from the Commonwealth Government and was, in my view, the highlight of the year. Its formation is a great credit to our industry.

As a growing industry, we will continue to be subjected to scrutiny. I believe this should be welcomed as a sign of maturity and an opportunity to continually improve. True sustainability will always result from continued self-improvement and our approach has reassured regulators that we are aligned in the pursuit of great consumer outcomes and well-informed and considered regulatory outcomes.

As part of this collaborative approach, we have also focused on improving our relationship with the FBAA, as members' interests are best served by industry associations that collaborate wherever appropriate.

Towards a Strong Future

In conclusion, I believe our industry and our Association are strong.

Recent data from the Industry Intelligence Service Report produced for the MFAA by Comparator (a CoreLogic company) has demonstrated that consumers are continuing to vote with their feet, with brokers now writing more than 53 per cent of all mortgages in Australia. This is the clearest possible demonstration that the industry is on the right path and that we are creating great consumer outcomes.

The MFAA has reported another strong financial year, with a largely break-even result being an outstanding achievement in a year in which significant resources have been invested on behalf of our members to achieve the desired outcomes on the ASIC Industry Funding Model, the Broker Remuneration Review and other key initiatives.

I would like to thank Chris McRostie for the key role he played as interim CEO during 2016. Chris laid the foundation for our strategic realignment and several of the key initiatives we have been able to implement during 2017.

My gratitude also goes to the MFAA Board for their support and advice, to the MFAA team for their considerable dedication and commitment to the needs of our members, and to our National Forums for their continued readiness to engage and help us to create realistic, achievable solutions to help us meet regulatory objectives. Finally, my thanks goes to our 13,000+ members for their ongoing involvement, support and feedback.

The MFAA is strong and growing, reflecting the strength of our entire industry and the talent and diligence of our members. On behalf of the MFAA, I thank each one of you for your valuable contribution.

Mike Felton
CEO

I believe the MFAA's advocacy efforts have been highly effective during FY17

Advocacy Report

The 2016-17 financial year was unprecedented in terms of the number of regulatory issues faced by the mortgage broking industry. The MFAA was at the front of the industry's advocacy efforts, making advocacy the most critical focus of the MFAA's Board and management team. During this period, the MFAA made a total of 13 submissions to eight major Government inquiries.

The most significant regulatory issue for the industry during FY17 was the ASIC Review of Mortgage Broker Remuneration and the associated ABA Sedgwick Review. However, the industry also responded to the ASIC Industry Funding Model, the Ramsay Review into external dispute resolution schemes, and a range of additional reviews.

ASIC Review of Mortgage Broker Remuneration

The MFAA worked extensively through its National Aggregator and Lender Forums, as well as through Regulatory Roundtables with brokers in every state, to first provide input to the ASIC Review and then respond to its 13 key findings and six specific recommendations.

The key to the MFAA's approach was to work closely with ASIC during the report's development stage over several months during 2016 and 2017, to ensure that ASIC had access to all of the most appropriate industry information, and that it had the most accurate snapshot of the broking industry.

This approach led to a balanced, robust report which identified a number of potential conflicts of interest in the mortgage broker remuneration model which the regulator believed could lead to poor customer outcomes. However, the report also identified the benefits that the mortgage broking sector brings to the wider market and the Australian economy, in terms of enhanced competition and consumer access to credit advice and services.

In responding to the ASIC report, the MFAA addressed each of the six recommendations in detail. The MFAA's submission developed and assessed a number of options to:

1. Improve the standard (current) commission model
2. Move away from bonus commissions and bonus payments
3. Move away from 'soft dollar' benefits
4. Create clearer disclosure of ownership structures
5. Develop a new public reporting regime
6. Improve governance and oversight

Our response thoroughly analysed a number of reform options directly addressing the ASIC recommendations, with the overarching objective of protecting strong customer outcomes. This proactive approach was welcomed by the Government and ASIC and has reassured the community that the mortgage and finance industry is willing and ready to make the necessary changes to protect customer outcomes.

As a result of a largely positive outcome to the ASIC Broker Remuneration Report and the pro-active manner in which the MFAA and other key stakeholders have responded to the report, the government is providing the industry with the opportunity to self-regulate in response to the ASIC recommendations. This is a watershed moment in financial services, and is in stark contrast to the strong legislative approach the Government has taken with other sectors, such as financial advisers and life insurers. But we have to get it right.

Recognising this opportunity for the industry, the MFAA's leadership worked with the Australian Bankers' Association to establish the Combined Industry Forum (CIF) to develop and implement the required self-regulatory reforms. The CIF comprises the ABA, MFAA, FBAA, COBA, and AFIA, as well as senior brokers, lenders and aggregators.
By the end of FY17, the CIF had held initial meetings and established its guiding principles and six key work streams designed to address the remuneration review's proposals.

ASIC Industry Funding Model

Originally driven from a recommendation of the (Murray) Financial System Inquiry, the industry was presented with the second iteration of ASIC's proposed industry funding model in November 2016. This model is a mechanism through which ASIC can recover its costs of supervision and enforcement directly from regulated entities, rather than from all Australian taxpayers. It also reflects Government policy that is being applied more widely to regulatory cost recovery.

The November 2016 ASIC model was viewed as unsatisfactory by the industry on a number of levels but mainly because it would levy a disproportionate level of cost recovery on mortgage brokers and aggregators, would be extremely complex to administer and collect and, in essence, would equate to a "tax" on brokers, which brokers would have no effective way of recovering.

The MFAA, following engagement with its Aggregator and Lender Forums, took a proactive approach to its response, designing a number of more effective options for ASIC. This again was extremely successful with ASIC adopting a variation of one of our options which has now been legislated by the Government.

The option adopted by ASIC was a scalable flat fee on licence holders, which was adjusted in proportion to the number of credit representatives held under a licence.

This was another excellent outcome for the mortgage and finance industry and a further example of the trusted adviser status the MFAA now holds with both the Government and ASIC.

Review into Dispute Resolution and Complaint Framework (Ramsay Review)

In early 2016, the Federal Government commissioned an independent review of external dispute resolution (EDR) services in the financial services sector (the Ramsay Review). In essence, this was a review of the effectiveness of the current multi-scheme environment, which comprises the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal.

The subtext to this review was the assessment of the applicability of establishing a single EDR scheme, which would cover all aspects of credit and financial services.

The MFAA argued strongly for the maintenance of the multi-scheme environment, maintaining that the current system was efficient, equitable, transparent, accountable and cost effective. Moreover, the MFAA believed that the case for change was in no way made by the Ramsay Review nor by the Government and that a single scheme would create an unaccountable EDR monopoly, which would be tailored to the major lenders, not small mortgage brokers or other smaller businesses.

However, the Government was determined to press ahead with its single scheme policy, releasing its policy to establish the Australian Financial Complaints Authority (AFCA) in May 2017. While the final legislation to enact this change has not been released, the Government has set up transitional arrangements to facilitate a move to a single scheme environment by July 2018.

While the MFAA is not happy with this outcome, it will work with the Government and the transitional consultative body to ensure that the needs of our members are represented and that the ultimate service provided by the AFCA is as effective as possible.

Productivity Commission Inquiry – Competition in Australia's Financial System

The MFAA is in the early stages of dialogue with the Productivity Commission in regards to its review into competition in the financial services sector. The MFAA believes that this is an ideal opportunity to quantify and publicise the benefits of the competition brought by the broker channel to the wider financial services sector.

The MFAA will continue to strongly reinforce the role that brokers play in providing customers, no matter where they are located, with potential access to major, non-major, regional, non-bank and international lenders.

MFAA submissions lodged during FY17 included:

- 26 September, 2016: ACCC on FBAA application for authorisation of Disciplinary Rules
- 7 October, 2016: Treasury on Review into EDR and Complaints Framework
- 13 January, 2017: Treasury on ASIC Supervisory Cost-recovery Levy
- 10 February, 2017: Retail Remuneration Review Issues Paper (Sedgwick Report)
- 10 February, 2017: Treasury on Review into EDR and Complaints Framework
- 10 March 2017: Treasury on ASIC Supervisory Cost-recovery Levy
- 23 May 2017: Treasury on Financial and Credit Panel
- 24 May 2017: Treasury on Review into EDR and Complaints Framework
- 26 May 2017: Treasury on ASIC Supervisory Cost-recovery Levy
- 28 June 2017: Treasury on Review into EDR and Complaints Framework
- 30 June 2017: Treasury on Review of Mortgage Broker Remuneration

Sponsorship

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Board of Directors

Cynthia Grisbrook
Chairman MFAA

Chairman since 2015 (Elected)
Director since 2011

Cynthia is Managing Director of DLV Finance Solutions, a finance brokerage that has provided mortgage financing and leasing services to individuals and business for 15 years. She has had a diverse career in the banking and finance industry holding management positions in retail banking, lending and Treasury where she was a Money Market Dealer. In addition to her Chairman duties, Cynthia is member of the Nominations, Remuneration and Governance Committee and is the Liaison Director for the National Lenders Forum. She has a thorough understanding of corporate governance and the practice of directorship and is a former member of the National Brokers Committee, Chairman of the Victorian Brokers Forum (2 terms), Victorian State President (2 terms) and Councillor (8 years). Cynthia has been a MFAA member since 2000 and was admitted as a Fellow of the MFAA in 2012. She is a long-time advocate of the profession of finance broking and sees this as a continuing strategic focus for the MFAA.

Cynthia holds a Bachelor of Business and a Diploma of Financial Services (Finance & Mortgage Broking Management). She is a Fellow of the Mortgage and Finance Association of Australia (FMFAA) and is a Member of the Australian Institute of Company Directors (MAICD).

Donna Beazley
Deputy Chair and Chair Elect

Director since 2014 (Elected)

Donna is a mortgage broker as part of the Oxygen Home Loans Team, covering the Sutherland Shire area of Sydney, NSW. Donna has over 20 years' experience in the finance industry and has been a mortgage broker since 2004. As an MFAA Director, Donna is a member of the Nominations, Remuneration and Governance Committee and is the liaison Director for the National Aggregators Forum. Donna holds a Certificate IV and Diploma in Finance and Mortgage Broking and is currently undertaking a Master of Business Administration degree.

Timothy Donahoo

Director since 2014 (Elected)

Tim is Head of Lending Services for Mortgage Choice, Sydney, NSW. Tim has been a member of the banking and finance industry since 1985. His experience covers various management roles, encompassing consumer credit, compliance, retail banking, training, recoveries, lending and general operations. He has been with Mortgage Choice since October 1999. Tim has been awarded Fellowships by the MFAA, FINSIA, the Institute of Financial Services and the Customer Service Institute of Australia.

As an MFAA Director, Tim is Chair of the Professional Standards Committee, is a member of the Audit & Risk Management Committee and is the liaison Director for the National Compliance and Regulatory Forum.

Tim holds a Master of Business Administration (LaSalle University), Bachelor of Law (University of Sydney), Associate Degree in Finance and Investment (AMBAI University) and a Certificate IV and Diploma in Finance and Mortgage Broking.

Murray Cowan

Director since 2015 (Elected)

Murray is Managing Director of Better Mortgage Management, Brisbane, QLD. Murray has over 30 years' experience in the Mortgage Finance industry. Throughout his career he has worked in senior roles at Citibank, ING Mercantile Mutual Bank & Westpac. For the last 17 years, he has led Better Mortgage Management as its Founder and Managing Director.

As an MFAA Director, Murray is a member of the Professional Standards Committee and the liaison Director for the Mortgage Managers Forum. Murray holds a Bachelor of Business Marketing (NSW Institute of Technology), Diploma of Financial Services and a Certificate IV in Mortgage Lending and Finance.

Melissa Gielnik

Director since 2015 (Elected)

Melissa is the founder and principal of Smart Lending, based in Melbourne.

Melissa is a successful, passionate, award winning Broker backed by 15 years' experience in the mortgage industry.

Elected to the MFAA Board in 2015, Melissa previously sat on the MFAA Victorian State Forum and has contributed to both MFAA and SOLD forums and events over the past years. In 2014 Melissa was the MFAA National Excellence Awards Winner in the prestigious category, "*Mortgage Credit Advisor of the Year*."

Her qualifications include: Bachelor of Business in Applied Economics, Diploma of Financial Services (Finance/ Mortgage Broking Management), Member & Graduate of the Australian Institute of Company Directors (GAICD).

Melissa is a member of the Audit & Risk Management Committee of the MFAA.

Vladimir Malcik

Director since 2017 (Appointed)

Vladimir is an experienced Director, Chief Financial Officer and Company Secretary with a broad background in finance, accounting and company secretarial practice in the public, private and not-for-profit sectors.

He brings important skills to the MFAA Board, including: corporate planning, strategy formulation and implementation, mergers, acquisitions, privatisations, company performance improvements and restructuring.

Vladimir holds a Master of Business Administration, a Graduate Diploma of Finance, a Bachelor of Business (Accounting Major) and a Diploma Company Directors Course.

He is a Fellow of CPA Australia and the Australian Institute of Company Directors and an Associate of the Institute of Chartered Secretaries in Australia and the Governance Institute of Australia.

Scott Bolton

Director since 2016 (Elected)

Scott has over 11 years' experience in the finance industry. Since becoming a mortgage broker in 2006 he has been involved in a range of local networking events to promote his business presence.

Scott has lived in Canberra, ACT since 1991 with his wife and two teenage sons where he started a small business under a franchise arrangement. He then travelled for several years, broadening his expertise with an American corporation, returning to Canberra as a Wizard franchisee in 2006, which was then converted to Aussie in 2009.

Being in a small business he has gained experience in HR policies, compliance, government interaction, stock control, handling debtors and exceeding customers' expectations.

As an MFAA Director, Scott is a member of the Nominations, Remuneration and Governance Committee.

Scott holds a Master of Business Administration, Certificate IV and Diploma in Finance and Mortgage Broking and is a Justice of the Peace.

Joshua Hatten

Director since 2017 (Appointed)

Josh is a professional Company Director with over 10 years' Board experience across several industries including retail banking, health and education.

He joined the Board of the MFAA as an independent Director in May 2017 and was appointed Chair of the Nominations, Governance and Remuneration Committee.

Josh also sat for 6 years on the Board of Qudos Bank, a mutual retail bank providing services to nearly 100,000 customers across Australia.

In his executive career, Josh has served as Chief of Staff to a senior Government Minister and worked as a corporate affairs consultant providing advice to organisations such as Snowy Hydro, Sydney Airport and Air Services Australia. Josh has also sat on the Board of the Cambridge Institute of Australia and ACON Health.

Josh holds a Masters degree in Science from the London School of Economics and degrees in Economic Social Sciences and Law. He has been admitted as a lawyer of the NSW Supreme Court and is a member the AICD. He is soon to complete his MBA.

Membership Report

As the peak national body, the MFAA represents finance brokers, aggregators, lenders, mortgage managers, mortgage insurers and other key industry participants. This diversity and strength of our membership allows us to not only focus on the long-term interests of our members but to also consider the well-being of the entire industry ensuring it is balanced, fair and equitable.

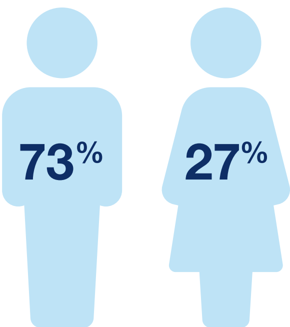
Our purpose is “To advance the interests of our members through leadership in Advocacy, Education and Promotion”.

Membership Growth

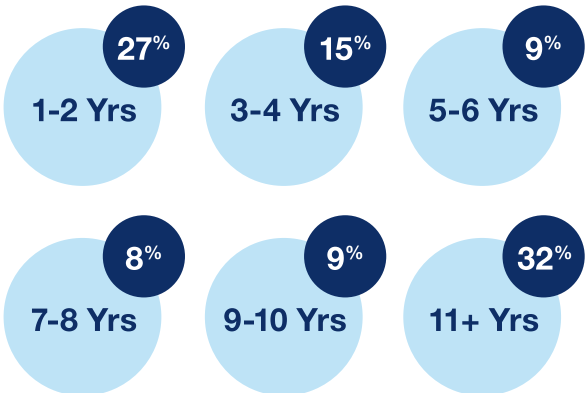
As at the 30 June 2017, the MFAA had a total of 13,336 members, representing a net growth rate for the year of 6.1%. A total of 1,894 new members joined the MFAA during the 2016-17 financial year.

Membership Snapshot

Gender



Years as MFAA Member



Membership Services

The MFAA’s focus is to strive to enhance your professionalism and success. Key membership services include:

MFAA New Member Orientation Sessions

Navigating the Finance Broker industry can be confusing and overwhelming for those members that are new to the industry. The MFAA’s New Member Orientation Sessions are designed to enhance the success of members in their first 12 months of business and demystify complexities within the industry. Our Business Development Managers share their experience and knowledge of the industry and provide guidance for Finance Brokers establishing their business. All members attending an Orientation Session receive a Business Plan template designed specifically for our industry and new entrants. Our Business Development Team also provides an overview of the MFAA, its available resources and how to maximise the benefits of membership as part of these sessions.

MFAA Business Builders resources & tools

To assist our members to develop and grow a successful business, the MFAA provides a range of online resources and tools via the member web portal. These include free online access to compliance and legal information, prior webinar recordings, business plan templates and free marketing material including consumer-focused content. Financial calculators are also made available at a highly subsidised rate.

The MFAA consumer content, produced by our Marketing team, is popular with our members and widely used. These articles provide guidance on issues such as how to refinance, stamp duty and a variety of other relevant finance topics for our member’s clients. Members can use the content free of charge on their website, blogs, social media pages and other client communications. Our Marketing team also provides free marketing consultations with members to improve strategies for advertising, brand awareness, lead generation and other aspects of marketing for a Finance Broker.

MFAA's Industry Intelligence Service Reports

The MFAA's Industry Intelligence Service (IIS) Reports provide reliable, accurate and timely market intelligence for members and the mortgage broking sector generally. This includes performance metrics and benchmarks for the industry and is provided twice a year.

MFAA in the Community

The MFAA actively participates in a number of community initiatives as part of our social responsibility objectives. This also assists members in engaging with, and giving back to, the communities in which they play such an integral role. These initiatives include our Young Professionals Program, Global Money Week, the Schools Entrepreneurs Program and our SOLD program that addresses social responsibility, opportunities for women, lifestyle, well-being, mental health, diversity and inclusion.

MFAA Membership Benefits Program

Our Member Benefits Program offers discounts on a wide variety of lifestyle and business services and products.

Membership Professional Development

Education and professional development are not only essential in driving consumer confidence and sector sustainability, they are a statutory obligation and also underpin the professional recognition of our industry. The high level of product, regulatory and technological change occurring across the industry requires our members to regularly attend professional development events and complete education and training.

To help members maintain high professional standards, the MFAA delivers a National Roadshow in five capital cities educating members in successful business practices. Throughout the year, the MFAA also holds professional development events in the metropolitan and regional areas of each state. Online education and webinars are also made available to members as part of a professional development program.

National Roadshow 2017

In 2017, the National Roadshow's theme was 'Business Builders', providing an excellent experience for over 1,300 attendees to obtain practical education, knowledge and insights to enhance their professional capabilities as Finance Brokers. Over 92% of respondents indicated they would return. The National Roadshow will be held again in May and June 2018.

Excellence Awards

The MFAA acknowledges and celebrates professional excellence in our industry. In 2017, State Excellence Awards were held in conjunction with the National Roadshow, with a record number of submissions received across 17 Award categories. Winners from our State Awards were finalists at our National Excellence Awards held in Melbourne at the Crown Melbourne.

MFAA Education Courses

The MFAA offers a range of online education courses for professional development for members covering anti-money laundering, compliance, equipment & commercial finance, ethics, reverse mortgage, SMSF and understanding the mortgage industry. Our Membership team is always ready and willing to assist members with Continuing Professional Development (CPD) requirements, education and general membership enquiries.

The MFAA Mentoring Program is available to both Mentors and Mentees. The program content is delivered online and consists of four stages which can be completed in conjunction with the Diploma of Finance and Mortgage Broking Management in the first twelve months of membership.

Commercial Finance Events

With ongoing growth in the commercial finance sector, the MFAA delivered commercial finance workshops in Melbourne and Sydney during the 2016-17 financial year. The workshops educated members in understanding the basics of business finance and were complemented by exhibits and presentations from Aggregators and Fintech Lenders informing members with relevant knowledge in Commercial Finance that may assist in the diversification and growth of their businesses.

Membership Engagement

Member engagement is integral to the MFAA's strategic plans and its ongoing success. To effectively harness member knowledge and experience, the MFAA elicits feedback from members via Member Forums, National Forums and Broker Regulatory Roundtables. The professional contributions of members participating in the Roundtables and Forums significantly assists the MFAA to lead advocacy and lobbying initiatives, and to think broadly on potential solutions and their consequences. It also provides the Association with valuable feedback in relation to how we can improve our products and services to all members in the future.

Member Forums

The MFAA has established city and regional member forums to provide a mechanism to promote the engagement of members through networking. The Association, in collaboration with the Member Forums, enable members to discuss and consider issues of relevance to their businesses and to their local community.

Member Forums may be city or region-based and must have a minimum of six MFAA members. Member Forums do not form part of the MFAA's governance structure but are a vital part of its organisational structure and provide an essential link for members to escalate matters to operational staff and the Board for consideration.

So far, Member Forums have been established in Adelaide, Brisbane, Coffs Harbour, Darwin, Far South Coast (NSW), Southern Highlands (NSW), Penrith, Perth and Port Macquarie.

National Forums

The MFAA National Forums are established by MFAA constituent members of specific industry sub-sectors. These Forums are advisory in nature and do not form part of the MFAA's formal governance. They provide a significant and important way for members to shape and influence the industry, to enhance member processes and improve customer outcomes.

The MFAA is very grateful to these members who give their time freely to the association to consider significant issues and discuss potential resolutions to challenges facing the industry as a whole.

National Lenders Forum

The National Lenders Forum comprises twelve lender members, four from the majors and eight from smaller bank and non-bank members which distribute their products through intermediaries.

The Forum, presided over by Mark Woolnough of ING DIRECT, held five meetings over the 2016-17 financial year. At those meetings, many matters affecting the third party channel were discussed, including:

- the ASIC Broker Remuneration Review (Report 516);
- ASIC Industry Funding Model;
- methods to manage state-based Verification of Identification (VOI) requirements;
- FATCA and Common Reporting Standards;
- the continuation of 'AML3' and KYC requirements;
- implementation of the new MFAA website; and
- regulatory changes including amendment to the Privacy Act.

Forum members are:

Mark Woolnough (President)	ING DIRECT
Glenn Gibson	AMP Bank
Bill Kantares	CBA
Damian Percy	Adelaide Bank
Steve Kane	NAB
Michael Trencher	Heritage Bank
Mario Rehayem	Pepper
Warren Shaw	Westpac
Stewart Saunders	Bankwest
Michael Volkiene	ANZ
James Angus	Macquarie Bank
Mark Vilo	Suncorp

Member engagement is a key strategic pillar of the MFAA.

National Aggregators Forum

The National Aggregators Forum provides a platform for aggregation groups to consider issues facing the industry as a whole and to assist the MFAA in considering challenges, formulating positions and considering potential solutions and their consequences.

Mark Haron of Connective is the current President of the Forum. The Forum met five times during the 2016–17 financial year and considered many matters during that time including:

- MFAA Business Builder Roadshow;
- ASIC Funding Levy;
- ASIC Broker Remuneration Review (Report 516);
- The 'Sedgwick' Report;
- regulatory changes including amendment to the Privacy Act;
- MFAA Excellence Awards;
- relationships with consumer advocacy groups;
- review and reminder of referrer obligations;
- a review of quarterly and half-yearly broker statistics;
- regulatory changes including amendment to the Privacy Act; and
- support for a simpler, consistent, industry-wide accreditation application process.

Forum members are:

Mark Haron (President)	Connective
Stephen Moore	Choice
Mark Hewitt	AFG
Stephen Scahill	Loan Market
David Smith	Aussie
Brad Wood	Astute Financial Management
Simon Southwell	FAST
Joe Sirianni	Smartline
Anja Pannek	PLAN
Clive Kirkpatrick	VOW

National Equipment & Commercial Finance Forum

The National Equipment & Commercial Finance Forum, presided over by Brendan Guthrie of BSG Mortgages & Finance, met five times over the year and it has been actively involved in a number of relevant issues affecting the sector, including:

- assisting to ensure that members meet their AML/KYC obligations;
- ASIC Broker Remuneration Review (Report 516);
- changes to 'flex' commissions;
- use of electronic signatures;
- appropriate integration of social media platforms into service delivery;
- free use of MFAA marketing content by members;
- enhancing the broker entrance/mentoring pathway into commercial lending;
- the impact of Personal Property Securities (PPS) regulation;
- charges for services where lending is unlikely;
- risk to purchasers for off-plan purchase in incomplete developments; and
- introduction of relevant learning resources to assist new-to-business brokers.

Forum members include:

Brendan Guthrie (President)	BSG Mortgage & Finance
Joe Zappia	Access Finance & Capital
Ray Slack	Macarthur Finance
Michael Budge	Lease Choice
Mark Lewis	FAST
Mark Caesar	Positive Lending Solutions
Bob Whetton	AFG
Rob Ryan	FAST
Glen Mitchell	VOW Financial
Paul Hunt	Darwin Home Loans
Mhairi McLeod	Astute Ability Finance
Mary Degetto	Nat Loans

National Compliance & Regulatory Forum

The National Compliance & Regulatory Forum was established for members to share experiences, knowledge and intelligence on compliance matters for the mutual benefit of members. Its objectives include determining industry best practice and consistent standards relating to legislative and regulatory compliance with a view to adoption of these standards across the industry. The Forum met seven times over the 2016-17 financial year and its current president is Greg Ashe of QED Risk. Over the year, the Forum considered many matters, including:

- consistent minimum borrower financial situation;
- verification standards;
- appropriate borrower identification standards;
- living expense calculation;
- the transition to eConveyancing;
- 'reasons' for and changes to I/O lending;
- improved definition of borrower needs and objectives;
- appropriate loan discharge processes; and
- an enhanced 'preliminary credit assessment' (or 'fact find');

Members of this Forum include:

Greg Ashe (President)	QED Risk
Stephen Wormald	Vow Financial
Amanda Sterling	Connective
Don Campbell	Aussie
Kevin Cottier	Smartline
Bevan McAulay	Astute
Tim Donahoo	Mortgage Choice
Geoffrey Smith	AFG
Julian Wills	Finsure
Elizabeth Kelly	Aussie
Elise Ivory	Dentons Lawyers

National Mortgage Managers Forum

The National Mortgage Managers Forum considered various matters during the 2016-17 financial year, including flex commissions and the ASIC Broker Remuneration Review. The Forum objectives and its composition are currently under review however members of this Forum over the past financial year included:

Stephen Fergusson (President)	Homeloans
Craig Green	Gadens Lawyers
Trayce Grippo	National Mortgage Company
Rob Morrison	Adelaide Bank

Regulatory Roundtables

This year, the MFAA held Regulatory Roundtable meetings in all states inviting members to discuss matters of key interest relating to various regulatory initiatives. The MFAA Chairman, MFAA CEO and Richard King, Managing Partner (Melbourne) for GRACosway facilitated the roundtable discussions on the ASIC Funding Levy, the ASIC Broker Remuneration Review, Ramsay Report (on EDR), Sedgwick Report and other key matters. Meetings were held in October/November 2016 and April/May 2017 in Sydney, Melbourne, Perth, Adelaide, Brisbane, Launceston, Hobart and Wagga Wagga and provided members with an excellent opportunity to engage directly with the MFAA on pertinent regulatory and industry matters.

MFAA Tribunal

The MFAA Tribunal is chaired by an experienced lawyer, Hank Spier and the skilled Michael Terceiro is Deputy Chairman. The Tribunal acts on alleged member breaches of the MFAA Code of Practice, Constitution or Disciplinary Rules. The disciplinary regime is designed to improve the public perception of the industry as a whole through the Association's self-regulatory disciplinary process, recently re-authorised by the ACCC and endorsed by ASIC.

While ASIC takes high-level action on financial services and credit sector breaches, the Tribunal will additionally act on misconduct, breaches of ethics, fairness and honesty by members. The MFAA Tribunal during the 2016-17 financial year ordered the expulsion of four members from the Association for misconduct and the cancellation of membership of one other member.

The MFAA would like to sincerely thank those members who served pro bono on various Tribunals convened during the year. They volunteered their expertise and often a great deal of time and effort in sometimes complex and challenging matters. Those people were:

- Jason Bridgett
- Craig Green
- John Carson
- Mark Lewis
- Peter Catramados
- Jeff Rimmer
- Garry Dowd
- Jim Socratous
- Rob Emmett
- Sof Tsialtis
- Barry Gaubert and
- Darren Turner.

The Tribunal acts on alleged member breaches of the MFAA Code of Practice, Constitution or Disciplinary Rules.

Financial Report
2016/2017

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ARC Chairman's Report

Dear members,

It is a pleasure to present my first annual MFAA Financial Report in my capacity as an appointed Director and Chairman of the Board's Audit and Risk Management Committee (ARC).

To begin, I would like to acknowledge the contributions of Michael Cottier who retired from the Board on 31 May 2017. As an appointed Director of the Board, Michael was Deputy Chairman of the Board and Chairman of the Finance, Audit and Risk Management (FARM) Committee for the majority of the Financial Year 2017. During the year, Michael led a review of the Board FARM Committee and oversaw the implementation of a new Audit and Risk Management Committee Charter.

Role of the Audit & Risk Management Committee

To improve Corporate Governance of the MFAA, the Board established an ARC Committee in 2017, replacing the Board FARM Committee.

The ARC Committee is not a policy making body but assists the Board by implementing policy. The objectives of the Committee are to assist the Board of Directors in the financial oversight and governance of the MFAA and the exercise of due care, diligence and skill in relation to:

- financial management, including review of financial performance against plan
- enabling the board to effectively deal with its responsibilities for risk
- assuring the quality of internal and external reporting of financial and non-financial information
- application of accounting policies
- the internal control system
- the risk management system
- the performance management system
- business policies and practices
- protecting the assets of the MFAA
- compliance with applicable laws, regulations and standards
- overseeing the external audit function
- promoting an ethical culture throughout the MFAA
- provision of an effective, impartial, confidential and objective whistle-blower pathway that is deliberately separate from the management of the MFAA.

Financial Performance and Position

The MFAA delivered an operating deficit of $10,347 (2016: $141,155) for the financial year ending 2017.

This result is reflective of a challenging financial year for the mortgage industry and the MFAA. Over twelve months the MFAA stepped up the intensity of its consultation with members and responded to a significant set of industry issues including but not limited to, the ASIC Funding Levy, ASIC Remuneration Review and the ABA Sedgwick Review. In the context of what was at stake for our members and what could be described as arguably the most challenging year for the MFAA since the GFC, the financial results not only seem appropriate but are an excellent outcome in the circumstances.

Revenues for the year were up by 3.8% on last year at $8,702,218. Whilst Membership revenue was up by 17% due to strong membership growth, Events revenue was down by 26% due to reduced events sponsorship income and significantly reduced ticket prices for the National Roadshow events.

As highlighted above, there were challenging operating conditions for the MFAA, including CEO succession planning and major regulatory reviews that adversely impacted operating expenses. Expenses were up 5.7% on last year at $8,712,565, impacted by a 31% increase in intangible assets being written down for old websites and IT systems reaching their end of useful life; and an 8.45% increase in Employee benefit expenses primarily explained by interim executive and CEO recruitment costs.

As at 30 June 2017, the MFAA is in a sound financial position with net assets of $2,362,298 and it maintains healthy working capital and reserves as reported in the Balance Sheet.

Financial Controls and Risk Management

During the year, management implemented new financial management policies, processes and systems to improve the effectiveness of financial controls and reporting. I am pleased to report that the External Auditors reported no control deficiencies in the financial year-end audit for 2017 and acknowledged management's initiative and improvements in this area.

With the establishment of the ARC Charter, the Committee will maintain and oversee compliance issues and risks through an effective risk management framework with the involvement of Board and management.

I would like to thank the Directors of the various Committees and management for their contributions and ongoing support.

Sincerely,
Vladimir Malcik
Chairman of the MFAA Audit and Risk Committee

I would like to thanks the Directors of the various Committees and management for their contributions and ongoing support.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The directors present their report on the Mortgage & Finance Association of Australia ('the Association' or 'MFAA') for the year ended 30 June 2017.

Directors

The directors of the Association in office during the financial year until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated. Number of Board Meetings attended of possible meetings is noted against each director.

Name	No. of meetings	Current status
Cynthia Grisbrook	(15 of 16)	
Michael Cottier	(12 of 13)	Retired on 31/05/2017
Timothy Donahoo	(13 of 16)	
Donna Beazley	(14 of 16)	
Murray Cowan	(16 of 16)	
Melissa Gielnik	(16 of 16)	
Malcolm Watkins	(6 of 6)	Retired on 11/11/2016
Scott Bolton	(9 of 10)	Appointed on 22/11/2016
Joshua Hatten	(1 of 3)	Appointed on 31/05/2017
Vladimir Malcik	(1 of 3)	Appointed on 31/05/2017

Principal activities

The principal activities of the Association during the year were:

(a) Representing members on regulatory affairs, including the ASIC Industry Funding Model, ASIC Remuneration Review, ASIC Supervisory Cost-recovery Levy, External Dispute Resolution (Ombudsman) Scheme, professional development services, publications, National Roadshows and like Personal Development Events for members' benefit;

(b) Increasing member professional standards via professional development programs and ensuring compliance with the MFAA Code of Practice and MFAA Disciplinary Rules for the benefit of consumers; and

(c) Raising the MFAA profile with stakeholders and consumers.

Ongoing Strategies, Objectives and Performance Indicators

The Strategic Pillars and Objectives of the Association include:

1 Advocacy, promotion and member engagement: *Shaping and influencing*

Objectives

a) Enhance, build and maintain effective relationships with government, regulators, media and other key stakeholders;

b) Vigorously advocate on behalf of the mortgage broking industry and educate stakeholders about the broker value proposition;

c) Inform consumers and other stakeholders about the stringent professional standards set by the MFAA and the mortgage broking industry;

d) Consult and engage with members via Regulatory Roundtables, Member Forums, National Forums, MFAA communications and other means; and

e) Provide government and regulators with credible and persuasive submissions that are in the best interests of our members and the industry.

2 Education, training and events: *Enabling and informing*

Objectives

a) Set industry benchmarks in education, professional standards and professional development programs;

b) Deliver a National Roadshow and other events that provide relevant education to enhance the success of our members and underpin the professional recognition of our industry; and

c) Acknowledge and celebrate the professional achievements of our members at State and National Excellence Awards.

3 Professionalism and sustainability: *Building confidence and trust*

Objectives

a) Maintain and improve the MFAA Code of Practice and professional standards of our industry;

b) Continue to implement corporate governance improvements that best serve the interests of MFAA members;

c) Attract new members to join the industry's premier industry body; and

d) Provide frameworks that support our corporate social responsibility objectives and the delivery of industry-wide community engagement.

4 Membership services and support: *Developing and strengthening*

Objectives

a) Deliver business building skills, tools and support services to enhance the success of our members;

b) Provide industry benchmarking data, information and reporting to our members; and

c) Be a hub of valued information for finance brokers.

5 Monitor and evaluate emerging opportunities and threats: *Protecting and nurturing*

Objectives

a) Identify, monitor, evaluate and effectively respond to emerging opportunities and threats;

b) Collaborate with other industry associations where appropriate; and

c) Stay at the forefront of industry developments.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Key performance indicators used by the entity

The Association measures its own performance through the use of both quantitative and qualitative benchmarks. The benchmarks are used by the directors to assess the financial sustainability of the company and whether the company's short and long-term objectives are being achieved.

The KPIs set for the Association for the year ending 30 June 2017 were:

a) Membership net increase of 3% in new memberships, 6.1% achieved (2016: 9.7%).

b) Performance to budget.

c) Membership engagement in Professional Development Education and Events.

d) Success of lobbying is measured against the Board's assessment of the appropriateness of the legislation for members' purposes, regulatory submissions and outcomes for industry

Corporate information

This financial report covers the Mortgage & Finance Association of Australia as an individual entity.

The Mortgage & Finance Association of Australia is a company limited by guarantee, incorporated and domiciled in Australia.

Registered office and principal place of business is:

Mortgage & Finance Association of Australia
Suite 902, Level 9, 130 Pitt Street
Sydney NSW 2000

Members' Liability

The liability of the Members is limited.

Members' Contributions

Every member undertakes to contribute to the assets of the Association if it is wound up while the member is a member, or within one year after the member ceases to be a member, for:

(a) the payment of the debts and liabilities of the Association, contracted before the member ceased to be a member;

(b) the expenses of winding up the Association; and

(c) the adjustment of the rights of the contributories among themselves.

The amount of the contribution under Members' Contributions above must not exceed $10.00 per member in any circumstance.

Review of operations

The performance of the Association, as represented by the results of the operations was as follows:

	2017 $	2016 $
Operating (deficit) / surplus before income tax	(10,347)	141,155

Following on from the previous financial years' increase in membership, the current financial year saw a net increase of 6.1% (2016:9.7%).

Accordingly, total national membership of the Association as at 30 June 2017 was 13,336 (2016: 12,574). Included in this figure are 12,697 (2016: 12,021) members with Finance Broker and Accredited Finance Broker status. Although 1,132 members ceased membership during the year, the vast majority were the result of leaving the industry. The Association welcomed 1,894 new members during the year.

The total number of employees as at 30 June 2017 was 22 (2016:25).

A summary of revenues and results by significant segments is set out below:

	Segment revenues		Segment results	
	2017 $	2016 $	2017 $	2016 $
Operations:				
Membership	6,107,837	5,220,769	6,054,012	5,185,163
Administration	379,460	384,000	(6,102,576)	(5,257,859)
Professional Standards:				
Events	1,339,185	1,820,735	5,849	493,335
Professional development courses	578,265	649,987	515,336	585,314
Marketing & Communications:				
Marketing/merchandising	134,249	29,775	(232,794)	(542,550)
Publishing - print & digital advertising	163,222	282,144	(250,174)	(322,248)
Total Revenue/Results	**8,702,218**	**8,387,410**	**(10,347)**	**141,155**

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Insurance of officers

During the year, the Association paid an insurance premium to insure the directors of the Association for professional indemnity and office bearers' liability, association reimbursement and entity insurance.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Association and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Association. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Hall Chadwick, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Hall Chadwick during or since the financial year.

Non audit services

The Association may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Association are important.

Details of the amounts paid or payable to the auditor (Hall Chadwick) for audit and non audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

i) all non audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor,

ii) none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Association, acting as advocate for the Association or jointly sharing economic risk and rewards.

Audit services

During the year, the following fees were paid or payable for services provided by the auditor of the Association and its related practices:

	2017 $	2016 $
Hall Chadwick:		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	28,000	28,086
Tax compliance services	18,270	5,000
Other services	12,483	4,662
Total remuneration for services	**58,753**	**37,748**

Auditor's independence declaration

Copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Signed in accordance with a resolution of the directors.

Cynthia Grisbrook
Chairman

Vladimir Malcik
Director

Sydney
18 October 2017

AUDITOR'S INDEPENDENCE DECLARATION

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx : (612) 9263 2800

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend
Partner
Date: 18 October 2017

A Member of PrimeGlobal
An Association of Independent Accounting Firms
PrimeGlobal

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2017 $	2016 $
Revenue	5	8,702,218	8,387,410
Expenses			
Depreciation, amortisation & impairment expense	6(a)	(442,273)	(337,601)
Employee benefits expense	6(b)	(3,942,419)	(3,635,492)
Other expenses	6(c)	(4,327,873)	(4,273,162)
Total expenses		(8,712,565)	(8,246,255)
(Deficit) / surplus before income tax		**(10,347)**	**141,155**
Income tax expense	7	-	-
(Deficit) / surplus attributable to members of the Mortgage & Finance Association of Australia		**(10,347)**	**141,155**
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(10,347)**	**141,155**

The above Statement of Profit or Loss and other comprehensive income should be read in conjunction with the accompanying notes.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION

	Notes	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	8	5,669,261	5,847,381
Trade and other receivables	9	190,123	144,347
Other current assets	10	188,062	214,400
Total current assets		**6,047,446**	**6,206,128**
Non current assets			
Property, plant and equipment	11	84,683	58,097
Intangible assets	12	652,712	904,768
Other non current assets	13	700	681
Total non current assets		**738,095**	**963,546**
Total assets		**6,785,541**	**7,169,674**
LIABILITIES			
Current liabilities			
Unearned membership subscriptions		3,125,204	3,275,360
Trade and other payables	14	1,029,569	1,288,504
Provisions	15	244,828	178,069
Total current liabilities		**4,399,601**	**4,741,933**
Non current liabilities			
Provisions	16	23,642	55,096
Total non current liabilities		**23,642**	**55,096**
Total liabilities		**4,423,243**	**4,797,029**
Net assets		**2,362,298**	**2,372,645**
MEMBERS' FUNDS			
Members' funds		**2,362,298**	**2,372,645**
Total members' funds		**2,362,298**	**2,372,645**

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

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF CHANGES IN MEMBERS' FUNDS

	2017 $	2016 $
Total members' funds at the beginning of the financial year	2,372,645	2,231,490
(Deficit) / surplus for the year	(10,347)	141,155
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(10,347)	141,155
Total members' funds at the end of the financial year	**2,362,298**	**2,372,645**

The above statement of changes in members' funds should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

	Notes	2017 $	2016 $
Cash flows from operating activities			
Membership subscriptions received (inclusive of goods and services tax)		6,154,754	5,774,590
Receipts from customers (inclusive of goods and services tax)		2,058,661	3,158,370
Payments to suppliers and employees (inclusive of goods and services tax)		(8,228,513)	(7,211,220)
Interest received		54,339	92,034
Interest paid		(558)	-
Net cash flows from operating activities	21	**38,683**	**1,813,774**
Cash flows from investing activities			
Payments for intangible assets and property, plant and equipment		(216,985)	(314,343)
Proceeds from sale of office equipment		182	-
Net cash flow used in investing activities		**(216,803)**	**(314,343)**
Cash flow from financing activities			
Net cash flows from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		**(178,120)**	**1,499,431**
Cash and cash equivalents at beginning of the year		5,847,381	4,347,950
Cash and cash equivalents at end of the year	8	**5,669,261**	**5,847,381**

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

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. Corporation Information

The Mortgage & Finance Association of Australia is a company limited by guarantee incorporated in Australia. The financial statements cover the Mortgage & Finance Association of Australia as an individual entity, incorporated and domiciled in Australia.

The financial report of the Mortgage & Finance Association of Australia for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 18 October 2017.

2. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(b) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i) Subscription and sponsorship

Revenues are recognised as revenue in the year to which the service relates with the unearned portion deferred.

ii) Education/Professional Development

Revenues are recognised when received, which is the point at which the Association has control of the monies.

iii) Events

Revenues are deferred when received, and recognised as revenue when the event occurs.

iv) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax.

(c) Income tax

The Mortgage & Finance Association of Australia is a non profit organisation for taxation purposes. Accordingly, the Association's mutual income is not subject to income tax while non mutual income (such as interest income) in excess of specified levels is subject to tax at prescribed rates.

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in members' funds are also recognised directly in members' funds.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Summary of significant accounting policies (continued)

(d) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. Trade receivables are due for settlement between 30-60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An impairment provision is recognised when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 6(a) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Plant and equipment that have been contributed at no cost or for nominal cost are recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is available for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Useful Life
Plant and equipment	2 - 13.33 years

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

(i) Intangible assets

(i) Software

Software has a finite useful life and is carried at cost less accumulated amortisation and impaired losses. Amortisation is calculated using the straight-line method to allocate the cost of software over their estimated useful life of 4 years.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Summary of significant accounting policies (continued)

(ii) Website costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase of a website are considered to be an expense. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which may vary from 4 to 5 years.

(iii) Trademarks

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(j) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature are not discounted. These amounts represent liabilities for goods and services provided to the Association prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(l) Recoverable amount of non current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net profit or loss in the reporting period in which the recoverable amount write down occurs.

The expected net cash flows included in determining recoverable amounts of non current assets are not discounted.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. Summary of significant accounting policies (continued)

(n) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the company retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period, in addition to the minimum comparative financial statements, must be disclosed.

(o) New accounting standards and interpretations

Certain Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Association for the annual reporting period ended 30 June 2017. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Association) and interpretations.

3. Financial Risk Management Objectives and Policies

The Association's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Association's operations. The Association has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Association manages its exposure to key financial risks, including interest rate and credit risk in accordance with the Association's financial risk policy. The objective of the policy is to support the delivery of the Association's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Audit & Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below.

Risk Exposures and Responses

(a) Interest rate risk

At balance date, the Association had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	2017 $	2016 $
Financial assets		
Cash and Cash equivalents	5,669,261	5,847,381
Net Exposure	5,669,261	5,847,381

The Association's policy is to maintain sufficient cash and cash equivalents to fund its operations. The policy is to hold cash and cash equivalents with institutions that have "Approved Deposit Taking Institution" status. Annual budgets are framed to achieve a 2% of turnover surplus to build cash reserves sufficient to cover 6 months operating expenses.

The Board constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates, where applicable.

The following sensitivity analysis is based on the interest risk exposures in existence at the reporting date.

Judgements of possible reasonable movements:

	Higher / (Lower)	
	2017 $	**2016 $**
Post Tax Profit		
+0.5% (50 basis points)	28,346	29,237
-0.5% (50 basis points)	(28,346)	(29,237)

Significant assumptions used in the interest rate sensitivity analysis include:

Reasonably possible movements in interest rates were determined based on the Association's current mix of investments in Australia, relationships with finance institutions, the level of investment that is expected to be renewed as well as a review of the last two year's historical movements and economic forecasters' expectations.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. Financial Risk Management Objectives and Policies (continued)

(b) Foreign currency risk

As all transactions are denominated in Australian Dollars, the Association is not exposed to foreign currency risk.

(c) Price risk

The Association has no exposure to commodity and equity securities price risk.

(d) Credit risk

Credit risk arises from the financial assets of the Association, which comprise cash and cash equivalents, trade and other receivables. The Association's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Association trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Association's policy to securitise its trade and other receivables.

It is the Association's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Association's exposure to bad debts is not significant.

(e) Liquidity risk

Prudent liquidity risk management is maintained such that the Association maintains sufficient cash and cash equivalents to fund its operations. As a result, the Association is not subject to liquidity risk at the reporting date. A liquidity maturity analysis has not been prepared as there are sufficient cash and cash equivalents on hand to cover total liabilities.

(f) Fair Value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

4. Significant accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The Association determines whether goodwill and intangibles with indefinite lives are impaired at least on an annual basis in accordance with accounting policy stated in note 2(i).

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary. Depreciation charges are included in note 11.

Impairment of non-financial assets other than goodwill

The Association assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Association estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. When the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5. Revenue

	2017 $	2016 $
Revenue from operating activities		
Membership subscriptions	6,107,837	5,220,769
Membership admin fees	197,071	199,623
Professional development income	578,265	649,987
Events income	1,339,185	1,820,735
Marketing income	134,249	29,775
Advertising & public relations	163,222	282,144
Interest	82,066	103,007
Other revenue from ordinary activities	100,323	81,370
	8,702,218	**8,387,410**

6. Expenses

(a) Depreciation, Amortisation & Impairment expense:		
Depreciation	(31,216)	(18,666)
Amortisation	(359,831)	(318,935)
Assets written off	(51,226)	-
	(442,273)	**(337,601)**
(b) Employee Benefits Expenses:		
Wages & Salaries	(2,839,969)	(2,977,857)
Defined contribution superannuation expense	(272,222)	(307,920)
Other employee benefits & statutory taxes	(830,228)	(349,715)
	(3,942,419)	**(3,635,492)**

Note: Defined contribution superannuation expenses include contributions to multi-employer defined contribution plans and self-managed superannuation funds.

(c) Other expenses:		
Administration	(1,608,040)	(1,274,424)
Advertising and public relations	(106,754)	(102,310)
Disciplinary process	(33,700)	(76,281)
Professional development	(62,929)	(64,673)
Events	(1,333,336)	(1,327,400)
Legal fees	(243,846)	(103,604)
Marketing expense	(367,043)	(572,325)
Publishing	(306,642)	(502,082)
Rental expense on operating leases	(265,583)	(250,063)
	(4,327,873)	**(4,273,162)**

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7. Income tax expense

	2017 $	2016 $
Numerical reconciliation of income tax expense to prima facie tax payable		
(Deficit) / surplus before income tax expense	(10,347)	141,155
Tax at the Australian tax rate of 27.50% (2016: 30%)	(2,845)	42,347
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Income not taxable	(2,269,567)	(2,186,336)
Deductions not allowed	2,276,734	2,149,542
	4,322	5,553
Tax losses not brought to account	(4,322)	(5,553)
Income tax expense	-	-

Tax Losses

The association has accumulated tax losses of $6,171,797 to 2016 that may be treated as an allowable deduction against assessable income derived in future taxable income years. The utilisation of carried forward tax losses would be subject to certain carry forward loss rules.

Deferred tax assets have not been recognised in respect of these tax losses as they arise as a result of the Not-for-profit status of the association where tax is assessable only on non-mutual income. Whilst that tax status continues it is unlikely that these tax losses will be realised in the future.

8. Current assets – Cash and cash equivalents

(a) Deposits at call

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

The deposits are bearing floating interest rates between 1.57% and 2.45% (2016:1.75% and 2.60%).

(b) Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 $	2016 $
Cash at bank and in hand	885,885	2,111,859
Deposits at call	4,783,376	3,735,522
	5,669,261	**5,847,381**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9. Current assets – Trade and other receivables

	2017 $	2016 $
Trade receivables	190,123	144,347
Allowance for impairment loss (a)	-	-
Net trade receivables	**190,123**	**144,347**

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised in the current year (2016: nil).

At 30 June, the ageing analysis of trade receivables are as follows:

	Total $	Not impaired $	Considered Impaired $
2017			
Not past due	25,018	25,018	-
30 days past due	37,235	37,235	-
60 days past due	14,795	14,795	-
90 days past due	113,075	113,075	-
	190,123	**190,123**	**-**
2016			
Not past due	119,095	119,095	-
30 days past due	-	-	-
60 days past due	13,839	13,839	-
90 days past due	11,413	11,413	-
	144,347	**144,347**	**-**

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables.

10. Current assets – Other current assets

	2017 $	2016 $
Event deposits	12,674	4,274
Prepayments	175,388	210,126
	188,062	**214,400**

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

11. Non current assets – Property, plant and equipment

	2017 $	2016 $
Year ended 30 June		
Opening net book amount	58,097	40,491
Additions	64,887	36,272
Disposals	(7,085)	-
Depreciation charge	(31,216)	(18,666)
Closing net book amount	**84,683**	**58,097**
As at 30 June		
Cost	134,283	316,721
Accumulated depreciation	(49,600)	(258,624)
Net book amount	**84,683**	**58,097**

12. Non-current assets – Intangible assets

	Software & Website $	Trademarks $	Total $
Year ended 30 June 2017			
Opening net book amount	864,595	40,173	904,768
Additions	141,298	10,800	152,098
Disposals	(44,323)	-	(44,323)
Amortisation charge	(359,831	-	(359,831)
Closing net book amount	**601,739**	**50,973**	**652,712**
At 30 June 2017			
Cost	2,084,913	51,419	2,136,332
Accumulated amortisation and impairment	(1,483,174)	(446)	(1,483,620)
Net book amount	**601,739**	**50,973**	**652,712**
Year ended 30 June 2016			
Opening net book amount	914,514	31,118	945,632
Additions	269,016	9,055	278,071
Amortisation charge	(318,935)	-	(318,935)
Closing net book amount	**864,595**	**40,173**	**904,768**
At 30 June 2016			
Cost	2,072,679	40,619	2,113,298
Accumulated amortisation and impairment	(1,208,084)	(446)	(1,208,530)
Net book amount	**864,595**	**40,173**	**904,768**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13. Non current assets – Other non current assets

	2017 $	2016 $
Rental and other bonds	**700**	**681**

14. Current liabilities – Trade and other payables

	2017 $	2016 $
Trade payables	140,085	336,574
Other payables	889,484	951,930
	1,029,569	**1,288,504**

Fair Value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Other payables

Other payables are non-trade payables, are non-interest bearing and have an average term of three months.

15. Current liabilities – Provisions

	2017 $	2016 $
Employee benefits	**244,828**	**178,069**

16. Non current liabilities – Provisions

	2017 $	2016 $
Long Service Leave	**23,642**	**55,096**

17. Remuneration of auditors

The auditor of the Association is Hall Chadwick (NSW)

	2017 $	2016 $
Amounts received or due and receivable by Hall Chadwick for:		
- the audit of the financial report of the entity	28,000	28,086
- tax compliance services	18,270	5,000
- other services	12,483	4,662
	58,753	**37,748**

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18. Contingencies

Contingent liabilities

Guarantees

Guarantee given in respect of lease amounting to $239,112 (2016: $239,112), secured over a cash deposit held at a financial institution. This guarantee may give rise to a liability if the obligation under the terms of the lease subject to the guarantee is not met.

19. Commitments

Lease commitments

Commitments in relation to a lease contracted for at the reporting date but not recognised as liabilities is as follows:

The Association leases an office under non cancellable operating lease expiring within three years. On renewal, the terms of the lease are renegotiated.

	2017 $	2016 $
Commitments in relation to operating leases are payable as follows:		
Within one year	217,190	206,602
Later than one year but not later than five years	365,096	583,581
Minimum lease payments	**582,286**	**790,183**

20. Related party transactions

(a) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2017 and 2016 is set out below. The key management personnel are the 8 directors (2016: 7), 1 chief executive officer (2016: 1), 2 department heads (2016: 3) of the Association. These individuals have been determined to have the greatest authority for the strategic direction and management of the Association.

	2017 $	2016 $
Short-term benefits	796,799	1,021,100
Post-employment benefits	72,133	91,293
Long-term benefits	-	-
	868,932	**1,112,393**

(b) Other transactions and balances

A former Director, Mr. Jon Denovan, is a partner at Dentons Australia Pty Ltd. Dentons Australia has provided legal services to the Mortgage & Finance Association of Australia for several years on normal commercial terms and condition.

	2017 $	2016 $
Legal fees	**69,805**	**58,280**

Transactions between related parties are on normal commercial terms, no more favourable than those available to other parties unless otherwise stated.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

21. Cash flow statement reconciliation of surplus after income tax to net cash inflow from operating activities

	2017 $	2016 $
(Deficit) / surplus for the year	(10,347)	141,155
Depreciation and amortisation	442,273	337,601
Change in operating assets and liabilities		
(Increase) / decrease in prepayments	54,066	(154,606)
(Increase) / decrease in receivables & other receivables	(73,504)	94,738
(Increase) / decrease in other operating assets	(19)	4,800
Increase / (decrease) in unearned membership subscription	(150,156)	553,820
Increase / (decrease) in payables	(441,826)	928,518
Increase / (decrease) in employee provisions	218,196	(92,252)
Net cash from operating activities	**38,683**	**1,813,774**

22. Events after balance sheet date

There have been no significant events occurring after balance date which may affect either the Association’s operations or results of those operations or the Association’s state of affairs.

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Directors' Declaration

In accordance with a resolution of the directors of the Mortgage & Finance Association of Australia, we state that in the opinion of the directors:

a) the financial statements and notes of the Association are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the Association's financial position as at 30 June 2017 and of its performance, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Association will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the Association will be able to meet any obligations or liabilities to which they are, or may become subject to.

On behalf of the Board

Cynthia Grisbrook
Chairman

Vladimir Malcik
Director

Sydney
18 October 2017

INDEPENDENT AUDITOR'S REPORT TO MEMBERS

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

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MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

Opinion

We have audited the financial report of Mortgage & Finance Association of Australia, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of Mortgage & Finance Association of Australia is in accordance with the Corporations Act 2001, including:

a. giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

b. complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001;

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001 has been given to the directors of Mortgage & Finance Association of Australia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS

HALL CHADWICK (NSW)

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the

INDEPENDENT AUDITOR'S
REPORT TO MEMBERS

HALL CHADWICK (NSW)

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA
ABN 62 006 085 552

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Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend
Partner
Dated: 18 October 2017

MORTGAGE & FINANCE ASSOCIATION OF AUSTRALIA

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