Collection House Limited **Annual Report 2004**

Collection House Limited

ABN 74 010 230 716

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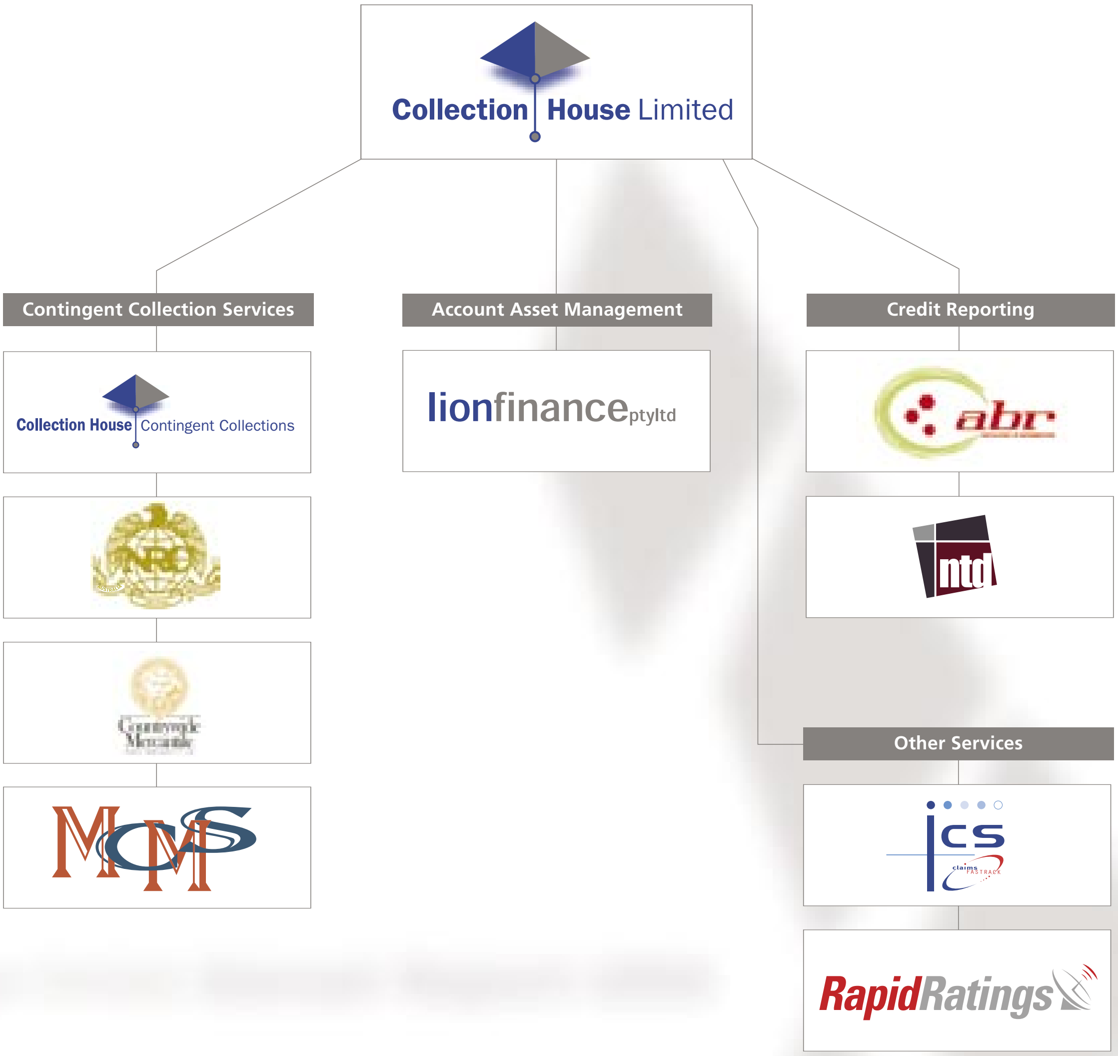
Note: Throughout this Annual Report, unless otherwise specified, Collection House Limited and its associated entities may also be referred to as "the Company", "the Group" and "the Entity".
Cover photo of Leigh Matthews: courtesy of Nathan Richter, The Courier-Mail

The Company

Collection House Limited is a group of companies headquartered in Australia, operating globally and delivering a broad range of financial services including receivables management, debt collection, insurance recovery and claims management, debt purchasing and recovery, credit reporting, and corporate risk rating.

Collection House first opened in Brisbane in 1992. It was listed on the Australian Stock Exchange in 2000 and now employs 700 staff in 15 offices located in all mainland Australian states and territories as well as New Zealand.



The Company (continued)

Contingent Collection Services

Consumer Division collects debts on a commission basis for banks and building societies, finance companies and other institutions that provide credit.

Commercial Division collects debts on a commission basis for commercial clients including retail and wholesale suppliers, local government, utilities, and schools.

Insurance Recovery Division collects on a commission basis outstanding motor vehicle claims as well as property and public liability insurance claims on behalf of insurance companies and self-insurers.

Workers' Compensation Division recovers on a commission basis outstanding employer workers' compensation premiums on behalf of insurers.

Receivables Management Division manages outsourced current receivables portfolios. Collection is generally conducted on a fee for service basis.

International Division collects on a commission basis, debts owed overseas to Australian or New Zealand clients, or debts owed in Australia or New Zealand to clients based in other countries. Collection House International uses a global network of specialist agents.

National Revenue Corporation (NRC) offers a special service to the small / medium business community through its unique Tandem program. Designed to be an alternative solution to conventional collection approaches, the Tandem program focusses on reducing the overall debt portfolio of small to medium sized businesses and professionals, accelerating cash flow, and reducing losses associated with bad debt.

Midstate Credit Management Services and **Countrywide Mercantile Services** provide specialised receivables management and debt recovery services to the commercial and local government sectors in Melbourne, regional Victoria and southern New South Wales.

Account Asset Management

Lion Finance Pty Ltd is a wholly owned subsidiary that purchases debt portfolios in Australia and New Zealand.

Credit Reporting

Australian Business Research Pty Ltd (ABR) is a business information services company offering an extensive range of live business searches to clients, providing on-line access to one of the most comprehensive range of government and private databases in Australasia.

National Tenancy Database Pty Ltd (NTD) is one of the largest tenancy databases in Australia with more than one million tenant files, 4,000 subscribers and 10,000 rental checks done per month. NTD supplies the real estate industry with tenant histories and public record information, and can verify details provided on rental applications. NTD also carries out commercial checks of companies, directors, businesses and proprietors.

Other Services

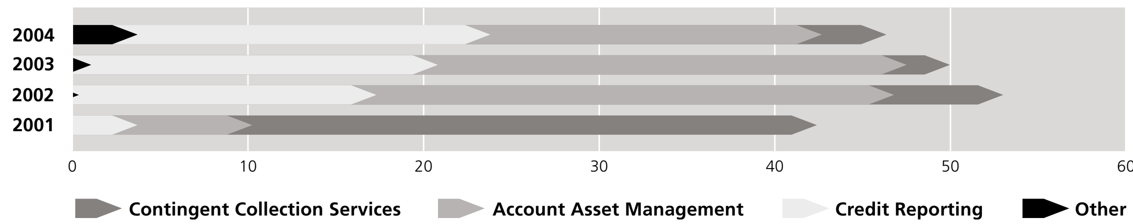
Insurance Claims Solutions Pty Ltd (ICS) offers a multi-faceted web-based claims management system called ClaimsFasTrack. It is a totally flexible and optioned solution allowing insurers, self-insurers and underwriters to manage insurance claims. Insurers can outsource all or part of the claims management process and reduce costs in the claims process.

Rapid Ratings Pty Ltd (RR) is a quantitative-based global rating agency based in Brisbane. It was the first corporate credit rating agency in Australia with an Australian Financial Services licence from ASIC. RR rates more than 15,000 companies (both listed and unlisted) in Australia, Canada, New Zealand, Singapore and the USA. Customers include investment funds, brokers and financial planners, accounting firms, banks and other large creditors.

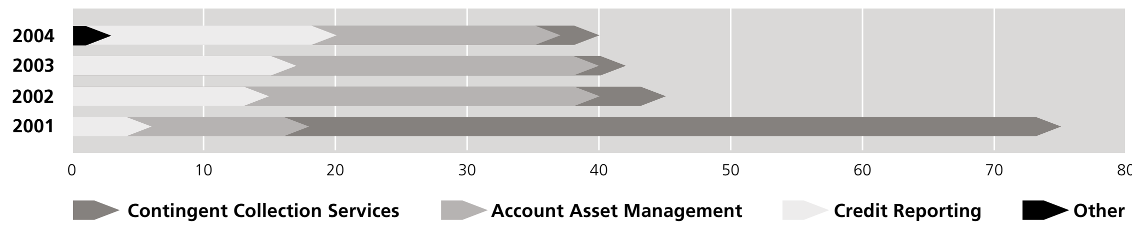
Financial Overview

	2004	2003	2002	2001
Revenue	117,876	119,854	118,419	60,439
EBITDA	35,774	33,065	45,505	18,687
Depreciation and amortisation	17,527	19,441	17,169	3,900
EBIT	18,247	13,624	28,336	14,787
Interest	2,966	2,323	1,054	727
Profit before tax	15,281	11,301	27,282	14,060
Income tax expense	(5,056)	(3,778)	(8,694)	(4,736)
Net profit	10,225	7,523	18,588	9,324
Net profit attributable to outside equity interest	416	674	67	(14)
Net profit attributable to the members of the Company	10,641	8,197	18,655	9,310
EPS (basic cents per share)	11.0	8.6	19.6	10.6
Net assets	90,398	82,152	80,866	71,603

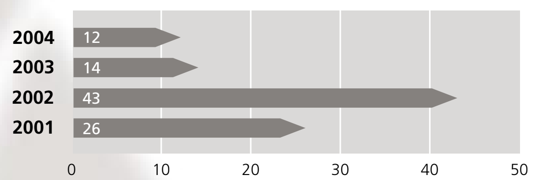
Sales to External Customers – Primary Business Segments ($'000)



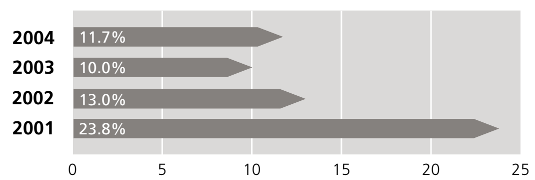
Sales to External Customers – Primary Business Segments (%)



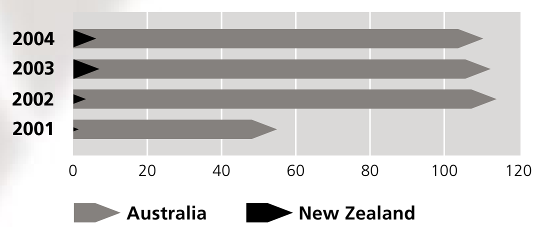
Times Interest Cover (based on EBITDA)



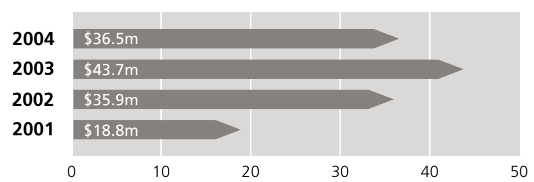
Return on Shareholders' Funds (%)



Revenue by Region ($'000)



Staff Expenses ($m)



Financial Overview (continued)

2004

August 2004

- 2004 full year financial results announced
- Revenue of $117.9m [$119.9m]
- NPAT of $10.6m [$8.2m]
- Cash flow increased to $32.1m [$30.5m]
- Staffing costs decreased to $36.6m [$43.7m]
- Capital expenditure reduced to $2m [$5.7m]
- Earning per share 11.0 cents [8.6 cents]
- Final dividend of 4.0 cents unfranked declared [1.0 cent fully franked]
- Net assets increased to $90.4m [$82.2m]
- Debt with a face value of $172m [$248.5m] was purchased during the second half of the year for $27.9m [$28.5m]

February 2004

- Announced a half year after-tax profit of $4.0m [$2.5m]
- Debt with a face value of $56.7m [$75.0m] was purchased during the first half of the year for $8.7m [$12.9m]
- Revenue of $57.8m [$60.8m] represented a decrease of 5% on corresponding 2003 half. Interim unfranked dividend declared of 3.0 cents [4.5 cents fully franked]
- Increase in profitability resulted from savings in payroll, associated employee expenses and communication costs

December 2003

- Parent Entity acquired a further 11% of issued capital of CHIP No.1 Pty Ltd and Insurance Claims Solutions Pty Ltd
- Collection House Limited entered into a tax consolidation regime resulting in a minor decrease in deferred tax assets

July 2003

- Parent Entity acquired a further 5.9% of issued share capital of Collection House Business Diagnostics Pty Ltd

2003

Note: figures in square brackets [ ] represent the previous year.

Operational Overview

2004

June 2004

- Tony Aveling, an Independent Director, appointed as Deputy Chairman of the Board
- Adrian Ralston, General Manager, Finance appointed as Chief Financial Officer

March 2004

- Collection House Limited announces it will no longer pursue collection of statute barred debt

February 2004

- Ross Oakley appointed as Executive Director, Rapid Ratings Pty Ltd

January 2004

- Collection House Limited announces renewal of a forward debt purchase contract with a major Australian bank for a period of 12 months

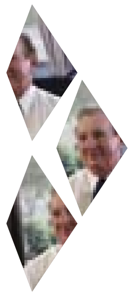
October 2003

- Adrian Ralston appointed as General Manager, Finance

September 2003

- Barry Connelly appointed as Director and Chairman of the Board of Australian Business Research Pty Ltd (ABR)
- Existing ABR Director Andrew Woods appointed Deputy Chairman of ABR
- Mark Stanton announced he would vacate position of Chief Financial Officer on 31 December 2003

2003



Chairman's Report

Fellow shareholders

I said in my report last year that the Board was confident of our overall strategy and the management of the Company going into 2003/04 and beyond. I think the result for this year confirms that our confidence was well placed.

After a challenging 2002/03, we have been able to more fully implement the strategy that we outlined to you last year. We have focussed on cost containment, strategic management, development of new business and realisation of investment.

The result is solid revenue and increased profit as well as significant forward momentum across the Company going into the current year.

I am confident that we have met and dealt with the challenges that confronted us two years ago and we are now well and truly back on course.

Our plan for the coming years is simple – to consolidate and improve our contingent collection business, grow the purchased debt portfolio, and pursue the best possible return on our investments in all areas of operation. We will also capitalise on the range of quality financial services that we offer our markets.

However, the challenges will continue to come, and so we are also looking to position the Company to not only deal with those, but to turn them to our commercial advantage.

By anticipating inevitable change, we become the company of tomorrow, today.

One of the greatest challenges we foresee will come from the environment in which we operate. The nature of our business, growing consumer activism, increasing regulatory intervention, the need to guarantee protection of client brand and reputation, and shifting economic conditions all demand that we achieve and maintain the highest standards of professional performance, legal compliance and ethical conduct.

To that end, Collection House will increase its investment in an extensive, continuous program of development and improvement to ensure that we are the industry benchmark in policies, practices and conduct. It is in the Company's commercial interest to have the confidence of clients, customers and regulators.

In the coming year, we will concentrate even more on our staff training and development, strategic management, monitoring and review of operations, and relationship management.

Our aim is to be highly regarded for the way we do business, not just the business we do.

The Company accepts that with 700 staff and 10 million customer contacts a year, often on sensitive and complex financial issues, no amount of training, systems or monitoring will completely eliminate human error. However, we can always do better, and that is our goal – continuous improvement. As we improve the way we do business, we expect to reduce future risk and more quickly resolve identified problems.

None of our programs will negatively affect financial performance in the coming year.

I look forward to reporting to you on future progress of the program and eventual recognition of the Company's leadership in the industry.

In the meantime, I congratulate the management and staff of Collection House on their achievement this year and assure you that we are absolutely focussed on an even better outcome in 2005.

Dennis G. Punches

Chairman

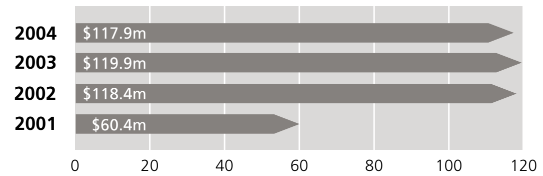
Managing Director & Chief Executive Officer's Report

We began Financial Year 2003/04 with a clear and simple plan for continued cost containment, corporate consolidation, and realisation of investment in assets. Our aim was to improve profitability while consolidating operations and building sustainable revenue growth across the Group.

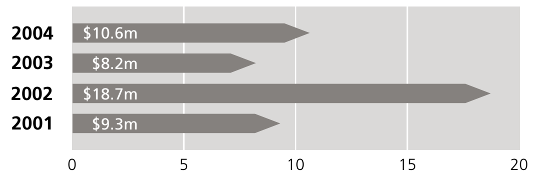
Despite both our strategy and resolve being tested in the first months of the year, we achieved our goal, turning challenges of the first half into opportunities in the second half.

We ended the year an even stronger and healthier company than we started: profit up 30% on solid revenue; staff costs and expenses down; cash flow much improved and net assets increased by more than 10%.

Revenue ($m)



Net Profit Attributable to Members of the Company ($m)



Account Asset Management

Competition was greater than ever before in the purchased debt market with a number of new and inexperienced buyers raising some vendor expectations to unrealistic levels. And, with several large-volume / poor-quality portfolios being offered to the market, we proceeded cautiously in the first half, holding to our pricing models and maintaining a high quality debt portfolio.

Although that decision held down revenue, particularly in the first half, we have delivered a good segment result thanks to a strong second half and improved profitability throughout.

As the year progressed, price expectation in the debt market returned to some normalcy. We also saw several new and significant vendors appear – a trend we expect to continue in the years ahead as Australia and New Zealand follow the pattern of USA and European financial markets.

A strong indicator of the value of purchased debt to this company is the accounts-under-repayment plan, where we now have almost $114 million on "arrangement" providing long-term revenue streams from this asset. Our arrangement book has not only been maintained this year, but grew by 3.3% during the second half.

Contingent Collection Services

The backbone of our debt collection business remains the contingent collection services. We took the decision at the start of the year to move away from high-cost / low-yield work. Again this had an effect on early revenue.

A major contract signed at the start of the year with a leading bank always promised strong revenue and profit. However, unexpected delays in bringing that contract on-line meant we did not see it bear fruit until the third quarter. Our second half figures, and particularly final quarter revenue and profit, show the significance of that contract.

The benefits will continue to flow from this and all our quality, flow-through contracts in financial years 2004/05 and 2005/06.

The International Division recovered in excess of $4 million for Australian, New Zealand and international clients. As the Australian and international economies cool (particularly those in the South East Asian region) opportunities arise to provide recovery services to financial institutions, exporters and their insurers within Australia and offshore.

The International Division is now co-located with the rest of Collection House operations in Collins Street Melbourne, finalising the integration of this business unit following its purchase as TCMS in 2001.

National Revenue Corporation (NRC) performed well in its eighth year of operation with increased revenue from its wide customer base in the small to medium-sized business (SME) market. With its specialised collection program, NRC attracts early referral of delinquent accounts. This early placement optimises collection results and improves client satisfaction.

Credit Reporting

Australian Business Research (ABR) showed the benefits of our cost containment program that began in the second half of 2003. ABR group delivered a 17.4% rise in revenue ($24.9m compared with $21.2m) and a 266% increase in profit ($3.1m, up from $0.9m).

In March, ABR underwent re-branding and re-positioning in pursuit of greater market share and new markets. The exercise included revising the sales team to provide stronger links with clients, and a marketing program for its re-structured product range. The focus is now on risk management and strategic management products, as well as a continual development of ABR's on-line domestic and international reporting products.

National Tenancy Database (NTD) exceeded projections with a 16% increase in revenue. A 22% increase in customer usage suggests there will be further growth in this specialist market during 2004/05.

Challenges during the past year included: adverse media coverage of activities by another company in the industry; announcement of a Federal Government review of the use of tenancy databases; and introduction of tighter legislative controls by the Queensland Government.

None of the developments is likely to adversely affect NTD which is well regarded and respected for its business practices.

Other Services

Rapid Ratings (RR) is well positioned to capture growing demand for independent rating research in Australia and around the globe.

RR was the first rating agency to obtain an Australian Financial Services (AFS) licence from ASIC and is now rating more than 15,000 companies in Australia, Canada, New Zealand, Singapore and the United States of America.

RR announced a number of significant developments during the year and developed a number of new products in response to client demand.

Human Resources

Staff numbers were further reduced from 753 in 2002/03 to 692 at the end of 2003/04. With staff numbers now stabilised, the focus has moved to improving efficiencies, streamlining operating procedures and developing programs for managing human resources issues.

Succession planning and employee development has been a priority with the inclusion of a Future Leaders team in a revised management structure. This team will be involved in projects throughout the Company, giving them a better understanding of both operations and strategy across the Group.

Communication is an important aspect of human resource management in a large and diverse company. A staff intranet homepage was introduced at the end of the year to improve the two-way flow of information at all levels and in all divisions.

Collection House recruitment strategies were revised during the year to attract more female applicants. More than 55% of the Company workforce is now female and there is an increasing proportion of women in senior management positions in our Australasian operations. There is also a greater focus on work / life balance including more flexible working hours.

The employee share scheme was re-introduced along with other staff benefits including a corporate health plan. Further benefits will be considered in order to attract and retain high quality staff.

In-house training programs have been bolstered. Initially, the emphasis has been on refining the on-line training system and course packages to meet departmental requirements. This on-line system is integral to programs that require all staff to be familiar and compliant with such requirements as the Uniform Consumer Credit Code (UCCC) and the Privacy Act. It delivers not only training modules, but allows ongoing evaluation of standards.

We will continue to review training systems to ensure that we are getting the best from our most important and valuable asset – our people.

Compliance

Collection House continued during the year to enhance compliance mechanisms and to promote a culture of compliance in the organisation. This was achieved by:

- more closely integrating the training and compliance functions and formalising the refresher training program;
- making compliance a regular topic of all management meetings for collection staff;
- continuing to build community and industry relationships through the Key Stakeholder Contact Program;
- transferring dispute handling for the Account Asset Management division to the Compliance Department for closer integration with other complaints handling processes;
- continuing to provide feedback to managers and staff from call monitoring;
- further refining policies and procedures and more closely aligning the training program with them; and
- resolving the certification requirements for the Professional Practices Management System (PPMS) to clear the way for Collection House to undertake the industry-specific, international quality certification process in 2004/05.

Collection House was subject to numerous audits by key clients during the year and passed all tests. Feedback from the Key Stakeholder Contact Program indicates that improvements in our operational performance continue to be noted in the market place.

Information Technology

The program of IT systems rationalisation continued during the year with a significant number of servers consolidated, cutting associated operating and maintenance costs.

Data integrity and storage systems continue to be upgraded with a large proportion of production data now on our new Hitachi Systems 9570 SAN which provides highly available and secure data storage in an enterprise-class centralised solution. As part of our Business Continuity Plan Development Program, Collection House is investigating the viability of installing a second SAN device at our disaster recovery site, to enable real time synchronisation of all core business data.

This and projects such as a successful pilot implementation of thin-client desktop technology, position the Company well for the years ahead.

Retirement or redeployment of older IT assets is expected to deliver further cost savings during 2004/05, as is the restructuring of our Wide Area Network (under implementation) and renegotiation of telephony carrier agreements in late 2004.

The in-house programming team implemented several innovative productivity-driven enhancements to our proprietary collection system such as: enhanced data washing of customer information to ensure accuracy; password unification between systems; upgrades to our client on-line access products; and enhanced time-saving integration between systems.

To enhance productivity and efficiency within Collection House's support divisions, the HEAT task management and service delivery utility has been installed in Technology, Accounting, Compliance, Legal and Sales with Human Resources soon to follow.

Outlook

I am confident that we will see a stronger first half this year thanks to the momentum we carry out of 2003/04.

We will maintain a tight rein on costs and continue to look to improve the return on assets. With improved profitability we should see consistently solid results throughout the coming year.

I expect modest growth in the Contingent Collection Services division on the back of sound relationships with quality clients.

The purchased debt segment will enjoy strong growth and margins should improve both here and in contingent collections.

The credit reporting segment should improve again in 2004/05 and there is good reason to be optimistic about the potential of Rapid Ratings.

Generally, I look to 2004/05 as a year of even greater opportunity for Collection House Limited than was 2003/04.

John Pearce

Managing Director &
Chief Executive Officer

The Board of Collection House Limited

1. Dennis Punches BSc

Chairman

Appointed to the Board in July 1998, and in 2000 as its Chairman. Chairman of the Board's Nominations Committee and a member of the Remuneration Committee. Current director of Intrum Justitia, AB and Call Solutions, Inc; Co-Chairman of the International Collectors Group and a Trustee for Wisconsin's Carroll College. Former director of Attention LLC, Inc and Analysis and Technology, Inc and co-founder and former Chairman of Payco American Corporation. Resides in Florida, USA. Age 68.

2. Tony Aveling FAIM, FAIBF, FAICD

Deputy Chairman
Independent Director

Board member since May 2000 and member of the Audit & Risk Management Committee, the Nominations Committee and the Remuneration Committee. Prior positions include Chief Executive of the Australian Bankers' Association; Chief Executive Business and Private Banking, Westpac Banking Corporation; Chief Executive Officer, The Mortgage Company Ltd; and Managing Director and Chief Executive Officer of Australian Guarantee Corporation Ltd. Honorary Governor for the Science Foundation for Physics, University of Sydney and past Chairman of the Australian Finance Conference. Resides in Queensland and New South Wales, Australia. Age 61.

3. Barrie Adams PSM, FCPA, PSM

Lead Independent Director

Appointed to the Board in November 2002 and as Chairman of the Audit & Risk Management Committee in January 2003. Member of both the Nominations and the Remuneration Committees. Chairman of CITEC Business Enterprise Board, NuCashew Limited, Pro Super Holdings Limited and Financial Basics Foundation. Director of Corporate Influences Pty Ltd, Ingeus Limited and NuPlant Limited. Chairman of the Risk and Audit Committee of Ingeus Limited. Chairman of the Professional Standards Committee for CPA Australia. Resides in Queensland, Australia. Age 59.

4. John Pearce FAIM, FAICM

Managing Director & Chief Executive Officer

Co-founder of Collection House and appointed to the Board in April 1993. In April 2003 returned to former position of Managing Director & Chief Executive Officer which he held from mid 1998 until December 2002. Director of all Collection House subsidiaries and the Financial Basics Foundation. Chairman of the Brisbane Lions Foundation. Member of the International Fellowship of Certified Collectors. Resides in Queensland, Australia. Age 59.

5. Barry Connelly BJ

Independent Director

Appointed in June 2003 to the Board of Collection House. Subsidiary board appointments to Australian Business Research and Rapid Ratings in September 2003 and November 2003 respectively, the first of which as Chairman. Charter member of the board of NASDAQ listed company, First Advantage. Retired President of the international Consumer Data Industry Association and former member of the Texas House of Representatives. Past board member of the Merchants Research Council, Charter Bank-Willowbrook. Resides in Texas and Maine, USA. Age 64.

6. Tony Coutts

Executive Director

Subsequent to initial posting as General Manager of Collection House in 1995, appointed as an Executive Director to the Collection House Board in September 1998 with current executive responsibilities as Director of Sales. Queensland State President of the Australian Collectors Association. Twenty years' experience in the finance and insurance industries including 18 years with Australian Guarantee Corporation Ltd. Resides in Queensland, Australia. Age 45.

7. Bo Göranson

Independent Director

Director since May 2000. Non-executive director of Intrum Justitia AB. Director of Travel Focus Ltd (UK), Amfa Finans AB (Sweden), Market Maker AB (Sweden) and Redab Fulcull Ltd (UK). Past Chief Executive Officer and Chairman of Intrum Justitia. Resides in London, England. Age 66.

8. Bill Hiller

Independent Director

Director since June 2003 and member of the Nominations and the Audit & Risk Management Committees. Some 40 years' experience in the automotive finance industry including prior position as General Manager – Automotive Finance for St George Bank Limited. Former directorships include St George Motor Finance Limited, Autobytel.com.au Pty Ltd, the Australian Finance Conference and Cycle & Carriage Finance Limited. Resides in Perth, Australia. Age 65.

9. Bill Kagel

Independent Director

Joined the Board in February 2000 and appointed Chairman of the Remuneration Committee in June 2003. Over 40 years' debt collection industry experience as a former director of Outsourcing Solutions Inc and co-founder and Senior Vice-President - Production for Payco American Corporation. Resides in Wisconsin, USA. Age 67.

10. Stephen Walker

Non-Executive Director

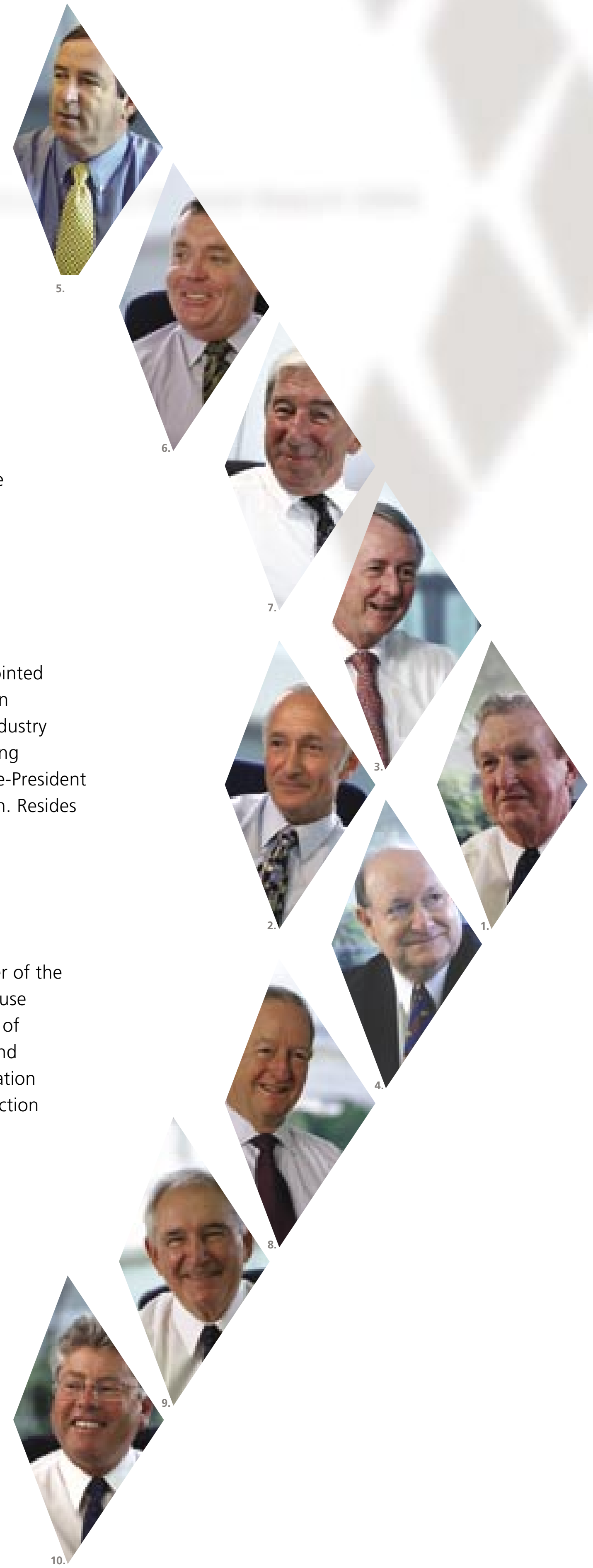
Co-founder of Collection House and member of the Board since July 1992. Former Collection House Managing Director until 1998. Past member of the Audit & Risk Management Committee and former director of National Revenue Corporation Pty Ltd. Has owned and managed debt collection agencies in both Australia and New Zealand. Resides in Queensland, Australia. Age 53.

Committees

Audit & Risk Management:
Barrie Adams (Chairman),Tony Aveling, Bill Hiller

Nominations:
Dennis Punches (Chairman), Barrie Adams, Bill Hiller, Tony Aveling

Remuneration:
Bill Kagel (Chairman), Dennis Punches, Barrie Adams, Tony Aveling



Financial Basics Foundation

Financial Basics Foundation
making financial futures brighter

Foundation dream: to ensure that all Australians leaving the secondary education system have an understanding of the credit system and financial management practices, so that they can make informed decisions on their financial affairs.

Collection House Foundation changed its name during the first half of 2004 to Financial Basics Foundation. Board members believe that the new name more clearly communicates the Foundation's mission and will be more recognisable.

The growing awareness and recognition of financial literacy as an important life skill was highlighted this year with the establishment of a Federal Government taskforce to develop a national strategy for provision of consumer and financial literacy information and education. There has been considerable discussion about the importance of financial literacy, particularly for young people, and how to best provide this type of information. The Foundation has been actively involved in these discussions and will continue to advocate for the inclusion of financial literacy as part of school curriculum.

In 2003, the Foundation funded programs in which 15 schools in four states developed and trialled financial literacy courses. In 2004, information gathered from the pilots was used to re-develop curriculum material with the assistance of Business Educators Australasia Inc. and Enterprise New Zealand Trust. The result will be an integrated package called "Operation Financial Literacy".

The package will include a hardcopy student portfolio and an electronic teacher's manual covering nine core modules with topics such as: Income; Budgeting; Credit and Borrowing; Financial Protection; Saving and Investing; Taxation; and Planning for your Future.

Schools involved in the pilot program will receive a copy of the revised Operation Financial Literacy by October 2004 and other schools will have access to it, free of charge, by January 2005.

The Bank of Queensland has recognised the potential of the Foundation's work and the key role the finance industry can play in addressing issues associated with financial literacy and has agreed to become a Corporate Partner of the Foundation from August 2004. Financial Basics Foundation and the Bank of Queensland will work together on a number of projects over the next three years.

During the year the Board appointed Ann McArdle as Financial Administrator for the Foundation, and Katrina Birch as the National Development Manager. Ann's accounting background and Katrina's extensive experience in not-for-profit organisations made these appointees ideally suited for their Foundation roles.

In June 2004 Mr Leigh Matthews, coach of the Brisbane Lions Australian Football Club was appointed Patron of the Foundation. Leigh will also continue to serve as a director on the Foundation Board.

A Glance Back and a Look Forward

2004 was about creating a quality financial literacy resource and establishing a three-year business and strategic plan that will ensure the growth and development of the Foundation well beyond the delivery of a single program.

In 2005 the Foundation will deliver the Operation Financial Literacy program and continue to review and assess it with a view to developing modules covering such topics as: Gambling; Youth Mobile Phone Debt; Scam Awareness and Philanthropy.

The Foundation also plans to develop Operation Financial Literacy to become an accredited pre-vocational course and to work with financial counsellors and community agencies in delivering the program in a broader community context.

The Foundation was first registered in December 2001. Collection House has remained the major donor of funding to the Foundation whose aim is to provide financial education and awareness about the industry in which Collection House operates.

Financial Basics Foundation is a registered charity under Australian taxation legislation.

Foundation Board

Chairman	Directors
Barrie Adams	**Julie Tealby, Rhonda King, John Pearce, Leigh Matthews**

Corporate Governance

The members of the Board, its management and staff are committed to sound corporate governance policies and practices in all aspects of the Company's business activities to ensure that it is a professional, ethical company with the highest of standards in compliance and conduct.

The Company has a strong culture of compliance and is dedicated to the pursuit of excellence in its stewardship across all levels of the organisation to ensure the long-term sustainability of the Company and indeed, for the express purpose of improving returns on shareholders' investments.

Integrating the philosophies behind the Australian Stock Exchange (ASX) Corporate Governance Guidelines and Principles into all work practices throughout the organisation, not just at board level, delivers an environment that strives for, and achieves, transparency and honesty in business practice.

We encourage our shareholders to view supporting statements and actual policies and procedures relating to corporate governance processes on the company website. A more succinct account of these policies is outlined below.

Laying Solid Foundations for Management and Oversight

Clearly defining the role of the Board and its management is instrumental to laying solid foundations for the Company's success. The Board has adopted a Board Charter outlining the role and responsibilities of the directors. The Charter also details board functions, protocols, meeting procedures and decision making processes. The Board's primary role is to guide and monitor the business and affairs of the Company to ensure that the interests of shareholders are protected. The Board Charter and its Board Functions and Protocols annexure are posted on the company website. The Board's key responsibilities are to:

- determine and review operational and strategic direction and policy;
- establish goals for management and monitor the achievement of those goals;
- ensure regulatory compliance;
- appoint, monitor and reward senior managers;
- report to shareholders and the market; and
- monitor committees including the Audit & Risk Management, Nominations and Remuneration Committees.

The Board in turn delegates the day-to-day management of the consolidated Entity's operations to the Managing Director & Chief Executive Officer. To this end, the Managing Director & Chief Executive Officer of the Company is also a member of all subsidiary company boards.

While key executives report directly to either the Managing Director & Chief Executive Officer, or the Chief Operations Officer, they are required to submit monthly management reports to the Audit & Risk Management Committee and the Board so that directors are apprised of operational issues on an ongoing basis. A formal charter for delegated functions to management has been approved by the Board and a summary is included on the company website.

The Board has also adopted a director's Letter of Appointment covering the matters referred to in Principle 1 of the ASX Corporate Governance Guidelines ensuring directors clearly understand their corporate responsibilities.

The Board must meet at least six times a year with the Company Secretary and other senior management as required. Meeting attendance by individual directors is tabled on page 24. Urgent matters requiring discussion and / or a resolution of the Board between board meetings are managed procedurally by a circulating minute program and conference call links.

An annual meeting by the Board, dedicated to the review of the Company's business plan, is to be conducted over a full day during the period prior to the Annual General Meeting (AGM), when all directors of the Board are present in Brisbane. The Strategic Planning Meeting, as it is known, is to be based on a formal review of past years' strategies incorporating changes to the current and anticipated general economic environment and to the particular needs of the receivables management industry. An ongoing review of the strategy is conducted informally at board meetings and on an "as needs basis" in order to evaluate the continued efficacy of that strategy for the coming years and to make changes as appropriate.

Structuring the Board to Add Value

The composition of the Board is determined in accordance with the Company's constitution (available for viewing on the company website) which states that the Board consists of a minimum of three and a maximum of ten directors. Currently, it is comprised of eight non-executive and two executive directors and of the ten members, six are classified as independent.

While 75% of non-executive directors are classified as independent directors, there are two exceptions. Due only to their respective substantial shareholdings in the Company, Dennis Punches and Stephen Walker are not classed as independent directors. The Board maintains however, that their combined industry experience and knowledge of international and domestic trends is invaluable to the Company.

Similarly, it affords the Company a level of introduction and understanding offered by very few within the receivables management industry, a standing deemed important to current operations and at this stage in the Company's corporate development. Directors' experience and shareholdings as at June 30, 2004 are provided in greater detail on pages 10-11, and 25 respectively.

While our Chairman, Dennis Punches, is not classed as an independent director, his experience and knowledge of the industry, coupled with his ability to lead, has enabled him to be, and continue to be, a very valuable and effective Chairman with a scope well beyond that of other candidates, at either a national or international level.

The appointment of Barrie Adams, in June 2003 as the lead independent director coupled with the predominance of non-executive directors, ensures the Board can operate independently of executive management and provides for special professional expertise.

In July 2004, Tony Aveling (an independent director) was appointed as the Board's Deputy Chairman, further ensuring that the effectiveness and influence of the Company's independent directors remain at the forefront of our board meetings.

The roles of Chairman and Chief Executive Officer are clearly delineated. The office of Chief Executive Officer is held by John Pearce.

The Nominations Committee determines the criteria for board membership and reviews the composition of the Board, nomination of directors and the terms and conditions of appointment to the Board as it does for senior executives. Its membership consists of Dennis Punches (Chairman), Barrie Adams, Bill Hiller and Tony Aveling (appointed July 2004).

The Chairman considers individual directors' performances during the year via a performance evaluation process. The evaluations also extend to a review of the performance of the Board and each committee assessing the overall performance of the Board and each of the committees.

The Board will be evaluating senior executives of the Company by a formal performance review assessment each year.

Directors appointed to the Board during the year and not at an AGM must seek re-election at the first AGM following their appointment to allow for shareholder consent.

The Board's Charter detailing the responsibilities and composition of the Nominations Committee and outlining the framework for selection of future candidates for appointment to the Board is available for viewing on the company website.

Promoting Ethical and Responsible Decision-making

The Company recognises the need for directors, executives and employees to observe high standards of behaviour and business ethics when engaging in corporate activity in order to strive at all times to enhance the reputation and performance of the consolidated Entity. The requirement to comply with these ethical standards and to act in accordance with the law are communicated to all employees across a range of issues through the consolidated Entity's accessible on-line policy bulletin board.

Codes of Conduct have been established for directors and senior executives as they have for all employees. The Charter also outlines expected conduct of board members. These documents are included on the company website.

The Board has also approved a Security Policy applicable to employees of the Company (including the Board, board committees, senior executives, managers and other employees). This policy specifies the terms on which employees are required to receive, hold, analyse and / or otherwise deal with confidential and sensitive information of the Company.

Since listing, directors and other officers of the Company have been subject to restrictions under the Corporations Act 2001 and Listing Rules of the ASX relating to dealing in securities. In addition to these obligations, the Company has in place, an Insider Trading Policy that applies to all staff, with specific reference to executive staff and directors. Essentially, trading in the Company's shares is not permitted at any time by any person who has in their possession price-sensitive information, not available to the market.

Executives need not seek the consent of the Managing Director & Chief Executive Officer if shares are being bought through the general employee share scheme program.

The Managing Director & Chief Executive Officer has established an executive structure consisting of a number of strata of management. The Executive Management Team and the Senior Management Team comprise key executives who report directly either to the Managing Director & Chief Executive Officer or the Chief Operations Officer and who are charged with providing improved company financial performance. Each of these executives has signed a confidentiality agreement and has been notified of the Company's Insider Trading Policy and the dealing in shares restrictions under the Corporations Act 2001. The further management teams comprise the General Management Team and the Future Leaders Team.

The Audit & Risk Management Committee has established a Compliance Policy and a Risk Management Policy that have been approved by the Board and posted on the company website. This again further assists the directors in ensuring they and the employees of the Company actively seek to comply with relevant laws and regulations.

In accordance with the Corporations Act 2001 and the Company's constitution, directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The Board has developed procedures to assist directors to disclose potential conflicts of interest, including the disclosure of any conflict of interest at each meeting of the Board.

For the purpose of the proper performance of their duties, and subject to the approval of the Chairman, directors are entitled to seek independent professional advice at the Company's expense. Any advice sought shall be made available to all other board members. Directors are also entitled to be paid expenses incurred in connection with their duties.

Safeguarding Integrity in Financial Reporting

To safeguard the integrity of financial and compliance reporting, the Managing Director & Chief Executive Officer (based on declarations made by the Chief Financial Officer and other divisional managers) provides the Board with a quarterly declaration stating that the financial and other operations reports presented to the Board represent a fair view of the Company's position.
The statement also sets out any compliance exceptions and resulting action taken.

The Audit & Risk Management Committee is currently comprised of its Chairman, Barrie Adams (Lead Independent Director) and independent directors, Tony Aveling and Bill Hiller. Full attendance details of past and present members of this Committee are detailed on page 24.

The Committee meets with the external auditor of the Company, independently of company management, at least twice a year. It met nine times during the reporting period with senior executives and external consultants and auditors as required. The Committee reports to the Board at least at each board meeting. The Committee has a formal charter setting out its functions, composition and responsibilities. Further, a formal program has been established for the Committee at each of its meetings in order to ensure that appropriate consideration is given to the Committee's overall responsibility to:

- oversee and appraise the scope and quality of audits conducted by the Company's external auditors;
- monitor the relationship with and independence of external auditors;
- make recommendations to the Board on the appointment, removal and terms of engagement of external auditors;
- review and monitor the adequacy and effectiveness of management's control of risk, compliance and internal controls across all entities in the Group; and
- ensure the Company complies with all legislation and regulations impacting on its daily operations, with particular attention to the financial and reporting needs of the Company.

The Company recognises the need for its external auditors to understand the operations of the Company, but at the same time, for the external auditors to maintain their independence. While ongoing quarterly assessments and a formal annual assessment of the Company's external auditors have indicated that they provide professional and competent auditing services to the Company, the rotation of audit personnel every five years is being considered by the Board.

Making Timely and Balanced Disclosure

Throughout the year, the Company has maintained an environment promoting continuous disclosure to the market, satisfying enhanced disclosure recommendations. The Board has approved a Continuous Disclosure Policy that is listed on the company website. That policy sets out the guiding principles for company disclosure and those persons charged with the responsibility and authority to speak to the ASX, the media or otherwise externally in relation to the Company's affairs.

Notification of all disclosure documents are provided to the ASX electronically and it is the responsibility of the Company Secretary to ensure all disclosed information is factually correct. The Company Secretary is also required to maintain a material disclosures register that lists all key market disclosures.

Respecting the Rights of Shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders by:

- an annual report which is available to all shareholders;
- a half yearly report which is available to all shareholders;
- disclosures to the ASX;
- the company website (www.collectionhouse.com.au) which details corporate information along with corporate governance disclosure documentation including the Company's constitution, board and committee charters, remuneration policies and corporate conduct guidelines;
- the Board encourages full participation by shareholders at the AGM to ensure there is a high level of accountability and identification with the Company's strategy and goals. For those unable to attend the meeting, audio tapings are made available on the company website. The Company's auditor always attends the AGM and is available to answer shareholder questions at that meeting;
- the Chief Financial Officer and the General Manager, Corporate Communication & Marketing being available to meet with and answer shareholder and analysts queries on request at any time; and
- the Company Secretary is the key contact for shareholder communication and is required to answer promptly and factually any queries from shareholders.

The Board has approved a Shareholder Communication Guidelines Policy that is contained on the company website.

Recognising and Managing Risk

The Audit & Risk Management Committee serves a dual function. These functions comprise the audit side of its role and also financial risk (risks to the business and the management of those risks). The members of the Committee, Barrie Adams (Chairman), Tony Aveling and Bill Hiller, all independent directors, focus on reviewing the effectiveness of the risk management strategies and processes operating across the Entity.

The Audit & Risk Management Committee, as part of its ongoing review, has put forward a proposal for an internal audit team that will shortly be considered by the Board.

As part of this strategy, the Managing Director & Chief Executive Officer has been charged with maintaining the commitment to risk management at an operational level throughout the organisation. To this end, a risk and compliance strategy has been adopted by the Board and a monthly reporting system requiring consideration of risks in all areas of the Company's operations by senior management continues.

Formal advice to the Board, via a quarterly report, is also delivered by the Managing Director & Chief Executive Officer as part of his monitoring and reporting responsibilities to the Board. In addition, the Risk Manager has dual reporting lines: one to the Audit & Risk Management Committee and the other to the Chief Operations Officer. The Risk Manager is responsible for the Company's risk management program and a compliance regime that includes internal monitoring and auditing, complaints management and best practice policy and procedure.

Major business risks identified and managed are:

- compliance with the expansive regulatory environment in Australasia;
- competition and potential loss of clients;
- effectiveness of information technology and communication networks; and
- integration of personnel processes across the total operation.

Encouraging Enhanced Performance

The Nominations Committee, comprising non-executive directors Dennis Punches as Chairman, Bill Hiller, Barrie Adams and Tony Aveling (appointed July 2004) met three times during the year. The Committee has adopted a formal charter setting out its composition, function and responsibilities. The principle roles of the Committee are to:

- consider and make recommendations to the Company on the composition of, and criteria for appointment to, the Board and its subsidiary boards;
- make recommendations to the Board in relation to expected board retirements, and identify succession planning needs; and
- evaluate and make recommendations to the Board in relation to the performance of board members and to evaluate the Board's performance as a whole.

In addition to the director's Letter of Appointment and the Board Charter, an induction process has been introduced for all new board members designed to inform directors of their fiduciary and non-fiduciary responsibilities, terms and conditions of the directorship including expectations of performance, policy relating to the availability of independent advice and counsel, and corporate governance (refer Promoting Ethical and Responsible Decision-making). Agreed key performance indicators are assessed through the director, the Board and the Committee evaluation process.

The Company Secretary has the responsibility of preparing board agendas and coordinating the receipt of the monthly reports to ensure the Board is fully informed. The Company Secretary must also ensure that each director receives any requested information in a timely manner.

Remunerating Fairly and Responsibly

The Remuneration Committee, comprising non-executive directors Bill Kagel as Chairman, Dennis Punches, Barrie Adams and Tony Aveling (appointed July 2004), met twice during the year.

The Committee has adopted a formal charter setting out its composition, function and responsibilities. The role of the Committee is to:

- make recommendations to the Board on director's fees, remuneration and policies;
- approve and monitor salary packages for senior executives and other senior personnel;
- monitor organisational structure and succession planning strategies; and
- evaluate and review current industry standards and practices.

The Managing Director & Chief Executive Officer has elected to continue to not take a salary nor any other remuneration unless corporate performance warrants change.

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward and seniority framework is to ensure and promote reward for performance, that is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives, the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of effective compensation;
- transparency; and
- capital management.

In consultation with key members of the Board who have many years industry operational experience and the Human Resources Manager, the Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation through:

- Alignment to shareholder interests
  - has economic profit as a core component of plan design
  - focusses on sustained growth in share price and delivering constant return on assets as well as focussing the executive on key non-financial drivers of value
  - attracts and retains high calibre executives;
- Alignment to program participants interests
  - rewards capability and experience
  - reflects competitive reward for contribution to shareholder growth
  - provides a clear structure for earning rewards
  - provides recognition for contribution.

The framework provides a mix of short and long-term incentives. As executives gain seniority within the Group, higher salary and incentives are offered.

Non-Executive Directors

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Payments are allowed for additional responsibilities for board chairmanship, deputy chairmanship, the lead independent director role and for membership of board committees and subsidiary boards.

The Chairman has voluntarily reduced his fee to $50,000 per annum as from 1 April 2003. William Kagel, a non-executive director and the chairperson of the Remuneration Committee has also waived the fee normally due to him for this role. Directors' fees and payments are reviewed annually by the Remuneration Committee. The Committee's recommendations are forwarded for approval by the Board. Non-executive directors do not receive share options.

Non-executive directors fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for shareholder approval. The total maximum currently stands at $500,000 as approved at the AGM held on 9 October 2002.

Executive Directors' Payments

Remuneration for executive directors is reviewed on an annual basis.

The current base remuneration of Tony Coutts was reviewed in December 2003 when he reduced the hours of his position. In 2000, an option agreement was put in place for Tony providing the issue of options for 500,000 shares at an exercise price of $1 per share. The options are exercisable at the rate of 100,000 per annum and may only be exercised if he remains employed with the Company. The terms of the option agreement were disclosed in the Prospectus.

John Pearce, the Managing Director & Chief Executive Officer elected to receive no remuneration during the 2003/04 financial year and this situation will continue in the coming financial year.

Retirement Allowances for Directors

There are no retirement allowances paid to non-executive directors.

Executive Remuneration

Executive remuneration comprises:

- a base salary;
- incentives provided through the employee share plan and the executive option plan; and
- other remuneration such as superannuation.

The Board has recently approved a new performance evaluation for senior executives. Each senior executive's performance is reviewed at least annually against agreed key performance indicators. Changes in seniority and executive reward are based on the results of this evaluation.

Participation in the employee share plan is based on a simple formula applying to seniority and length of employment.

Participation in the option plan is via board approval. The Managing Director & Chief Executive Officer first prepares a list of executives and their proposed level of participation in the plan. The nominees and the level of options to be issued are based on performance. That list is referred to the Remuneration Committee for review. The final list of nominees and their participation level in the plan is recommended by the Remuneration Committee to the Board for consideration prior to final approval. Options in the past have been issued on the basis of individual performance. The option plan has been reviewed and future options will

be issued with not only individual performance being considered but also with company performance targets to be achieved before options may be exercised.

The Remuneration Committee reviews the terms of the option plan on an annual basis.

Service Agreements

Remuneration and other terms of employment for the Managing Director & Chief Executive Officer, Executive Director - Sales, Chief Financial Officer and other executives are formalised in employment agreements. Major provisions of these agreements are set out below:

J M Pearce – Managing Director & Chief Executive Officer

- agreement terminable by either party on three months' notice;
- entitlement to any salary has been waived.

A F Coutts – Executive Director – Sales

- agreement terminable by either party on three months' notice;
- base salary reviewed and agreed with the Board in December 2003. Salary prior to review was $353,250 per annum and following review was agreed at $183,161 per annum effective from 1 January 2004;
- options provided by separate option agreement entered into in 2000, the terms of which were disclosed in the Prospectus.

A Ralston – Chief Financial Officer

- agreement terminable by either party on three months' notice;
- annual base salary of $190,000 (appointed Chief Financial Officer on 8 June 2004).

C Day – Chief Operations Officer

- agreement terminable by either party on three months' notice;
- annual base salary of $190,000 from the date of his appointment as Chief Operations Officer (appointed on 8 June 2004).

C Stewart – General Manager, Corporate Communication & Marketing

- agreement terminable on 12 months' notice by the Company or one months' notice by the employee;
- annual base salary of $160,000 (commenced employment on 12 January 2004).

B Doherty – Chief Collections Officer

- agreement terminable by either party on three months' notice;
- annual base salary of $175,000.

M Thomas – Chief Information Officer

- agreement terminable by either party on three months' notice;
- annual base salary of $175,000.

M Watkins – Corporate Counsel

- agreement terminable by either party on three months' notice;
- annual base salary of $235,000.

M Stanton – Consultant

- Chief Financial Officer until 31 December 2003;
- Salary while Chief Financial Officer was $290,909 per annum;
- Remained as a consultant to the Company until 30 June 2004;
- Payments as a consultant were $100 gross per hour worked for the Company during the six-month period of the consultancy.

Director and Executive Payments

Details of the nature and amount of each element of emoluments of each director of the Company, the five executives of the consolidated Entity receiving the highest emoluments, and the four executives over and above this with the greatest authority for the strategic direction and management of the consolidated Entity, are set out below:

	Base salary $	Options issued[1] $	Bonus $	Superannuation $	Non-cash benefits $	Total $
Directors						
Non-executive						
D G Punches[2]	50,000	-	-	79	2,231	52,310
A R Aveling	50,000	-	-	4,500	2,231	56,731
B E Adams	96,519	-	-	4,343	2,231	103,693
D B Connelly	44,038	-	-	59	2,231	46,328
B S Göranson	40,000	-	-	59	2,231	42,290
W L Hiller	50,000	-	-	4,500	2,231	56,731
W W Kagel	40,000	-	-	69	2,231	42,300
S Walker	40,000	-	-	3,600	2,231	45,831
Executive						
J M Pearce[3] Managing Director & Chief Executive Officer	-	-	-	-	3,257	3,257
A F Coutts[4] Executive Director	282,278	180,000	-	30,790	3,257	496,325
Executive officers of the consolidated Entity – highest remuneration (excluding directors)						
M Watkins[5] General Counsel	253,076	15,998	-	22,777	3,257	295,108
M Stanton[5,6] Chief Financial Officer *(to 31 December 2003 and consultant until 30 June 2004)*	220,931	12,798	-	15,105	3,257	252,091
G Cameron[5]	173,285	15,998	-	12,980	3,395	205,658
M Easy[5]	171,965	-	-	11,996	3,257	187,218
M Thomas[5]	150,000	19,197	-	13,500	2,231	184,928
Executive officers of the consolidated Entity – responsible for strategic direction (excluding directors)						
C Day[5] Chief Operations Officer *(commenced 8 June 2004)*	126,307	12,798	-	12,808	27,785	179,698
B Doherty[5] Chief Collections Officer	136,983	19,197	-	13,598	3,257	173,035
C Stewart General Manager, Corporate Communication & Marketing *(commenced 12 January 2004)*	65,030	-	-	6,369	2,231	73,630
A Ralston Chief Financial Officer *(commenced 8 June 2004),* General Manager, Finance *(commenced 29 October 2003)*	107,182	-	-	11,444	8,190	126,816

[1] Other than the options for Mr Coutts, the value disclosed above is calculated at the date of grant using a Black-Scholes model. Further details of options granted during the year are set out below.

[2] Mr Punches requested that the annual salary of $80,000 be reduced to $50,000 effective 1 April, 2003. That reduction continued through the 2003/04 financial year.

[3] Mr Pearce opted to receive no remuneration effective 8 April, 2003. That request continued through the 2003/04 financial year.

[4] Mr Coutts exercised 100,000 options in October 2003 at an exercise price of $1 per share. It was considered impractical to estimate the value of the options exercised as at the date of grant on 14 July 2000. Therefore, consistent with the 2002/03 calculation, the benefit to Mr Coutts on the exercise of his options is included as the relevant value.

[5] These executives were entitled to participate in the Company's executive option plan and were issued options during the year. The details are disclosed below.

[6] Salary for Mr Stanton includes salary of $175,787 to 31 December 2003 and consultancy fees of $45,144 to 30 June 2004.

Share Options Granted to Directors and Executives

Options over unissued ordinary shares of the Company granted during or since the end of the financial year to any of the directors and the executives listed above as part of their remuneration are:

Issued to	Issue date	Exercise price per share	Number of shares	Expiry date	Exercised
M Watkins	1 September 2003	$1.18	25,000	30 June 2004	Yes
M Stanton	1 September 2003	$1.18	20,000	30 June 2004	Yes
G Cameron	1 September 2003	$1.18	25,000	30 June 2004	Yes
M Easy	1 September 2003	$1.18	20,000	30 June 2004	No
M Thomas	1 September 2003	$1.18	30,000	30 June 2004	Yes
C Day	1 September 2003	$1.18	20,000	30 June 2004	Yes
B Doherty	1 September 2003	$1.18	30,000	30 June 2004	Yes
C Stewart	22 July 2004	$1.18	20,000	30 June 2005	No

Shares Under Option

Unissued shares of the Company under option at the time of this report are:

Issued to	Issue date	Exercise price per share	Number of shares	Expiry date
A F Coutts	14 July 2000	$1.00	100,000	3 November 2004
A F Coutts	14 July 2000	$1.00	100,000	3 November 2005
Executives[1]	22 July 2004	$1.18	20,000	30 June 2005
			220,000	

[1] Options were issued under the Company executive option plan to eligible employees.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares Issued on the Exercise of Options

The following ordinary shares of the Company were issued during the year ended 30 June 2004 on the exercise of options. A further 20,000 shares have been issued since the end of the year. The amount unpaid under loans to employees under the employee loan scheme to purchase company shares, as at 30 June 2004, was $120,235.

Issue date of options	Issue price of shares	Number of shares issued
14 July 2000	$1.00	100,000
1 September 2003	$1.18	555,000

Recognising the Legitimate Interest of Stakeholders

The Board has adopted a Code of Conduct for directors and senior executives that requires officers of the Company to promote and encourage ethical behaviour. Officers of the Company must not engage in conduct that is either illegal or would have an adverse affect on the reputation of the Company. The Board has also adopted a charter that links corporate goals and compliance to community interests and requires the Company to behave as a good corporate citizen.

Collection House contributes to the youth of Australia through its financial support for the Financial Basics Foundation.

The Company not only recognises the interests of key stakeholders, but actively seeks their constructive contribution to the development of the Company, including through its Stakeholder Contact Program.

Directors' Report

Your directors present their report together with the financial report of Collection House Limited (the Company) and the consolidated Entity comprising Collection House Limited and the entities it controlled (the Entity) at the end of, or during, the year ended 30 June 2004 and the auditor's report thereon.

Directors

The following persons were directors of the Company during the financial year:

D G Punches	B E Adams	D B Connelly	B S Göranson	W W Kagel
A R Aveling	J M Pearce	A F Coutts	W L Hiller	S Walker

Additional information about each of the directors is included on pages 10 and 11.

Principle activities
The principle activities of the consolidated Entity during the year were the provision of receivables management services throughout Australasia. There were no significant changes in the nature of the activities of the consolidated Entity during the year.

Dividends
Details of dividends paid or declared by the Company to members since the end of the previous financial year are as follows:

2004	$'000
In respect of the current financial year:	
Paid and declared during the year:	
Final 2003 dividend of 1.0 cent per share fully franked	
[Final 2002 dividend of 8.0 cents fully franked] paid on 28 November 2003	966
Interim 2004 dividend of 3.0 cents per share unfranked	
[Interim 2003 dividend of 4.5 cents fully franked] paid on 18 March 2004	2,902
	3,868
Paid or declared after end of year:	
Final 2004 dividend of 4.0 cents per share unfranked payable on 26 November 2004	3,875

Review of Operations

A summary of the consolidated sales and results for the year by significant industry segment is set out below:

2004	Contingent collection services $'000	Account asset management $'000	Credit reporting $'000	Other services $'000	Inter-segment eliminations / unallocated $'000	Consolidated $'000
Sales to external customers	46,353	42,666	23,790	3,719	-	116,528
Inter-segment sales	6,009	-	272	-	(6,281)	-
Total sales revenue	52,362	42,666	24,062	3,719	(6,281)	116,528
Other revenue	160	67	847	9	265	1,348
Total segmental revenue	52,522	42,733	24,909	3,728	(6,016)	117,876
Segment result	6,956	12,334	3,134	(2,243)	1,637	21,818
Less: unallocated expenses						(6,537)
Profit from ordinary activities before income tax expense						15,281
Less: income tax expense						(5,056)
Profit from extraordinary item after income tax expense						10,225
Less: outside equity interest						(416)
Net profit attributable to members of the Company						10,641

Company overview

The consolidated Statement of Financial Performance, shows a consolidated net profit of $10.6m, compared to $8.2m in 2003. This represents an increase of 30%.

A strong performance was recorded by the credit reporting segment with a segment result of $3.1m ($0.9m in 2003).

The consolidated Entity's net assets increased by 10% to $90.4m.

The consolidated revenue for the period decreased by 1.7% to $117.9m. Revenue continues to confirm Collection House as one of Australasia's two dominant receivables management companies.

As foreshadowed in the 2003 Annual Report, staffing levels have been contained. At the end of the financial year there were 692 staff compared with 753 the previous year. Staffing costs decreased to $36.6m ($43.7m in 2003).

During the year savings were realised in telecommunication, postage, printing, advertising, occupancy and travel. The program of cost containment and reduction will continue in the coming year and further savings are expected.

Capital expenditure was significantly reduced in 2004 from $5.7m to $2m. The consolidated Entity also undertook a reassessment of the useful life of its plant and equipment resulting in an extension to the useful life of some of these assets by 12 months.

The consolidated Entity has provided an additional $0.6m for bad and doubtful debts.

The consolidated Entity acquired debt ledgers for a total cost of $27.9m, ($28.5m in 2003). The purchases were made from operating cash flow. During the year the Entity reduced its borrowings by $1.4m compared with an increase in 2003 of $22.4m. Cash flow from operations increased to $32.1m ($30.5m in 2003).

During the year, current assets decreased by $2.7m, current liabilities decreased by $2m and current receivables decreased by $3.3m to $17.1m.

The consolidated Entity has enjoyed the benefits of a period of consolidation in 2004 following two years of heavy acquisition activity. The Board has confirmed its confidence in Collection House's current and future trading position. In line with dividend policy, the Board has declared an unfranked final dividend of 4.0 cents, payable on 26 November 2004. With the unfranked interim dividend of 3.0 cents paid in March 2004, the total dividend for 2003/04 is 7.0 cents per share.

State of affairs

Significant changes in the state of affairs of the consolidated Entity during the financial year were as follows:

1. On 1 July 2003, the parent Entity acquired a further 5.9% of the issued share capital of Collection House Business Diagnostics Pty Ltd.
2. On 1 December 2003, the parent Entity acquired a further 11% of the issued capital of CHIP No.1 Pty Ltd and Insurance Claims Solutions Pty Ltd.
3. The Entity entered into the tax consolidation regime effective from 1 July 2003. This resulted in a minor decrease in deferred tax assets due to the reset of balances on entering tax consolidation.
4. The consolidated Entity purchased $172m face value of debt for $27.9m.

Events subsequent to reporting date

A final unfranked dividend has been declared of 4.0 cents for a total of $3.9m. No provision has been raised in these accounts.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated Entity, the results of those operations, or the state of affairs of the consolidated Entity, in future financial years.

Likely Developments

The benefits of cost reduction will be fully realised in the new financial year. Modest growth is expected in the contingent collection services division while the account asset management segment will continue its growth trend. Margins should improve in both segments. The improvement of margins in the credit reporting segment should continue with profit and revenue performance expected to be even better in the new financial year. Rapid Ratings and Insurance Claims Solutions are expected to make an improved contribution in the year ahead.

It is the Company's intention to further promote Australian Business Research's current product set of information services as well as to gradually expand this range of services to meet the needs of the consumer lending market. We will continue to monitor opportunities for full scale credit bureau activities in the Australasian market.

During the next financial year, the Company and all of its controlled entities will continue planning and preparation for the adoption of international financial reporting standards required effective from 1 July 2005.

Further information about likely developments in the operations of the consolidated Entity and the expected results of those operations in future financial years has not been included in this Report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated Entity.

Directors' Meetings

The number of meetings of the Company's board and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director of the Company during the financial year were:

	Board Meetings		**Circulating Minutes**	
	Number held while a member	Number attended	Number distributed while a member	Number voted on by director
D G Punches	6	5	6	6
A R Aveling	6	6	6	6
B E Adams	6	6	6	6
J M Pearce	6	6	6	6
D B Connelly	6	6	6	6
A F Coutts	6	6	6	6
B S Göranson	6	5	6	6
W L Hiller	6	5	6	6
W W Kagel	6	6	6	6
S Walker	6	5	6	6
Audit & Risk Management Committee Meetings				
B E Adams	9	9		
A R Aveling	9	9		
W L Hiller	9	8		
Nominations Committee Meetings				
D G Punches	3	3		
B E Adams	3	3		
W L Hiller	3	3		
Remuneration Committee Meetings				
W W Kagel	2	2		
B E Adams	2	2		
D G Punches	2	2		

Directors' Interests

The relevant interest of each director and their associates in the shares or options over issued shares by the Company, at 15 August 2004, is as follows:

	Collection House Limited	
	Ordinary shares	Options
D G Punches	14,011,665	-
A R Aveling	250,000	-
B E Adams	-	-
J M Pearce	14,146,730	-
D B Connelly	20,000	-
A F Coutts	3,934,000	200,000
B S Göranson	4,772,427	-
W L Hiller	5,200	-
W W Kagel	500,000	-
S Walker	6,750,000	-

Directors' and Executives' Disclosures

Principles used to determine the nature and amount of remuneration

The objectives of the Company's executive reward and seniority framework is set out in detail in the Remunerating Fairly and Responsibly section of the Corporate Governance Statement of this Report on page 17.

Director and executive payments

Details of the nature and amount of each element of emoluments of each director of Collection House Limited and the five executives of the consolidated Entity receiving the highest emoluments are set out below:

	Base salary $	Options issued[1] $	Bonus $	Superannuation $	Non-cash benefits $	Total $
Directors						
Non-executive						
D G Punches[2]	50,000	-	-	79	2,231	52,310
A R Aveling	50,000	-	-	4,500	2,231	56,731
B E Adams	96,519	-	-	4,343	2,231	103,693
D B Connelly	44,038	-	-	59	2,231	46,328
B S Göranson	40,000	-	-	59	2,231	42,290
W L Hiller	50,000	-	-	4,500	2,231	56,731
W W Kagel	40,000	-	-	69	2,231	42,300
S Walker	40,000	-	-	3,600	2,231	45,831
Executive						
J M Pearce[3] Managing Director & Chief Executive Officer	-	-	-	-	3,257	3,257
A F Coutts[4] Executive Director	282,278	180,000	-	30,790	3,257	496,325
Executive officers of the consolidated Entity – highest remuneration (excluding directors)						
M Watkins[5] General Counsel	253,076	15,998	-	22,777	3,257	295,108
M Stanton[5,6] Chief Financial Officer *(to 31 December 2003 and consultant until 30 June 2004)*	220,931	12,798	-	15,105	3,257	252,091
G Cameron[5]	173,285	15,998	-	12,980	3,395	205,658
M Easy[5]	171,965	-	-	11,996	3,257	187,218
M Thomas[5]	150,000	19,197	-	13,500	2,231	184,928

[1] Other than the options for Mr Coutts, the value disclosed above is calculated at the date of grant using a Black-Scholes model. Further details of options granted during the year are set out below.

[2] Mr Punches requested that the annual salary of $80,000 be reduced to $50,000 effective 1 April, 2003. That reduction continued through the 2003/04 financial year.

[3] Mr Pearce opted to receive no remuneration effective 8 April, 2003. That request continued through the 2003/04 financial year.

[4] Mr Coutts exercised 100,000 options in October 2003 at an exercise price of $1 per share. It was considered impractical to estimate the value of the options exercised as at the date of grant on 14 July 2000. Therefore, consistent with the 2002/03 calculation, the benefit to Mr Coutts on the exercise of his options is included as the relevant value.

[5] These executives were entitled to participate in the Company's executive option plan and were issued options during the year. The details of these options are disclosed below.

[6] Salary for Mr Stanton includes salary of $175,787 to 31 December 2003 and consultancy fees of $45,144 to 30 June 2004.

Share Options Granted to Directors and Executives

Options over unissued ordinary shares of the Company granted during or since the end of the financial year to any of the directors or the five most highly remunerated officers of the Company and consolidated Entity as part of their remuneration are:

Issued to	Issue date	Exercise price per share	Number of shares	Expiry date	Exercised
M Watkins	1 September 2003	$1.18	25,000	30 June 2004	Yes
M Stanton	1 September 2003	$1.18	20,000	30 June 2004	Yes
G Cameron	1 September 2003	$1.18	25,000	30 June 2004	Yes
M Easy	1 September 2003	$1.18	20,000	30 June 2004	No
M Thomas	1 September 2003	$1.18	30,000	30 June 2004	Yes

Shares Under Option

Unissued shares of the Company under option at the time of this report are:

Issued to	Issue date	Exercise price per share	Number of shares	Expiry date
A F Coutts	14 July 2000	$1.00	100,000	3 November 2004
A F Coutts	14 July 2000	$1.00	100,000	3 November 2005
Executives[1]	22 July 2004	$1.18	20,000	30 June 2005
			220,000	

[1] Options were issued under the Company executive option plan to eligible employees.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Shares Issued on the Exercise of Options

The following ordinary shares of the Company were issued during the year ended 30 June 2004 on the exercise of options. A further 20,000 shares have been issued since the end of the year. The amount unpaid under loans to employees under the employee loan scheme to purchase company shares, as at 30 June 2004, was $120,235.

Issue date of options	Issue price of shares	Number of shares issued
14 July 2000	$1.00	100,000
1 September 2003	$1.18	555,000

Indemnification and Insurance of Officers

During the financial year, Collection House Limited paid premiums of $75,855 to insure the directors and officers of the Company and its controlled entities.

The insurance policies indemnify the insured directors and officers for any payment they shall become legally liable to make arising from any claim made against them in their capacity as directors and officers of the organisation, to the extent allowed by law.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses, insurance contracts, as such disclosure is prohibited under the terms of the contract.

Proceedings on Behalf of the Company

No person has applied to the Courts under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Rounding Off

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Report is made in accordance with a resolution of the directors.

John Marshall Pearce
Managing Director & Chief Executive Officer

Brisbane, 25 August 2004

Financial Statements

for the year ended 30 June 2004

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Statements of Financial Performance

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$'000	$'000	$'000	$'000
Revenue from rendering of services	4	116,528	119,336	47,917	54,334
Other revenues from ordinary activities	4	1,348	518	9,815	11,593
Total revenue from ordinary activities	4	117,876	119,854	57,732	65,927
Expenses from ordinary activities, excluding borrowing costs expense	5(a)	(99,229)	(106,059)	(46,994)	(60,773)
Borrowing costs	5(b)	(3,366)	(2,494)	(3,267)	(2,484)
Profit from ordinary activities before related income tax expense		**15,281**	**11,301**	**7,471**	**2,671**
Income tax (expense) / benefit relating to ordinary activities	6(a)	(5,056)	(3,778)	301	2,244
Profit from ordinary activities after related income tax expense / (benefit)		**10,225**	**7,523**	**7,772**	**4,915**
Profit from extraordinary item after related income tax expense		-	-	-	-
Net profit		10,225	7,523	7,772	4,915
Net (profit) / loss attributable to outside equity interests	23	416	674	-	-
Net profit attributable to members of the Company	**21**	**10,641**	**8,197**	**7,772**	**4,915**
Non-owner transaction changes in equity:					
Net exchange difference relating to self-sustaining foreign operations	20	268	43	-	-
Total revenues, expenses and valuation adjustments attributable to members of the Company recognised directly in equity		268	43	-	-
Total changes in equity from non-owner related transactions attributable to members of the Company	**24**	**10,909**	**8,240**	**7,772**	**4,915**
		cents	cents		
Basic earnings per share	7	11.01	8.51		
Diluted earnings per share	7	10.98	8.49		

The above statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Financial Position

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$'000	$'000	$'000	$'000
Current assets					
Cash assets	8	4,697	4,430	150	53
Receivables	9(a)	17,114	20,371	17,919	21,288
Current tax assets		2,211	2,236	1,918	1,760
Other	10(a)	1,113	766	683	453
Total current assets		25,135	27,803	20,670	23,554
Non current assets					
Receivables	9(b)	79	-	78,219	50,270
Purchased debt	11	86,872	70,680	-	-
Other financial assets	12	-	99	21,844	21,717
Property, plant and equipment	13	11,782	14,877	8,826	11,197
Databases	14	10,241	9,215	-	-
Intangible assets	15	28,071	29,573	11,974	12,846
Deferred tax assets	6(c)	4,982	5,009	3,739	1,063
Other	10(b)	51	438	29	438
Total non current assets		142,078	129,891	124,631	97,531
Total assets		**167,213**	**157,694**	**145,301**	**121,085**
Current liabilities					
Payables	16(a)	7,364	9,801	2,497	4,173
Interest-bearing liabilities	17(a)	2,919	1,945	2,825	697
Current tax liabilities		206	487	-	-
Provisions	18(a)	1,900	2,123	1,562	1,773
Total current liabilities		12,389	14,356	6,884	6,643
Non current liabilities					
Payables	16(b)	-	-	3,507	1,751
Interest-bearing liabilities	17(b)	44,129	45,456	44,108	45,262
Deferred tax liabilities	6(b)	19,991	15,220	18,581	428
Provisions	18(b)	306	510	259	487
Total non current liabilities		64,426	61,186	66,455	47,928
Total liabilities		76,815	75,542	73,339	54,571
Net assets		**90,398**	**82,152**	**71,962**	**66,514**
Equity					
Contributed equity	19(a)	66,757	65,213	66,757	65,213
Reserves	20	524	256	-	-
Retained profits	21	23,626	16,853	5,205	1,301
Total Company interest		90,907	82,322	71,962	66,514
Outside equity interests	23	(509)	(170)	-	-
Total equity	**24**	**90,398**	**82,152**	**71,962**	**66,514**

The above statements of financial position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash receipts in the course of operations		118,078	126,273	48,333	80,691
Cash payments in the course of operations		(82,485)	(90,606)	(44,287)	(58,313)
		35,593	35,667	4,046	22,378
Dividends received		2	-	-	-
Interest received		400	268	492	183
Borrowing costs paid		(3,366)	(2,494)	(3,267)	(2,483)
Income taxes paid		(548)	(2,913)	714	(89)
Net cash provided by / (used in) operating activities	33(b)	32,081	30,528	1,985	19,989
Cash flows from investing activities					
Proceeds on disposal of non current assets		799	41	8	7
Proceeds on sale of investments		50	-	50	-
Payment for controlled entities (net of cash acquired)		(127)	(7,297)	(127)	(7,297)
Payments for property, plant and equipment		(1,991)	(5,689)	(384)	(3,586)
Payments for intangible assets		(50)	(88)	(5)	(88)
Payments for purchased debt		(27,888)	(28,492)	-	6,248
Other cash flows from investing activities		(71)	271	(79)	82
Net cash used in investing activities		(29,278)	(41,254)	(537)	(4,634)
Cash flows from financing activities					
Proceeds from issue of shares		1,544	100	1,544	100
Proceeds from borrowings		-	26,424	-	26,365
Repayment of borrowings		(1,398)	(63)	(1,218)	(64)
Loans advanced to related parties		-	-	-	(27,225)
Repayment of loans to related parties		-	(3,973)	-	(3,973)
Dividends paid		(3,868)	(11,928)	(3,868)	(11,928)
Net cash provided by financing activities		(3,722)	10,560	(3,542)	(16,725)
Net increase / (decrease) in cash held		(919)	(166)	(2,094)	(1,370)
Cash at the beginning of the financial period		2,879	3,002	(352)	1,018
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		141	43	-	-
Cash at the end of the financial period	33(a)	2,101	2,879	(2,446)	(352)

The above statements of cash flows are to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

Note 1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs, and except where stated, does not take into account changing money values or fair values of non current assets.

These accounting policies have been consistently applied by each entity in the consolidated Entity and, unless otherwise stated, are consistent with those of the previous year.

(b) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Revenue recognition

Revenues are recognised at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Rendering of services

Revenue from rendering services is recognised to the extent that it is probable that the revenue benefits will flow to the Entity and the revenue can be reliably measured.

Specific revenues are recognised as follows:

Sale of non current assets

The gross proceeds of non current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital profits reserve on disposal.

Dividends

Revenue from dividends and distributions from controlled entities is recognised by the parent Entity when they are declared by the controlled entities.

Revenue from dividends from other investments is recognised when received.

Interest

Interest received is recognised as it accrues, taking into account the effective yield on the financial asset.

Note 1 Statement of significant accounting policies *(continued)*

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rate of exchange at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change, except where:

- relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense / benefit, is transferred to the foreign currency translation reserve on consolidation; and
- relating to acquisition of qualifying assets (see Note 1(f)).

Translation of controlled foreign operations

The assets and liabilities of foreign operations, including associates and joint venturers, that are self-sustaining are translated at the rate of exchange at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve, until the disposal or partial disposal, of the operations.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is transferred to retained profits in the year of disposal.

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of any hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets that take more than 12 months to get ready for their intended use or sale. In these circumstances borrowing costs are capitalised to the cost of the asset.

(g) Taxation

The consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Note 1 Statement of significant accounting policies *(continued)*

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

Tax consolidation legislation

Collection House Limited and its wholly owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The ATO has not yet been notified of this decision.

As a consequence, the Company as head Entity in the tax-consolidated Group, recognises all of the current and deferred tax assets and liabilities of the tax-consolidated Group (after elimination of intra-Group transactions).

The tax-consolidated Group has entered into a tax funding agreement that requires wholly owned subsidiaries to make contributions to the head Entity for:

- deferred tax balances recognised by the head Entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances arising from external transactions occurring after the implementation of tax consolidation.

Under the tax funding agreement, the contributions are calculated on a "stand-alone basis" so that the contributions are equivalent to the tax balances generated by external transactions entered into by wholly owned subsidiaries. The contributions are payable as set out in the agreement and reflect the timing of the head Entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised separately as tax-related amounts receivable or payable with a consequential adjustment to income tax expense / revenue.

(h) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise these costs are expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if similar borrowings were obtained from an independent financier under comparable terms and conditions.

The costs of assets constructed or internally generated by the consolidated Entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in Note 1(g).

Expenditure, including that on internally generated assets, is only recognised as an asset when the Entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated Entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(i) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

Note 1 Statement of significant accounting policies *(continued)*

(j) Receivables

The collectibility of debts is assessed at reporting date and specific provision is made for any doubtful accounts.

Trade and other receivables are recognised and carried at original invoice amount less any provision for doubtful debts. Bad debts are written off as incurred.

(k) Investments

Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Other entities
Investments in other listed entities are measured at fair value, being the quoted market prices at reporting date.

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

(l) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases
Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

Operating leases
Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(m) Purchased debt

Purchased debt is recorded at cost.

Purchased debt is depreciated on a basis that is representative of the pattern of benefits to be derived from the asset. Depreciation is calculated based on total projected collections.

(n) Databases

The databases are considered an identifiable intangible asset and are recorded at cost or fair value. Fair value is supported by a directors' valuation.

Databases are not depreciated amortised as they are regularly maintained and as a consequence will not depreciate, be consumed or lose value from use. The cost of all maintenance is expensed in the period incurred.

(o) Goodwill

On acquisition of the assets of another entity, or equity in a controlled entity, the identifiable net assets acquired are measured at fair value. The excess of the cost of acquisition plus incidental costs over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill.

Goodwill is amortised on a straight-line basis over periods not greater than 20 years.

Note 1 Statement of significant accounting policies *(continued)*

(p) Other intangibles

Licences and intellectual property are recorded at cost and are not amortised where they will not lose value from use, be consumed or depreciate.

All costs associated with the maintenance and protection of these assets are expensed in the period incurred.

(q) Recoverable amount of non current assets

The carrying amounts of non current assets valued on a cost basis are reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the reporting period in which it occurs.

In assessing recoverable amounts of non current assets the relevant cash flows have been discounted to their present value.

(r) Depreciation and amortisation

Property, plant and equipment is depreciated / amortised using the straight line method over their estimated useful lives taking into account estimated residual values.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation / amortisation rates used for each class of asset are as follows:

	2004	**2003**
The estimated useful lives for each class of depreciable asset are:		
Leasehold improvements	Term of Lease	Term of Lease
Plant and equipment	4 to 8 years	4 to 8 years
Computer equipment	3 to 5 years	3 to 4 years
Software	4 to 10 years	4 to 10 years

(s) Employee benefits

Wages, salaries, annual leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the year end represent present obligations resulting from employee services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated Entity expects to pay as at reporting date including related on-costs.

Long service leave
The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employee services provided up to balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at balance date which most closely match the terms of maturity of the related liabilities.

Note 1 Statement of significant accounting policies *(continued)*

Employee share and option plans
Where shares or options are issued to employees including directors, as remuneration for past services, the shares or options issued are recorded in contributed equity at the fair value of consideration received, if any.

Transaction costs associated with issuing shares and options are recognised in equity subject to the extent of the proceeds received, otherwise expensed. Other administrative costs are expensed.

Superannuation plans
The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are expensed in the period to which they relate.

(t) Trade and other creditors

These amounts represent liabilities for goods and services provided to the Company and controlled entities prior to balance date and which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(u) Interest bearing liabilities

All borrowings are recognised at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest expense is accrued over the period it becomes due, is recorded at the contracted rate and included as part of "Other creditors and accruals".

(v) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is treated as part of the expense related to the particular provision.

Dividends
A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(w) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent Entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

Note 2 Changes in accounting policies

(a) Managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS)

The transition to AIFRS is under the control of the Chief Financial Officer, including training of staff and systems and internal control changes necessary to gather the required information. Those involved in the preparation of the Company's financial statements have familiarised themselves with the AIFRS and assessed the potential impact of adopting AIFRS on the accounting policies used in the preparation of the Company's financial statements.

Note 2 Changes in accounting policies *(continued)*

The following actions will be taken to manage the transition to AIFRS and to address the key differences in accounting policies that are expected to arise from the adoption of AIFRS.

2004/05

(i) During 2004/05 the Company will restate its assets and liabilities as at 1 July 2004 to comply with AIFRS.

(ii) During the 2005/06 Budget process, budget financial statements for the Company will be prepared in accordance with AIFRS.

2005/06

(i) The Company will implement AIFRS on 1 July 2005 by adjusting the opening 1 July 2005 Statement of Financial Position system accounts to reflect the recast AIFRS figures and commence accounting treatments using AIFRS.

(ii) The Company will report under AIFRS requirements for the half year ended 31 December 2005, and the year ended 30 June 2006, meaning that the financial reports for those periods and all comparatives will be prepared using AIFRS.

(b) Key differences in accounting policies expected to arise from the adoption of AIFRS

Based on its assessment, the Company expects the following key differences in accounting policies to arise in the following areas from the adoption of AIFRS:

- asset carrying values (including intangibles);
- income tax;
- financial instruments; and
- equity based compensation benefits.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRS as some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not possible to quantify the impact of the transition to AIFRS on the Group's financial position and reported results.

Note 3 Segment information

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are: Contingent Collection Services, Account Asset Management, Credit Reporting, and Other Services.

Business Segments

The consolidated Entity comprises the following main business segments, based on the consolidated Entity's management reporting system:

- Contingent Collection Services (the earning of commissions on the collection of debts for clients);
- Account Asset Management (the collection of debts from client ledgers acquired by the Company);
- Credit Reporting (the provision of consumer credit enquiry information on a fee-for-service basis); and
- Other Services (includes insurance claims services and corporate risk rating. None of these activities consititutes a separately reportable segment).

An additional segment called "Other Services" has been added to reflect the growing significance of the insurance claims services and corporate risk rating businesses. These segments have previously been included in the Contingent Collection Services and Credit Reporting segments respectively. Both of these businesses were in a startup phase in previous years, and not significant enough to warrant separate disclosure. These businesses have grown to a point where the Contingent Collection Services segment and the Credit Reporting segment would be distorted by their inclusion.

The prior year comparatives have been restated to reflect this change.

Note 3 Segment information *(continued)*

Geographic segments

The Company operates primarily in two geographical areas: Australia and New Zealand.

Accounting policies

Segment results, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment, databases and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, interest bearing liabilities and employee entitlements. Segment assets and liabilities do not include income taxes.

Unallocated items mainly comprise interest or dividend-earning assets and revenue, interest bearing loans, borrowing costs and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment transfers

Segment revenues and expenses and results include transfers between segments. Such transfers are priced on an arms length basis and are eliminated on consolidation.

Note 3 Segment information *(continued)*

Primary reporting - business segments

	Contingent collection services		Account asset management		Credit reporting		Other services		Inter-segment eliminations / unallocated		Consolidated	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Sales to external customers	46,353	49,943	42,666	47,479	23,790	20,812	3,719	1,102	-	-	116,528	119,336
Inter-segmental sales	6,009	7,295	-	-	272	357	-	-	(6,281)	(7,652)	-	-
Total sales revenue	52,362	57,238	42,666	47,479	24,062	21,169	3,719	1,102	(6,281)	(7,652)	116,528	119,336
Other revenue	160	296	67	34	847	47	9	2	265	140	1,348	518
Total segmental revenue	52,522	57,534	42,733	47,513	24,909	21,216	3,728	1,103	(6,016)	(7,512)	117,876	119,854
Segment result	6,956	8,261	12,334	13,967	3,134	856	(2,243)	(2,333)	1,637	(660)	21,818	20,091
Less: unallocated expenses											(6,537)	(8,790)
Profit from ordinary activities before income tax expense											15,281	11,301
Less: income tax expense											(5,056)	3,778
Profit from ordinary activities after income tax expense											10,225	7,523
Less: outside equity interest											(416)	(674)
Net profit attributable to members of the Company											10,641	8,197
Margin on sales revenue	13%	14%	29%	29%	13%	4%	(60%)	(212%)	(26%)	9%		
Segment assets	110,832	97,326	88,409	76,046	22,033	22,256	3,958	2,781	(65,216)	(59,156)	160,016	139,252
Unallocated assets											7,197	18,442
Total assets											167,213	157,694
Segment liabilities	16,976	43,967	95,028	63,577	5,324	7,391	6,845	4,059	(65,344)	(59,156)	58,829	59,837
Unallocated liabilities											17,986	15,707
Total liabilities											76,815	75,544
Ratio assets: liabilities	6.5	2.2	0.9	1.2	4.1	3.0	0.6	0.7	1.0	1.0	2.2	2.1
Acquisitions of property, plant and equipment, intangibles and other non current segment assets	640	3,095	28,133	28,489	1,409	3,615	539	-	-	3,660	30,721	38,859
Depreciation and amortisation expense	1,491	1,421	11,861	13,026	1,186	944	205	346	2,784	3,705	17,527	19,441
Other non cash expenses	904	839	29	(4)	(239)	85	(6)	63	80	-	768	983

Secondary reporting - geographical segments

	Segment revenues from sales to external customers		Segment assets		Acquisition of property, plant and equipment, intangibles and other non current segment assets	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Australia	110,461	112,470	159,621	149,954	28,831	36,156
New Zealand	6,067	6,866	7,592	7,740	1,890	2,703
	116,528	119,336	167,213	157,694	30,721	38,859

Note 4 Revenue from ordinary activities

	Consolidated		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Rendering of services revenue from operating activities	116,528	119,336	47,917	54,334
Other revenues:				
From operating activities				
Interest:				
Other parties	358	243	340	119
Related parties	42	25	152	64
	400	268	492	183
From outside operating activities				
Gross proceeds from sale of non current assets	849	41	58	7
Dividends	2	1	9,200	11,366
Rent received	3	-	2	-
Other	94	208	63	37
Total other revenues	1,348	518	9,815	11,593
Total revenue from ordinary activities	**117,876**	**119,854**	**57,732**	**65,927**

Note 5 Profit from ordinary activities before related income tax expense

(a) Expenses from ordinary activities, excluding borrowing costs expense, included in the statement of financial performance classified by nature:

Employee expenses	(36,560)	(43,720)	(20,402)	(27,253)
Depreciation and amortisation expenses	(17,527)	(19,441)	(3,631)	(4,599)
Search fees	(14,476)	(12,822)	(464)	(420)
Direct collection costs	(14,648)	(13,155)	(15,064)	(16,821)
Insurance claims costs	(2,771)	(825)	-	-
Net bad and doubtful debts expense including movements in provision for doubtful debts	(1,186)	(1,334)	(943)	(1,167)
Operating lease rental expense representing minimum lease payments	(3,470)	(3,472)	(2,329)	(2,626)
Other expenses from ordinary activities	(8,591)	(11,291)	(4,161)	(7,887)
	(99,229)	(106,060)	(46,994)	(60,773)

Note 5 Profit from ordinary activities before related income tax expense *(continued)*

	Consolidated		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000

(b) Profit from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following items:

Depreciation of:				
Leasehold improvements, plant and equipment	3,885	4,655	2,722	3,411
Purchased debt	11,861	13,025	-	200
	15,746	17,680	2,722	3,611
Amortisation of:				
Goodwill	1,619	1,535	751	763
Other intangibles	142	123	142	123
Leased plant and equipment	20	103	16	102
	1,781	1,761	909	988
Total depreciation and amortisation	17,527	19,441	3,631	4,599
Borrowing costs:				
Related parties	63	226	-	226
Other parties:				
- Bank loans and overdraft	3,286	2,230	3,267	2,235
- Other borrowings	17	13	-	13
- Finance charges on capitalised leases	-	25	-	10
	3,366	2,494	3,267	2,484
Net (gain) / loss on disposal:				
Property, plant and equipment	(599)	(9)	10	(7)
Write down of other non current assets to recoverable amount	213	-	213	-

(c) Revision of accounting estimates

Plant and equipment

During the year, the estimated total useful lives to the Company and its controlled entities of certain items of computer equipment and software were revised. The net effect of the changes in the current financial year was a decrease in the depreciation expense of the consolidated Entity of $817,461 and the Company of $735,569.

Assuming the assets are held until the end of their estimated useful lives, depreciation of the consolidated Entity and of the Company in future years in relation to these assets will be (increased) / decreased by the following amounts:

	Consolidated	The Company
Year ending 30 June	**$'000**	**$'000**
2005	312	287
2006	(477)	(458)
2007	(608)	(541)
2008	(337)	(327)
2009	(8)	(4)

Deferred tax balances

As a consequence of the enactment of the Tax Consolidation legislation, the Company, as the head Entity in a tax-consolidated group implementing tax consolidation from 1 July 2003, has applied UIG 52 Income Tax Accounting under the Tax Consolidation System.

Note 5 Profit from ordinary activities before related income tax expense *(continued)*

Where assets have had their tax value reset under tax consolidation, the subsidiary-related deferred tax balances recognised in the Company and the consolidated Entity have been determined based on the tax-consolidated Group carrying amount for the subsidiaries less the reset tax bases. For other assets and liabilities, the subsidiary-related deferred tax balances recognised in the Company and the consolidated Entity have been determined based on the previous timing differences at the level of the tax-consolidated Group. The consolidated Entity has reflected all adjustments in income tax expenses as it has elected not to open past acquisition accounting. Future acquisition accounting will take deferred tax balances into account.

	The Company $'000
The effect of implementing tax consolidation and of applying UIG 52 at 1 July 2003 was:	
- an increase in deferred tax assets transferred from wholly owned subsidiaries in the tax-consolidated Group	2,576
- an increase in deferred tax liabilities transferred from wholly owned subsidiaries in the tax-consolidated Group	(13,176)
- a corresponding increase in inter-company receivables	10,600
The effect for the year ended 30 June 2004 has been:	
- a decrease in deferred tax assets	54
- an increase / (decrease) in current tax liabilities	(507)
- an increase / (decrease) in current inter-company receivables	507
- an increase in non current inter-company receivables	4,812
- an increase in deferred tax liabilities	(4,866)

Note 6 Taxation

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Income tax expense / (benefit)				
Prima facie income tax expense / (benefit) calculated at 30% (2003:30%) on the profit / (loss) from ordinary activities	4,585	3,390	2,242	801
Increase in income tax expense due to:				
Non-deductible depreciation and amortisation	460	429	332	297
Sundry items	246	112	30	67
Effect of higher rates of tax on overseas income	10	65	-	-
Income tax expense related to current and deferred tax transactions of the wholly owned subsidiaries in the tax-consolidated Group	-	-	5,742	-
Decrease in income tax expense due to:				
Recovery of income tax expense under a tax funding agreement	-	-	(5,742)	-
Non-assessable inter-company dividends from members of the tax-consolidated Group	-	-	(2,760)	-
Rebateable dividend	-	-	-	(3,409)
Sundry items	-	(218)	-	-
Income tax expense on the profit from ordinary activities before individually significant income tax items	5,301	3,778	(156)	(2,244)

Note 6 Taxation *(continued)*

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Individually significant income tax items:				
Net deferred tax balances recognised by the head Entity in relation to wholly owned subsidiaries within the tax-consolidated Group upon implementation of tax consolidation	-	-	10,600	-
Recovery of income tax expense under a tax funding agreement at transition	-	-	(10,600)	-
	5,301	3,778	(156)	(2,244)
Income tax under / (over) provided in prior year	(245)	-	(145)	-
Income tax expense / (benefit) attributable to profit from ordinary activities	**5,056**	**3,778**	**(301)**	**(2,244)**
Income tax expense / (benefit) attributable to profit from ordinary activities is made up of:				
Current income tax provision	408	2,144	359	-
Deferred income tax provision	5,192	5,660	5,012	(1,764)
Future income tax benefit	(299)	(4,026)	216	(480)
Tax related receivables from wholly owned subsidiaries	-	-	(5,743)	-
Under / (over) provision in prior year	(245)	-	(145)	-
	5,056	**3,778**	**(301)**	**(2,244)**
(b) Deferred tax liabilities				
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2003:30%) for Australian entities and the relevant rates for foreign entities	19,991	15,220	18,581	428
(c) Deferred tax assets				
Future income tax benefit				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003:30%) for Australian entities and the relevant rates for foreign entities	4,982	5,009	3,739	1,063
Tax losses				
The part of the future income tax benefit shown above that relates to income tax losses is	4,225	4,221	153	157

The future income tax benefit of tax losses recognised in the deferred tax asset balance at 30 June 2004 will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and / or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant company and / or the consolidated entity in realising the benefit.

Note 7 Earnings per share

	Consolidated 2004 cents	Consolidated 2003 cents
Basic earnings per share	11.01	8.51
Diluted earnings per share	10.98	8.49

	Consolidated 2004 $'000	Consolidated 2003 $'000
Earnings reconciliation		
Net profit	10,225	7,523
Net (profit) / loss attributable to outside equity interests	416	674
Basic (and diluted) earnings	**10,641**	**8,197**

	Consolidated 2004 number	Consolidated 2003 number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	96,627,658	95,415,639
Effect of director and executive share options on issue	276,745	200,612
Weighted average number of diluted shares	**96,904,403**	**95,616,251**

On 1 September 2003, 970,000 executive share options were issued. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 250,693.

On 24 October 2003, 100,000 options issued to an executive director were converted to ordinary shares. Details relating to the options are set out in Note 29. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 28,519.

At various dates during the financial year 555,000 executive share options were converted to ordinary shares. Details relating to the options are set out in Note 29. The diluted EPS calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion. The weighted average number included is 70,343.

Note 8 Cash assets

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Cash at bank and on hand		4,697	4,430	150	53
	33(a)	4,697	4,430	150	53

Note 9 Receivables

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Current				
Trade debtors	17,909	17,967	8,878	7,668
Less: provision for doubtful trade debtors	(1,753)	(1,187)	(1,163)	(838)
	16,156	16,780	7,715	6,830
Other debtors	786	3,449	1,033	932
Loans to controlled entities	-	-	8,999	13,384
Other loans[1]	172	142	172	142
	17,114	20,371	17,919	21,288
(b) Non current				
Loans to controlled entities	-	-	78,140	50,270
Other loans[1]	79	-	79	-
	79	-	78,219	50,270

[1]Other loans include share loans to employees and represent amounts receivable from employees under all employee share plans. The loan balance is fully recoverable over the period of the employee share scheme.

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled entities.

Note 10 Other assets

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Current				
Other deposits	332	250	241	210
Prepayments	781	516	442	243
	1,113	766	683	453
(b) Non current				
Other	51	438	29	438
	51	438	29	438

Note 11 Purchased debt

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Purchased debt - at cost	126,187	98,053	-	-
Accumulated depreciation	(39,315)	(27,373)	-	-
	86,872	70,680	-	-

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled entities.

Note 12 Other financial assets

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Non current					
Non-traded investments					
Shares in controlled entities - at cost	27(a)	-	-	21,844	21,717
Interests in other entities - at cost		-	99	-	-
		-	99	21,844	21,717

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled entities.

Note 13 Property, plant and equipment

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Leasehold improvements				
At cost	426	383	335	296
Accumulated depreciation	(87)	(60)	(71)	(56)
	339	323	264	240
Plant and equipment				
At cost	17,715	17,618	14,913	14,745
Accumulated depreciation	(9,814)	(7,359)	(8,243)	(6,132)
	7,901	10,259	6,670	8,613
Leased plant and equipment				
At capitalised cost	35	508	-	484
Accumulated amortisation	(4)	(440)	-	(387)
	31	68	-	97
Computer software				
At cost	6,546	6,544	3,900	3,690
Accumulated depreciation	(3,035)	(2,317)	(2,008)	(1,443)
	3,511	4,227	1,892	2,247
Total property, plant and equipment net book value	**11,782**	**14,877**	**8,826**	**11,197**

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled entities.

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Leasehold improvements				
Carrying amount at beginning of year	323	101	240	101
Additions	51	235	40	148
Disposals	(8)	-	-	-
Depreciation	(27)	(13)	(16)	(9)
Carrying amount at end of year	339	323	264	240
Plant and equipment				
Carrying amount at beginning of year	10,259	10,122	8,613	8,617
Additions	212	3,308	134	2,630
Disposals	(17)	(156)	(18)	-
Transfers	17	-	81	-
Depreciation	(2,570)	(3,164)	(2,140)	(2,634)
Acquisition through entities acquired	-	149	-	-
Carrying amount at end of year	7,901	10,259	6,670	8,613
Leased plant and equipment				
Carrying amount at beginning of year	68	222	97	189
Additions	-	56	-	10
Disposals	-	-	-	-
Transfers	(17)	(107)	(81)	-
Amortisation	(20)	(103)	(16)	(102)
Carrying amount at end of year	31	68	-	97

Note 13 Property, plant and equipment *(continued)*

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Computer software				
Carrying amount at beginning of year	4,227	4,081	2,247	2,141
Additions	710	1,624	211	873
Depreciation	(1,287)	(1,478)	(566)	(767)
Disposals	(139)	-	-	-
Carrying amount at end of year	3,511	4,227	1,892	2,247
Total property, plant and equipment net book value	**11,782**	**14,877**	**8,826**	**11,197**

Note 14 Databases

Databases	10,241	9,215	-	-
	10,241	9,215	-	-

Valuation of databases

Databases are measured on a fair value basis, being the amount for which the assets could be exchanged between knowledgeable and willing parties in an arms length transaction, having regard to the highest and best use of the asset for which other parties would be willing to pay.

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled Entities.

Note 15 Intangible assets

Goodwill – at cost	32,008	31,805	14,911	14,910
Other intangibles	2,063	2,040	444	444
	34,071	33,845	15,355	15,354
Accumulated amortisation	(6,000)	(4,272)	(3,381)	(2,508)
	28,071	29,573	11,974	12,846

Refer to Note 17 for information on non current assets pledged as security by the Company or its controlled Entities.

Note 16 Payables

(a) Current				
Trade creditors	2,840	3,695	744	1,354
Other creditors and accruals	4,524	6,106	1,753	2,819
	7,364	9,801	2,497	4,173
(b) Non current				
Loans from controlled entities	-	-	3,507	1,751

Note 17 Interest bearing liabilities

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Current					
Bank overdraft (secured)		2,596	1,551	2,596	405
Other loans (secured)		229	275	229	275
Hire purchase liabilities	25	94	102	-	-
Lease liabilities	25	-	17	-	17
		2,919	1,945	2,825	697
(b) Non current					
Bank loans (secured)		44,016	44,940	44,016	44,941
Other loans (secured)		92	321	92	321
Hire purchase liabilities	25	21	195	-	-
		44,129	45,456	44,108	45,262

All bank loans and overdraft are denominated in Australian dollars and are secured by a fixed and floating charge over all of the assets and uncalled capital of the Company and certain of its controlled entities.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

Other loans are secured by a fixed and floating charge over the assets of a controlled entity.

Financing arrangements

The consolidated Entity has access to the following lines of credit:

	Consolidated 2004	Consolidated 2003	The Company 2004	The Company 2003
Total facilities available at balance date				
Bank overdraft (secured)	-	5,000	-	5 ,000
Bank offset facility (secured)	5,000	-	5,000	-
Bank loan (secured)	-	45,000	-	45,000
Bank bills	60,000	-	60,000	-
Bank guarantee facilities (secured)	872	630	500	630
Bank leasing and hire purchase facilities	265	814	150	517
	66,137	51,444	65,650	51,147
Total facilities utilised at balance date				
Bank overdraft (secured)	-	1,551	-	405
Bank offset facility (secured)	2,596	-	2,596	-
Bank loan (secured)	-	44,940	-	44,940
Bank bills	44,016	-	44,016	-
Bank guarantee facilities (secured)	711	239	314	239
Bank leasing and hire purchase facilities	115	314	-	17
	47,438	47,044	46,926	45,601
Total facilities not utilised at balance date				
Bank overdraft (secured)	-	3,449	-	4,595
Bank offset facility (secured)	2,404	-	2,404	-
Bank loan (secured)	-	60	-	60
Bank bills	15,984	-	15,984	-
Bank guarantee facilities (secured)	161	391	186	391
Bank leasing and hire purchase facilities	150	500	150	500
	18,699	4,400	18,724	5,546

Note 18 Provisions

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Current					
Employee benefits	29	1,737	1,919	1,509	1,693
Other		163	204	53	80
		1,900	2,123	1,562	1,773
(b) Non current					
Employee benefits	29	306	510	259	487

	Consolidated 2004 $'000	The Company 2004 $'000

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:

Other		
Carrying amount at beginning of year	204	80
Provisions made during the year	278	261
Payments made during the period	(319)	(288)
Carrying amount at end of year	163	53

Note 19 Contributed equity

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
(a) Share capital					
96,876,381 (2003: 95,423,503) ordinary shares, fully paid		66,757	65,213	66,757	65,213

(b) Movements in ordinary share capital

Details	**Number of shares**	**Issue price**	**$'000**
Balance at the beginning of year	95,423,503	-	65,213
Shares issued under the employee share ownership plan	797,878	$1.06	846
Exercise of options pursuant to the Executive Director share option plan	100,000	$1.00	100
Exercise of options pursuant to the Executive share option plan	555,000	$1.18	655
Transaction costs from issue of shares	-	-	(57)
Balance at end of year	96,876,381		66,757

(c) Ordinary shares - terms and conditions

Ordinary shares entitle the holder to participate in dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

Refer to Note 29 for details of shares issued on exercise of options.

Note 20 Reserves

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Foreign currency translation reserve		524	256	-	-
Movements during the year					
Foreign currency translation reserve					
Balance at beginning of year		256	213	-	-
Net exchange difference relating to self-sustaining foreign operations		268	43	-	-
Balance at end of year		524	256	-	-

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, any translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation.

Refer to accounting policy Note 1(e).

Note 21 Retained profits

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Retained profits at beginning of year		16,853	12,958	1,301	688
Net profit attributable to members of the Company		10,641	8,197	7,772	4,915
Net effect on dividends from:					
Initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		-	7,626	-	7,626
Dividends recognised during the year	22	(3,868)	(11,928)	(3,868)	(11,928)
Total dividends		(3,868)	(4,302)	(3,868)	(4,302)
Retained profits at end of year		23,626	16,853	5,205	1,301

Note 22 Dividends

Dividends recognised in the current year by the Company are:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
2004					
Interim 2004 – ordinary	3.0	2,902	18 March 2004	30%	NIL
Final 2003 – ordinary	1.0	966	28 November 2003	30%	100%
Total amount		3,868			
2003					
Interim 2003 – ordinary	4.5	4,306	20 March 2003	30%	100%
Final 2002 – ordinary	8.0	7,622	24 November 2002	30%	100%
Total amount		11,928			

Subsequent events

Since the end of the financial year, the directors have declared the following dividends:

	Cents per share	Total amount $'000	Date of payment	Tax rate for franking credit	Percentage franked
Final 2004 – ordinary	4.0	3,875		30%	NIL

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2004 and will be recognised in subsequent financial reports.

Note 22 Dividends *(continued)*

	The Company 2004 $'000	The Company 2003 $'000
Dividend franking account		
Franking credits available to shareholders of Collection House Limited for subsequent financial years based on a tax rate of 30% (2003:30%)	-	-

The above available amounts are based on the balance of the dividend franking account at year end adjusted for:

(a) franking credits that will arise from the payment of the amount of the current provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(d) franking credits that may be prevented from being distributed in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Note 23 Outside equity interests

	Consolidated 2004 $'000	Consolidated 2003 $'000
Outside equity interests in controlled entities comprise:		
Interest in retained profits / (losses) at the beginning of the financial year after adjusting for equity interests in entities acquired during the financial year	(443)	45
Interest in operating profit / (loss) after income tax	(416)	(674)
Interest in retained profits / (losses) at the end of the financial year	(859)	(629)
Interest in share capital	350	459
Interest in reserves	-	-
Total outside equity interest	(509)	(170)

Note 24 Total equity reconciliation

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Total equity at beginning of year		82,152	80,866	66,514	65,801
Total changes in the Company interest in equity recognised in statement of financial performance		10,909	8,240	7,772	4,915
Transactions with owners as owners:					
Contributions of equity		1,544	100	1,544	100
Dividends	22	(3,868)	(4,302)	(3,868)	(4,302)
Total changes in outside equity interest		(339)	(2,752)	-	-
Total equity at end of year		90,398	82,152	71,962	66,514

Note 25 Commitments

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Capital expenditure commitments					
Plant and equipment					
Contracted but not provided for and payable:					
Within one year		129	-	-	-
One year or later and no later than five years		-	-	-	-
Later than five years		-	-	-	-
		129	-	-	-
Investments					
During the year the Company entered into an agreement to purchase a further 17.4% of the share capital of a controlled entity over a specified period of time. The future obligations under this agreement have not been provided for in the financial report and are payable:					
Within one year		100	-	100	-
One year or later and no later than five years		200	-	200	-
		300	-	300	-
Hire purchase commitments					
Hire purchase commitments are payable:					
Within one year		99	125	-	-
One year or later and no later than five years		22	199	-	-
Later than five years		-	-	-	-
		121	324	-	-
Less: hire purchase charges		6	27	-	-
		115	297	-	-
Hire purchase provided for in the financial statements:					
Current	17(a)	94	102	-	-
Non current	17(b)	21	195	-	-
Total hire purchase commitments		115	297	-	-
Non-cancellable operating lease payment commitments					
Future operating lease commitments are payable:					
Within one year		3,180	2,470	2,575	1,902
One year or later and no later than five years		4,440	4,570	3,183	3,634
Later than five years		-	-	-	-
Commitments not recognised in the financial statements		7,620	7,040	5,758	5,536
Finance lease payment commitments					
Finance lease commitments are payable:					
Within one year		-	17	-	17
One year or later and no later than five years		-	-	-	-
Later than five years		-	-	-	-
		-	17	-	17
Less: future lease finance charges		-	-	-	-
		-	17	-	17
Lease liabilities provided for in the financial statements:					
Current	17(a)	-	17	-	17
Non current		-	-	-	-
Total lease commitments		-	17	-	17

Note 26 Contingent liabilities and contingent assets

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Details of contingent liabilities and contingent assets where the probability of future payments or receipts is not considered remote are set out below as well as details of contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.				
(a) On 29 October 2002 the Company and certain of its controlled entities entered into an Interlocking Debt and Interest Guarantee which is supported by a Fixed and Floating charge over all of the assets and uncalled capital of those entities.				
(b) Bank guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for a controlled entity.	711	239	314	239
(c) The Company is having on going discussions with the ACCC regarding some accounts handled by Collection House as long as four years ago. Collection House has fully cooperated and complied with the ACCC's requests for the provision of information and documents over the past two years. This issue remains unresolved. No specific provision has been raised in the accounts to cover any of the above matters.				

In the directors' opinion disclosure of any further information about the above matter would be prejudicial to the interest of the Company. These events have been notified to our insurers under the professional indemnity policy.

The directors are not aware of any other matters.

Note 27 Controlled entities *(continued)*

	Ordinary shares, consolidated equity interest 2004 %	2003 %
(a) Particulars in relation to controlled entities		
The Company		
Collection House Limited		
Controlled entities - incorporated in Australia		
ABR Publications Pty Ltd	100	100
Australian Business Research Pty Ltd	100	100
Australian Corporate Reporting Pty Ltd	100	100
Australian Creditors Association Pty Ltd [1]	100	100
Australian Stockdata Pty Ltd [1]	100	100
Australian Legal Recoveries Pty Ltd [1]	100	100
CHIP No.1 Pty Ltd [1]	71	60
Collection House ALR Pty Ltd [1]	100	100
Collection House Business Diagnostics Pty Ltd [1]	73	67
Jones King Lawyers Pty Ltd (formerly Collection House Legal Services Pty Ltd)	100	100
Collection House Technologies Pty Ltd	100	100
Colpro Pty Ltd	100	100
Countrywide Mercantile Services Pty Ltd	100	100
Downie Insolvency Unit Trust (formerly Downie & Associates Unit Trust)	100	100
Insurance Claims Solutions Pty Ltd	71	60
Lion Finance Pty Ltd	100	100
Midstate Credit Management Services Pty Ltd	100	100
National Revenue Corporation Pty Ltd	100	100
National Tenancy Database Pty Ltd	100	100
R W Receivables Pty Ltd	100	100
Rapid Ratings Pty Ltd	73	67
Rent Check Australia Pty Ltd [1]	100	100
The Creditfax (Aust) Pty Ltd [1]	100	100
Controlled entities - incorporated in New Zealand		
abr.nz Limited (formerly New Zealand Business Research Limited)	100	100
Collection House (NZ) Limited	100	100
Lion Finance Limited	100	100
National Revenue Corporation Limited [1]	100	100
New Zealand Creditors Association Limited [1]	100	100

[1] These controlled entities have not traded during the financial year.

(b) Acquisition of controlled entities

On 1 July 2003 the Company accquired a further 5.9% of the issued share capital of Collection House Business Diagnostics Pty Ltd.

On 1 December 2003 the Company accquired a further 11% of the issued share capital of CHIP No. 1 Pty Ltd and Insurance Claims Solutions Pty Ltd.

	Collection House Business Diagnostics Pty Ltd $'000	CHIP No.1 Pty Ltd $'000	Insurance Claims Solutions Pty Ltd $'000
Cash consideration	101	21	5
Less cash balances acquired	-	-	-
	101	21	5
Fair value of net assets of entity acquired:			
Current assets	182	-	561
Non current assets	1,980	500	542
Current liabilities	(130)	-	(243)
Non current liabilities	(2,572)	-	(1,769)
	(540)	500	(909)
Less: outside equity interests	(508)	445	(809)
	(32)	55	(100)
Goodwill / (discount) on consolidation	133	(34)	105
Consideration	101	21	5

Note 28 Additional financial instruments disclosure

(a) Interest rate risk exposures

The consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below:

2004	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash assets	8	4.17%	4,690	-	-	-	7	4,697
Receivables	9(a), 9(b)	6.00%	-	172	79	-	16,942	17,193
Other current assets	10(a)	3.47%	-	332	-	-	781	1,113
Purchased debt	11	-	-	-	-	-	86,872	86,872
			4,690	504	79	-	104,602	109,875
Financial liabilities								
Payables	16	-	-	-	-	-	7,364	7,364
Hire purchase liabilities	17(a), 17(b)	7.80%	-	94	21	-	-	115
Bank overdraft	17(a)	8.25%	2,596	-	-	-	-	2,596
Other loans	17(a), 17(b)	5.55%	-	229	92	-	-	321
Bank loans	17(b)	6.08%	44,016	-	-	-	-	44,016
Employee benefits	18(a), 18(b)	-	-	-	-	-	2,043	2,043
			46,612	323	113	-	9,407	56,455
Net financial assets (liabilities)			(41,922)	181	(34)	-	95,195	53,420

2003	Notes	Weighted average interest rate %	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets								
Cash assets	8	3.58%	4,376	-	-	-	54	4,430
Receivables	9(a), 9(b)	6.00%	-	142	-	-	20,229	20,371
Other current assets	10(a)	4.45%	-	250	-	-	516	766
Purchased debt	11	-	-	-	-	-	70,680	70,680
Other financial assets	12	-	-	-	-	-	99	99
			4,376	392	-	-	91,578	96,346
Financial liabilities								
Payables	16	-	-	-	-	-	9,801	9,801
Hire purchase liabilities	17(a), 17(b)	7.95%	-	102	195	-	-	297
Lease liabilities	17(a), 17(b)	7.61%	-	17	-	-	-	17
Bank overdraft	17(a)	8.00%	1,551	-	-	-	-	1,551
Other loans	17(a), 17(b)	4.80%	-	275	321	-	-	596
Bank loans	17(b)	5.39%	44,941	-	-	-	-	44,941
Employee benefits	18(a), 18(b)	-	-	-	-	-	2,429	2,429
			46,492	394	516	-	12,230	59,632
Net financial assets (liabilities)			(42,116)	(2)	(516)	-	79,348	36,714

Note 28 Additional financial instruments disclosure *(continued)*

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the consolidated Entity which have been recognised in the Statement of Financial Position is the carrying value net of any provision.

The consolidated Entity minimises concentrations of credit risks by undertaking transactions with a large number of customers and does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company or any of its controlled entities.

(c) Net fair value of financial assets and liabilities

Net fair values of financial assets and liabilities are determined by the consolidated Entity on the following basis:

Recognised financial instruments

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities is not materially different from their carrying values.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rate for assets and liabilities with similar risk profiles.

For unlisted equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

Note 29 Employee benefits

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$'000	$'000	$'000	$'000
Aggregate liability for employee benefits, including on-costs:					
Current					
Other creditors and accruals	16(a)	375	-	203	-
Employee benefit provisions	18(a)	1,737	1,919	1,509	1,693
Non current					
Employee benefit provisions	18(b)	306	510	259	487
		2,418	2,429	1,971	2,180
Number of employees					
Number of employees at year end		692	753	580	496

(a) Executive share option plan

The directors may, at their discretion, grant options to purchase fully paid ordinary shares in the Company to employees of the Company or related companies in accordance with terms and conditions specified in the Company's Prospectus issued in 2000.

Options are granted under the plan for no consideration. Options are granted for a period not exceeding 12 months, vest immediately and are exercisable one day after the date of the grant. Options granted under the plan carry no dividend or voting rights.

Each option is convertible to one ordinary share. The directors determine the exercise price. The exercise price of the options issued in 2003 is based on the average volume weighted share price of the Company's shares for the five days trading prior to 30 June 2003.

The exercise price may be payable by the employee either in full on the exercise date or the Company may, at it's discretion, lend the employee such monies as is required to complete the share purchase. The terms of loan funding is as detailed for the Employee Share Ownership Plan following.

The only exception to the above are options issued to one of the executive directors of the Company, Tony Coutts. Full details of his option agreement were disclosed in the Prospectus issued in 2000 and are summarised in Note 30 following.

Note 29 Employee benefits *(continued)*

Details of options over unissued shares as at the begining and ending date of the financial date and movements during the year are as follows:

Grant date	Exercise date on or after	Expiry date	Exercise price	Options at start of year Number	Options granted Number	Options exercised Number	Options lapsed Number	Options on issue at end of year Number	Options vested at end of year Number
Consolidated and company 2004									
14 Jul 2000	4 Oct 2003	3 Nov 2003	$1.00	100,000	-	(100,000)	-	-	-
14 Jul 2000	4 Oct 2004	3 Nov 2004	$1.00	100,000	-	-	-	100,000	100,000
14 Jul 2000	4 Oct 2005	3 Nov 2005	$1.00	100,000	-	-	-	100,000	100,000
31 Dec 2002	1 Jan 2003	31 Dec 2003	$2.51	1,125,000	-	-	(1,125,000)	-	-
1 Sep 2003	2 Sep 2003	30 June 2004	$1.18	-	970,000	(555,000)	(415,000)	-	-
				1,425,000	970,000	(655,000)	(1,540,000)	200,000	200,000
Consolidated and company 2003									
14 Jul 2000	4 Oct 2002	3 Nov 2002	$1.00	100,000	-	(100,000)	-	-	-
14 Jul 2000	4 Oct 2003	3 Nov 2003	$1.00	100,000	-	-	-	100,000	100,000
14 Jul 2000	4 Oct 2004	3 Nov 2004	$1.00	100,000	-	-	-	100,000	100,000
14 Jul 2000	4 Oct 2005	3 Nov 2005	$1.00	100,000	-	-	-	100,000	100,000
31 Dec 2001	1 Jan 2002	31 Dec 2002	$4.17	975,000	-	-	(975,000)	-	-
31 Dec 2002	1 Jan 2003	31 Dec 2003	$2.51	-	1,125,000	-	-	1,125,000	1,125,000
				1,375,000	1,125,000	(100,000)	(975,000)	1,425,000	1,425,000

Options exercised during the financial year and number of shares issued to employees are as follows:

		Consolidated		The Company	
Exercise date	Fair value of shares at issue date	2004 Number	2003 Number	2004 Number	2003 Number
1 - 31 October 2002	$177,000	-	100,000	-	100,000
1 - 31 October 2003	$221,000	125,000	-	125,000	-
1 - 30 November 2003	$298,500	170,000	-	170,000	-
1 - 31 January 2004	$267,750	130,000	-	130,000	-
1 - 29 February 2004	$206,600	90,000	-	90,000	-
1 - 31 March 2004	$23,225	12,500	-	12,500	-
1 - 30 April 2004	$11,400	7,500	-	7,500	-
1 - 30 June 2004	$169,850	120,000	-	120,000	-
		655,000	100,000	655,000	100,000

The fair value of shares issued on the exercise of options at their issue date is the market price of shares of the Company on the Australian Stock Exchange as at close of trading.

The amount disclosed above represents the accumulated fair value of all issues during the represented month.

The amounts recognised in the financial statements of the consolidated Entity and the Company in relation to share options exercised during the year were:

	Consolidated		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Employee loans	630	-	630	-
Bank	125	100	125	100
Issued capital	755	100	755	100

Note 29 Employee benefits *(continued)*

(b) Employee share ownership plan

An employee of the Company or its subsidiaries with at least three months' service is eligible to participate in the employee share plan in accordance with terms and conditions disclosed in the Prospectus issued in 2000.

The plan provides for eligible employees to acquire ordinary shares in the Company at a price determined by the directors. For shares issued under the plan in the current year, the price is a 10% discount to market price. Market price was determined by reference to the average volume weighted share price of the Company's shares for the five business days prior to and including 30 June 2003.

On application, employees must pay application monies of at least 10% of the value of the share offer. The Company may, at it's discretion, lend the employee such monies as is required to complete the share purchase. Interest is charged monthly on outstanding loan balances at a rate determined by the directors, which is currently 6% per annum. Repayment of the loan balance is required within two years or the employee's right to the shares will be forfeited with the current net market price less the outstanding loan balance refunded to the employee.

The shares vest immediately upon acquisition but are not able to be traded until the later of 90 days from the acquisition date or the date on which the outstanding loan balance has been fully repaid.

The details of the number of shares issued under this plan and the issue price is set out in Note 19.

The amount recognised in the financial statements of the consolidated Entity and the Company in relation to employee shares issued during the year were:

	Consolidated		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Employee loans	425	-	425	-
Bank	421	-	421	-
Issued capital	846	-	846	-

Superannuation plans

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Where there is a legal requirement the Company contributes the appropriate statutory percentage of employees salaries and wages.

Note 30 Directors' and executives' disclosures

(a) Directors

The following persons were directors of the Company during the financial year:

Non-executive directors

Dennis George Punches (Chairman)
Anthony Robin Aveling (Deputy Chairman)
Barrie Edward Adams (Lead Independent Director)
David Barry Connelly
Bo Sven Göranson
William Leslie Hiller
William Walter Kagel
Stephen Walker

Executive directors

John Marshall Pearce (Managing Director & Chief Executive Officer)
Anthony Francis Coutts

(b) Executives (other than directors) with the greatest authority for strategic direction and management

The following persons with the greatest authority for the strategic direction and management of the consolidated Entity ("specified executives") during the financial year were:

Name	*Position*	*Employer*
Adrian Ralston		
(from 8 June 2004)	Chief Financial Officer	Collection House Limited
(from 29 October 2003)	General Manager, Finance	
Brendan Doherty	Chief Collections Officer	Collection House Limited
Christopher Stewart	General Manager	Collection House Limited
(from 12 January 2004)	Corporate Communication & Marketing	
Colin Day	Chief Operations Officer	Collection House Limited
(from 8 June 2004)		
Matthew Thomas	Chief Information Officer	Collection House Limited
Michael Watkins	General Counsel	Collection House Limited
Mark Stanton	Chief Financial Officer	Collection House Limited
(resigned 31 December 2003)		

(c) Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward and seniority framework is to ensure promotion and reward for performance is competitive and appropriate for results delivered. The framework aligns executive rewards with achievement of strategic objectives and creation of wealth for shareholders, and conforms to market best practice for delivery of rewards. The Board ensures that executive reward satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of effective compensation;
- transparency; and
- capital management.

In consultation with key members of the Board who have had many years industry operational experience and the Human Resources Manager, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders interests:

- has economic profit as a core component of plan design;
- focusses on sustained growth in share price and delivering constant return on assets as well as focussing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Note 30 Directors' and executives' disclosures *(continued)*

Alignment to program participants interests:
- rewards capability and experience;
- reflects competitive reward for contribution to shareholder growth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of short and long-term incentives. As executives gain seniority within the group, higher salary and incentives are offered.

Non-executive directors

Fees and payments to non-executive directors reflect the demands that are made on, and the responsibilities of, the directors. Payments are allowed for additional responsibilities for Board chairmanship, deputy chairmanship, the lead independent director's role and for membership of Board committees and subsidiary boards. It should be noted that the Chairman has voluntarily reduced his fee to $50,000 per annum as from 1 April 2003. William Kagel, a non-executive director and the chairperson of the Remuneration Committee has also waived the fee normally due to him for this role. Directors' fees and payments are reviewed annually by the Remuneration Committee. The Committee's recommendations are forwarded for approval by the Board. Non-executive directors do not receive share options.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit which is periodically recommended for shareholder approval. The total maximum currently stands at $500,000 as agreed at the Annual General Meeting of the Company held on 9 October 2002.

Executive directors' payments

Remuneration for executive directors is reviewed on an annual basis.

The current base remuneration of Tony Coutts was reviewed in December 2003 when he reduced the hours of his position. On 14 July 2000 an option agreement was put in place for Tony providing the issue of options for 500,000 shares at an exercise price of $1 per share. The options are exercisable at a rate of 100,000 per annum and may only be exercised while he remains employed by the Company. The terms of the option agreement were disclosed in the Prospectus.

John Pearce, the Managing Director & Chief Executive Officer, elected to receive no remuneration during the 2003/04 financial year and this situation will continue in the coming financial year.

Retirement allowances for directors

There are no retirement allowances paid to non executive directors.

Executive pay

Executive pay comprises:
- base salary;
- incentives provided through the employee share plan and the executive share option plan; and
- other remuneration such as superannuation.

The Board has recently approved a new performance evaluation for senior executives. Each senior executive's performance is reviewed at least annually in accordance with the terms of that evaluation form together with agreed key performance indicators. Changes in seniority and executive reward are based on the results of this evaluation. Participation in the employee share plan is based on a simple formula applying to seniority and length of the employee's employment.

Participation in the executive share option plan is through Board approval. The Managing Director & Chief Executive Officer initially prepares a list of executives and their proposed level of participation in the plan. The nominees and the level of options to be issued are based on performance. This list is referred to the Remuneration Committee for review. The final list of nominees and their participation level in the plan is recommended by the Remuneration Committee to the Board for consideration prior to final approval. In past years, options have been issued solely on the basis of individual performance. The executive share option plan has been reviewed and future options will be issued with not only individual performance being considered but also company performance hurdles to be achieved before options may be exercised. The Remuneration Committee reviews the terms of the executive share option plan on an annual basis.

Note 30 Directors' and executives' disclosures *(continued)*

Details of remuneration

The following tables provide details of remuneration to all directors of the Company and specified executives of the consolidated Entity, including their personally-related entities, for the year ended 30 June 2004.

	Primary			post-employment		Equity	Other	
Name	Cash salary & fees $	Cash bonus $	Non-monetary benefits $	Superannuation benefits $	Consultancy fees $	Value of options[2] $	insurance premiums $	Total $
Directors of Collection House Limited 2004								
D G Punches	50,000	-	-	79	-	-	2,231	52,310
A R Aveling	50,000	-	-	4,500	-	-	2,231	56,731
B E Adams	96,519	-	-	4,343	-	-	2,231	103,093
J M Pearce[1]	-	-	1,026	-	-	-	2,231	3,257
D B Connelly	44,038	-	-	59	-	-	2,231	46,328
A F Coutts[2,3]	282,278	-	1,026	30,790	-	180,000	2,231	496,325
B S Göranson	40,000	-	-	59	-	-	2,231	42,290
W L Hiller	50,000	-	-	4,500	-	-	2,231	56,731
W W Kagel	40,000	-	-	69	-	-	2,231	42,300
S Walker	40,000	-	-	3,600	-	-	2,231	45,831
Total 2004	692,835	-	2,052	47,999	-	180,000	22,310	945,196

Total remuneration of directors of Collection House Limited for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

Directors of Collection House Limited 2003								
Total 2003	734,331	-	9,459	43,681	-	220,000	-	1,007,471
Specified executives of the consolidated Entity 2004								
C Day (Chief Operations Officer from 8 June 2004)	126,307	-	25,554	12,808	-	12,798	2,231	179,698
B Doherty	136,983	-	1,026	13,598	-	19,197	2,231	173,035
A Ralston (commenced on 29 October 2003)	107,182	-	5,959	11,444	-	-	2,231	126,816
M Stanton (departed on 30 June 2004)	175,787	-	1,026	15,105	45,144	12,798	2,231	252,091
C Stewart (commenced on 12 January 2004)	65,030	-	-	6,369	-	-	2,231	73,630
M Thomas	150,000	-	-	13,500	-	19,197	2,231	184,928
M Watkins	253,076	-	1,026	22,777	-	15,998	2,231	295,108
Total 2004	1,014,365	-	34,591	95,601	45,144	79,988	15,617	1,285,306

Total remuneration of specified executives of Collection House Limited for the year ended 30 June 2003 is set out below. Information for individual executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities. In some cases, different individuals are included than those specified in the year ended 30 June 2004.

Specified executives of the consolidated Entity 2003								
Total 2003[4]	1,459,058	-	32,743	126,782	-	272,213	-	1,890,796

[1] Mr Pearce elected to receive no remuneration effective 8 April, 2003.
[2] Mr Coutts exercised 100,000 options in November 2003 at an exercise price of $1.00 per share. It was considered impractical to estimate the value of the options exercised as at the date of grant on 14 July 2000. Therefore, consistent with the 2002/03 calculation, the benefit to Mr Coutts on the exercise is included as the relevant value.
[3] Other than the options for Mr Coutts, the fair value of options is calculated at the date of the grant using a Black-Scholes model.
[4] Included in cash salary and fees are termination benefits totalling $101,385.

Note 30 Directors' and executives' disclosures *(continued)*

(d) Equity Instruments
Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each director of Collection House Limited and each of the specified executives of the consolidated Entity are set out below. When exercisable each option is convertible into one ordinary share of Collection House Limited. Further information is set out in Note 29.

Name	Options granted during the year Number	Options vested during the year Number
Directors of Collection House Limited		
Nil	-	-

The options issued to a director of Collection House Limited were granted and vested on 14 July 2000. The options are exercisable at specified exercise dates. Details of exercise dates are set out in Note 29.

Name	Options granted during the year Number	Options vested during the year Number
Specified executives of the consolidated Entity		
C Day	20,000	20,000
B Doherty	30,000	30,000
A Ralston	-	-
C Stewart	-	-
M Stanton	20,000	20,000
M Thomas	30,000	30,000
M Watkins	25,000	25,000

All options granted to specified executives were granted on 1 September 2003, had an expiry date of 30 June 2004 and an exercise price of $1.18 per share. 20,000 options have been issued since the end of the financial year at an exercise price of $1.18 per share and an expiry date of 30 June 2005. The options were provided at no cost to the recipients.

All options granted to specified executives expire on the earlier of their expiry date or termination of the individual's employment. The options are exercisable at any date from the grant date.

Exercise of options granted as remuneration
Details of ordinary shares in the Company provided as a result of the exercise of options to each director of Collection House Limited and each of the specified executives of the consolidated Entity are set out below:

Name	Number of shares issued on exercise of options during the year	Amount paid $ per share
Directors of Collection House Limited		
A F Coutts	100,000	$1.00
Specified executives of the consolidated Entity		
C Day	20,000	$1.18
B Doherty	30,000	$1.18
A Ralston	-	-
C Stewart	-	-
M Stanton	20,000	$1.18
M Thomas	30,000	$1.18
M Watkins	25,000	$1.18

The amount of $23,895 remains to be paid under a loan agreement as at 30 June 2004 on shares issued on the exercise of options.

Note 30 Directors' and executives' disclosures *(continued)*

Option holdings
The number of options over ordinary shares in the Company held during the financial year by each director of Collection House Limited and each of the specified executives of the consolidated Entity, including their personally-related entities, are set out below:

Name	Balance at start of year Number	Granted as remuneration Number	Exercised Number	Other changes Number	Balance at end of year Number	Vested and exercisable at end of year Number
Directors of Collection House Limited						
A F Coutts	300,000	-	(100,000)	-	200,000	-
Specified executives of the consolidated Entity						
C Day	-	20,000	(20,000)	-	-	-
B Doherty	-	30,000	(30,000)	-	-	-
A Ralston	-	-	-	-	-	-
C Stewart	-	-	-	-	-	-
M Stanton	-	20,000	(20,000)	-	-	-
M Thomas	-	30,000	(30,000)	-	-	-
M Watkins	-	25,000	(25,000)	-	-	-

Options held by Mr Coutts are vested but not exercisable until 4 October 2004 (100,000) and 4 October 2005 (100,000).

Share holdings
The number of shares in the Company held during the financial year by each director of Collection House Limited and each of the specified executives of the consolidated Entity, including their personally-related entities, are set out below:

Name	Balance at start of the year Number	Received on exercise of options Number	Other changes during the year Number	Balance at end of year Number
Directors of Collection House Limited				
D G Punches	14,000,000	-	11,665	14,011,665
A R Aveling	235,000	-	15,000	250,000
B E Adams	-	-	-	-
J M Pearce	14,146,730	-	-	14,146,730
D B Connelly	20,000	-	-	20,000
A F Coutts	3,832,000	100,000	2,000	3,934,000
B S Göranson	4,740,427	-	32,000	4,772,427
W L Hiller	5,200	-	-	5,200
W W Kagel	500,000	-	-	500,000
S Walker	6,750,000	-	-	6,750,000
Specified executives of the consolidated Entity				
C Day	201,000	20,000	52,000	273,000
B Doherty	-	30,000	(22,500)	7,500
A Ralston	-	-	-	-
C Stewart	-	-	-	-
M Stanton	475,000	20,000	2,000	497,000
M Thomas	-	30,000	(20,000)	10,000
M Watkins	225,000	25,000	(223,000)	27,000

Note 30 Directors' and executives' disclosures *(continued)*

(e) Loans and other transactions with specified directors and executives

Loans

Details of loans made to directors of Collection House Limited and specified executives of the consolidated Entity, including their personally-related entities are set out below:

Aggregates for directors and specified executives

Group	Balance at start of the year $	Interest paid and payable for year $	Balance at end of year $	Number in Group at end of year
Directors of Collection House Limited				
2004	-	-	-	-
2003	-	-	-	-
Specified executives of the consolidated Entity				
2004	-	266	23,895	1
2003	-	-	-	-

All loans specified above have been extended in accordance with the terms of the employee share ownership plan.

Terms and conditions of loans are set out in Note 29. No amounts have been written down or recorded as allowances, as the balances are considered fully collectable.

Individuals with loans in excess of $100,000 during the financial year

No individual's aggregate loan balance exceeded $100,000 at any time during the financial year.

Other transactions with the Company or its controlled entities

A number of the directors of the Company and specified executives hold positions in other associated entities that result in them having control or significant influence over the financial or operating policies of those entities. The terms and conditions of any transactions with directors or specified executives were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non related entities on an arms length basis.

No payments were made to directors or to director-related entities other than as appropriate payments for performance of their duties as directors.

Note 31 Auditor's remuneration

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Audit services:				
Amounts received or due and receivable by the auditors for:				
- Audit of the financial statements	160,000	155,000	160,000	155,000
- Other regulatory audit services	65,000	70,000	65,000	70,000
Other services:				
Amounts received or due and receivable by the auditors for:				
- Other assurance services	-	-	-	-
- Other non-assurance services	26,500	-	24,000	-

Note 32 Related parties

(a) Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 30.

Directors' transactions in shares and share options

Mr A F Coutts converted 100,000 options @ $1.00 per share on 24 October 2003.

Mr A F Coutts acquired 2000 shares @ $1.06 per share on 23 October 2003.

Parkerhouse Investments NV and Parkerhouse Investments BV, a company acting as trustee of a trust associated with Mr B S Göranson transferred all shares held in the names of B S Göranson, Parkerhouse Investments NV and Parkerhouse Investments BV to City Plaza Inc. @ $1.53 per share on 1 August 2003.

Parkerhouse Investments BV, a company acting as trustee of a trust associated with Mr B S Göranson acquired 32,000 shares @ $1.36 per share on 15 July 2003.

Mr D G Punches acquired 11,665 shares @ $1.30 per share on 10 July 2003.

Mr A R Aveling acquired 15,000 shares @ $1.28 per share on 10 July 2003.

(b) Non director-related parties

The classes of non director-related parties are:

- wholly owned controlled entities;
- partly owned controlled entities; and
- directors of related parties and their director-related entities.

Transactions

Transaction between non director-related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The Company provided collection services to and received collection services from Collection House (NZ) Limited, Lion Finance Pty Ltd and Lion Finance Limited.

The Company provided administrative services to all operating subsidiaries.

A wholly owned controlled entity, Collection House Technologies Pty Ltd, provided IT support to the Company and other wholly owned controlled entities.

A wholly owned controlled entity, Collection House Legal Services Pty Ltd, provided legal services to the Company and other wholly owned controlled entities.

A wholly owned controlled entity, Australian Business Research Pty Ltd provided credit reporting services to the Company.

Loans were advanced by Collection House Limited to and were received from wholly owned controlled entities.

Loans were advanced by Collection House Limited to partly controlled entities.

Dividends were paid to the Company by Lion Finance Pty Ltd.

Note 32 Related parties *(continued)*

	The Company	
	2004	2003
	$'000	$'000
Transactions with non director-related parties		
Revenue from sale of services to:		
wholly owned controlled entities	15,440	15,857
Provision of IT Services to:		
controlling Entity	-	1,800
wholly owned controlled entities	209	-
Provision of legal services to:		
controlling Entity	-	3,167
wholly owned controlled entities	2,881	-
Provision of credit reporting services to:		
wholly owned controlled entities	272	264
Loan advances to:		
wholly owned controlled entities	21,072	19,907
partly owned controlled entities	2,413	1,771
Loan advances from:		
wholly owned controlled entities	1,756	1,060
Dividends received from:		
wholly owned controlled entities	9,200	11,366
Interest received from:		
partly owned controlled entities	110	64
Current receivables from non director-related entities		
wholly owned controlled entities (dividends)	8,999	13,384
Non current receivables from non director-related entities		
wholly owned controlled entities (loans)	73,175	47,719
partly owned controlled entities (loans)	4,965	2,551
Non current payables from non director-related entities		
wholly owned controlled entities (loans)	3,507	1,751

Percentage of equity interest

Details of equity interests held in classes of related parties are set out in Note 27.

Note 33 Notes to the statements of cash flows

		Consolidated		The Company	
		2004	2003	2004	2003
	Note	$'000	$'000	$'000	$'000

(a) Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Note	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Cash assets	8	4,697	4,430	150	53
Bank overdraft	17(a)	(2,596)	(1,551)	(2,596)	(405)
		2,101	2,879	(2,446)	(352)

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Profit from ordinary activities after income tax	10,225	7,523	7,772	4,915
Add / (less) items classified as investing / financing activities:				
Net (profit) / loss on sale of non current assets	(467)	(9)	142	(7)
Add / (less) non cash items:				
Amortisation	1,781	1,761	909	988
Amounts set aside to provisions	50	674	-	592
Unrealised exchange loss / (gain)	1	1	-	-
Depreciation	15,746	17,680	2,722	3,611
Write down of non current assets	213	-	213	-
(Decrease) / increase in income taxes payable	(256)	(773)	(160)	(89)
(Decrease) / increase in deferred taxes payable	4,721	5,664	18,153	(1,764)
(Increase) / decrease in deferred tax asset	43	(4,026)	(2,675)	(480)
(Increase) / decrease in trade debtors	58	(3,708)	(1,210)	1,999
(Increase) / decrease in other debtors	2,661	2,628	(21,862)	7,654
(Increase) / decrease in other assets	(348)	(145)	(229)	(73)
Increase / (decrease) in trade creditors	(855)	64	(611)	574
Increase / (decrease) in sundry creditors and accruals	(1,582)	1,930	(1,066)	1,065
Increase / (decrease) in provision for doubtful debts	565	822	325	750
Increase / (decrease) in employee provisions	(384)	404	(412)	326
Increase / (decrease) in other tax provisions	(91)	38	(26)	(72)
Net cash provided by / (used in) operating activities	32,081	30,528	1,985	19,989

Note 34 Events subsequent to balance date

Dividends declared

For dividends declared after 30 June 2004, see Note 22.

Other Events

The directors are not aware of any other material events which have occurred after balance date.

Directors' Declaration

In the opinion of the directors of Collection House Limited ("the Company"):

(a) the financial statements and notes, set out on pages 30 to 69 are in accordance with the Corporations Act 2001 including:

  (i) giving a true and fair view of the financial position of the Company and consolidated Entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

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

This declaration is signed in accordance with a resolution of the directors.

John Marshall Pearce
Managing Director & Chief Executive Officer

Brisbane, 25 August 2004

Independent Audit Report

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Collection House Limited ("the Company") and controlled entities, for the year ended 30 June 2004. The consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with the Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Collection House Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and the consolidated Entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Hacketts Chartered Accountants
Brisbane

25 August 2004

Liam Murphy
Partner

Shareholder Information

Distribution of Equity Security Holders

The shareholder information set out below was applicable as at 16 August 2004. Analysis of numbers of security holders by size of holding:

	Number of Equity Security Holders	
Category	**Ordinary Shares**	**Options**
1 - 1,000	1,263	-
1,001 - 5,000	3,561	-
5,001 - 10,000	854	-
10,001 - 100,000	521	1
100,001 and over	36	1
	6,235	2

There were 332 holders of less than a marketable parcel of shares.

On-market buy back
There is no current on-market buy back.

Twenty largest shareholders
The twenty largest holders of quoted securities are:

	Ordinary shares	
	Number held	**Percentage of issued shares**
D G Punches	14,011,665	14.53
George Laurens (Qld) Pty Ltd	14,000,000	14.52
S Walker	6,750,000	7.00
RBC Global Services Australia Nominees Pty Limited (IM A/C)	5,700,631	5.91
City Plaza Inc.	4,772,427	4.95
Citicorp Nominees Pty Limited (CFS Developing Companies A/C)	4,139,800	4.29
A Coutts & J Coutts	3,600,000	3.73
ANZ Nominees Limited	2,004,704	2.08
JP Morgan Nominees Australia Limited	1,547,258	1.60
National Nominees Limited	1,532,705	1.59
Sandhurst Trustees Ltd	1,000,000	1.04
Cogent Nominees Pty Limited	873,631	0.91
W Kagel	500,000	0.52
Citicorp Nominees Pty Limited	464,500	0.48
Seawise Pty Ltd (The Stanton Investment A/C)	420,000	0.44
Mr Raymond Larkin	400,000	0.41
Westpac Custodian Nominees Limited	360,520	0.37
Merrill Lynch (Australia) Nominees Pty Ltd	358,532	0.37
Custodial Services Limited	338,092	0.35
Mr Anthony Coutts	334,000	0.35
	63,108,465	65.45

Restricted Securities

All issued shares in Collection House Limited are quoted on the ASX and there are no shares subject to escrow or other regulated restrictions other than as set out below.

Voluntary Restrictions on Securities

Employees who participate in the Collection House employee share plan are required to enter into voluntary escrow arrangements with the Company, undertaking not to dispose of any of these shares for three months from the date of issue of the relevant shares. There are no such restricted shares at the date of this Report.

Employees who participate in the Collection House employee share plan are required to enter into voluntary escrow arrangements with the Company, undertaking not to dispose of any of these shares for 12 months from the date of issue of the relevant shares. There are no such restricted shares at the date of this Report.

Under the Collection House employee share plan and Collection House executive option plan, employees may be entitled to acquire shares under an employee loan facility. Employee shares that are subject to an employee loan at the time that the voluntary escrow period expires remain restricted until the relevant employee loan is discharged. As at 16 August 2004, there are 470,870 ordinary shares (0.5% of issued capital) that are restricted on this basis. The date that these shares cease to be restricted will depend upon the date that the employee loans are repaid in full.

Shares restricted under voluntary arrangements rank pari passu with all fully paid ordinary shares in all other respects.

	Issued Unexercised Options	
	Number on issue	**Number of holders**
Options to take up ordinary shares in Collection House Limited	220,000	2

Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

	Number held	Percentage
Ordinary shares		
George Laurens (Qld) Pty Ltd	14,146,730	14.67
D G Punches	14,011,665	14.53
S Walker	6,750,000	7.00
RBC Global Services Australia Nominees Pty Limited	5,700,631	5.91
Options		
A Coutts	200,000	0.21

Voting Rights

The voting rights attaching to each class of equity securities are:

1. Ordinary shares
   On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

2. Options
   There are no voting rights attached to the options. Voting rights will be attached to options once they are exercised.

Stock Exchange

The Company is listed on the Australian Stock Exchange under the code CLH. The home exchange is Brisbane.

Other information

Collection House Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Corporate Directory

Corporate Office

Collection House Limited
ABN 74 010 230 716
488 Queen Street
Brisbane Qld 4000
GPO Box 2584
Brisbane Qld 4001

Telephone:	+61 7 3292 1000
Facsimile:	+61 7 3832 0333
Email:	shares@collectionhouse.com.au
Website:	www.collectionhouse.com.au

Registered Office

Level 3, 549 Queen Street
Brisbane Qld 4000

Locations

Australia:

Sydney	Melbourne	Brisbane	Adelaide
Perth	Canberra	Darwin	Newcastle
Shepparton	Bendigo	Ballarat	Albury

New Zealand:
Auckland

Board of Directors

Dennis George Punches	(Chairman)
Anthony Robin Aveling	(Deputy Chairman)
Barrie Edward Adams	(Lead Independent Director)
John Marshall Pearce	(Managing Director & Chief Executive Officer)
David Barry Connelly	(Non-Executive Director)
Anthony Francis Coutts	(Executive Director)
Bo Sven Göranson	(Non-Executive Director)
William Leslie Hiller	(Non-Executive Director)
William Walter Kagel	(Non-Executive Director)
Stephen Walker	(Non-Executive Director)

Company Secretary

Rhonda King

Share Registry

Computershare Investor Services Pty Ltd
Central Plaza One
Level 27, 345 Queen Street
Brisbane Qld 4000
GPO Box 523
Brisbane Qld 4001

Telephone:	1300 552 270
	+61 3 9615 5970
Facsimile:	+61 7 3229 9860
Website:	www.computershare.com

Auditors

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Level 3, 549 Queen Street
Brisbane Qld 4000

Financial Basics Foundation

National Development Manager
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