

{ Annual Report 2005 ~ 2006 }

Company: Collection House Limited

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# 1 The Company

Collection House Limited is a Group of Companies headquartered in Brisbane, operating globally and delivering a broad range of financial services including: debt purchasing, debt collection, receivables management, insurance recovery and claims management, 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 630 staff in 11 offices in Australia and New Zealand.

## CONTINGENT COLLECTION SERVICES



**Consumer Division** collects debts on a commission basis for banks and building societies, finance companies and other credit providers.

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

**Insurance Recovery Division** collects on a commission basis motor vehicle claims as well as property and public liability insurance claims on behalf of insurance companies and selfinsurers.

**Workers' Compensation Division** recovers employer premiums on behalf of insurers through collection and legal recovery processes.

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

**International Division** collects, debts owed overseas to Australian or New Zealand clients and debts owed in Australia or New Zealand to clients based in other countries on a commission basis.



**National Revenue Corporation** offers a service to the small and medium business communities through its Tandem program - an alternative to conventional collection approaches.



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

## ACCOUNT ASSET MANAGEMENT



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

## CREDIT REPORTING



**Australian Business Research Pty Ltd** offers a range of business searches, providing clients with on-line access to a comprehensive range of government and private databases in Australasia.



**National Tenancy Database Pty Ltd** is one of the largest tenancy databases in Australia with more than one million tenant files and 4,000 subscribers.

## OTHER OPERATIONS



**Insurance Claims Solutions Pty Ltd** offers a web-based management system called ClaimsFasTrack which allows insurers, self-insurers and underwriters to manage insurance claims.



**Rapid Ratings Pty Ltd** is a quantitative-based corporate credit rating agency that provides unique insight into the financial health of more than 15,000 companies (both listed and unlisted) in Australia, Canada, New Zealand, Singapore, Europe and the USA. Customers include hedge funds, investment managers, brokers, financial planners, accounting firms, banks and other large creditors.

**Note:** Throughout this Annual Report, unless otherwise specified, Collection House Limited and its associated entities may also be referred to as "Collection House", "CHL", "the Company", "the Group", "Parent Entity" and the "the Entity".

# 2 Financial and Operational Overview

## 26 April 2006

// Purchased large tranche of debt from a new vendor, a major international financial institution.

## 29 March 2006

// Signed two-year contract with major Australian Bank.

## 9 March 2006

// Purchased debt with a face value of \$22m from major Australian telecommunications provider.

## 2 March 2006

// Renewal of arrangement with major Australian bank for debt collection services and debt purchase on forward flow arrangement.

## 24 February 2006

// Half-Year results show net profit after tax of \$3.05m, first half EBITDA in excess of \$22m and increased revenue of 4.6% on same period for the previous year.

## 7 February 2006

// Suspension of trading requested due to material variation from corresponding period.

## 8 November 2005

// Signed new, twelve-month contract with major international financial institution.

## 1 September 2005

// Action by former CEO settled on confidential terms satisfactory to all parties.

## 24 August 2005

// Full-Year results show net profit after tax of \$12.95m, up 14.7% on previous year.

## 27 June 2005

// Disclosure of contract terms for newly appointed Chief Executive Officer, Colin Day.

Figure No:01  
(Revenue) \*

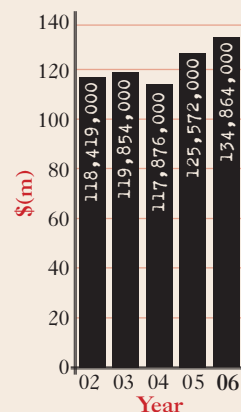


Figure No:02  
(Net profit attributable to members of the Company) \*

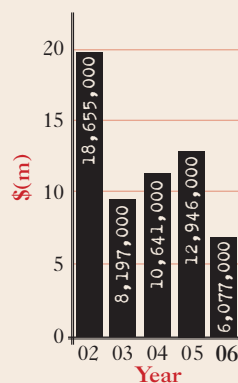
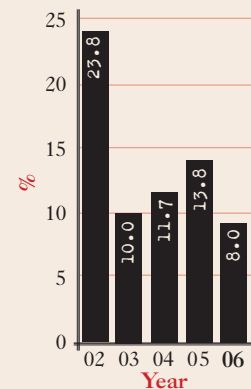


Figure No:03  
(Return on shareholders' Funds) \*



\* 2005 results have been restated on adoption of International Accounting Standards.

# 3 Chairman's Address

Your Board will continue to examine company cost structures to ensure they remain aligned with our cost containment strategy and will continue to work in accordance with our operational and strategic strengths. }



## Fellow shareholders

This year has seen Collection House Limited take advantage of emerging commercial opportunities and position itself strongly within the Australian debt collection industry. We have achieved a growth in revenue flow, supported by a stable and clear accounting format. Collection House remains Australia's largest debt collector by gross revenue, retaining at least a 20% market share advantage by sector revenue.

We have continued our strong commitment to ethical and compliant debt collection practices and remain committed to ensuring our corporate governance follows the same standards throughout the entire company and its service network partners.

Your Board will continue to examine company cost structures to ensure they remain aligned with our cost containment strategy and will continue to work in accordance with our operational and strategic strengths.

This cost containment strategy is highlighted by your management's activities during the year. Processes were implemented to reduce collection costs and ensure our purchased debt portfolios maintain their long term value. These processes include identifying and implementing savings opportunities and developing and maintaining economies of scale. This will remain a primary focus of the Board.

In February this year the Collection House Board decided to enter into a trading halt on the

Company's shares. This was a strategic decision, made to ensure our shareholders were provided with the most accurate information available, and to comply with the requirements of the Australian Stock Exchange. Changes to the Australian equivalents to International Financial Reporting Standards (AIFRS) required the implementation of a more complex calculation process for determining the company's financial position.

The effort made to conform to these changes has resulted in an accounting system that provides you, as shareholders, with greater transparency and increased clarity about your company's future endeavours.

While these changes were followed by a cancellation of the half-year dividend, the Collection House Board and management has worked hard to identify future opportunities for growth and are dedicated to ensuring the best possible outcomes for our shareholders.

“*Your management intends to build upon the experience gained through this financial year, and progress your company further towards its overall goal of improving performance through a more efficient use of technology and improved collection practices.*”

I thank you for your continued support and look forward to the coming year, and any future challenges, as an opportunity to continue positioning Collection House as a leader in Australian debt collection.

Yours sincerely

A handwritten signature in cursive script that reads "Dennis Panches".

**Dennis Panches**  
CHAIRMAN

# 4

## Chief Executive Officer's Report

2006/07 will be a year when we consolidate many of our new work practices, see many of the initiatives taken during the past year bear fruit and continue to drill into processes that extract maximum value from our operations. We have come through a difficult period with a much greater strength of purpose and direction.

The 2005/06 financial year has been a year of transition and refocusing. We have reviewed our work practices, senior management team, underperforming divisions and corporate culture. We have made the transition to new accounting standards and we are refocusing on what we do best – collect money.

While our gross revenue may have grown, I am a great advocate of Quality rather than Quantity Revenue. To this end we are focusing on all revenue and the source, maintainability and cost of delivery of that revenue. Throughout the year we have worked to improve our cost structure. This included significant changes to the senior management team. We have analysed each revenue area of the business and ensured that both direct costs and overhead allocations reflect the real profitability or otherwise of each area thus providing a true analysis of that division. We will continue to monitor all costs associated with running the business in order to assist us reaching what I consider to be an acceptable and sustainable level of revenue and profit.

Another key area of focus was the rebuilding of our technology infrastructure to provide a platform for the next three to five years and beyond.

After ensuring that we could continue to provide our Territory clients with an appropriate level of service, we closed our Darwin and Canberra offices and integrated collection activities for those areas within existing offices. This allowed us to cut the costs of two unprofitable offices, while retaining the clients that were beneficial to our bottom line.

Each division of the company has worked and will continue to work on identifying and developing those basic business practices at which we excel and eliminate those that represent a drag on our profit.

### Account Asset Management

This year saw operational and structural reviews undertaken for Lion Finance.



In the first half, we focussed significant effort on processes to value the debt held by Lion Finance according to the new, international accounting standards. This involved establishing a “fair value” for our many tranches of debt. This new approach placed a different value on our financial assets. However, aside from substantial purchases of new, quality debt, the adjustment in accounting standards showed only a different way of looking at the same company.

Under the new accounting standards, we elected to take a most transparent and conservative approach to valuing our financial assets allowing a greater level of transparency and accountability and also providing us with more certainty and precision as we purchase further tranches of debt.

In the last half, the establishment of a rigid pricing methodology for new purchases has been a central focus. In addition, we have undertaken a review of all continuous purchasing agreements. Some of these were not as profitable as originally expected. Action has been taken to correct this.

At the operational level, we have concentrated on structural and procedural reform and this will be a continued priority in the coming months. In particular, we have targeted underperforming tranches of debt, improved propensity to pay modelling and have increased our efficient and effective use of predictive dialling technology.

Further, we have made a concerted effort to increase the size and liquidation rate of our arrangement bank and we have made a significant

change in policy relating to reduced settlements. We have reduced discounted settlements substantially which has led to a corresponding growth in the revenue from full payments. This in turn provides us a greater quality of revenue and retains the value in our portfolios over a longer period of time.

In addition to this, our use of due Legal process in the collection and enforcement of debts has been significantly improved. This has been done while remaining conscious of our social and moral obligations to those in genuine hardship.

These improvements have been critical to setting a strong platform for sustainable profit growth in 2006/07.

In the next period, the advent of new reporting tools will increase the effectiveness of account actioning and will increase our ability to manage our workforce capacity and concentrate on those areas that net us real profit.

We expect the total size of the potential recovery outstanding (PRO) to continue to grow along with our monthly rate of liquidation. Purchased debt represents the largest portion of Collection House revenue and will remain our most important profit centre in the coming years.

## Contingent Collection Services

As Collection House continues to shift its focus more and more on to debt purchase, contingent collections revenue was, as forecast, down on last financial year.

This decrease represents a conscious effort to move away from the less profitable contingent clients and focus on those with sustainable profit margins, compatibility of collections ideals and prospects of later debt purchase .

This is best highlighted by the achievements of the Commercial Division which, previously recorded a drop in revenue of 6%, while improving profitability by some 450% during the same period.

Other Contingent divisions will see significant savings over the coming year in terms of basic

processes such as mail runs (Consumer Division), litigation costs (Insurance Division) and international skip tracing (International Division).

We have secured new relationships with three major financial institutions and reduced, by choice, our dependence on one key client, thus spreading our risk over a broader base of major clients. We believe that this will lead to profitable forward flow arrangements resulting in quality debt purchase in the future. We remain the exclusive agent for the outsourcing of a major bank's motor finance receivables division and have completed structural reviews that will allow us to realise valuable growth in the Receivables Management division.

## Credit Reporting

Australian Business Research (ABR) achieved a strong financial result for the reporting period. Revenue increased by 6% overall, but profits rose by a total of 27%. A continuing focus on upgrading technologies and the consolidation and refinement of the product offering have been the driving forces behind ABR's recent success.

ABR are positioned to continue sustainable growth over the current financial year through business growth, supported by targeted sales initiatives. ABR has enjoyed an improved market profile and a strengthening of its market position in the last twelve months.

National Tenancy Database (NTD) remains a highly profitable business unit having generated \$0.9m in revenue during this financial year. We expect to exceed this return in the coming twelve months as a result of streamlined business changes scheduled for the first and second quarters, as well as an increase in marketing activity to boost rental industry awareness of the product.

NTD continues to provide shareholders with a very high profit on turnover. Also, its use of business units such as ABR (for business related reporting) and Commercial Collections (for the collection of rental debts) distributes much of NTD's outgoings across the Collection House Group. The revenue NTD generates is not limited to its own financial results.

## Other Operations

To coincide with the appointment of Ed Gallagher, a twenty-five-year Wall Street veteran, as President and CEO of Rapid Ratings (RR) in February, Head Office was moved to New York.

Our commitment to RR' growth as a commercial ratings agency was well rewarded in December 2005 when ASIC granted RR the same status as Moody's Investors Service Pty Ltd, Standard & Poor's (Australia) Pty Ltd. and Fitch Australia Pty Ltd. RR' products are now also available to the global institutional investment market through affiliations with Reuters, Bloomberg, and Thomson Financial.

Insurance Claims Solutions (ICS) has turned a \$0.4m loss last year into a profit in excess of \$1m this year. In addition to this ICS has signed a 3 year contract with their major client that will provide continuity for the foreseeable future.

## Information Technology

Collection House Technologies has continued to contribute significantly to the Group by supporting and enhancing the value of service it provides while continuing to contain, and in some areas reduce, operating costs.

This year has seen the successful implementation of key infrastructure and applications strategies that will form the platform for future development. The three major projects have been the deployment of terminal-based workstations, a consolidation of servers and a move to voice over IP (VoIP) technology.

Terminal-based workstations, which rely on a central server to store applications and supply processing power, have cheaper initial set up costs and maintenance costs. At the same time, current technological capabilities mean no loss of functionality of personal computers and, in areas such as speed and security, this "thin client technology" is a vast improvement.

On the server side, by moving towards 'redundant clusters' we have consolidated storage space while increasing access speeds. This approach enables us to ensure optimum utilisation of IT assets, high uptime, system scalability and centralised management and security administration.

Our Auckland and Perth offices have implemented VoIP telephony and further expansion to Sydney, Newcastle and Melbourne is planned in the first half of 06/07. We expect to see the greatest benefits of VoIP from our expanded ability to integrate our communications with applications such as the predictive dialler, and improvements to our remote access capability.

The maturity of our infrastructure has allowed us to extend our web development capabilities and we have completed a number of application projects that will lead to direct staff savings, particularly in administrative functions where significant improvements have already been made.

Further development of web interfaces and other system integration with The Controller (our proprietary Collections application) will provide added confidence that this visionary system will continue to underscore the market leadership of Collection House. Controller will continue to strengthen our competitive edge through capability and compliance.

The business intelligence project instigated late last year is nearing completion and promises to greatly improve management reporting and data analysis. We have completed final testing on a data warehouse and a number of related data modelling projects are at various stages of development. We expect these reporting systems to go live before the end of 2006.

## Compliance

Collection House retains total commitment to professional and ethical conduct across all its business areas. We are continually reviewing and revising policies and procedures, critically examining practices and staff performance and developing and improving our compliance and quality assurance standards.

We have recently entered our third year of accreditation under the Professional Practices Management System (PPMS), a collection industry specific quality assurance program, developed by the American Collector's Association. PPMS overlays international standard series ISO 9000. We continue to be a non-bank member of the Australian Banking and Financial Services Ombudsman Scheme.



As further evidence of our belief in the strength of compliant collections, we have adopted the ACCC and ASIC Guideline for Debt Collection in its entirety into the Collection House Code of Conduct, where it forms part of the employment contract for each and every staff member.

Collection House employs a dedicated Internal Auditor to evaluate the adequacy and application of the Company's operational, administrative and financial control environment.

We value the independence of the Internal Auditor. Most recently under this function we have released a complete Whistleblower package aimed at developing and fostering a culture of corporate compliance, ethical behaviour and good corporate governance.

As part of our comprehensive and ongoing program of review and reform we:

- // further refined our Statute Barred Accounts identification program;
- // increased the size of our Compliance department;
- // launched several new policy and procedural documents including an updated Company Philosophy and Code of Conduct, and new manuals covering the Uniform Consumer Credit Code (UCCC), Privacy and Credit Reporting, and
- // initiated an in-depth review of our Call Quality Monitoring to improve our processes and reporting.

During 2005/06 we made six million customer contacts and recorded 249 complaints about our conduct. This is less than one per day and represents a complaint rate of less than 0.004%, an amazing figure for a call centre selling a popular product, much less a debt collector.

We continue to work closely with consumer organisations, community-based welfare groups and regulators in the resolution of both individual customer concerns and shared problems. We also continue to promote ongoing communication among stakeholders to achieve uniform laws and legislation relating to the collection of debt across all Australian jurisdictions, as well as industry-wide standards, to provide effective and enforceable self-regulation.

## Human Resources

Staff numbers have remained fairly consistent with last year. There were 633 employees compared with 632 reported last period. While employment costs have increased, this has been a necessary by-product of retaining the right people. In addition, the strong economy and low unemployment rate have driven the costs of staff retention higher.

Collection House has always prided itself on the standard of staff orientation training we provide. With this in mind, we plan to implement strategies to provide development opportunities for senior staff and middle management.

We predict the Training Department will grow over the next year, with projects already commenced to:

- // become a registered training organisation and deliver *Certificate 3 in Financial Services (Mercantile Agent)*;
- // deliver *Certificate 4 in Business (Frontline Management)* for targeted staff;
- // centralise the "Call Quality Assurance" function, providing Call Quality reporting and trend analysis to managers;
- // resource new Training Officers in each location, and
- // review management structures, with more attention being given to professional development, particularly for the core development team.

We are justifiably excited about these developments and believe the increase in training will further develop quality staff, forming a solid core for our future operations and management.

In other areas, our Human Resources division continues to work towards providing staff at all ranks with high levels of job satisfaction and skills. This contributes to our back to basics approach in a number of key areas.

- // Improvement of operational processes by utilising simple and powerful automated forms to provide effective and efficient HR services staff in all divisions across the Group.
- // An overhaul of our performance management review process will result in some fundamental refinements to the way we monitor KPIs next financial year. This in turn will lead to significant improvements in the way we measure and reward staff performance.

// Undertaking a review of recruitment and retention practices. In the current competitive marketplace, this is imperative and will involve conducting a climate survey in the later part of the current financial year.

// Deploying staff effectively to make best use of their skills and capabilities.

While the focus on reducing operating costs will always remain a high priority so to is building a culture of integrity, excellence, understanding and teamwork. We remain committed to introducing initiatives that help to support this philosophy and throughout the year continued to promote work/life balance initiatives.

## Outlook

2006/07 will be a year when we consolidate many of our new work practices, see many of the initiatives taken during the past year bear fruit and continue to drill into processes that extract maximum value from our operations. We have come through a difficult period with a much greater strength of purpose and direction.

Collection House will grow its business by continuing to build successful, strategic relationships with blue chip commercial partners who value our commitment to not only deliver excellent financial results, but also to protect their reputation and brand. We are the Australian benchmark in ethical debt collection and we will continue to improve our policies, practices and standards to maintain that leadership.

Our plan for the coming years is to consolidate and improve our contingent collection business

and grow the purchased debt portfolio. In many cases, this will be one and the same process as we investigate further forward flow arrangements based on our ability to supply a competitive package for the two divisions.

We will also move to establish further Receivables Management agreements with banks and financiers.

In 2006/07, we will concentrate on those things that we know we are the best at. We will look at all opportunities and assets to ensure that we have the best business mix and we will find and train the best staff to implement these processes and take us towards high revenue, low costs, sustainable growth and a more profitable future.

Delivery of critical information to all managers and staff is vital to managing our company and the implementation of our new reporting system will be a major step forward for this company.

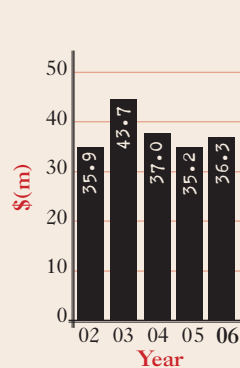
We've made some great improvements this year and now it's time to REALLY get to work and return value to our shareholders.

Yours sincerely



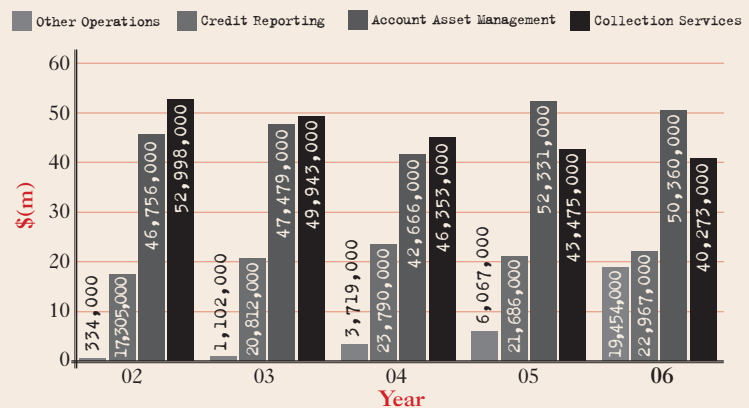
**Colin Day**  
CHIEF EXECUTIVE  
OFFICER

Figure No:04  
(Staff Expenses) \*



\* 2005 results have been restated on adoption of International Accounting Standards.

Figure No:05 (Revenue by segment) \*



## Focuses and Achievements

	Achievements	Focuses
Account Asset Management	<ul style="list-style-type: none"> <li>// New accounting standards offer more certainty in debt purchase and greater transparency in reporting.</li> <li>// Improved pricing methodology.</li> <li>// Reduction in settlements leads to larger revenue from paid in full debt.</li> </ul>	<ul style="list-style-type: none"> <li>// Improve reporting tools to identify profitable areas.</li> <li>// Increase action in profitable areas.</li> <li>// Stop action in non-profitable areas or procedures.</li> </ul>
Contingent Collection Services	<ul style="list-style-type: none"> <li>// Concentrated on quality clients.</li> <li>// Three new relationships with major international and local financial institutions.</li> <li>// Improved Receivables Management structure.</li> </ul>	<ul style="list-style-type: none"> <li>// Reduce costs of basic processes.</li> <li>// Seek economies of scale.</li> <li>// Further maintain and develop quality clients.</li> </ul>
Credit Reporting	<ul style="list-style-type: none"> <li>// ABR profits increased 27%.</li> <li>// NTD moved into New Zealand.</li> <li>// Improved market position and market share across the board.</li> </ul>	<ul style="list-style-type: none"> <li>// Improve market awareness of product.</li> <li>// Seek sustainable growth through economies in business processes.</li> </ul>
Other Operations	<ul style="list-style-type: none"> <li>// Rapid Ratings moved to New York to be closer to larger USA and UK markets.</li> <li>// Best recorded profits for ICS.</li> </ul>	<ul style="list-style-type: none"> <li>// Expansion of client base.</li> </ul>
Information Technology	<ul style="list-style-type: none"> <li>// Thin-client technology reduces initial and on-going hardware costs.</li> <li>// VoIP telephony introduced in satellite offices.</li> <li>// Server consolidation into redundant clusters.</li> </ul>	<ul style="list-style-type: none"> <li>// Improve web interfaces to streamline processes and cut times and costs of administration and other procedures.</li> <li>// Creation and implementation of powerful business intelligence tools.</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>// New Code of Conduct to align with industry guidelines.</li> <li>// Assistance for staff in dealing with Privacy and the Credit Code.</li> </ul>	<ul style="list-style-type: none"> <li>// Work with consumer groups to develop and maintain mutually acceptable industry standards.</li> <li>// Develop operational manuals to assist staff in understanding and complying with legislation, industry standards and company policy.</li> <li>// Improve the wording, standard and currency of automated letters.</li> </ul>
Human Resources	<ul style="list-style-type: none"> <li>// Streamlined administrative procedures, reducing associated time and costs.</li> <li>// Automation of forms.</li> </ul>	<ul style="list-style-type: none"> <li>// Payroll upgrade and online system.</li> <li>// Improve training for key development staff.</li> <li>// Certificate 4 in Frontline management.</li> </ul>
Financial Basics	<ul style="list-style-type: none"> <li>// Launched mobile phone education module as part of Operation Financial Literacy.</li> <li>// Endorsement of educational value by Financial Literacy Foundation and Curriculum Corporation.</li> </ul>	<ul style="list-style-type: none"> <li>// Develop and release on-line e-learning campaign for schools.</li> <li>// Secure more alliances with finance and education partners.</li> <li>// Now in over 700 High Schools in Australia.</li> </ul>

# 5

## Financial Basics Foundation

The Foundation dream is 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. }



The Financial Basics Foundation has established itself as the leader in the provision of financial literacy programs for young Australians. Our reputation within the education and finance sectors is growing as is the demand for the resources we provide.

In keeping with our dream, the Foundation launched a mobile phone module to educate students about the dangers of mobile phone debt. This is the tenth in a series of complimentary modules that educators may take advantage of separately or together to assist in developing financial literacy for young Australians. The launch of the module coincided with the introduction of a new industry code to protect vulnerable Australians, particularly young people, from getting into financial difficulties with mobile phone and internet services.

With around 45% of 13 to 15 year olds and 50,000 children aged between five and nine owning a mobile phone (Australian Bureau of Statistics, 2004), the incidence of mobile phone debt owed by students is on the rise. The Foundation believes that this is a “hot topic” for young people, their parents and teachers and it is important to be able to provide such relevant and up to date material on this topic.

Corporate Partner and Bank of Queensland Managing Director, David Liddy suggested that

“mobile phones really can be a debt trap for our kids. Rather than trying to get them to stop using phones all together, we need to ensure our children are educated and know how to be smart about their phones.”

The success of Operation Financial Literacy has been extraordinary with over 780 secondary schools across every state and territory in Australia currently registered with the program. This is a significant increase from the same period last year. Feedback continues to be extremely positive with

most teachers very grateful for what they describe as a valuable and useful resource.

Not only has Operation Financial Literacy grown from nine to ten modules in the last twelve months, it has also been mapped to all state and territory curriculum documents and to the National Consumer and Financial Literacy Learning Dimensions. The Foundation continues to provide these resources free of charge.

In June 2006, the Foundation submitted an application to the Federal Government’s Financial Literacy Foundation for listing on the Understanding Money website. Our successful endorsement by the Financial Literacy Foundation and the Curriculum Corporation about the quality and educational content of Operation Financial Literacy is a further testament to the value of this resource.

The development of an online e-learning game has commenced and is expected to be completed by the latter half of 2006 for roll-out into schools early in 2007. Once again, the Foundation expects to make the game available free of charge to secondary schools around Australia. It will be a unique ‘first-of-its-kind’ educational tool designed to teach a broad range of financial skills to young people.

In 2006, the Foundation was invited to submit an application from a significant and well respected national financial services association who were seeking a not-for-profit organisation to align with. The details of the partnership are being finalised.

There is no doubt that the lack of sound financial knowledge among young people continues to be a major concern for government and educators. The Financial Basics Foundation is addressing this issue proactively by continuing to develop and provide high quality financial literacy materials for secondary schools. 2007 will see the Foundation continue to review and update our existing materials while also developing new ideas.

In the year ahead we will move to securing finance and education sector alliances that will support the Foundation’s initiatives and ensure materials are available well in to the future.

# 6 Corporate Governance Statement

Collection House Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. }

As detailed in this Corporate Governance Statement, the Company considers that its governance practices comply with all the Australian Stock Exchange (ASX) Corporate Governance Council's best practice recommendations, other than recommendations 2.1. and 2.2. An explanation for departure from these recommendations is provided on pages 13 - 14.

A description of the Company's main corporate governance practices is set out in this Corporate Governance Statement. All practices were in place for the entire year, unless otherwise stated. The Company has posted copies of its practices to the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au) in accordance with the ASX Corporate Governance Council's recommendations.

## Board of Directors

The Board of Directors operates in accordance with the principles set out in the Directors' charter

which is available from the corporate governance information section of the Company website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au). The charter details the Board's composition and responsibilities.

## Board Structure

The Company's Constitution provides that:

- // the minimum number of directors shall be three and the maximum number of directors shall be ten, unless amended by a resolution passed at a general meeting;
- // at each AGM, at least two directors must retire from office. Re-appointment is not automatic. If retiring directors wish to continue to hold office they must submit themselves to re-election by shareholders; and
- // no director may be in office for longer than three years without facing re-election.

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## Board Composition

The Board composition during 2005/06 is set out below with details of the backgrounds of each director set out at pages 25 - 26.

Director	Board Membership	Date of Appointment
Dennis Punches	Chairman	1 July, 1998
Barrie Adams	Lead Independent Director	27 November, 2002
John Pearce	Deputy Chairman and Managing Director	5 April, 1993
Colin Day	Executive Director	1 July, 2005
Rhonda King	Executive Director and Company Secretary	24 August, 2005
Tony Coutts	Executive Director	17 September, 1998
Barry Connelly	Independent Director	5 June, 2003
Bill Kagel	Independent Director	16 February, 2000
Stephen Walker	Non-Executive Director	31 August, 1990
Bill Hiller	Independent Director	5 June, 2003

There were some changes to the Board that took effect at 30 June, 2006 or thereafter:

- // Rhonda King, Executive Director and Company Secretary, though remaining as a Non-Executive Director, resigned as the Company Secretary on 30 June, 2006; and
- // Kylie Lynam was appointed the Company Secretary from 1 July, 2006.

## Membership and Expertise of the Board

The Board considers that its membership should comprise directors with an appropriate mix of skills, knowledge, experience and personal attributes that allow the directors individually and the Board collectively, to:

- // discharge their duties and responsibilities under the law efficiently and effectively;
- // understand the business of the Company and the environment within which the Company operates so as to be able to provide sound stewardship for management and the Company's objectives, goals and strategic direction to maximise shareholder value; and
- // assess the performance of management in meeting those objectives.

## Board Independence

While the concept of director independence is variously defined, the Board has considered each of the directors in office as at the date of this report and determined that four of the current directors are independent.

The six directors who are not considered independent as at the date of this report are Dennis Punches (Chairman), John Pearce (Deputy Chairman and Managing Director), Colin Day (Chief Executive Officer), Tony Coutts (Non-Executive Director), Stephen Walker (Non-Executive Director), and Rhonda King (Company Secretary and Non-Executive Director).

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 in the collection industry are invaluable to the Company. Directors' experience and shareholdings as at 30 August, 2006 are provided in greater detail on pages 25 - 26.

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 Lead Independent Director coupled with the remaining Non-Executive Directors, ensures that the Board can operate independently of executive management and provides for special professional expertise.

As noted, Colin Day is not deemed to be independent by virtue of his role as Chief Executive Officer of the Company. Rhonda King is also not deemed independent by virtue of her role as Executive Director and Company Secretary during the 2005-2006 financial year. John Pearce is not deemed independent by virtue of his being a substantial shareholder of the Company.

Notwithstanding, the Board does not consider there are any matters that may materially interfere with the exercise by John Pearce, Colin Day and Rhonda King of unfettered and independent judgment.

## ASX Corporate Governance Council Recommendations

### 2.1: A majority of the Board should be Independent Directors:

The Board considers that a majority of the Board is not independent in accordance with Recommendation 2.1. However, the Board considers that the individuals on the Board can, and do make quality, unfettered and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must and do absent themselves from the Board meeting before commencement of discussion on the topic.

### 2.2: The Chairperson should be an Independent Director:

The Company's Chairman, Dennis Punches, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of Independent Director. However, the

Board considers that, for the reasons set out previously, the Chairman is able to and does bring quality, unfettered and independent judgment to all relevant issues falling within the scope of the role of Chairman.

The Board does not consider that a majority of directors being independent is, on its own, a sufficiently compelling factor to justify additional appointments to the Board at this time.

In addition to ensuring that the Board has a broad range of necessary skills, knowledge and experience to govern the Company and understand the challenges that the Company faces, the Board considers that its membership should represent an appropriate balance between directors with experience and knowledge of the Company and directors with an external perspective.

The Board also considers that its size should be conducive to effective discussion and efficient decision-making. The Board believes that its current composition meets these requirements.

## Board Responsibilities

The Board is responsible for the corporate governance of the Company and its Controlled Entities and operates in accordance with the principles set out in the Board Committees Overview, a summary of which is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

The principal role of the Board is to ensure the long term prosperity of the Company by setting broad corporate governance policies and ensuring that they are effectively implemented by management. The Board carries out this role principally by:

- // setting the strategic direction of the Company and providing strategic guidance to management;
- // providing input into and approval of management's development of corporate strategy and performance objectives;
- // reviewing and approving business plans for the Company and its Controlled Entities;
- // approval of annual budget and financial plans including available resources and major capital expenditure and initiatives;
- // overseeing and monitoring progress against budget via the establishment and reporting

of both financial and non financial key performance indicators;

- // overseeing and monitoring:
  - organisational performance and the achievement of strategic goals and objectives;
  - compliance with the Company's Code of Conduct (see page 19);
- // appointing, assessing performance and removing (where appropriate), senior executives of the Company;
- // monitoring financial performance including approval of the half year and annual financial reports and liaison with the Company's auditors;
- // overseeing, reviewing and ratifying systems of governance, management processes, risk management, internal compliance and controls, codes of conduct and legal and regulatory compliance to ensure appropriate compliance frameworks and controls are in place; and
- // enhancing and protecting the brand and reputation of the organisation.

The Board has delegated to executive management, responsibility for a number of matters including:

- // managing the Company's day-to-day operations in accordance with the Board approved authorisations, policies and procedures;
- // developing the Company's annual budget and recommending it to the Board for approval and managing the day-to-day operations within the budget; and
- // implementing corporate strategy and making recommendations on significant corporate strategic initiatives.

While executive management reports directly to either the Managing Director or the Chief Executive Officer, executive management is also required to submit monthly management reports to the Audit & Risk Management Committee (ARMC) and the Board so that directors are apprised of operational issues on an ongoing basis.

A formal charter of delegated functions and authorities to management has been approved by the Board and a summary is included on the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

## Board Meetings

The Board meets at least six times a year, both as a Board and in conjunction with executive management, to discuss the short and long term strategy of the Company.

The Board receives a monthly report, which provides current information concerning the Company and each of its Controlled Entities. The monthly Board report includes salient financial details, together with information on the performance of operations, major initiatives, as well as legal, governance, risk management and compliance issues that may arise.

The Board convenes by email and by telephone conference call to discuss matters of urgency and importance with management, make recommendations to management, discuss strategy and make resolutions as required by a circulating minute program, ratified at its next Board meeting for expediency and efficiency.

## Chairman and Chief Executive Officer

The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's executive management.

The Chief Executive Officer is responsible for implementing the Company's strategies and policies.

The roles of the Chairman and Chief Executive Officer are separate roles which are undertaken by separate people.

## Board Committees

Three Board Committees have been established to assist the Board in discharging its responsibilities.

Each Committee is comprised mainly of Non-Executive Directors. The Committee structure and membership is reviewed on an annual basis.

Each Committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the

manner in which the Committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website. All matters determined by Committees are submitted to the full Board as recommendations for Board decisions.

Minutes of Committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the charter of the individual committees.

## Audit and Risk Management Committee

The Audit & Risk Management Committee (ARMC) operates in accordance with its Board approved charter, a copy of which is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

The ARMC consists of the following Non-Executive Directors:

- // Barrie Adams - Chairman and Lead Independent Director
- // Bill Hiller - Independent Director
- // Barry Connelly - Independent Director (Resigned 30 June, 2006)
- // Rhonda King (Appointed 1 July, 2006)

The principal functions of the ARMC include reviewing and making recommendations to the Board and assisting the Board in the discharge of its responsibilities relating to accounting policy, continuous disclosure and risk management. The Committee's responsibilities also include:

- // to review, assess and approve the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- // assisting the Board in reviewing the effectiveness of the Company's internal management control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations;
- // to determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, assess its performance, including to independently



- ratify the appointment and/or removal and contribute to the performance assessment of the Internal Auditor;
- // oversee the effective operation of the risk management framework;
- // recommend to the Board the appointment, removal and remuneration of the external auditors and review the terms of their engagement, the scope and quality of the audit and assess performance;
- // consider the independence and competence of the external auditor on an ongoing basis;
- // review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- // review and monitor related party transactions and assess their propriety;
- // oversee the Company's transition to Australian equivalents to International Financial Reporting Standards (AIFRS) - see note 42 to the financial statements; and
- // report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the ARMC:

- // receives regular reports from management, the internal and external auditors and the AIFRS transition project team;
- // meets with the internal and external auditors at least twice a year or more frequently if necessary;
- // reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- // reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- // meets separately with the external auditors and the Internal Auditor at least twice a year without the presence of management;
- // provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the ARMC or the Chairman of the Board.

The ARMC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The ARMC is chaired by Barrie Adams, Lead Independent Director, and during 2005/06 had two other permanent members being Barry Connelly (resigned 30 June, 2006), and Bill Hiller. With Barry Connelly's resignation, the Board has

now appointed Rhonda King (appointed 1 July, 2006) as a permanent member of the Committee. The Board considers that these members have appropriate financial and legal expertise and understanding of the industry in which the Company operates. The Managing Director, Chief Executive Officer, Chief Financial Officer, General Counsel, Internal Auditor, executive management and the Company's external auditors are invited to ARMC meetings, at the discretion of the Committee. The Committee meets at least six times each year and more often as required in previous financial years. During the last six months of the 2005-2006 financial year and continuing into the current financial year, the ARMC now meets in on a monthly basis.

## Nominations Committee

The Nominations Committee operates in accordance with its Board approved charter, a summary of which is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

The Nominations Committee consists of the following Non-Executive Directors:

- // Dennis Panches - Chairman
- // Barrie Adams - Lead Independent Director
- // Bill Hiller - Independent Director

The principal functions of the Committee are to: assess the desirable competencies of the Board members; review Board succession plans; provide a framework for the evaluation process of the performance of the Board, individual directors, the Chief Executive Officer and executive management, and to make recommendations for the appointment and removal of directors.

The Committees responsibilities also include:

- // conduct an annual review of the membership of the Board having regard to present and future needs of the Company and to make recommendations on Board composition and appointments;
- // conduct an annual review of and conclude on the independence of each director;
- // propose candidates for Board vacancies;
- // oversee the annual performance assessment program;

- // oversee Board succession including the succession of the Chairman; and
- // assess the effectiveness of the induction process.

The members of the Committee during 2005/06 were Dennis Punches, Barrie Adams and Bill Hiller. It is chaired by the Chairman of the Board. The Nominations Committee meets no less than once per year.

The Committee's policy for the appointment of directors is to select candidates whose skills, expertise, qualifications, networks, and knowledge of the industry in which the Company operates and other potential markets into which it may expand complement those of existing Board members.

When selecting new directors for recommendation to the Board, the Committee reviews prospective directors' CVs, meets with them and speaks with their referees and others who have previously worked with them to assess their suitability.

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 and ensuring directors clearly understand their corporate duties and responsibilities.

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 nonfiduciary responsibilities, terms and conditions of the directorship including expectations of performance, policy relating to the availability of independent advice and counsel, and corporate governance.

## Remuneration Committee

The Remuneration Committee operates in accordance with its Board approved charter, a copy of which is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

The Remuneration Committee consists of the following Non-Executive Directors:

- // Bill Kagel - Chairman and Independent
- // Dennis Punches - Non-Independent Director
- // Barrie Adams - Lead Independent Director
- // Bill Hiller - Independent Director

The principal function of the Committee is to assist the Board in ensuring that the Company's remuneration levels are appropriate and sufficient to attract and retain the directors and key executives needed to run the Company.

The role of the Committee is to:

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

During 2005/06 the Committee was chaired by Bill Kagel and comprised Dennis Punches, Barrie Adams and Bill Hiller.

The Committee meets at least annually with additional meetings being convened as required. The Committee has access to executive management of the Company and may consult independent experts where it considers this necessary in order to effectively discharge its responsibilities.

For details of directors attendances at Committee meetings refer to the Directors' Report.

## Equity Participation By Non-Executive Directors

The Board encourages Non-Executive Directors to own shares in the Company

## Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive management team by remunerating directors and key executives fairly and appropriately in accordance with market conditions and reflective of their contribution.

The expected outcomes of this remuneration philosophy are:

- // retention and motivation of key executives;
- // attraction of quality management to the Company; and

// performance incentives which allow executives to share the rewards of the success of the Company.

The Board is keen to encourage equity holdings by employees to align staff interests with those of shareholders. Many employees have participated in the Company's various share and option plans and the directors believe this has historically been a significant contributing factor to the Company's success.

The Company's share plans were in place prior to the release of the ASX best practice recommendations and were included as part of the documentation provided to shareholders on listing of the Company in October 2000. The Board considers that the composition of executive remuneration and equity related staff incentive plans are the domain of the Board subject to meeting the Company's statutory and ASX Listing Rule disclosure obligations.

No directors participate in share plans. Non-Executive Directors receive only cash compensation and reimbursement of expenses for their services.

For additional information relating to the Company's remuneration practices and details relating to directors' and executives' remuneration during the year, refer to the Directors' Report and Note 31 to the Financial Statements.

## Review of Board and Executive Performance

In order to ensure that the Board continues to discharge its duties effectively, the performance of all directors was reviewed during the reporting period by the Chairman.

The performance of the Chairman was reviewed during the reporting period by his fellow directors. The Board undertakes an annual assessment of its collective performance and the performance Board committees in accordance with the Company's performance evaluation process for directors and executives. This assessment was undertaken during September 2006.

The Board also annually reviews the performance of the Executive Management Team.

## Identifying and Managing Business Risks

There are a variety of risks that exist in the collection industry in which the Company operates and there are a range of factors, some of which are beyond the control of the Company and which may impact on the Company's performance.

The Board, in conjunction with the ARMC, reviews and approves the parameters under which such risks are managed including: the responsibility for internal control systems; compliance and the procedure for identifying business risks and the methods to control their financial impact on the Company.

The Board has approved a Risk Management Policy, a summary of which is available on the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

The policy is designed to ensure that strategic, operational, legal, brand reputation and financial risks are identified, evaluated, effectively and efficiently managed and monitored to enable the achievement of the Company's business objectives.

The Chief Executive Officer and the Executive Management Team are instructed and empowered by the Board to: implement risk management strategies in cooperation with it and the ARMC; report to the Board and the ARMC on developments related to risk, and suggest to the Board new and revised strategies for mitigating and resolving risk.

In 2004, the role of Internal Auditor was created to oversee and support risk management efforts from a Company perspective, ensuring that these efforts were in accordance with the direction provided by the Board and executive management, and to ensure the adequacy of the risk management information framework throughout the Company.

Internal audit carries out regular systematic monitoring of control activities and reports to both relevant business unit management and the ARMC. Typically, the audit methodology includes: performing risk assessments of the areas under review; performing audit tests, including selecting and testing audit samples; reviewing progress made on previously reported audit findings, and discussing internal control or compliance issues with line management and agreeing on actions to be taken.

An Information Technology Steering Committee was established in 2004 to support management on technology risk matters across all operational areas in Australia and New Zealand with the focus including technology risk reviews and policy development.

As at the half-year ended 31 December, 2005 and full year ended 30 June, 2006 the Chief Executive Officer and Chief Financial Officer certified to the Board that the Company's financial reports were complete and presented a true and fair view, in all material respects, of the financial conditions and operational results of the Company and the Controlled Entities at that date and were in accordance with relevant accounting standards. Also, the Board received half-year and full-year declarations from executive management that the Company's risk management and internal compliance and control systems were, at that date operating efficiently and effectively in all material respects.

Although no system of risk management can provide total assurance that the risks that the Company faces will be fully diminished, the Company's approach to risk management seeks to meet the Company's specific needs and minimise the risks to which it is exposed.

## Corporate Reporting

The CEO and CFO have made the following certifications to the Board:

- // that the Company's financial reports are complete and present, a true and fair view, in all material respects, of the financial conditions and operational results of the Company and the controlled Entities and are in accordance with relevant accounting standards;
- // that the above statement is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board; and
- // the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

As in previous years, the Company adopted this certification structure for the year ended 30 June, 2006.

## Conflict of Interest

If a director has a potential conflict of interest in a matter under consideration by the Board or a Board Committee, that director must abstain from deliberations on those matters. In that instance, the director is not permitted to exercise any influence over other Board members or Board Committee members on that issue nor receive relevant Board or Board Committee papers or reports.

## Independent Advice

The Company permits any director or Board committee to obtain advice about transactions or matters of concern at the Company's cost. Approval for directors seeking independent advice is subject to the approval of the Chairman acting reasonably. Where appropriate, directors share such independent advice with other directors.

## Code of Conduct and Ethical Standards

The Company recognises the need for our directors, senior executives and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity.

The Board has adopted a Code of Conduct that sets out the principles and standards with which all directors, senior executives and employees are expected to comply in the performance of their respective functions. A key element of that code is the requirement that directors, senior executives and employees act in accordance with the law and with the highest standards of propriety. The code and the methods of its implementation are reviewed annually.

A summary of the Company's Code of Conduct for directors and senior executives is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

## Company Policy and Practice for Dealing in Securities

The freedom of directors and senior executives to deal in the Company's securities is restricted in a number of ways: by statute; by common law; and by the requirements of the ASX Listing Rules.

In addition to these restrictions, the Company has adopted an Insider Trading Policy for dealing in company securities.

The Insider Trading Policy provides that directors and senior executives may deal in company securities provided that, at all times, they are not in possession of material non-public information, in the 30 days following the Company's half-year and full-year financial results announcements and, if relevant, any shareholders' meeting.

Directors and senior executives may only deal in Company securities outside of these times with the express prior approval of the Chairman or Managing Director.

A summary of the Insider Trading Policy is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

## Shareholder Communications

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Company. Information is communicated to the shareholders through:

- // the Annual Report, which is distributed to all shareholders (other than those who elect not to receive it);
- // the AGM and other shareholder meetings called to obtain approval for Board action as appropriate;
- // making available all information released to the Australian Stock Exchange on the Company's website immediately following confirmation of receipt by the ASX;
- // ensuring all press releases issued by the Company are posted on the Company's website as soon they are disclosed to the ASX;
- // encouraging active participation by shareholders at shareholder meetings;
- // actively encouraging shareholders to provide their email address to facilitate more timely and effective communication with shareholders at all times;
- // contacting shareholders who have provided their email addresses directly to provide details of upcoming events of interest; and
- // encouraging all shareholders who are unable to attend general meetings to communicate issues or ask questions by writing to the Company.

A copy of the Board approved Shareholder Communications Guidelines is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

## Company Commitment to Continuous Disclosure

The Board has approved a Continuous Disclosure Policy to ensure the fair and timely disclosure of price sensitive information to the investment community as required by applicable law.

The Company Secretary has been appointed the Disclosure Officer of the Company and is required to keep abreast of all material information and where appropriate, ensure disclosure of share price sensitive information.

A copy of the Continuous Disclosure Policy is available from the corporate governance section of the Company's website at [www.collectionhouse.com.au](http://www.collectionhouse.com.au).

## External Audit Independence

The Company's policy is to appoint external auditors who demonstrate quality and independence. The performance of the auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into account an assessment of performance, existing value and tender costs. Hacketts Chartered Accountants were appointed as the external auditors in 2000.

It is the policy of Hacketts to provide an annual Declaration of Independence to the ARMC.

In addition, the Company has put in place a policy which lists the types of services that Hacketts will not be able to undertake in order to maintain the independence and integrity of its services to the Company.

The ARMC meets with the external auditor of the Company, independently of executive management, at least twice a year. It met twelve times during the reporting period with senior executives and external consultants and auditors as required. The ARMC reports to the Board at least at each Board meeting.

The ARMC meets with the external auditor of the Company, independently of executive management, at least twice a year. It met 12 times during the reporting period with senior executives and external consultants and auditors, as required. The ARMC reports to the Board at least at each Board meeting.

The External Auditor is requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation of the content of the audit report.

An analysis of fees paid to external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report and in Note 32 to the Financial Statements.

## Whistleblower Protection

The Board introduced a Whistleblower Protection Policy that specifically outlines procedures for dealing with allegations of improper conduct. Concerns can be raised in a number of ways including: in writing, anonymously through the Company's online whistleblower reporting system, or by telephone.

Any concerns that are reported are assessed and handled by the disclosure coordinator, in conjunction with the Company's General Counsel.

The Company does not tolerate known or suspected incidents of fraud, corrupt conduct, adverse behaviour, illegal activities or regulatory non-compliance, or questionable accounting and auditing matters by its employees.

Nor does the Company tolerate taking reprisals against those who come forward to disclose such conduct. The Company will take all reasonable steps to protect employees who make such disclosures from any reprisal or detrimental action following the disclosure.

## Health and Safety

The Company aims to provide and maintain a safe and healthy work environment within all operations.

The Company acts to meet this commitment by implementing work practices and procedures throughout the Company that comply with the relevant regulations governing workplace health and safety.

Employees are expected to take all practical measures to ensure a safe and healthy working environment in keeping with their defined responsibilities and regulations.

## International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January, 2005. The AASB has issued Australian equivalents to IFRS.

The Company adopted the Australian equivalents to IFRS in its consolidated Entity's financial statements for the half-year ending 31 December, 2005 and the full year ending 30 June, 2006.

## Company Secretary

The Company Secretary to 30 June, 2006 was Rhonda King.

Under the Company's Constitution, the appointment and removal of the Company Secretary is a matter for the Board.

Among other matters, the Company Secretary advises the Board on governance procedures and seeks to support the effectiveness of the Board by monitoring Board policy and procedures and coordinating the completion and dispatch of the Board meeting agendas and papers. The Company Secretary must also ensure that each director receives any requested information in a timely manner.

Rhonda King was in practice as a commercial lawyer from 1981, and as a partner or consultant from 1984, until accepting the appointment as Company Secretary of the Company and its subsidiaries in April 2003.

The Board confirmed the appointment of Kylie Lynam as Company Secretary on 30 June, 2006, with effect as and from 1 July, 2006. Rhonda King resigned as Company Secretary with effect on 30 June, 2006, while remaining as a director. The Board has now appointed Rhonda King as a permanent member of the ARMC effective from 1 July, 2006.

Ms Lynam has a Bachelor of Business qualification - majoring in Human Resources and Marketing and is currently completing a Graduate Diploma in Corporate Governance. Ms Lynam has been the Human Resources Manager for the Company since 5 July, 2004 and will continue in this role, in addition to her duties as Company Secretary.

All directors have access to the advice and services of the Company Secretary.

# 7

## Directors' Report

Your directors present their report on the Consolidated Entity (referred to hereafter as the Group) consisting of Collection House Limited and the entities it controlled at the end of, or during, the year ended 30 June, 2006. }

### Directors

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

- // Barrie Adams
- // Barry Connelly
- // Tony Coutts
- // Colin Day
- // Bill Hiller
- // Bill Kagel
- // Rhonda King (appointed 24 August, 2005)
- // John Pearce
- // Dennis Punches
- // Stephen Walker

### Principal activities

During the year the principal continuing activities of the Group were the provision of debt collection services throughout Australasia. There were no significant changes in the nature of the activities of the Group during the year.

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### Dividends - Collection House Limited

Dividends paid to members during the financial year were as follows:

	30 June 2006 \$'000	30 June 2005 \$'000
Final unfranked ordinary dividend for the year ended 30 June, 2005 of 4 cents (2004 - 4 cents) per fully paid share paid on 25 November, 2005	3,894	3,888
Interim ordinary dividend for the year ended 30 June, 2006 of nil (2005 - 4 cents) per fully paid share	-	3,888
	<b>3,894</b>	<b>7,776</b>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of \$1.9 million (2.0 cents per fully paid share) to be paid on 24 November, 2006 out of retained profits at 30 June, 2006 (refer to note 30).

The directors did not recommended the payment of an interim dividend during the year ending 30 June, 2006.

## Review of Operations

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

	Revenue		Results	
	30 June 2006 \$'000	30 June 2005 \$'000	30 June 2006 \$'000	30 June 2005 \$'000
Collection Services	42,444	47,266	5,043	7,872
Account Asset Management	51,599	53,903	12,158	20,110
Credit Reporting	23,250	21,938	3,398	2,526
Other	19,630	6,135	(2,211)	(3,317)
Intersegment eliminations	(1,920)	(2,725)	277	12
	<b>135,003</b>	<b>126,517</b>	<b>18,665</b>	<b>27,203</b>
Unallocated revenue less unallocated expenses			(8,752)	(9,381)
Profit before income tax expense			9,913	17,822
Income tax expense			(4,088)	(5,494)
Profit for the period			5,825	12,328
(Profit) / Loss attributable to minority interest			252	618
Profit attributable to members of Collection House Limited			6,077	12,946

Comments on the operations and the results of those operations are set out below:

### Basis of Accounting

The financial report for the year ended 30 June, 2006 and the results set out in this report are prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), in line with the provisions of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards.

Financial reports of the Group until 30 June, 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("previous AGAAP"). Previous AGAAP differs in certain respects from AIFRS. When preparing the Group's financial report for the year ended 30 June, 2006, management has amended certain accounting and valuation methods, applied in the previous AGAAP financial statements, to comply with AIFRS.

With the exception of financial instruments, the comparative figures have been restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to apply AASB

132: Financial Instruments: Disclosure and Presentation ("AASB 132") and AASB 139: Financial Instruments: Recognition and Measurement ("AASB 139") only from 1 July, 2005.

### Results

For the year ended 30 June, 2006, the Group achieved a consolidated profit attributable to ordinary equity holders of \$6.1 million. The result was down 53% on the prior corresponding period.

// Total income from ordinary activities was \$134.7 million, which is an increase of 7.4% on the prior corresponding period. Total employment and administration expenses from ordinary activities were \$52.3 million, which was 1.02% up on the prior corresponding period.

// EBITDA for the year (including fair value adjustments and impairment) was \$42.1 million (2005 \$45.2 million).

// Basic earnings per share ("EPS") were 6.2 cents (2005: 13.3 cents).



// The consolidated cash flow was \$40.0 million for the year compared to \$43.4 million for the previous year.

The decreased profit attributable to members resulted primarily from the effect of an increased fair value adjustment to purchased debt (previously shown as amortisation) from \$18.6 million in 2004-2005 to \$21.6 million in the current reporting period and impairment of goodwill and other assets of \$2.0 million (\$1.4 million in 2004-5).

During the reporting period, A\$32.8 million and NZ\$0.8 million was paid for new debt portfolios in the Australian and New Zealand markets respectively, all of which was funded from operating cash flow.

Consolidated net assets have decreased from \$93.7 million to \$75.1 million predominantly due to an adjustment to consolidated retained earnings of \$20.5 million arising from the transition to AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" at 1 July, 2005. \$19.2 million of this adjustment was required as the method used to value the purchased debt portfolios was changed from amortised cost (under AGAAP) to "fair value through the profit and loss" (under AIFRS). The remainder is a result of the impairment of receivables.

The value of Rapid Ratings was written down by \$1.1 million, Downie & Associates by \$0.95 million and subsidiary NRC by \$1.2 million.

The Group continued to focus on improving processes. All segments other than Rapid Ratings returned a profit in 2006. The strategic direction of Rapid Ratings Pty Ltd has been reviewed and as a result, the headquarters of the company have been moved to New York and an experienced Wall Street professional has been appointed as the CEO.

A provision has been made in the accounts for a total of \$660,000 over the next two financial years to cover ex-gratia payments to former customers in New South Wales under the terms of a voluntary undertaking given to the ACCC announced on 3 February, 2006.

The Company acquired a further 5.9% of the issued share capital of Collection House Business Diagnostics Pty Ltd on 1 July, 2005.

The Board has confirmed its confidence in the company's current and future trading position and has declared an unfranked dividend as noted below.

## Significant changes in the state of affairs

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

- (a) In Australia the Group purchased debt with a face value of A\$316.0 million for A\$32.8 million; In New Zealand, the Group purchased debt with a face value of NZ\$4.2 million for NZ\$0.8 million.
- (b) The Group acquired a further 5.9% of Collection House Business Diagnostics Pty Ltd.

## Matters subsequent to the end of the financial year

An unfranked final dividend has been declared of 2.0 cents for a total of \$1.9 million, payable on 24 November, 2006. No provision has been raised in these accounts.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June, 2006 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

## Likely developments and expected results of operations

There were no likely developments in the operations of the Group constituted by Collection House Limited and the entities it controls from time to time that were not finalised at the date of this report.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## Environmental regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

## Information on directors as at 30 June, 2006



**Dennis Punches**

**John Pearce**

**Barrie Adams**

**Barry Connelly**

**Tony Coutts**

**Dennis Punches** Bsc Chairman. Age 70.

**Experience and expertise:** Appointed to the Board in July 1998, and in 2000 as Chairman. Resides Florida, USA.

**Other current directorships (other than personal corporate entities)**  
Current director of Intrum Justitia AB, Call Solutions Inc; Co-Chairman of the International Collectors Group and a Trustee for Wisconsin's Carroll College.

**Former directorships in last 3 years (other than personal corporate entities)**  
Former director of Attention LLC Inc, Analysis and Technology Inc, and co-founder and former Chairman of Payco American Corporation

**Special responsibilities**  
Chairman of the Board.  
Chairman of Nomination Committee.  
Member of Remuneration Committee.

**Interests in shares and options (direct and indirect holdings)**  
14,054,835 ordinary shares in Collection House Limited.

**John Pearce** FAIM, FAICM  
Deputy Chairman / Managing Director. Age 61.

**Experience and expertise:** Co-founder of Collection House Limited and appointed to the Board in April 1993. In April 2003 returned to former position of Managing Director & Chief Executive Officer which had been held from mid 1998 until December 2002. Member of the International Fellowship of Certified Collectors. Resides Queensland, Australia. (Stepped down as Chief Executive Officer effective 30 June, 2005). Managing Director and Deputy Chairman effective 1 July, 2005. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**  
Director of all Collection House subsidiaries with the exception of Insurance Claims Solutions Ltd, Director of Financial Basics Foundation and Chairman of the Brisbane Lions Foundation.

**Former directorships in last 3 years (other than personal corporate entities):** None.

**Special responsibilities**  
Managing Director, Deputy Chairman

**Interests in shares and options (direct and indirect holdings)**  
14,189,900 ordinary shares in Collection House Limited.

**Barrie Adams** PSM, FCPA.  
Lead Independent Director. Age 61.

**Experience and expertise:** Appointed to the Board in November 2002 and Chairman of the Audit & Risk Management Committee in January 2003. Member of the Nominations and the Remuneration Committees. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**  
Chairman of NuCashew Limited and Financial Basics Foundation. Director of Ingeus Limited, NuPlant Limited and

Steel Foundation Limited. Chairman of the Risk and Audit Committee of Ingeus Limited and Steel Foundation Limited.

**Former directorships in last 3 years (other than personal corporate entities)**  
Chairman - CITEC Business Enterprise Board  
Chairman - Pro Super Holdings Limited

**Special responsibilities**  
Lead Independent Director  
Chairman - Audit & Risk Management Committee  
Member - Nominations Committee  
Member - Remuneration Committee

**Interests in shares and options (direct and indirect holdings):** None

**Barry Connelly** BJ.  
Independent Director. Age 66.

**Experience and expertise:** Appointed to the Board in June 2003. 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 Texas, USA.

**Other current directorships (other than personal corporate entities)**  
Chairman of Australian Business Research Pty Ltd and Rapid Ratings Pty Ltd

**Former directorships in last 3 years (other than personal corporate entities):** None

**Special responsibilities**  
Member - Audit & Risk Management Committee (resigned effective 30 June 2006).

**Interests in shares and options (direct and indirect holdings)**  
20,000 ordinary shares in Collection House Limited.

**Tony Coutts** Executive Director. Age 47.

**Experience and expertise:** General Manager of Collection House in 1995. Appointed an Executive Director in September 1998 with executive responsibilities as Director of Sales. Queensland State President of the Australian Collectors Association. Twenty years' experience in the finance and insurance industry including 18 years with Australian Guarantee Corporation Ltd. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**  
Collection House (NZ) Ltd, Lion Finance Ltd, Collection House ALR Pty Ltd, Australian Corporate Reporting Pty Ltd, ABR NZ Ltd, Colpro Pty Ltd, The Creditfax (Aust) Pty Ltd, Australian Legal Recoveries Pty Ltd, Rent Check Australia Pty Ltd, Australian Stockdata Pty Ltd, Creditnet Pty Ltd, National Tenancy Database Ltd, Insurance Claims Solutions Ltd.



**Bill Hiller**

**Bill Kagel**

**Stephen Walker**

**Rhonda King**

**Colin Day**

**Former directorships in last 3 years (other than personal corporate entities):** None

**Special responsibilities:** None

**Interests in shares and options (direct and indirect holdings)**

4,134,000 ordinary shares in Collection House Limited.

*Bill Hiller Independent Director. Age 67.*

**Experience and expertise:** Director since June 2003. Forty years' experience in the automotive finance industry including as General Manager - Automotive Finance for St George Bank Limited. Resides New South Wales, Australia.

**Other current directorships (other than personal corporate entities):** None

**Former directorships in last 3 years (other than personal corporate entities)**

Former directorships include St George Motor Finance Limited, Autobytel.com.au Pty Ltd, the Australian Finance Conference and Cycle & Carriage Finance Limited.

**Special responsibilities**

Member - Audit & Risk Management Committee  
Member - Nominations Committee  
Member - Remuneration Committee

**Interests in shares and options (direct and indirect holdings)**

5,200 ordinary shares in Collection House Limited.

*Bill Kagel Independent Director. Age 69.*

**Experience and expertise:** Joined the Board in February 2000. Appointed Chairman of the Remuneration Committee in June 2003. Over 40 years' debt collection industry experience. Co-founder and Senior Vice-President of Payco American Corporation, USA. Resides Wisconsin, USA.

**Other current directorships**

**(other than personal corporate entities):** None

**Former directorships in last 3 years (other than personal corporate entities)**

Former director of Payco American Corporation and Outsourcing Solutions Inc.

**Special responsibilities:** None

**Interests in shares and options (direct and indirect holdings)**

500,000 ordinary shares in Collection House Limited.

*Stephen Walker*

*Non-Executive Director. Age 55.*

**Experience and expertise:** Co-founder of Collection House and Board member since July 1992. Former Collection House Managing Director until 1998. Past member of Audit & Risk Management Committee. Has owned and managed debt collection agencies in Australia and New Zealand. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**

Director of Collection House Technologies Pty Ltd

**Former directorships in last 3 years (other than personal corporate entities)**

National Revenue Corporation Pty Ltd

**Special responsibilities:** None

**Interests in shares and options (direct and indirect holdings)**

6,750,000 ordinary shares in Collection House Limited.

*Rhonda King BA, LLB.*

*Executive Director, Company Secretary. Age 49.*

**Experience and expertise:** A commercial lawyer since 1981, and partner or consultant to legal practices from 1984. Appointed Company Secretary of Collection House Limited and its subsidiaries in April 2003. Appointed to the Collection House Board on 24 August, 2005. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**

Member of the Board and Company Secretary for Brisbane Lions Foundation and member of the Board and joint Company Secretary for Financial Basics Foundation.

**Former directorships in last 3 years (other than personal corporate entities)**

Member of the Board of Hockey Queensland and the Dental Technicians Board.

**Special responsibilities**

Member of the Audit and Risk Management Committee from 1 July, 2006.

**Interests in shares and options (direct and indirect holdings)**

35,000 ordinary shares in Collection House Limited.

*Colin Day Chief Executive Officer. Age 52.*

**Experience and expertise:** Has extensive experience in the IT and debt collection industries. In 1987, co-founded the Remington White Debt Collection Agency which was bought out by Collection House in July 2000. Has performed a number of roles in the Collection House Group since 2000, including Chief Operations Officer. Appointed as a director of Collection House and as CEO on 1 July, 2005. Resides Queensland, Australia.

**Other current directorships (other than personal corporate entities)**

Director of all Collection House subsidiaries.

**Former directorships in last 3 years (other than personal corporate entities):** None.

**Special responsibilities**  
Chief Executive Officer

**Interests in shares and options (direct and indirect holdings)**

325,000 shares in Collection House Limited

## Company Secretary

The Company Secretary to 30 June, 2006 was Rhonda King BA, LLB. Ms King was appointed to the position of Company Secretary on 8 April, 2003. Before joining Collection House she worked as a solicitor in legal practice. Ms King has resigned as Company Secretary from 30 June, 2006, but will continue to consult to the company on an as needs basis.

The Company Secretary from 1 July, 2006 is Kylie Lynam. Ms Lynam has a Bachelor of Business qualification majoring in Human Resources and Marketing and is currently completing a Graduate Diploma in Corporate Governance. Ms Lynam has been the Human Resources Manager for the Group since 5 July, 2004 and will continue in this role in addition to her duties as Company Secretary.

## Meetings of Directors

The number of meetings (inclusive of meetings held by circulating minute) of the Company's Board of Directors and of each Board Committee held during the year ended 30 June, 2006, and the numbers of meetings attended by each director were:

	Meetings of committees							
	Full meetings of directors		ARMC		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dennis Panches	15	16	**	**	2	2	2	3
John Pearce	16	16	**	**	**	**	**	**
Barrie Adams	16	16	12	12	2	2	3	3
Barry Connelly	16	16	12	12	**	**	**	**
Tony Coutts	15	16	**	**	**	**	**	**
Bill Hiller	16	16	12	12	2	2	3	3
Bill Kagel	16	16	**	**	**	**	3	3
Stephen Walker	14	16	**	**	**	**	**	**
Rhonda King	16	16	**	**	**	**	**	**
Colin Day	16	16	**	**	**	**	**	**

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\*\* = Not a member of the relevant committee

# Remuneration Report

The Remuneration Report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Additional information.

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the *Corporations Act 2001* and the *Corporations Regulations 2001* which have not been audited.

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## (a) Principles used to determine the nature and amount of remuneration (audited)

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

- // competitiveness and reasonableness;
- // acceptability to shareholders;
- // performance linkage / alignment of executive 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 Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- // has economic profit as a core component of plan design;
- // focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets, as well as focusing the executive on key non-financial drivers of value; and

// attracts and retains high calibre executives.

Alignment to program participants' interests:

- // rewards capability and experience;
- // reflects competitive reward for contribution to growth in shareholder wealth;
- // provides a clear structure for earning rewards; and
- // provides recognition for contribution.

The framework provides a mix of fixed and variable pay and a blend of short and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

## Non-Executive Directors

Fees and payments to non-executive directors reflect the demands which are made on and the responsibilities of the directors.

Fees and payments to non executive directors reflect the demands which 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. It should be noted that the Chairman has voluntarily reduced his fee to \$50,000 per annum as from 1 April, 2003 and the Deputy Chairman has requested that no fee be paid to him. William Kagel, as Chair of the Remuneration Committee, has 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.

## Executive Directors

Remuneration for executive directors is reviewed on an annual basis.

Tony Coutts became a Non-Executive Director of the Company on 1 July, 2006. Tony's valued knowledge of the industry and expertise in marketing remains available to the Company on consultancy request. The final tranche of shares available to Tony under his option agreement were exercised in November 2005. That option agreement has now expired.

John Pearce, the Managing Director & Deputy Chairman elected to receive no remuneration during the 2005/06 financial year. John has also waived any fee payable during 2006/07.

Colin Day, the Chief Executive Officer, was paid in accordance with the terms of his contract for the 2005/06 financial year, receiving \$330,000 in base salary and a bonus of \$200,000. The 100,000 options available to Colin for the 2005/06 financial year were cancelled as the condition precedent required for their exercise was not achieved.

Rhonda King became a Non-Executive Director from 1 July, 2006, resigning her role as Company Secretary on 30 June, 2006. During the 2005/06 financial year, Rhonda received recompense based on a consultancy contract whereby payment was received based on hours worked.

## Directors' fees

The current base remuneration was last reviewed with effect from 1 July, 2006. No change was made to current fee levels. The Chairman's remuneration is inclusive of committee fees while Non-Executive Directors who participate as members of the Audit & Risk Management Committee receive additional yearly fees. Additional fees are also payable to directors for their membership on subsidiary boards.

Non-Executive Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$550,000.

## Retirement allowances for directors

There are no retirement allowances paid to Non-Executive directors, in line with recent guidance on non executive directors' remuneration.

## Executive pay

The executive pay and reward framework has three components:

- // base pay and benefits;
- // long-term incentives through participation in the Employee Share Plan and Executive Option Plan; and
- // other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

## Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

## Benefits

The major benefit provided to executives is the ability to participate in the Employee Share Plan and Executive Option Plan.

## Retirement benefits

There are no retirement benefits made available to Executives, other than as are required by Statute.

## Short-term incentives

Short-term incentives, such as bonuses, are allocated to executives on a case by case basis following consultation between the CEO and the Human Resources Manager.

## Collection House Employee Option Plan

Information on the Collection House Executive Option Plan is set out on pages 32 - 34.

## (b) Details of remuneration (audited)

### Amounts of remuneration

Details of the remuneration of the directors, the key management personnel (as defined in AASB 124 Related Party Disclosures) and the highest paid executives of Collection House are set out below.

The key management personnel of the Group includes the directors as set out above (including Colin Day as an Executive Director and Chief Executive Officer) and the following executive officers:

// A. Ralston - Chief Financial Officer

// M. Thomas - Chief Information Officer

// K. Lynam - Manager, Human Resources (and Company Secretary from 1 July, 2006)

// B. Doherty - Chief Collections Officer - to 17 November, 2005

// B. Savage - Consultant - appointed during March 2006.

The executive officers who received the highest remuneration for the year ended 30 June, 2006 are:

// C. Day - Chief Executive Officer (and Executive Director)

// A. Ralston - Chief Financial Officer

// P. Carroll - Managing Director Subsidiary

// D. McAlpine - Director Subsidiary

// C. Stewart - General Manager Corporate Communications - to 30 March, 2006

// B. Doherty - Chief Collections Officer - to 17 November, 2005.

Table: Key management and highest paid personnel of Collection House

2006 Name	Short-term benefits			Post-employment benefits		Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<b>Non-Executive Directors</b>							
D.G. Punches	50,000	-	2,338	-	-	-	52,338
B. E. Adams	120,000	-	2,338	10,800	-	-	133,138
B. Connelly	80,000	-	2,338	-	-	-	82,338
W.L. Hiller	70,000	-	2,338	6,300	-	-	78,638
W.W. Kagel	50,000	-	2,338	-	-	-	52,338
S. Walker	50,000	-	2,338	4,500	-	-	56,838
<b>Sub-Total Non-Executive Directors</b>	<b>420,000</b>	<b>-</b>	<b>14,028</b>	<b>21,600</b>	<b>-</b>	<b>-</b>	<b>455,628</b>
<b>Executive Directors</b>							
J.M. Pearce	-	-	6,166	-	-	-	6,166
A.F. Coutts	192,433	-	6,166	17,319	-	-	215,918
R.G. King (payment for full financial year included)	116,150	-	6,166	-	-	-	122,316
C.K. Day	300,000	200,000	6,166	30,000	-	39,185	575,351
<b>Sub-Total Executive Directors</b>	<b>608,583</b>	<b>200,000</b>	<b>24,664</b>	<b>47,319</b>	<b>-</b>	<b>39,185</b>	<b>919,751</b>
<b>Other key management personnel</b>							
A. Ralston	199,231	-	6,166	18,658	-	-	224,055
M. Thomas	175,057	-	2,338	16,271	-	-	193,666
K. Lynam	100,000	-	6,404	9,000	-	-	115,404
B. Savage (commenced March 2006)	132,570	-	24,320	-	-	-	156,890
*B. Doherty	259,197	-	6,166	6,603	-	-	271,966
<b>Sub-Total Key management personnel</b>	<b>866,055</b>	<b>-</b>	<b>45,394</b>	<b>50,532</b>	<b>-</b>	<b>-</b>	<b>961,981</b>

Table: Key management and highest paid personnel of Collection House (continued)

2006 Name	Short-term benefits			Post-employment benefits		Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<b>Highest paid Executives</b>							
A. Ralston	199,231	-	6,166	18,658	-	-	224,055
*C. Stewart	318,938	-	6,166	11,220	-	-	336,324
*B. Doherty	259,197	-	6,166	6,603	-	-	271,966
P. Carroll	300,000	-	6,166	27,000	-	-	333,166
M. Watkins	235,000	-	6,166	21,963	-	-	263,129
<b>Sub-Total Highest paid Executives</b>	<b>1,312,366</b>	<b>-</b>	<b>30,830</b>	<b>85,444</b>	<b>-</b>	<b>-</b>	<b>1,428,640</b>

\* Includes redundancy payment

2005 Name	Short-term benefits			Post-employment benefits		Share-based payment	Total \$
	Cash salary and fees \$	Cash bonus/Car allowance \$	Non-monetary benefits \$	Super-annuation \$	Retirement benefits \$	Options \$	
<b>Non-Executive Directors</b>							
D.G. Punches	50,000	-	2,576	-	-	-	52,576
B.E. Adams	120,000	-	2,576	10,800	-	-	133,376
A.R. Aveling	70,000	-	2,576	6,300	-	-	78,876
B. Connelly	50,000	-	2,576	-	-	-	52,576
B. S. Göranson	40,000	-	2,576	-	-	-	42,576
W.L. Hiller	60,000	-	2,576	5,400	-	-	67,976
W.W. Kagel	40,000	-	2,576	-	-	-	42,576
S. Walker	40,000	-	2,576	3,600	-	-	46,176
<b>Sub-Total Non-Executive Directors</b>	<b>470,000</b>	<b>-</b>	<b>20,608</b>	<b>26,100</b>	<b>-</b>	<b>-</b>	<b>516,708</b>
<b>Executive Directors</b>							
J. Pearce	-	-	6,404	-	-	-	6,404
A. Coutts	182,623	7,777	6,404	22,521	-	174,000	393,325
<b>Sub-Total Executive Directors</b>	<b>182,623</b>	<b>7,777</b>	<b>12,808</b>	<b>22,521</b>	<b>-</b>	<b>174,000</b>	<b>399,729</b>
<b>Other key management personnel</b>							
C. Day	164,432	-	6,404	14,799	-	17,400	203,035
B. Doherty	174,265	-	6,536	15,684	-	17,400	213,885
C. Stewart	160,000	-	6,404	14,400	-	25,540	206,344
D. McAlpine	130,000	58,878	6,404	15,953	-	6,525	217,760
A. Ralston	190,000	-	6,404	17,100	-	-	213,504
M. Watkins	253,077	-	6,404	22,777	-	8,700	290,958
M. Thomas	176,235	-	2,576	13,747	-	17,400	209,958
<b>Sub-Total Other key management personnel</b>	<b>1,248,009</b>	<b>58,878</b>	<b>41,132</b>	<b>114,460</b>	<b>-</b>	<b>92,965</b>	<b>1,555,444</b>
<b>Totals for each component</b>	<b>1,900,632</b>	<b>66,655</b>	<b>74,548</b>	<b>163,081</b>	<b>-</b>	<b>266,965</b>	<b>2,471,881</b>



## (c) Service agreements (audited)

Remuneration and other terms of employment for the Managing Director, Chief Executive Officer, Executive Director Sales, Chief Financial Officer and the other key management personnel are formalised in service agreements. Major provisions of the agreements are set out below.

Except as otherwise stated, all contracts with executives may be terminated early by either party with three months notice.

J. M. Pearce *Managing Director*

// Entitlement to any salary was waived for the 2005-2006 financial year and has been waived for the 2006-2007 financial year.

// Appointed as Deputy Chairman effective from 1 July, 2005.

A.F. Coutts *Executive Director - Sales*

// Base salary, inclusive of superannuation, for the year ending 30 June, 2006 is detailed above. Tony Coutts became a Non-Executive Director of the Company on 1 July, 2006. Tony's valued knowledge of the industry and expertise in marketing remains available to the Company on consultancy request

// Options provided by a separate option agreement entered into in 2000, the terms of which were disclosed in the prospectus. The final tranche of shares available to Tony under his option agreement were exercised in November 2005. That option agreement has now expired.

C.K. Day *Chief Executive Officer*

// Term of agreement 1 year with option of 2 renewals commencing 1 July, 2005.

// Annual Base salary \$330,000 for the 2005-2006 financial year. Annual base salary for the 2006-2007 financial year is \$465,000.

// Annual Bonus of \$200,000, paid for the 2005-2006 financial year. No bonus will be payable for the 2006-2007 financial year.

// Granted 100,000 options per annum for 3 years, exercisable at a price being the average market prices for Collection House shares in the five days prior to and including 30 June, 2005. The options may only be exercised if certain performance targets are met: the target for the first year was to increase return

on equity for Collection House shares to 14.4%; in the second year the target is a 16.8% return, and in the third year it is 19.2%. The 100,000 options available to Colin for the 2005/06 financial year were cancelled as the condition precedent required for their exercise was not achieved.

// Agreement is terminable in the first year on six months notice, and in each of the following periods it is 12 months.

A. Ralston *Chief Financial Officer*

// Annual Base salary for the year ended 30 June, 2006 of \$199,231

M. Thomas *Chief Information Officer*

// Annual Base salary for the year ended 30 June, 2006 of \$175,057

R. King *Company Secretary/Director*

// Rhonda King became a Non-Executive Director from 1 July, 2006, resigning her role as Company Secretary on 30 June, 2006. During the 2005/06 financial year Rhonda received recompense of \$116,150 based on a consultancy contract whereby payment was received based on hours worked.

K. Lynam *Manager, Human Resources, and from 1 July, 2006, Company Secretary*

// Annual Base salary for the year ended 30 June, 2006 of \$100,000

## (d) Sharebased compensation (audited)

### Options

Options are granted under the Collection House Executive Option Plan details of which were made available in the prospectus for the Initial Public Offering of shares in the Company.

Senior personnel, whose performance warrants inclusion, are considered annually for nomination under the Plan. The CEO makes initial nominations, which are received by the Remuneration Committee and then finally forwarded to the Board for approval.

Options are granted under the plan for no consideration. The Company makes finance available to those executives who wish to exercise their options.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
30th September, 2004	30 June, 2005	\$1.36	\$0.44	Condition precedent to vesting and exercise: 10% increase in the Company share price over the year expiring 30 June, 2005. The condition precedent was not achieved

Options granted under the plan carry no dividend or voting rights.

When exercised, each option is convertible into one ordinary share.

Historically, the exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before 30 June.

Details of options over ordinary shares in the Company provided as remuneration to each director of Collection House Limited and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Collection House. Further information on the options is set out in note 39 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	2006	2005
<b>Directors of Collection House Limited</b>				
C. Day	300,000	-	-	-
* C. Day	-	40,000	-	-
T. Coutts	-	-	-	100,000
<b>Other key management personnel of the Group</b>				
*M. Watkins	-	20,000	-	-
*D. McAlpine	-	15,000	-	-
*M. Thomas	-	40,000	-	-
*B. Doherty	-	40,000	-	-
*C. Stewart	-	40,000	-	-
C. Stewart	-	20,000	-	20,000
*K. Lynam	-	20,000	-	-

\* = These options were made available on the basis that there was a condition precedent to vesting and exercise, being that there was to be a 10% increase in the Company share price over the year expiring 30 June, 2005 before options could be exercised. The condition precedent was not achieved.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected

dividend yield and the risk free interest rate for the term of the option.

### Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Collection House Limited and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	
		2006	2005
Directors of Collection House Limited T. Coutts	1 November, 2005	100,000	100,000
Other key management personnel of the Group Nil		-	-

The amounts paid per ordinary share by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
T Coutts - 1 November, 2005	\$1.00

## (e) Additional information - unaudited

**Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance**

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Details of the relationship between the Company remuneration policy and company performance over the last 6 years is detailed below.

### 2000-2001

(noting that the Company listed on 4 October 2000)

**No. of Employees at year end:** 649

**Net Profit after tax:** \$9,310,000

**Net Assets:** \$71,603,000

**Dividends Declared:** 6.5 cents fully franked

**Change in share price:**

Listed at \$1.00 Ended: \$5.28

**Basic earnings per share:** 10.55 cents

### 2001-2002

**No. of Employees at year end:** 957

**Net Profit after tax:** \$18,665,000

**Net Assets:** \$80,866,000

**Dividends Declared:** 12.5 cents fully franked

**Change in share price:**

Commenced: \$5.13 Ended: \$3.10

**Basic earnings per share:** 19.60 cents

### 2002-2003

**No. of Employees at year end:** 753

**Net Profit after tax:** \$8,197,000

**Net Assets:** \$82,152,000

**Dividends Declared:** 5.5 cents fully franked

**Change in share price:**

Commenced: \$3.02 Ended \$1.19

**Basic earnings per share:** 8.95 cents

### 2003-2004

**No. of Employees at year end:** 692

**Net profit after tax:** \$10,641,000

**Net Assets:** \$90,398,000

**Dividends Declared:** 7 cents unfranked

**Change in share price:**

Commenced: \$1.16 Ended \$1.43

**Basic earnings per share:** 11.01 cents

### 2004-2005

**No. of Employees at year end:** 632

**Net profit after tax:** \$12,946,000

**Net Assets:** \$93,670,000

**Dividends Declared:** 8.0 cents unfranked

**Change in share price:**

Commenced: \$1.54 Ended: \$1.40

**Basic earnings per share:** 13.3 cents

### 2005-2006

**No. of Employees at year end:** 633

**Net profit after tax:** \$6,077,000

**Net Assets:** \$75,091,000

**Dividends Declared:** 2.0 cents unfranked

**Change in share price:**

Commenced: \$1.41 Ended: \$0.975

**Basic earnings per share:** 6.2 cents

## Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on pages 30 - 31, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage

that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years. The options vest according to their grant terms, provided the vesting conditions are met (see page 33). No options will vest if the conditions are not satisfied.

Name	Cash bonus		Options					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
C Day	100	-	2005	-	-	2007	0.11	0.30
			-	-	-	2008	0.17	0.40

### Sharebased compensation: Options

Further details relating to options are set out below.

## Loans to directors and executives

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in notes 31 and 35 to the financial statements.

## Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Collection House Limited granted during or since the end of the financial year to the five most highly remunerated officers of the Company as part of their remuneration were as follows:

<b>Directors</b>	
C.K. Day - <i>Chief Executive Officer</i>	300,000
	<u>300,000</u>
<b>Other executives of Collection House Limited</b>	
Nil	~
	~
<b>Other executives of the Group</b>	
Nil	~
	~

The options made available to the CEO were granted under the terms of his employment contract with the Company.

Details of options granted to the directors and the five most highly remunerated officers of the Group can be found in section D of the remuneration report on page 33. No options have been granted since the end of the year.

## Shares issued on the exercise of options

The following ordinary shares of Collection House were issued during the year ended 30 June, 2006 on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
01 November 2005	\$1.00	100,000

## Insurance of officers

During the financial year, Collection House Limited paid a premium of \$63,119.75 to insure the director and secretaries of the Company and its Australian based Controlled Entities and the general managers of each of the divisions of the Group.

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

## Proceedings on behalf of the Company

No person has applied to the Court 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*.

## Non audit services

The Board of Directors in accordance with advice from the Audit & Risk Management Committee is satisfied that the provision of the non audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

During the year the Company's auditors have performed no other services in addition to their statutory duties. All non audit services are subject to the corporate governance procedures adopted by the Company. A copy of the auditors independence declaration as required under section 307C of the Corporations Act is included in the Director's Report. Details of the amounts paid to the auditors of the Company, Hacketts, are set out below.

	Consolidated	
	30 June 2006 \$	30 June 2005 \$
<b>1. Audit services</b>		
Hacketts - Audit and review of financial reports and other audit work under the Corporations Act 2001	190,000	170,000
Total remuneration for audit services	190,000	170,000
<b>2. Other assurance services</b>		
Hacketts - Audit of regulatory returns	70,000	70,000
Total remuneration for other assurance services	70,000	70,000
Total remuneration for assurance services	260,000	240,000

## Auditors' independence declaration

A copy of the auditors' independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 37.

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.

## Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors'

## Auditor

Hacketts Chartered Accountants continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors.



John Pearce

COLLECTION HOUSE LIMITED, DIRECTOR

Brisbane. 30 August 2006

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## Auditor's Independence Declaration



Level 3  
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Telephone: +617 3839 9733  
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Email: [advice@hacketts.com.au](mailto:advice@hacketts.com.au)  
Website: [www.hacketts.com.au](http://www.hacketts.com.au)

30 August, 2006

Collection House Limited  
488 Queen Street  
BRISBANE Q 4000

### Auditors' Independence Declaration

As lead auditor for the audit of Collection House Limited for the year ended Friday, 30 June, 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (a) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Collection House Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read "Liam Murphy".

Liam Murphy  
PARTNER

The logo for Hacketts Chartered Accountants, featuring a stylized signature of the word "Hacketts" above the text "Hacketts Chartered Accountants".

Hacketts Chartered Accountants

AUDIT & ASSURANCE  
CORPORATE ADVISORY  
LITIGATION SUPPORT  
TAXATION & BUSINESS ADVISORY





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## 10

## Income statement

Collection House Limited ~ For the year ended 30 June 2006

	Note	Consolidated		Company	
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	5	134,864	125,572	55,097	58,731
Other income	6	139	-	-	-
Depreciation and amortisation expense	7	(4,843)	(22,593)	(2,546)	(2,695)
Impairment of goodwill	16	(348)	(301)	(208)	(988)
Foreign exchange losses (net)	7	(17)	5	-	-
Other expenses		(7,080)	(7,227)	(4,261)	(4,245)
Employee expenses		(36,273)	(35,223)	(22,638)	(22,892)
Search fees		(12,226)	(12,826)	(440)	(418)
Direct collection costs		(14,517)	(16,106)	(12,081)	(13,863)
Insurance claims costs		(16,069)	(4,029)	-	-
Bad and doubtful debts		(833)	(27)	(890)	59
Operating lease rental expense		(3,359)	(3,551)	(2,130)	(2,163)
Consultancy fees		(1,867)	(619)	(685)	(137)
Legal expenses		(168)	(757)	(110)	(666)
Other expenses - related parties		-	68	-	-
Impairment of other assets		(1,639)	(1,103)	(5,229)	-
Fair value losses on other financial assets		(21,661)	-	-	-
Net gain/(loss) on disposal of property		(36)	263	-	-
Finance costs	7	(4,154)	(3,724)	(3,989)	(3,704)
Profit before income tax		9,913	17,822	(110)	7,019
Income tax expense	8	(4,088)	(5,494)	1,988	1,699
Profit from continuing operations		5,825	12,328	1,878	8,718
Profit attributable to minority interest		252	618	-	-
Profit attributable to members of Collection House Limited		6,077	12,946	1,878	8,718
	Note	cents	cents		
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
Basic earnings per share	38(a)	6.2	13.3		
Diluted earnings per share	38(b)	6.2	13.3		

The above income statement should be read in conjunction with the accompanying notes.

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## Balance sheet

Collection House Limited ~ As at 30 June 2006



	Note	Consolidated		Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	9	3,038	4,775	641	558
Receivables	10	11,621	12,929	15,402	19,459
Other financial assets at fair value through profit or loss	11	28,615	-	-	-
Current tax receivables		2,436	763	2,436	763
Other current assets	12	1,032	1,437	677	1,011
<b>Total current assets</b>		<b>46,742</b>	<b>19,904</b>	<b>19,156</b>	<b>21,791</b>
<b>Non-current assets</b>					
Receivables	13	-	1,013	78,290	79,214
Purchased debt	11	-	112,339	-	-
Other financial assets at fair value through profit or loss	11	66,891	-	20,461	20,959
Property, plant and equipment	14	5,069	6,566	4,537	5,558
Databases	18	11,321	10,414	-	-
Intangible assets	16	27,837	28,692	13,483	13,552
Deferred tax assets	15	1,214	891	1,826	4,122
Other non-current assets	17	283	46	27	28
<b>Total non-current assets</b>		<b>112,615</b>	<b>159,961</b>	<b>118,624</b>	<b>123,433</b>
<b>Total assets</b>		<b>159,357</b>	<b>179,865</b>	<b>137,780</b>	<b>145,224</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Payables	19	7,038	6,391	7,519	3,319
Interest bearing liabilities	20	2,956	2,592	2,918	2,429
Current tax liabilities		1,686	1,309	212	-
Provisions	21	2,450	2,123	1,689	1,779
<b>Total current liabilities</b>		<b>14,130</b>	<b>12,415</b>	<b>12,338</b>	<b>7,527</b>
<b>Non-current liabilities</b>					
Payables	22	-	-	-	9,761
Interest bearing liabilities	23	53,793	54,290	53,793	54,290
Provisions	25	424	361	223	343
Deferred tax liabilities	24	15,919	19,129	-	-
<b>Total non-current liabilities</b>		<b>70,136</b>	<b>73,780</b>	<b>54,016</b>	<b>64,394</b>
<b>Total liabilities</b>		<b>84,266</b>	<b>86,195</b>	<b>66,354</b>	<b>71,921</b>
<b>Net assets</b>		<b>75,091</b>	<b>93,670</b>	<b>71,426</b>	<b>73,303</b>
<b>Equity</b>					
Contributed equity	27	67,256	67,156	67,256	67,156
Reserves	28	(523)	(144)	39	-
Retained profits	28	9,410	27,703	4,131	6,147
		<b>76,143</b>	<b>94,715</b>	<b>71,426</b>	<b>73,303</b>
Minority interest	29	(1,052)	(1,045)	-	-
<b>Total equity</b>		<b>75,091</b>	<b>93,670</b>	<b>71,426</b>	<b>73,303</b>

The above balance sheet should be read in conjunction with the accompanying notes.

# Statement of changes in equity

Collection House Limited ~ For the year ended 30 June 2006

	Note	Consolidated		Company	
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
		\$'000	\$'000	\$'000	\$'000
Total equity at the beginning of the financial year		93,670	88,782	73,303	71,963
<b>Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:</b>					
Retained profits	28	(20,476)	-	-	-
Restated total equity at the beginning of the financial year		73,194	88,782	73,303	71,963
(Profit)/Loss attributable to Minority Interest		252	618	-	-
Net (income) / loss recognised directly in equity		252	618	-	-
Profit for the year		5,825	12,328	1,878	8,718
Total recognised income and expense for the year		6,077	12,946	1,878	8,718
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs	27	100	398	100	398
Dividends provided for or paid	30	(3,894)	(7,776)	(3,894)	(7,776)
Movement in Share-based payments reserve	28	39	-	39	-
Movement in Foreign Currency translation reserve	28	(418)	(144)	-	-
Total changes in minority interest		(7)	(536)	-	-
		(4,180)	(8,058)	(3,755)	(7,378)
Total equity at the end of the financial year		75,091	93,670	71,426	73,303
<b>Total recognised income and expense for the year is attributable to:</b>					
Members of Collection House Limited		5,825	12,328	1,878	8,718
Minority interest		252	618	-	-
		6,077	12,946	1,878	8,718

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

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## Cash flow statement

Collection House Limited ~ For the year ended 30 June 2006



	Note	Consolidated		Company	
		30 June 2006	30 June 2005	30 June 2006	30 June 2005
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Receipts from customers (inclusive of goods and services tax)		150,289	128,663	50,477	54,875
Payments to suppliers and employees (inclusive of goods and services tax)		(106,466)	(81,708)	(45,007)	(48,226)
		43,823	46,955	5,470	6,649
Interest received		483	307	336	340
Other sundry income		171	-	22	-
Interest paid		(4,154)	(3,725)	(3,989)	(3,704)
Income tax refund/(paid)		(324)	(158)	961	(98)
Net cash (outflow) inflow from operating activities	41	39,999	43,379	2,800	3,187
<b>Cash flows from investing activities</b>					
Payment for purchase of subsidiary, net of cash acquired	36	(100)	(103)	(101)	(103)
Proceeds from sale of property, plant & equipment		31	264	31	-
Payments for property, plant and equipment		(1,429)	(2,229)	(1,140)	(1,106)
Payments for purchased debt		(32,969)	(43,414)	-	-
Payments for intangible assets		(2,018)	(86)	(826)	(6)
Payment for databases		(907)	(173)	-	-
Other		-	275	-	281
Net cash (outflow) inflow from investing activities		(37,392)	(45,466)	(2,036)	(934)
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares and other equity securities		100	244	100	244
Proceeds from borrowings		6,571	10,377	6,526	10,182
Repayment of loans from related parties		-	-	3,122	-
Repayment of borrowings		(7,246)	(323)	(7,123)	(4,229)
Dividends paid to company's shareholders	30	(3,894)	(7,776)	(3,894)	(7,776)
Net cash inflow (outflow) from financing activities		(4,469)	2,522	(1,269)	(1,579)
Net increase (decrease) in cash and cash equivalents		(1,862)	435	(505)	674
Cash and cash equivalents at the beginning of the financial year		2,399	2,101	(1,772)	(2,446)
Effects of exchange rate changes on cash and cash equivalents		(417)	(137)	-	-
Cash and cash equivalents at end of year	9	120	2,399	(2,277)	(1,772)

The above cash flow statements should be read in conjunction with the accompanying notes.

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## Notes to the financial statements }

Note No: **01**  
**Summary of significant  
accounting policies**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Collection House Limited as an individual entity and the Consolidated Entity consisting of Collection House Limited and its subsidiaries.

### **(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### **Statement of Compliance**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Collection House Limited comply with International Financial Reporting Standards (IFRSs). The Parent Entity (Company) financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 124 *Related Party Disclosures*.

#### **Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards**

These financial statements are the first Collection House Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International*

*Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Collection House Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Collection House Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 42.

#### **Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of non-current assets.

#### **Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **(b) Principles of consolidation**

#### **(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Collection House Limited ("Company" or "Parent Entity") as at 30 June 2006 and the

results of all subsidiaries for the year then ended. Collection House Limited and its subsidiaries together are referred to in this financial report as “the Group” or “the Consolidated Entity”.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(h)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains or losses to the Group that are recorded in the income statement. Purchases of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Collection House Limited.

## **(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

## **(d) Foreign currency translation**

### **(i) Functional and presentation currency**

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the Entity operates (“the functional currency”). The consolidated financial statements are presented in Australian dollars, which is Collection House Limited’s functional and presentation currency.

### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

### **(iii) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

// assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

// income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

// all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

## **(e) Revenue recognition**

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

### **(i) 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.

### **(ii) 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.

### **(iii) 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.

For fixed price contracts, the stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

### **(iv) Interest**

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

## **(f) Income tax**

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other

than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### **Tax consolidation legislation**

Collection House Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The Head Entity, Collection House Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Collection House Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax Consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### **(g) Leases**

Leases of property, plant and equipment where the Group has, substantially, all the risks and rewards of ownership are classified as finance leases (note 14). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 34). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **(h) Business combinations**

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business



combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(p)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### **(i) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **(j) Cash and cash equivalents**

Cash and cash equivalents includes: cash on hand; deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

### **(k) Trade receivables**

Trade receivables are recognised initially at fair value less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

### **(l) Non-current assets (or disposal groups) held for sale**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

### **(m) Financial assets**

#### **From 1 July 2004 to 30 June 2005**

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

#### **Adjustments on transition date: 1 July 2005**

The nature of the main adjustments to ensure this information complies with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

// Explanation of transition to AIFRSs - note 42: section 5 of this note discloses the

adjustment to each line item in the financial statements on transition date.

#### **From 1 July 2005**

The Company classifies its financial assets in the following categories: (i) financial assets at fair value through profit or loss, and (ii) loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition and re-evaluates this designation at each reporting date.

##### **(i) Financial assets at fair value through profit or loss - Purchased debt ledgers (PDL's)**

PDLs have been included in this category of financial assets as they are managed and their performance is evaluated on a fair value basis.

PDLs are initially recorded at cost (including incidental costs of acquisition) and thereafter at fair value in the balance sheet. In the absence of an active market, the fair value of a particular ledger is determined based on a valuation technique. The valuation is based on the present value of expected future cash flows.

When a ledger is impaired, the carrying amount is reduced to its recoverable amount (fair value), being the anticipated future cash flows discounted to present value.

Realised and unrealised gains and losses arising from changes in the fair value of these ledgers are included in the income statement in the period in which they arise.

PDLs are included as non-current assets, except for the amount of the ledger that is expected to be realised within 12 months of the balance sheet date, which is classified as a current asset.

##### **(ii) Loans and receivables (notes 10 and 13).**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are initially measured at cost and included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The nominal value less credit adjustments of trade receivables are assumed to approximate their fair values.

The Company assesses at each balance date whether there is objective evidence that loans and receivables are impaired.

##### **(n) Fair value estimation of financial assets and liabilities**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses estimated discounted cash flows to determine fair value.

##### **(o) Property, plant and equipment**

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(s).

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.

All assets, including intangibles other than goodwill, have limited useful lives and are depreciated / amortised using the straight-line method over their estimated useful lives, taking into account estimated residual values and with the exception of purchased debt which is depreciated on a basis that is representative of the pattern of benefits to be derived from the asset.

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.

Table: The estimated useful lives for each class of depreciable asset are:

Leasehold Improvements	Term of Lease
Plant and equipment	4-8 years
Computer equipment	3-5 years
Software	2-12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

## **(p) Intangible assets**

### **(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on

acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each primary reporting segment. (note 4).

### **(ii) Computer software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licence fees that will contribute to future period financial benefits through revenue generation and /or cost reduction are capitalised. Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project. Amortisation is applied on a straight line basis over periods generally ranging from 2 to 12 years.

### **(iii) Databases**

The databases are considered purchased intangible assets recorded at cost or fair value. Purchased data files are used in our product and services. Fair value is supported at each reporting period by an impairment test as the database forms part of an identified CGU. Impairment testing is carried out in accordance with the accounting policy stated at 1(i). The calculation of impairment requires the use of assumptions.

Databases are not 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.

### **(iv) Other intangible assets**

Licences and intellectual property are considered to have an infinite useful life and are carried at cost less impairment losses. All costs associated with the maintenance and protection of these assets are expensed in the period consumed.

## **(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

## **(r) Borrowings**

All borrowings are recognised at their principal amounts subject to set-off arrangements which represent the present value of future cash flows associated with servicing the debt. Where interest is payable in arrears, the interest expense is accrued over the period it becomes due and is recorded at the contracted rate as part of "Other creditors and accruals".

Where interest is paid in advance, the interest expense is recorded as a part of "Prepayments" and released over the period to maturity.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## **(s) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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.

## **(t) Provisions**

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably

estimated. Provisions are not recognised for future operating losses.

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.

## **(u) Employee benefits**

**(i)** Wages and salaries, annual leave and sick leave  
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### **(ii)** Long service leave

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

### **(iii)** Superannuation Plans

The Company and other Controlled Entities make statutory contributions to several superannuation funds in accordance with the directions of its employees. Contributions are expensed in the period to which they relate.

### **(iv)** Share-based payments

Share-based compensation benefits are provided to employees via the Collection House Limited Executive Share Option Plan. Information relating to these schemes is set out in note 39.

#### **Shares options granted before 7 November 2002 and/or vested before 1 January 2005**

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

#### **Shares options granted after 7 November 2002 and vested after 1 January 2005**

The fair value of options granted under the Executive Share Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account: the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

#### **(v) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing

termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### **(v) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year, but not distributed at balance date.

#### **(w) Earnings per share**

##### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **(x) Goods and Services Tax (GST)**

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

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

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

## **(y) Rounding of amounts**

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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars or, in certain cases, the nearest dollar.

## **(z) Revisions to accounting estimates**

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

Note No: **02**  
**Financial risk management**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. Finance identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies, covering specific areas such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

## **(a) Market risk**

### **(i) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Entity's functional currency.

### **(ii) Fair value interest rate risk**

Refer to (d) opposite.

## **(b) Credit risk**

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one financial institution.

## **(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

## **(d) Cash flow and fair value interest rate risk**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Group finance facilities are a combination of overdraft and short term commercial bill facilities, all of which are on a variable interest rate basis. In the current stable interest rate environment, this approach maximises available cash with minimal exposure to interest rate movements. All aspects of the financing arrangements, including interest rate structuring, can be reviewed as required during the life of the facility.

Note No: **03**  
**Critical accounting estimates and judgements**

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

## **(a) Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **(i) Estimated impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

### **(ii) Estimated impairment of non-financial assets and intangible assets other than goodwill**

The Group tests annually whether the non-financial assets or intangible assets of the Group (other than goodwill) have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

### **(iii) Estimated fair value of purchased debt**

At each reporting date the Group determines the fair value of purchased debt in accordance with the accounting policy stated at note 1(m). The calculation of fair value requires the use of assumptions.

### **(iv) Estimated fair value of other financial assets**

At each reporting date the Company determines the fair value of financial assets in accordance with the accounting policy stated at note 1(m). The calculation of impairment requires the use of assumptions.

Note No: **04**  
Segment information

## **(a) Description of segments**

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: Collection services, Account asset management, Credit reporting, and Other operations.

### **Business segments**

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

#### **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 reporting information on a fee-for-service basis; and

#### **Other operations**

Includes insurance claims services and corporate risk rating. None of these activities constitutes a separately reportable segment.

### **Geographical segments**

Although the Consolidated Entity's divisions are managed on a global basis they operate in two main geographical areas:

// Australia and New Zealand.

**(b) Primary reporting format - business segments**

2006	Collection services	Account asset management	Credit reporting	Other operations	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	40,273	50,360	22,966	19,454	-	133,053
Intersegment sales	2,282	-	285	-	(2,567)	-
<b>Total sales revenue</b>	<b>42,555</b>	<b>50,360</b>	<b>23,251</b>	<b>19,454</b>	<b>(2,567)</b>	<b>133,053</b>
Other revenue/income	(111)	1,239	(1)	176	647	1,950
<b>Total segment revenue/income</b>	<b>42,444</b>	<b>51,599</b>	<b>23,250</b>	<b>19,630</b>	<b>(1,920)</b>	<b>135,003</b>
Segment result (notes (ii))	5,043	12,158	3,398	(2,211)	277	18,665
<b>Unallocated revenue less unallocated expenses</b>						<b>(8,752)</b>
Profit before income tax						9,913
Income tax expense						(4,088)
Minority interest						252
<b>Net profit for the period</b>						<b>6,077</b>
Segment assets	120,157	97,173	18,615	2,021	(82,976)	154,990
Unallocated assets						4,367
<b>Total assets</b>						<b>159,357</b>
Segment liabilities	17,414	72,892	6,079	10,025	(95,015)	11,395
Unallocated liabilities						72,871
<b>Total liabilities</b>						<b>84,266</b>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,066	36,555	2,009	355	-	40,985
Depreciation and amortisation expense	1,091	2,374	629	11	738	4,843
Impairment of goodwill	-	-	-	-	348	348
Impairment of other assets	26	-	2	1,217	394	1,639
Other non-cash expenses	965	21,726	79	54	239	23,063



**(b) Primary reporting format - business segments continued**

2005	Collection services	Account asset management	Credit reporting	Other operations	Inter-segment eliminations/unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	43,475	52,331	21,686	6,067	-	123,559
Intersegment sales	2,489	-	248	-	(2,737)	-
<b>Total sales revenue</b>	<b>45,964</b>	<b>52,331</b>	<b>21,934</b>	<b>6,067</b>	<b>(2,737)</b>	<b>123,559</b>
Other revenue/income	1,302	1,572	4	68	12	2,958
<b>Total segment revenue/income</b>	<b>47,266</b>	<b>53,903</b>	<b>21,938</b>	<b>6,135</b>	<b>(2,725)</b>	<b>126,517</b>
Segment result (notes (ii))	7,872	20,110	2,526	(3,317)	12	27,203
Unallocated revenue less unallocated expenses						(9,381)
Profit before income tax						17,822
Income tax expense						(5,494)
Minority interest						618
<b>Net profit for the period</b>						<b>12,946</b>
Segment assets	121,039	115,493	23,340	2,741	(86,687)	175,926
Unallocated assets						3,939
<b>Total assets</b>						<b>179,865</b>
Segment liabilities	10,178	73,013	4,277	8,817	(87,112)	9,173
Unallocated liabilities						77,022
<b>Total liabilities</b>						<b>86,195</b>
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,266	43,414	722	695	-	46,097
Depreciation and amortisation expense	1,446	19,921	551	-	675	22,593
Impairment of goodwill (note 16)	-	-	-	301	-	301
Impairment of other assets	-	-	-	1,013	-	1,013
Other non-cash expenses	189	44	(95)	94	14	246

## (c) Secondary reporting format - geographical segments

	Segment revenues from from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	30 June 06	30 June 05	30 June 06	30 June 05	30 June 06	30 June 05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	126,245	114,643	150,786	171,542	37,062	43,194
New Zealand	6,808	8,916	8,571	8,323	3,923	2,903
Total	133,053	123,559	159,357	179,865	40,985	46,097

Segment revenues are allocated based on the country in which the customer is located.

Segment assets and capital expenditure are allocated based on where the assets are located.

### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, 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, inventories, property, plant and equipment 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, employee benefits and interest bearing liabilities. 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.

### (ii) Segment margins

	Collection Services		Account Asset Management		Credit Reporting		Other Operations	
	30 June 06	30 June 05	30 June 06	30 June 05	30 June 06	30 June 05	30 June 06	30 June 05
	%	%	%	%	%	%	%	%
Margin on sales revenue	12	13	24	33	15	14	(11)	(37)

Note No: **05** Revenue

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
<b>Sales revenue</b>				
Revenue from rendering of services	134,349	125,117	43,492	46,332
	134,349	125,117	43,492	46,332
<b>Other revenue</b>				
Rent received	4	10	4	4
Interest	483	306	557	340
Dividends	-	-	11,000	12,000
Other	28	139	15	49
Profit from sale of businesses and related assets	-	-	29	6
	515	455	11,605	12,399
Total revenue from continuing operations	134,864	125,572	55,097	58,731

Note No: **06** Other income

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
Export development grant (note 8)	139	-	-	-

Note No: **07** Expenses

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<b>Depreciation</b>				
Leasehold improvements, plant and equipment	3,334	3,549	2,545	2,687
Purchased debt	-	18,620	-	-
<b>Total depreciation</b>	3,334	22,169	2,545	2,687
<b>Amortisation</b>				
Leased plant and equipment	14	5	-	-
Other intangibles	1	8	1	8
Legal and court cost capitalised	1,494	411	-	-
<b>Total amortisation</b>	1,509	424	1	8

Note No: 07 Expenses continued

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
<b>Finance costs</b>				
Interest and finance charges paid/payable	4,096	3,724	3,989	3,704
Interest and finance charges - related parties	58	-	-	-
<b>Total finance costs</b>	<b>4,154</b>	<b>3,724</b>	<b>3,989</b>	<b>3,704</b>
Fair Value losses on other financial assets	21,661	-	-	-
Net foreign exchange losses recognised in profit before income tax for the year (as either other income or expense)	17	(5)		

Note No: 08 Income tax expense

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
<b>(a) Income tax expense</b>				
Current income tax provision	1,243	3,123	(2,866)	(598)
Deferred income tax provision	4,824	2,785	2,294	(906)
Under (over) provided in prior years	(1,979)	(414)	(1,416)	(195)
	<b>4,088</b>	<b>5,494</b>	<b>(1,988)</b>	<b>(1,699)</b>
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 15)	2,836	(1,276)	2,429	(528)
(Decrease) increase in deferred tax liabilities (note 24)	1,988	4,061	(135)	(378)
	<b>4,824</b>	<b>2,785</b>	<b>2,294</b>	<b>(906)</b>
<b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>				
Profit from continuing operations before income tax expense	9,913	17,822	(110)	7,019
Tax at the Australian tax rate of 30% (2005 - 30%)	2,974	5,347	(33)	2,106
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible depreciation	263	-	-	-
Non-deductible amortisation	104	151	-	298
Non-deductible impairment	-	-	922	-
Non-assessable inter-company dividends from members of the tax-consolidated Group	-	-	(3,300)	(3,600)
Non-deductible writedown of investments in subsidiaries	-	-	592	-
Tax losses not recognised	611	519	-	-
Sundry items	72	1	57	5
	<b>4,024</b>	<b>6,018</b>	<b>(1,762)</b>	<b>(1,191)</b>

Note No: **08** **Income tax expense continued**

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
Difference in overseas tax rates	78	83	-	-
Sundry Items	(14)	(607)	(226)	(508)
	64	(524)	(266)	(508)
Income tax expense	4,088	5,494	(1,988)	(1,699)
<b>(c) Tax losses</b>				
Unused tax losses for which no deferred tax asset has been recognised	4,343	2,253	-	-
Potential tax benefit @ 30%	1,303	676	-	-

*All unused tax losses were incurred by Australian entities.*

Note No: **09** **Current assets - Cash and cash equivalents**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	3,038	4,775	641	558
<b>(a) Reconciliation to cash at the end of the year</b>				
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
<i>Bank overdraft right of set-off</i>				
Balances as above	3,038	4,775	641	558
Bank overdrafts (note 20)	(2,918)	(2,376)	(2,918)	(2,330)
Balances per statement of cash flows	120	2,399	(2,277)	(1,772)

**(b) Cash at bank and on hand**

Information concerning the effective interest rates is set out in the non-current receivables note (note 13).

**(c) Fair value**

The carrying amount for cash and cash equivalents equals the fair value.

**(d) Bank overdraft right of set-off**

With effect from 1 July 2004, the Company holds a contractual right of set-off between the current overdraft balance and the cash-at-bank balances.

Note No: 10 Current assets - Receivables

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Net trade receivables</b>				
Trade debtors	11,154	12,950	4,909	6,722
Provision for doubtful trade debtors	(2,206)	(1,497)	(1,880)	(1,057)
	8,948	11,453	3,029	5,665
Loans to Controlled Entities	-	-	11,000	13,098
Other loans	-	88	-	87
Other debtors	2,673	1,388	1,152	609
Accrued revenue - intercompany interest	-	-	221	-
	2,673	1,476	12,373	13,794
	11,621	12,929	15,402	19,459

(a) Bad and doubtful trade receivables

The Group has recognised a loss of \$833,000 (2005: \$27,388) in respect of bad and doubtful trade receivables during the year ended 30 June 2006.

(b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in the non-current receivables note (note 13).

Note No: 11 Other financial assets at fair value through profit or loss

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Current and Non-Current</b>				
At beginning of the period	112,339	-	-	-
Reclassification of capitalised costs	(665)	-	-	-
Adjustment on adoption of AASB 132 and AASB 139	(27,476)	-	-	-
Additions	32,969	-	-	-
Fair value gain / (loss)	(21,661)	-	-	-
At end of year	95,506	-	-	-
<b>Purchased debt</b>				
Purchased debt - at cost	-	169,601	-	-
Purchased debt - accumulated depreciation	-	(57,927)	-	-
Legal and court costs capitalised - net	-	665	-	-
	-	112,339	-	-
Other financial assets - shares in Controlled Entities at fair price	-	-	20,461	20,959

The amount of the above financial assets are classified as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Current	28,615	-	-	-
Non-current	66,891	112,339	20,461	20,959
	95,506	112,339	20,461	20,959

Gains / (losses) in fair values of other financial assets at fair value through profit or loss are recorded in the income statement.

**(a) Transition to AASB 132 and AASB 139**

The Group has taken the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards at 1 July 2005, both for the Group and the Parent Entity:

- // Purchased debt with a carrying value of \$111,674,000 that were classified in the balance sheet under previous AGAAP as purchased debt were designated and re-classified as other financial assets at fair value through profit and loss; and
- // an adjustment of \$27,476,000 (\$19,234,000 net of tax) was recognised. This represented an initial loss on remeasurement to fair value of assets that under previous AGAAP had been measured at amortised cost.
- // the residual balance of \$665,000 that was classified in the balance sheet under previous AGAAP as purchased debt and which represented capitalised court and legal costs (net) were re-classified as other non-current assets. There was no change to the measurement of this balance at 1 July 2005.

For further information refer to note 1(m) and section 5 of note 42.

**(b) Classification**

The carrying amounts of the above financial assets are classified as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Designated at fair value on initial recognition	95,506	-	-	-

**Note No: 12 Current assets - Other current assets**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Other deposits	420	338	242	254
Prepayments	612	1,099	435	757
	1,032	1,437	677	1,011

Note No: 13 Non-current assets - Receivables

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Loans to Controlled Entities	-	-	78,290	79,214
Other debtors	-	1,013	-	-

Further information relating to loans to related parties and key management personnel is set out in notes 35 and 31 respectively.

(a) Fair values

The fair values and carrying values of non-current receivables of the Group are as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Other receivables	-	1,013	78,290	79,214

(b) Interest rate risks

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2006	Fixed interest maturing in:			
	Floating interest rate	1 year or less	Non-interest bearing	Total
Current	\$'000	\$'000	\$'000	\$'000
Cash & cash equivalents	3,032	-	6	3,038
Trade receivables	-	-	8,948	8,948
Other receivables	-	-	2,673	2,673
Other deposits	-	237	183	420
Purchased debt	-	-	95,506	95,506
	<b>3,032</b>	<b>237</b>	<b>107,316</b>	<b>110,585</b>
Weighted average interest rate (%)	4.93%	5.75%	-	

2005	Fixed interest maturing in:				
	Floating interest rate	1 year or less	Over 1 to 2 years	Non-interest bearing	Total
Current	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2,393	-	-	6	2,399
Trade receivables	-	-	-	11,453	11,453
Other current assets	-	338	-	1,099	1,437
Other receivables	-	88	43	2,358	2,489
Purchased debt	-	-	-	112,339	112,339
	<b>2,393</b>	<b>426</b>	<b>43</b>	<b>127,255</b>	<b>130,117</b>
Weighted average interest rate (%)	4.65%	5.02%	6.00%	-	

(c) Credit risk

There is no concentration of credit risk with respect to current and non-current receivables, as the Group has a large number of customers, internationally dispersed. Refer to note 2 for more information on the risk management policy of the Group.



Note No: 14 Non-current assets - Property, plant and equipment

Consolidated	Plant and equipment	Leasehold improvements	Leased plant & equipment	Work-in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2004</b>					
- Cost	17,715	426	35	11	18,187
Accumulated depreciation	(9,814)	(87)	(4)	-	(9,905)
<b>Net book amount</b>	<b>7,901</b>	<b>339</b>	<b>31</b>	<b>11</b>	<b>8,282</b>
<b>Year ended 30 June 2005</b>					
Opening net book amount	7,901	339	31	11	8,282
Additions	203	38	-	785	1,026
Disposals	(61)	(9)	(28)	-	(98)
Impairment charge recognised in profit and loss	(146)	-	-	-	(146)
Depreciation charge	(2,462)	(32)	(4)	-	(2,498)
Transfers	(17)	-	55	(38)	-
<b>Closing net book amount</b>	<b>5,418</b>	<b>336</b>	<b>54</b>	<b>758</b>	<b>6,566</b>
<b>At 30 June 2005</b>					
- Cost	17,469	453	375	758	19,055
Accumulated depreciation	(12,051)	(117)	(321)	-	(12,489)
<b>Net book amount</b>	<b>5,418</b>	<b>336</b>	<b>54</b>	<b>758</b>	<b>6,566</b>
<b>Year ended 30 June 2006</b>					
Opening net book amount	5,418	336	54	758	6,566
Additions	1,081	344	-	-	1,425
Disposals	(981)	-	(36)	-	(1,017)
Impairment charge recognised in profit and loss	(196)	-	-	(92)	(288)
Depreciation charge	(1,726)	(58)	(14)	-	(1,798)
Transfers	-	-	-	181	181
<b>Closing net book amount</b>	<b>3,596</b>	<b>622</b>	<b>4</b>	<b>847</b>	<b>5,069</b>
<b>At 30 June 2006</b>					
- Cost	17,569	797	20	847	19,233
Accumulated depreciation	(13,973)	(175)	(16)	-	(14,164)
<b>Net book amount</b>	<b>3,596</b>	<b>622</b>	<b>4</b>	<b>847</b>	<b>5,069</b>

Company	Plant and equipment	Leasehold improvements	Work-in-progress	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2004</b>				
- Cost	14,913	335	-	15,248
Accumulated depreciation	(8,243)	(71)	-	(8,314)
<b>Net book amount</b>	<b>6,670</b>	<b>264</b>	<b>-</b>	<b>6,934</b>
<b>Year ended 30 June 2005</b>				
Opening net book amount	6,670	264	-	6,934
Additions	40	29	625	694
Disposals	(20)	-	-	(20)
Depreciation charge	(2,027)	(23)	-	(2,050)
<b>Closing net book amount</b>	<b>4,663</b>	<b>270</b>	<b>625</b>	<b>5,558</b>
<b>At 30 June 2005</b>				
- Cost	14,898	364	625	15,887
Accumulated depreciation	(10,235)	(94)	-	(10,329)
<b>Net book amount</b>	<b>4,663</b>	<b>270</b>	<b>625</b>	<b>5,558</b>
<b>Year ended 30 June 2006</b>				
Opening net book amount	4,663	270	625	5,558
Additions	524	344	280	1,148
Disposals	(553)	-	-	(553)
Impairment charge recognised in profit and loss	(598)	-	-	(598)
Depreciation charge	(971)	(47)	-	(1,018)
<b>Closing net book amount</b>	<b>3,065</b>	<b>567</b>	<b>905</b>	<b>4,537</b>
<b>At 30 June 2006</b>				
- Cost	14,867	708	905	16,480
Accumulated depreciation	(11,802)	(141)	-	(11,943)
<b>Net book amount</b>	<b>3,065</b>	<b>567</b>	<b>905</b>	<b>4,537</b>

(a) Non-current assets pledged as security

Refer to note 23b for information on non-current assets pledged as security by the Parent Entity and its Controlled Entities.

Note No: **15** Non-current assets - Deferred tax assets

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts	664	-	564	-
Provisions and employee benefits	952	1,155	846	1,015
Receivables impairment	116	-	-	-
Fixed assets	661	461	245	-
Tax losses	1,063	4,553	135	3,168
Sundry	95	104	62	100
	<b>3,551</b>	<b>6,273</b>	<b>1,852</b>	<b>4,283</b>
Set-off of deferred tax liabilities of Parent Entity pursuant to set-off provisions (note 24)	(2,337)	(5,382)	(26)	(161)
Net deferred tax assets	<b>1,214</b>	<b>891</b>	<b>1,826</b>	<b>4,122</b>
<b>Movements:</b>				
Opening balance at 1 July	6,273	4,996	4,281	3,753
Change on adoption of AASB 132 and AASB 139	114	-	-	-
Credited/(charged) to the income statement (note 8)	(2,836)	1,277	(2,429)	530
Closing balance at 30 June	<b>3,551</b>	<b>6,273</b>	<b>1,852</b>	<b>4,283</b>

Note No: **16** Non-current assets - Intangible assets

Consolidated	Goodwill	Computer software	Other intangible assets	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2004</b>				
Cost	32,008	6,535	2,063	40,606
Accumulated amortisation and impairment	(5,884)	(3,035)	-	(8,919)
<b>Net book amount</b>	<b>26,124</b>	<b>3,500</b>	<b>2,063</b>	<b>31,687</b>
<b>Year ended 30 June 2005</b>				
Opening net book amount	26,124	3,500	2,063	31,687
Additions	-	1,316	13	1,329
Impairment charge	(301)	(846)	-	(1,147)
Disposals	-	-	-	-
Depreciation	(1,270)	(1,054)	(853)	(3,177)
<b>Closing net book amount</b>	<b>24,553</b>	<b>2,916</b>	<b>1,223</b>	<b>28,692</b>
<b>At 30 June 2005</b>				
Cost	31,275	7,732	2,076	41,083
Accumulated amortisation and impairment	(6,722)	(4,816)	(853)	(12,391)
<b>Net book amount</b>	<b>24,553</b>	<b>2,916</b>	<b>1,223</b>	<b>28,692</b>

Note No: 16 Non-current assets - Intangible assets continued

Consolidated	Goodwill	Computer software	Other intangible assets	Total
	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2006</b>				
Opening net book amount	24,553	2,916	1,223	28,692
Additions	276	1,760	33	2,069
Depreciation & impairment charges	(297)	(2,290)	(315)	(2,902)
Disposals	-	-	(22)	(22)
<b>Closing net book amount</b>	<b>24,532</b>	<b>2,386</b>	<b>919</b>	<b>27,837</b>
<b>At 30 June 2006</b>				
Cost	31,551	9,492	2,087	43,130
Accumulated amortisation and impairment	(7,019)	(7,106)	(1,168)	(15,293)
<b>Net book amount</b>	<b>24,532</b>	<b>2,386</b>	<b>919</b>	<b>27,837</b>

Company	Goodwill	Computer software	Other intangible assets	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2004</b>				
Cost	14,894	3,900	444	19,238
Accumulated amortisation and impairment	(3,382)	(2,008)	-	(5,390)
<b>Net book amount</b>	<b>11,512</b>	<b>1,892</b>	<b>444</b>	<b>13,848</b>
<b>Year ended 30 June 2005</b>				
Opening net book amount	11,512	1,892	444	13,848
Additions	11	335	-	346
Amortisation charge	-	(637)	-	(637)
Disposals	-	-	(5)	(5)
<b>Closing net book amount</b>	<b>11,523</b>	<b>1,590</b>	<b>439</b>	<b>13,552</b>
<b>At 30 June 2005</b>				
Cost	14,911	4,232	439	19,582
Accumulated amortisation and impairment	(3,388)	(2,642)	-	(6,030)
<b>Net book amount</b>	<b>11,523</b>	<b>1,590</b>	<b>439</b>	<b>13,552</b>
<b>Year ended 30 June 2006</b>				
Opening net book amount	11,523	1,590	439	13,552
Additions	-	814	11	825
Impairment charge	55	-	-	55
Depreciation charge	-	(725)	-	(725)
Disposals	(224)	-	-	(224)
<b>Closing net book amount</b>	<b>11,354</b>	<b>1,679</b>	<b>450</b>	<b>13,483</b>
<b>At 30 June 2006</b>				
Cost	14,687	5,046	450	20,183
Accumulated amortisation and impairment	(3,333)	(3,367)	-	(6,700)
<b>Net book amount</b>	<b>11,354</b>	<b>1,679</b>	<b>450</b>	<b>13,483</b>

Note No: **17** **Non-current assets - Other non-current assets**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deferred expenditure - at cost	343	314	291	291
Deferred expenditure - accumulated amortisation	(266)	(268)	(264)	(263)
Legal and court costs capitalised	206	-	-	-
	283	46	27	28

Note No: **18** **Non-current assets - Databases**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Databases	11,321	10,414	-	-

**Valuation of databases**

The databases are considered purchased intangible assets and are recorded at cost or fair value. Fair value is supported at each reporting period by an impairment test as the database forms part on an identified CGU. Impairment testing is carried out in accordance with the accounting policy stated at 1(p). The calculation of impairment requires the use of assumptions.

Note No: **19** **Current liabilities - Payables**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade creditors	2,808	3,069	1,374	1,130
Other creditors and accruals	4,230	3,322	1,628	2,189
Intercompany loans	-	-	4,517	-
	7,038	6,391	7,519	3,319

Note No: **20** **Current liabilities - Interest bearing liabilities**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Secured</b>				
Bank overdraft	2,918	2,376	2,918	2,330
Hire purchase liabilities (note 34)	-	21	-	-
Other loans	-	92	-	92
Total secured current borrowings	2,918	2,489	2,918	2,422

Note No: 20 Current liabilities - Interest bearing liabilities continued

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Unsecured</b>				
Other loans	38	103	-	7
Total unsecured current borrowings	38	103	-	7
Total current borrowings	2,956	2,592	2,918	2,429

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 23.

Note No: 21 Current liabilities - Provisions

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Employee benefits	1,908	1,752	1,121	1,529
Other	542	371	568	250
	2,450	2,123	1,689	1,779

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Other	Total
	\$'000	\$'000
<b>Consolidated - 2006</b>		
<b>Current</b>		
Carrying amount at start of year	371	371
Additional provisions recognised	542	542
Payments/other sacrifices of economic benefits	(171)	(171)
Unused amounts reversed	(200)	(200)
<b>Carrying amount at end of year</b>	<b>542</b>	<b>542</b>
<b>Parent - 2006</b>		
<b>Current</b>		
Carrying amount at start of year	250	250
Additional provisions recognised	568	568
Payments/other sacrifices of economic benefits	(50)	(50)
Unused amounts reversed	(200)	(200)
<b>Carrying amount at end of year</b>	<b>568</b>	<b>568</b>

Note No: 22 Non-current liabilities - Payables

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Loans from Controlled Entities	-	-	-	9,761

Note No: **23** **Non-Current liabilities - Interest bearing liabilities.**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Bank loans	53,793	54,290	53,793	54,290
<b>(a) Total secured liabilities</b> The total secured liabilities (current and non-current) are as follows:				
Bank overdrafts and bank loans	56,711	56,666	56,711	56,620
Lease liabilities	-	21	-	-
Other loans	-	92	-	92
<b>Total secured liabilities</b>	<b>56,711</b>	<b>56,779</b>	<b>56,711</b>	<b>56,712</b>
<b>(b) Assets pledged as security</b> 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 recognised in the financial statements 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.				
<b>(c) Financing arrangements</b> Unrestricted access was available at balance date to the following lines of credit:				
<b>Credit standby arrangements</b>				
<b>Total facilities</b>				
Bank offset facility (secured)	5,000	5,000	5,000	5,000
Bank loan (secured)	60,000	60,000	60,000	60,000
Bank guarantee facilities (secured)	1,009	872	500	500
Bank leasing and hire purchase facilities	-	265	-	150
	<b>66,009</b>	<b>66,137</b>	<b>65,500</b>	<b>65,650</b>
<b>Used at balance date</b>				
Bank offset facility (secured)	2,918	-	-	2,330
Bank loan (secured)	53,793	54,290	53,793	54,290
Bank guarantee facilities (secured)	989	852	480	480
Bank leasing and hire purchase facilities	-	21	-	-
	<b>57,700</b>	<b>55,163</b>	<b>54,273</b>	<b>57,100</b>
<b>Unused at balance date</b>				
Bank offset facility (secured)	2,182	5,000	5,000	2,670
Bank loan (secured)	6,207	5,710	6,207	5,710
Bank guarantee facilities (secured)	-	20	-	20
Bank leasing and hire purchase facilities	265	244	150	150
	<b>8,654</b>	<b>10,974</b>	<b>11,357</b>	<b>8,550</b>

The current interest rates are 6.24% on the bank loan, 8.08% on the overdraft (2005 - 6.41% and 8.23% respectively).

Note No: 23 **Non-Current liabilities – Interest bearing liabilities continued**

(d) **Interest rate risk exposures**

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

2006		Fixed interest maturing in:						Total
	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
Bank overdrafts and loans (notes 20 and 23)	56,711	-	-	-	-	-	-	56,711
Other loans (notes 20 and 23)	-	-	-	-	-	-	-	-
Lease liabilities (notes 20, 23 and 34)	-	-	-	-	-	-	-	-
	<b>56,711</b>	-	-	-	-	-	-	<b>56,711</b>
Weighted average interest rate	6.24%	- %	- %	- %	- %	- %	- %	

2005		Fixed interest maturing in:						Total
	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdrafts and loans (notes 20 and 23)	56,666	-	-	-	-	-	-	56,666
Other loans (notes 20 and 23)	-	92	-	-	-	-	-	92
Lease liabilities (notes 20, 23 and 34)	-	21	-	-	-	-	-	21
	<b>56,666</b>	<b>113</b>	-	-	-	-	-	<b>56,779</b>
Weighted average interest rate	6.41%	6.63%	- %	- %	- %	- %	- %	



Note No: **23** Non-Current liabilities - Interest bearing liabilities continued

(e) Fair values

The carrying amounts and fair values of borrowings at balance date are:

	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>On-balance sheet</b>				
<b>Non-traded financial liabilities</b>				
Bank overdrafts	2,918	-	2,376	-
Bank loans	53,793	-	54,290	-
Other loans	-	-	92	-
Lease liabilities	-	-	21	-
	<b>56,711</b>	<b>-</b>	<b>56,779</b>	<b>-</b>

Other than those classes of borrowings denoted as "traded", none of the classes are readily traded on organised markets in standardised form.

Fair value is inclusive of costs which would be incurred on settlement of a liability.

Note No: **24** Non-current liabilities - Deferred tax liabilities

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>The balance comprises temporary differences attributable to:</b>				
<b>Amounts recognised in profit or loss</b>				
Prepayments	4	37	2	2
Purchased debt	17,660	23,879	-	-
Intangibles	413	459	-	-
Fixed assets	92	53	-	159
Sundry	87	83	24	-
	<b>18,256</b>	<b>24,511</b>	<b>26</b>	<b>161</b>
Set-off of deferred tax liabilities of Parent Entity pursuant to set-off provisions (note 15)	(2,337)	(5,382)	(26)	(161)
<b>Net deferred tax liabilities</b>	<b>15,919</b>	<b>19,129</b>	<b>-</b>	<b>-</b>
<b>Movements:</b>				
Opening balance at 1 July	24,511	20,450	161	539
Change on adoption of AASB 132 and AASB 139	(8,243)	-	-	-
Charged/(credited) to the income statement (note 8)	1,988	4,061	(135)	(378)
Closing balance at 30 June	<b>18,256</b>	<b>24,511</b>	<b>26</b>	<b>161</b>

Note No: **25** Non-current liabilities - Provisions

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Employee benefits	424	361	223	343

Note No: **26** Employee benefits

(a) 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 No: **27** Contributed equity

	Company		Company	
	2006	2005	2006	2005
	Shares	Shares	\$'000	\$'000
(a) <u>Share capital</u>				
Ordinary shares				
Fully paid	97,321,881	97,221,881	67,256	67,156
Total contributed equity			67,256	67,156

Note No: **27** Contributed equity continued

(b) **Movements in ordinary share capital:**

Issues of ordinary shares during the year

Date	Details	Number of shares	Issue price \$	\$'000
2005				
01 July 2004	Opening balance	96,876,381		66,757
	Employee share scheme issues	225,500	\$1.22	275
	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	20,000	\$1.18	24
<b>30 June 2005</b>	<b>Balance</b>	<b>97,221,881</b>		<b>67,156</b>
2006				
01 July 2005	Opening balance	97,221,881		67,156
2 November 2005	Exercise of options pursuant to the Executive Director share option plan	100,000	1.00	100
<b>30 June 2006</b>	<b>Balance</b>	<b>97,321,881</b>		<b>67,256</b>

(c) **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held (refer to note 30).

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and, upon a poll each share is entitled to one vote.

(d) **Employee share scheme**

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 39.

(e) **Options**

Information relating to the Collection House Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 39.

Note No: 28 Reserves and retained profits

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>(a) Reserves</b>				
Share-based payments reserve	39	-	39	-
Foreign currency translation reserve	(562)	(144)	-	-
	(523)	(144)	39	-
<b>Movements:</b>				
<i>Share-based payments reserve</i>				
Balance at beginning of period	-	-	-	-
Option expense	39	-	39	-
Transfer to share capital (options exercised)	-	-	-	-
Balance at end of period	39	-	39	-
<b>Movements:</b>				
<i>Foreign currency translation reserve</i>				
Balance at beginning of period	(144)	380	-	-
Currency translation differences arising during the year :				
Group	(418)	(524)	-	-
Associates	-	-	-	-
Balance at end of period	(562)	(144)	-	-
<b>(b) Retained profits</b>				
Movements in retained profits were as follows:				
Balance 1 July	27,703	22,533	6,147	5,205
Profit for the year	6,077	12,946	1,878	8,718
Dividends	(3,894)	(7,776)	(3,894)	(7,776)
Adjustment on adoption of accounting standard (net of tax) (note 11)	(20,476)	-	-	-
Balance at end of period	9,410	27,703	4,131	6,147

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

*(i) Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options issued but not exercised.

*(ii) Foreign currency translation reserve*

Exchange differences arising on translation of the foreign Controlled Entity are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

Note No: **29** Minority interest

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Interest in:				
Share capital	289	319	-	-
Interest in retained profits / (losses) at the beginning of the financial year	(1,341)	(1,364)	-	-
	(1,052)	(1,045)	-	-

Note No: **30** Dividends

	Company	
	30 June 2006	30 June 2005
	\$'000	\$'000
<b>(a) Ordinary shares</b>		
Unfranked final dividend for the year ended 30 June 2005 - 4.0 cents per share	3,894	3,888
Unfranked interim dividend for the year ended 30 June 2006 - 0.0 cents per share (2005 - 4.0 cents per share)	-	3,888
Total dividends provided for or paid	3,894	7,776
Paid in cash	3,894	7,776
<b>(b) Dividends not recognised at year end</b>		
In addition to the above dividends, since year end the directors have recommended the payment of a final unfranked dividend of 2.0 cents per fully paid ordinary share (2005 - 4.0 cents). The aggregate amount of the proposed dividend expected to be paid on 24 November 2006 out of retained profits at 30 June 2006, but not recognised as a liability at year end, is	1,946	3,888

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2006 and will be recognised in subsequent financial reports.

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$'000	\$'000	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 - 30%)	-	-	-	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) Franking credits that will arise from the payment of the amount of the provision for income tax.
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.
- (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 No: 31 Key management personnel disclosures

(a) Directors

The following persons were Directors of Collection House Limited during the financial year:

(i) Chairman - Non-Executive

D. G. Punches

(ii) Executive Directors

J. M. Pearce, Deputy Chairman and Managing Director

C. K. Day, Chief Executive Officer

R. G. King, Company Secretary (Director from 24 August 2005)

A. F. Coutts, Director, Sales

(iii) Non-Executive Directors

B. E. Adams (Lead Independent Director)

D. B. Connelly

W. L. Hiller

W. W. Kagel

S. Walker

(b) Other key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly, during the financial year:

Name	Position	Employer
Adrian Ralston	Chief Financial Officer	Collection House Limited
Brendan Doherty	Chief Collections Officer (to 17 November 2005)	Collection House Limited
Brian Savage	Consultant	Collection House Limited
Kylie Lynam	Manager, Human Resources	Collection House Limited
Matthew Thomas	Chief Information Officer	Collection House Limited

All of the above persons were also key management persons during the year ended 30 June 2005.

(c) Key management personnel compensation

The Company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report on pages 28 to 32.

Note No: 31 Key management personnel disclosures continued

(d) Equity instrument disclosures relating to key management personnel

(i) 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 five specified executives of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Collection House Limited. Further information on the options is set out in note 39.

(ii) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report on pages 32 - 34.

(iii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Collection House Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2006	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors of Collection House Limited</i>						
A. Coutts	100,000	-	(100,000)	-	-	-
C. Day	-	300,000	-	-	300,000	-
<i>Other key management personnel of the Group</i>						
A. Ralston	-	-	-	-	-	-
M. Thomas	-	-	-	-	-	-
K. Lynam	-	-	-	-	-	-
B. Savage	-	-	-	-	-	-
B. Doherty	-	-	-	-	-	-
2005	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors of Collection House Limited</i>						
A. Coutts	200,000	-	(100,000)	-	100,000	-
<i>Other key management personnel of the Group</i>						
C. Day	-	40,000	-	(40,000)	-	-
B. Doherty	-	40,000	-	(40,000)	-	-
A. Ralston	-	-	-	-	-	-
C. Stewart	-	60,000	(20,000)	(40,000)	-	-
M. Thomas	-	40,000	-	(40,000)	-	-
M. Watkins	-	20,000	-	(20,000)	-	-

(iv) Share holdings

The numbers of shares in the Company held during the financial year by each director of Collection House Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares issued under the terms of the Employee Share Plan during the reporting period as compensation.

2006	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors of Collection House Limited</i>				
<b>Ordinary shares</b>				
D. Punches	14,054,835	-	-	14,054,835
B. Adams	-	-	-	-
B. Connelly	20,000	-	-	20,000
T. Coutts	4,034,000	100,000	-	4,134,000
B. Hiller	5,200	-	-	5,200
B. Kagel	500,000	-	-	500,000
S. Walker	6,750,000	-	-	6,750,000
R. King	-	-	-	-
C. Day	325,000	-	-	325,000
J. Pearce	14,189,900	-	-	14,189,900
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
M. Thomas	2,000	-	-	2,000
K. Lynam	11,000	-	-	11,000
A. Ralston	-	-	-	-
B. Savage	-	-	-	-
B. Doherty (departed 1 November 2005)	-	-	1,000	1,000
2005	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors of Collection House Limited</i>				
<b>Ordinary shares</b>				
D. Punches	14,011,665	-	43,170	14,054,835
B. Adams	-	-	-	-
T. Aveling	250,000	-	-	250,000
B. Connelly	20,000	-	-	20,000
T. Coutts	3,934,000	100,000	-	4,034,000
B. Hiller	5,200	-	-	5,200
B. Göranson	4,772,427	-	-	4,772,427
B. Kagel	500,000	-	-	500,000
S. Walker	6,750,000	-	-	6,750,000
J. Pearce	14,146,730	-	43,170	14,189,900
<i>Other key management personnel of the Group</i>				
<b>Ordinary shares</b>				
C. Day	273,000	-	52,000	325,000
B. Doherty	7,500	-	(5,500)	2,000
A. Ralston	-	-	-	-
C. Stewart	-	20,000	-	20,000
M. Thomas	10,000	-	(8,000)	2,000
M. Watkins	27,000	-	(3,000)	24,000

Details of loans made to directors of Collection House Limited and other key management personnel of the Group, including their personally related parties, are set out below.



(i) *Aggregates for key management personnel*

Group	Balance at the start of the year	Interest paid and payable for the year	Interest not charged	Balance at the end of the year	Number in Group at the end of the year
	\$	\$	\$	\$	\$
2006	-	-	-	-	-
2005	-	-	-	-	-

(ii) *Individuals with loans above \$100,000 during the financial year*

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

(e) **Other transactions with key management personnel**

No payments were made to directors or other key management personnel other than as appropriate payments for performance of their duties as directors.

**Note No: 32 Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the Parent Entity, its related practices and non-related audit firms:

	Consolidated		Company	
	30 June 2006	30 June 2005	30 June 2006	30 June 2005
	\$	\$	\$	\$
<b>(a) Assurance services</b>				
<i>Audit services</i>				
Audit and review of financial reports and other audit work under the Corporations Act 2001	190,000	170,000	190,000	170,000
Total remuneration for audit services	190,000	170,000	190,000	170,000
Audit of regulatory returns	70,000	70,000	70,000	70,000
Total remuneration for other assurance services	70,000	70,000	70,000	70,000
Total remuneration for assurance services	260,000	240,000	260,000	240,000

**Note No: 33 Contingencies**

**(a) Contingent liabilities**

The Parent Entity and Group had contingent liabilities at 30 June 2006 in respect of:

*Claims*

The Company is allowing for a possible contingent liability of \$250,000 in relation to an injury claim resulting from a Downie & Associates administration.

Claims disclosed in the 2005 Annual Report have been settled and the relevant expense has been included in the results for the current period.

*Guarantees*

(a) Bank guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for a subsidiary amounting to \$889,000 (2005 - \$852,000)

(b) On 29 October 2002 the Company and certain of its subsidiaries 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.

These guarantees may give rise to liabilities in the Company if the associates do not meet their obligations under the terms of the contracts subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

## Note No: 34 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<i>(i) Property, plant and equipment</i>				
Payable:				
Within one year	33	327	-	304
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>33</b>	<b>327</b>	<b>-</b>	<b>304</b>
<i>(ii) Investments</i>				
Payable:				
Within one year	-	100	-	100
Later than one year but not later than five years	-	100	-	100
In 2003 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. There are no future obligations under this agreement.				
	-	200	-	200
<i>(iii) Operating leases</i>				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	2,654	2,630	2,040	2,227
Later than one year but not later than five years	7,695	2,169	4,006	1,775
	<b>10,349</b>	<b>4,799</b>	<b>6,046</b>	<b>4,002</b>
<i>(iv) Hire Purchase</i>				
Commitments in relation to hire purchase are payable as follows:				
Within one year	-	22	-	-
Future finance charges	-	(1)	-	-
Recognised as a liability	-	21	-	-

## Note No: 35 Related party transactions

### (a) Parent Entity

The Parent Entity within the Group is Collection House Limited. The ultimate Parent Entity is Collection House Limited.

### (b) Subsidiaries

Interests in subsidiaries are set out in note 37.

### (c) Key management and personnel compensation

Key management personnel compensation for the years ended 30 June 2006 and 2005 is set out in the Remuneration report on pages 30 - 31.

### (d) Other transactions with key management personnel or entities related to them

No other transactions were made to key management personnel or entities related to them other than as appropriate payments for performance of their duties.

(e) **Key management personnel**

Disclosures relating to key management personnel are set out in note 31.

(f) **Transactions with 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*

Transactions 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 Legal Services Pty Ltd, provided legal services to the Company and other wholly owned Controlled Entities.

A wholly owned 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.

	Company	
	30 June 2006	30 June 2005
	\$'000	\$'000
<b>Transactions with non-director related parties</b>		
Revenue from sale of services to:		
Wholly-owned Controlled Entities	17,826	17,889
Provision of legal services to:		
Controlling Entity	-	-
Wholly owned Controlled Entities	2,249	2,489
Provision of credit reporting services to:		
Wholly owned Controlled Entities	284	248
Loan advances to:		
Wholly owned Controlled Entities	16,892	26,683
Partly owned Controlled Entities	1,253	614
Loan advances from:		
Wholly owned Controlled Entities	28,969	6,254
Partly owned Controlled Entities	840	-
Dividends receivable from:		
Wholly owned Controlled Entities	11,000	12,000
Interest received from:		
Partly owned Controlled Entities	-	-
<b>Current receivables from non-director related entities</b>		
Wholly owned Controlled Entities (dividends)	11,000	13,098
<b>Non-current receivables from non-director related entities</b>		
Wholly owned Controlled Entities (loans)	77,740	97,579
Partly owned Controlled Entities	550	5,579
<b>Current payables to non-director related entities</b>		
Wholly owned Controlled Entities	4,517	-
<b>Non-current payables from non-director related entities</b>		
Wholly owned Controlled Entities (loans)	-	9,761
<b>Percentage of equity interest</b>		
Details of equity interest held in classes of related parties are set out in Note 37.		

Note No: **36** Business combination

	Acquiree's carrying amount	Fair value
	\$'000	\$'000
Net identifiable assets acquired		-
(a) On 1 July 2005 the Parent Entity acquired a further 5.9% of the issued share capital of Collection House Business Diagnostics Pty Ltd. Collection House Business Diagnostics Pty Ltd and its subsidiaries contributed revenues of \$0.516 million and net loss of \$3.181 million to the Company for the period from 1 July 2005 to 30 June 2006.		
<i>Purchase consideration</i>		
Cash paid		100
Amount payable		-
Direct costs relating to the acquisition		1
Total purchase consideration		101
Fair value of net identifiable assets acquired		(246)
Goodwill note 16)		347
Current assets	430	430
Current liabilities	(485)	(485)
Non current assets	1,770	1,770
Non current liabilities	(5,904)	(5,904)
Net identifiable assets acquired	(4,189)	(4,189)
Minority interests		3,943
Net identifiable assets acquired		(246)

Note No: **37** Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2006	2005
Collection House Limited	Australia	Ordinary	-	-
<i>Controlled Entities - incorporated in Australia</i>			-	-
Australian Business Research Pty Ltd	Australia	Ordinary	100	100
Australian Corporate Reporting Pty Ltd	Australia	Ordinary	100	100
Australian Creditors Association Pty Ltd (1)	Australia	Ordinary	100	100
Australian Legal Recoveries Pty Ltd (1)	Australia	Ordinary	100	100
Australian Stockdata Pty Ltd (1)	Australia	Ordinary	100	100
CHIP No.1 Pty Ltd (1)	Australia	Ordinary	71	71
Collection House ALR Pty Ltd (1)	Australia	Ordinary	100	100
Collection House Business Diagnostics Pty Ltd (1)	Australia	Ordinary	84	79
Collection House Technologies Pty Ltd	Australia	Ordinary	100	100
Colpro Pty Ltd	Australia	Ordinary	100	100

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2006	2005
Countrywide Mercantile Services Pty Ltd	Australia	Ordinary	100	100
Creditnet Pty Ltd (1)	Australia	Ordinary	100	100
Downie Insolvency Unit Trust	Australia	Ordinary	100	100
Insurance Claims Solutions Pty Ltd	Australia	Ordinary	71	71
Jones King Lawyers Pty Ltd	Australia	Ordinary	100	100
Lion Finance Pty Ltd	Australia	Ordinary	100	100
Midstate Credit Management Services Pty Ltd	Australia	Ordinary	100	100
National Revenue Corporation Pty Ltd	Australia	Ordinary	100	100
National Tenancy Database Pty Ltd	Australia	Ordinary	100	100
R W Receivables Pty Ltd	Australia	Ordinary	100	100
Rapid Ratings Pty Ltd	Australia	Ordinary	84	79
Rent Check Australia Pty Ltd (1)	Australia	Ordinary	100	100
The Creditfax (Aust) Pty Ltd (1)	Australia	Ordinary	100	100
<i>Controlled Entities - incorporated in New Zealand</i>			-	-
abr.nz Limited	New Zealand	Ordinary	100	100
Collection House (NZ) Limited	New Zealand	Ordinary	100	100
Insurance Claims Solutions Limited (formerly New Zealand Creditors Association Limited) (1)	New Zealand	Ordinary	100	100
Lion Finance Limited	New Zealand	Ordinary	100	100
National Tenancy Database Limited (formerly National Revenue Corporation Limited) (1)	New Zealand	Ordinary	100	100
Rapid Ratings (NZ) Limited	New Zealand	Ordinary	84	79

(1) These Controlled Entities have not traded during the financial year

### Note No: 38 Earnings per share

	Consolidated	
	30 June 2006	30 June 2005
	Cents	Cents
<b>(a) Basic earnings per share</b>		
Earnings per share for:		
Profit from continuing operations attributable to the ordinary equity holders of the Company	6.2	13.3
<b>(b) Diluted earnings per share</b>		
Earnings per share for:		
Profit from continuing operations attributable to the ordinary equity holders of the Company	6.2	13.3
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
<i>Basic earnings per share</i>		
Profit from continuing operations	5,825	12,328
(Profit) / loss from continuing operations attributable to minority interests	252	618
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	6,077	12,946
<i>Diluted earnings per share</i>		
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	6,077	12,946

	Consolidated	
	30 June 2006	30 June 2005
	Number	Number
(d) <b>Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating earnings per share	97,297,626	97,135,427
Adjustments for calculation of diluted earnings per share:		
Options	-	53,166
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	97,297,626	97,188,593

### Note No: 39 Share-based payments

#### (a) Executive Option Plan

Participation in the executive share option plan is through Board approval. The Managing Director and Chief Executive Officer prepare 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 performance hurdle for the 2004/05 financial year was an increase in the share price of 10%. Options are exercisable at market price. Market price is 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. The Remuneration Committee reviews the terms of the executive share option plan on an annual basis.

No options were granted under the Executive Option Plan during the 2005-2006 financial year.

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
4 Jul 2000	3 Nov 2005	\$1.00	100,000	-	(100,000)	-	-	-
1 Jul 2005	30 Jun 2007	\$1.42	-	100,000	-	-	100,000	-
1 Jul 2005	30 Jun 2008	\$1.42	-	100,000	-	-	100,000	-
1 Jul 2005	30 Jun 2009	\$1.42	-	100,000	-	-	100,000	-
<b>Total</b>			<b>100,000</b>	<b>300,000</b>	<b>(100,000)</b>	<b>-</b>	<b>300,000</b>	<b>-</b>
Weighted average exercise price			\$1.00	\$1.42	\$1.00	\$-	\$-	\$-

Consolidated and company - 2005								
Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at the end of the year
14 Jul 2003	3 Nov 2004	\$1.00	100,000	-	(100,000)	-	-	-
14 Jul 2000	3 Nov 2005	\$1.00	100,000	-	-	-	100,000	-
1 Jul 2004	30 Jun 2005	\$1.18	-	20,000	(20,000)	-	-	-
1 Sep 2004	30 Sep 2005	\$1.36	-	736,000	-	(736,000)	-	-
<b>Total</b>			<b>200,000</b>	<b>756,000</b>	<b>(120,000)</b>	<b>(736,000)</b>	<b>100,000</b>	<b>-</b>
Weighted average exercise price			\$1.00	\$1.35	\$1.03	\$1.36	\$1.00	\$-

No options were forfeited during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised regularly during the year ended 30 June 2006 was \$1.49 (2005 - \$1.75).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.0 years.

#### *Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2006 is set out below. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs and resulting valuations for options granted during the year ended 30 June 2006 included:

- (i) options are granted in three tranches of 100,000, exercisable in the years ended 30 June 2007, 2008 and 2009 after reaching a Return on Equity on CLH shares of 14.4%, 16.8%, and 19.2% respectively
- (ii) exercise price: \$1.42
- (iii) grant date: 1 July 2005
- (iv) expiry date: 30 June 2007, 2008 and 2009
- (v) share price at grant date: \$1.39
- (vi) expected price volatility of the Company's shares:  
32.3% (2007) 36.1% (2008) 44.6% (2009)
- (vii) expected dividend yield:  
3.61% (2007) 5.76% (2008) 6.71% (2009)
- (viii) risk-free interest rate:  
5.18% (2007) 5.14% (2008) 5.10% (2009)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The resulting valuation per option is \$0.17 (2007) \$0.23 (2008) \$0.31 (2009)

#### (b) **Employee share scheme**

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 Company's Prospectus issued in 2000.

The plan provides for eligible employees to acquire ordinary shares in the Company at a price determined by the directors. Historically, the 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.

On application, employees must pay application monies of at least 10% of the value of the share offer. The Company may, at its 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 ninety days from the acquisition date or the date on which the outstanding loan balance has been fully repaid.

No shares issued under this plan in the year ended 30 June 2006 (2005: 225,500 shares; Issue price \$1.22).

The amount recognised in the financial statements of the Consolidated Entity and the Company in relation to employee shares issued in prior years was:

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Employee loans	23	155	23	155
Bank	-	120	-	120
Issued Capital	23	275	23	275

**Note No: 40 Events occurring after the balance sheet date**

An unfranked final dividend has been declared of 2.0 cents for a total of \$1.9 million, payable on 24 November 2006. No provision has been raised in these accounts.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2006 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

**Note No: 41 Reconciliation of profit after income tax to net cash inflow from operating activities**

	Consolidated		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Profit for the year	5,825	12,328	1,878	8,718
Depreciation and amortisation	4,843	22,593	2,546	2,695
Impairment of other assets	1,639	1,103	5,229	-
Fair value losses on other financial assets	21,661	-	-	-
Write off of assets	(52)	36	-	21
Impairment of goodwill	348	301	208	988
Net (gain) loss on sale of non-current assets	36	(290)	24	-
Amounts capitalised to purchased debt	-	(1,075)	-	-
Share Based Payments	39	-	39	-
Legal costs capitalised	-	(19)	-	-
Amounts set aside to provisions	-	211	-	200
Net exchange differences	17	(7)	2	(6)
(Increase) in trade debtors and bills of exchange	3,390	4,955	2,636	2,161
(Increase) decrease in sundry debtors	(1,197)	(1,876)	(677)	(17,603)
(Increase) decrease in current tax receivables	(1,673)	-	-	-
(Increase) decrease in deferred tax assets	3,791	-	2,296	-
(Increase) decrease in other assets	1,183	-	334	-
(Decrease) increase in trade creditors	(261)	229	(317)	386
(Decrease) increase in other liabilities	(65)	-	-	-
Increase/(decrease) in sundry creditors and accruals	908	(1,202)	(90)	547
Increase (decrease) in provision for income taxes payable	377	2,551	-	1,155
Increase (decrease) in deferred tax liabilities	(1,137)	3,730	(135)	3,925
Increase (decrease) in other financial assets	-	-	(11,173)	-
Increase (decrease) in other provisions	327	(189)	-	-
Net cash (outflow) inflow from operating activities	39,999	43,379	2,800	3,187



Note No: 42 Explanation of transition to Australian equivalents to IFRSs

(01) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004

	Consolidated			Company			
	Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS	
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents		4,697	-	4,697	150	-	150
Receivables	(e)(f)	17,114	(4)	17,110	17,919	-	17,919
Current tax receivables		2,211	-	2,211	1,918	-	1,918
Other current assets		1,113	-	1,113	683	-	683
		<b>25,135</b>	<b>(4)</b>	<b>25,131</b>	<b>20,670</b>	<b>-</b>	<b>20,670</b>
Non-current assets classified as held for sale	(f)	-	960	960	-	-	-
<b>Total current assets</b>		<b>25,135</b>	<b>956</b>	<b>26,091</b>	<b>20,670</b>	<b>-</b>	<b>20,670</b>
<b>Non-current assets</b>							
Receivables		79	-	79	78,219	-	78,219
Purchased debt		86,872	-	86,872	-	-	-
Other financial assets	(e)	-	-	-	21,844	-	21,844
Property, plant and equipment	(c)(f)	11,782	(3,626)	8,156	8,826	(1,914)	6,912
Databases		10,241	-	10,241	-	-	-
Intangible assets	(b)(c)	28,071	1,503	29,574	11,973	1,914	13,887
Deferred tax assets	(c)	4,982	14	4,996	3,739	-	3,739
Other non-current assets		51	-	51	29	-	29
<b>Total non-current assets</b>		<b>142,078</b>	<b>(2,109)</b>	<b>139,969</b>	<b>124,630</b>	<b>-</b>	<b>124,630</b>
<b>Total assets</b>		<b>167,213</b>	<b>(1,153)</b>	<b>166,060</b>	<b>145,300</b>	<b>-</b>	<b>145,300</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Payables	(e)	7,364	-	7,364	2,497	-	2,497
Interest bearing liabilities		2,919	-	2,919	2,825	-	2,825
Current tax liabilities		206	-	206	-	-	-
Provisions		1,900	-	1,900	1,562	-	1,562
<b>Total current liabilities</b>		<b>12,389</b>	<b>-</b>	<b>12,389</b>	<b>6,884</b>	<b>-</b>	<b>6,884</b>
<b>Non-current liabilities</b>							
Payables		-	-	-	3,507	-	3,507
Interest bearing liabilities		44,129	-	44,129	44,108	-	44,108
Provisions		306	-	306	259	-	259
Deferred tax liabilities	(h)	19,991	462	20,453	18,581	-	18,581
<b>Total non-current liabilities</b>		<b>64,426</b>	<b>462</b>	<b>64,888</b>	<b>66,455</b>	<b>-</b>	<b>66,455</b>
<b>Total liabilities</b>		<b>76,815</b>	<b>462</b>	<b>77,277</b>	<b>73,339</b>	<b>-</b>	<b>73,339</b>
<b>Net assets</b>		<b>90,398</b>	<b>(1,615)</b>	<b>88,783</b>	<b>71,961</b>	<b>-</b>	<b>71,961</b>
<b>Equity</b>							
Contributed equity		66,757	-	66,757	66,757	-	66,757
Reserves	(a)(d)	524	(524)	-	-	-	-
Retained earnings	(i)	23,626	(1,091)	22,535	5,204	-	5,204
<b>Parent entity interest</b>		<b>90,907</b>	<b>(1,615)</b>	<b>89,292</b>	<b>71,961</b>	<b>-</b>	<b>71,961</b>
Minority interest		(509)	-	(509)	-	-	-
<b>Total equity</b>		<b>90,398</b>	<b>(1,615)</b>	<b>88,783</b>	<b>71,961</b>	<b>-</b>	<b>71,961</b>

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Note	Consolidated			Company		
		Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents		4,775	-	4,775	558	-	558
Receivables	(c)(e)	12,938	(9)	12,929	19,459	-	19,459
Current tax receivables		763	-	763	763	-	763
Other current assets		1,437	-	1,437	1,011	-	1,011
Derivative financial instruments	(e)	-	-	-	-	-	-
<b>Total current assets</b>		<b>19,913</b>	<b>(9)</b>	<b>19,904</b>	<b>21,791</b>	<b>-</b>	<b>21,791</b>
<b>Non-current assets</b>							
Receivables	(h)	1,013	-	1,013	101,381	(22,167)	79,214
Purchased Debt		112,339	-	112,339	-	-	-
Property, plant and equipment	(c)	10,356	(3,790)	6,566	7,148	(1,590)	5,558
Databases		10,414	-	10,414	-	-	-
Intangible assets	(b)(c)	25,884	2,808	28,692	11,211	2,341	13,552
Deferred tax assets	(c)(h)	5,927	(5,036)	891	4,461	(339)	4,122
Other financial assets	(c)(e)	-	-	-	21,947	(988)	20,959
Other non-current assets		46	-	46	28	-	28
<b>Total non-current assets</b>		<b>165,979</b>	<b>(6,018)</b>	<b>159,961</b>	<b>146,176</b>	<b>(22,743)</b>	<b>123,433</b>
<b>Total assets</b>		<b>185,892</b>	<b>(6,027)</b>	<b>179,865</b>	<b>167,967</b>	<b>(22,743)</b>	<b>145,224</b>
<b>Liabilities</b>							
<b>Current liabilities</b>							
Payables	(e)	6,391	-	6,391	3,319	-	3,319
Interest bearing liabilities		2,592	-	2,592	2,429	-	2,429
Current tax liabilities		1,309	-	1,309	-	-	-
Provisions		2,123	-	2,123	1,779	-	1,779
<b>Total current liabilities</b>		<b>12,415</b>	<b>-</b>	<b>12,415</b>	<b>7,527</b>	<b>-</b>	<b>7,527</b>
<b>Non-current liabilities</b>							
Interest bearing liabilities		54,290	-	54,290	54,290	-	54,290
Deferred tax liabilities	(h)	24,052	(4,923)	19,129	22,506	(22,506)	-
Payables		-	-	-	9,761	-	9,761
Provisions		361	-	361	343	-	343
<b>Total non-current liabilities</b>		<b>78,703</b>	<b>(4,923)</b>	<b>73,780</b>	<b>86,900</b>	<b>(22,506)</b>	<b>64,394</b>
<b>Total liabilities</b>		<b>91,118</b>	<b>(4,923)</b>	<b>86,195</b>	<b>94,427</b>	<b>(22,506)</b>	<b>71,921</b>
<b>Net assets</b>		<b>94,774</b>	<b>(1,104)</b>	<b>93,670</b>	<b>73,540</b>	<b>(237)</b>	<b>73,303</b>
<b>Equity</b>							
Contributed equity		67,156	-	67,156	67,156	-	67,156
Reserves	(a)(d)	380	(524)	(144)	-	-	-
Retained earnings	(i)	28,061	(358)	27,703	6,384	(237)	6,147
<b>Parent entity interest</b>		<b>95,597</b>	<b>(882)</b>	<b>94,715</b>	<b>73,540</b>	<b>(237)</b>	<b>73,303</b>
Minority interest	(c)	(823)	(222)	(1,045)	-	-	-
<b>Total equity</b>		<b>94,774</b>	<b>(1,104)</b>	<b>93,670</b>	<b>73,540</b>	<b>(237)</b>	<b>73,303</b>

**(02) Reconciliation of profit for the year ended 30 June 2005**

	Consolidated			Company			
		Previous AGAAP	Effect of transition to AIFRS	AIFRS	Previous AGAAP	Effect of transition to AIFRS	AIFRS
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>	(e)(g)	126,552	(980)	125,572	58,767	(36)	58,731
Depreciation and amortisation expense	(b)(c)	(22,776)	183	(22,593)	(3,446)	751	(2,695)
Impairment	(c)	(301)	-	(301)	-	(988)	(988)
Foreign exchange losses (net)		5	-	5	-	-	-
Other expenses	(g)	(8,207)	980	(7,227)	(4,281)	36	(4,245)
Employee expenses		(35,223)	-	(35,223)	(22,892)	-	(22,892)
Search fees		(12,826)	-	(12,826)	(418)	-	(418)
Direct collection costs		(16,106)	-	(16,106)	(13,863)	-	(13,863)
Insurance claims costs		(4,029)	-	(4,029)	-	-	-
Bad and doubtful debts		(27)	-	(27)	59	-	59
Operating lease rental expense		(3,551)	-	(3,551)	(2,163)	-	(2,163)
Consultancy fees		(619)	-	(619)	(137)	-	(137)
Legal expenses		(757)	-	(757)	(666)	-	(666)
Other expenses - related parties		68	-	68	-	-	-
Impairment of other assets		(1,103)	-	(1,103)	-	-	-
Net (gain)/loss on disposal of property		263	-	263	-	-	-
Finance costs - net		(3,724)	-	(3,724)	(3,704)	-	(3,704)
<b>Profit before income tax</b>		<b>17,639</b>	<b>183</b>	<b>17,822</b>	<b>7,256</b>	<b>(237)</b>	<b>7,019</b>
Income tax expense	(c)	(5,825)	331	(5,494)	1,699	-	1,699
Profit from continuing operations		11,814	514	12,328	8,955	(237)	8,718
<b>Profit for the year</b>		<b>11,814</b>	<b>514</b>	<b>12,328</b>	<b>8,955</b>	<b>(237)</b>	<b>8,718</b>
Profit attributable to minority interest	(c)	396	222	618	-	-	-
<b>Profit attributable to members of Collection House Limited</b>		<b>12,210</b>	<b>736</b>	<b>12,946</b>	<b>8,955</b>	<b>(237)</b>	<b>8,718</b>

**(03) Reconciliation of cash flow statement for the year ended 30 June 2005**

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

**(04) Notes to the reconciliations****(a) Foreign currency translation reserve: cumulative translation differences**

The Group has elected to apply the exemption in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to AIFRSs. The effect is:

*(i) At 1 July 2004 and 30 June 2005*

For the Group the balance of the \$524,000 credit in the foreign currency translation reserve is reduced to zero. Retained earnings is increased by this amount.

**(b) Business combinations**

The Group has made a number of business acquisitions in recent years. The Group has elected to apply the exemption in AASB 1 to all acquisitions prior to transition date. On 1 July 2004, the Group acquired a further 5.9% interest in Collection House Business Diagnostics Pty Ltd.

At the date of acquisition all identifiable assets were recognised by the Group, and no adjustment was required for the transition to AASB 3 - Business Combinations.

The effect is:

*(i) At 1 July 2004*

There is no effect on the Group or the Company.

*(ii) At 30 June 2005*

For the Company, the impact on the financial statements would have resulted in goodwill being \$751,000 higher and amortisation being \$751,000 lower.

**(c) Property, plant and equipment**

*Impairment*

Under AIFRS, the Group is required to test certain assets for impairment at each reporting date. Goodwill is required to be impairment tested at least annually, and other relevant assets are tested whenever there is evidence that there may be an impairment.

The assets of the Rapid Ratings Group of companies have been identified as being impaired. This business has been in a startup phase since it was acquired by the Group on 14 June 2001. In the intervening period the business has not reached a sufficient size to support the value of the assets in the balance sheet.

Collection House Group has determined that the discounted value of the future cashflows of the business are less than the current carrying value of the assets, and accordingly these assets are impaired.

The assets of National Revenue Corporation have been identified as being impaired. Collection House Group has determined that the discounted value of the future cashflows of the business are less than the current carrying value of the assets, and accordingly these assets are impaired.

The effects of this on the Balance sheet are:

*(i) At 1 July 2004*

For the Group there has been a decrease in plant and equipment of \$48,000, and a decrease in intangible assets of \$1,119,000. Retained earnings has decreased by \$1,088,000. Deferred Tax Assets have increased by \$14,000.

*(ii) At 30 June 2005*

For the Group there has been a decrease in plant and equipment of \$146,000, a decrease in receivables of \$9,000 and a decrease in intangible assets of \$836,000. Retained earnings has decreased by \$352,000. Deferred Tax Assets have increased by \$346,000.

Minority Interests have decreased by \$222,000.

For the Company, financial assets have decreased by \$988,000.

The effects on the income statement are:

*(iii) For the year ended 30 June 2005*

For the Group depreciation and amortisation expense, including impairment charges, has decreased by \$183,000, and income tax expense has decreased by \$331,000.

Minority interests in the profit have decreased by \$222,000.

For the Company impairment charges increase by \$988,000.

*Reclassification of computer software as an intangible item*

AASB 138 Intangible Assets, computer software formerly classified as property, plant and equipment has been reclassified as an intangible asset.

The effect is:

*(iv) At 1 July 2004 and 30 June 2005*

For the Group, property, plant and equipment has decreased by \$3,501,000 and \$3,644,000 respectively. Intangible assets have increased by corresponding amounts.

For the Company, property, plant and equipment has decreased by \$1,914,000 and \$1,590,000 respectively. Intangible assets have increase by the corresponding amounts.

**(d) Share-based payments**

Under AASB 2 Share-based Payment from 1 July 2004 the Company is required to recognise an expense for those options that were issued to employees under the Collection House Option Plan after 7 November 2002 but that had not vested by 31 January 2005. All options issued under these plans have vested or expired by 31 January 2005, and no adjustment is required.

**(e) Financial instruments**

The Group has elected to apply the exemption from restatement of comparatives for AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. It has therefore continued to apply the previous AGAAP rules to derivatives, financial assets and financial liabilities and also to hedge relationships for the year ended 30 June 2005. The adjustments required for differences between previous AGAAP and AASB 132 and AASB 139 have been determined and recognised at 1 July 2005. Refer to 1(m) for further details.

In note 35 to the 30 June 2005 financial statements, the purchased debt portfolio was classified as an "Available for sale financial asset", which was the Company's view based on work that had been done to that date.

Following amendments to AASB 139, most recently in June 2005, further consultation with advisors and clarification by the International Accounting Standards Board, the Company is of the opinion that the portfolios now fall into any of the "Loans and Receivables" category, the "Available for sale" category, or, subject to certain tests, the "At fair value through profit or loss" category. The Company has chosen the "At fair value through profit or loss" category which also best reflects the nature and accounting for these assets.

**(f) Assets and liabilities of a disposal group held for sale**

On 2 March 2004 the Group resolved to sell the business and assets of the New Zealand branch of the National Revenue Corporation and initiated an active program to locate a buyer and complete the sale. The business was sold on 20 August 2004 for an amount in excess of the carrying value of the assets that were sold.

On 28 July 2004 the Group resolved to sell the business and assets of the Downie & Associates Unit Trust and initiated an active program to locate a buyer and complete the sale. The business was sold on 17 September 2004 for an amount in excess of the carrying value of the assets that were sold.

Under previous AGAAP these assets were classified in the balance sheet by their nature (plant and equipment, receivables and inventory). AIFRS requires these assets to be re-classified and separately identified in the balance sheet as part of a disposal group held for sale.

*(i) At 1 July 2004*

For the Group \$77,000 of property, plant and equipment, \$4,000 of receivables, \$24,000 of computer software, and \$879,000 of goodwill have been re-classified as part of assets held for sale.

*(ii) For the year ended 30 June 2005*

There is no effect on the Group or the Company.

**(g) Proceeds on sale of non-current assets**

Under previous AGAAP, proceeds from the sale of non-current assets were included in revenue and the book value of the assets sold was included in other expense. Under AIFRS, net gains on the sale of assets are presented in other income and net losses in other expense. The effect of this is:

*(i) At 1 July 2004*

There is no effect on the Group or the Company.

*(ii) For the year ended 30 June 2005*

For the Group, revenue and other expense have decreased by \$980,000.

For the Company, revenue and other expense have decreased by \$36,000.

**(h) Income Tax**

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity. The adoption of AIFRS has resulted in a change in accounting policy. The application of AASB 112 Income Taxes has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets as well as deferred tax balances arising during the year in relation to fair value adjustments on the acquisition of a Controlled Entity and the equity component of convertible notes issued.

*Deferred tax liability*

*(i) At 1 July 2004 and at 30 June 2005*

The effects on the deferred tax liability of the adoption of AIFRS are as follows (tax rate of 30%):

	Notes	1 July 2004		30 June 2005	
		Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
Adjustments arising from adoption of AASB 112 Databases		462	-	458	-
<b>Increase in deferred tax liability</b>		<b>462</b>	<b>-</b>	<b>458</b>	<b>-</b>

In accordance with UIG 1052 with the derecognition by the Company of deferred tax liabilities and assets relating to subsidiaries, deferred tax liabilities have decreased by \$22,346,000, deferred tax assets have increased by \$179,000 and a decrease of \$22,167,000 to non-current receivables of the Company.

*(ii) For the year ended 30 June 2005*

For the Group this has decreased income tax expense by \$331,000.

*(iii) For the year ended 30 June 2005*

In accordance with AASB 112, \$5,381,000 of deferred tax liabilities have been off set against deferred tax assets, resulting in a \$5,381,000 decrease of deferred tax liabilities and deferred tax assets respectively for the Group.

For the Company, the required adjustment resulted in a \$160,000 decrease in deferred tax liabilities and deferred tax assets, respectively.

**(i) Retained earnings**

The effect on retained earnings of the changes set out above are as follows:

	Notes	1 July 2004		30 June 2005	
		Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
Foreign currency translation reserve	(a)	(524)	-	(524)	-
Impairment	(b)(c)	1,153	-	424	237
Deferred tax liabilities	(h)	462	-	458	-
<b>Total Adjustment</b>		<b>1,091</b>	<b>-</b>	<b>358</b>	<b>237</b>
Equity holders of the Company		1,091	-	136	237
Minority interest		-	-	222	-
		<b>1,091</b>	<b>-</b>	<b>358</b>	<b>237</b>

(05) Adjustments on transition to AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*: 1 July 2005

	Consolidated			Company		
	1 July 2005	AASB 139 Transition Adjustment	1 July 2005	1 July 2005	AASB 139 Transition Adjustment	1 July 2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	4,775	-	4,775	558	-	558
Receivables	12,929	(388)	12,541	19,459	-	19,459
Current tax receivables	763	-	763	763	-	763
Other current assets	1,437	-	1,437	1,011	-	1,011
<b>Total current assets</b>	<b>19,904</b>	<b>(388)</b>	<b>19,516</b>	<b>21,791</b>	<b>-</b>	<b>21,791</b>
<b>Non current assets</b>						
Receivables	1,013	(970)	43	79,214	-	79,214
Other financial assets	-	84,198	84,198	20,959	-	20,959
Property, plant and equipment	6,566	-	6,566	5,558	-	5,558
Deferred tax assets	891	116	1,007	4,122	-	4,122
Intangible assets	28,692	-	28,692	13,552	-	13,552
Other non-current assets	46	665	711	28	-	28
Purchased debt	112,339	(112,339)	-	-	-	-
Databases	10,414	-	10,414	-	-	-
<b>Total non-current assets</b>	<b>159,961</b>	<b>(28,330)</b>	<b>131,631</b>	<b>123,433</b>	<b>-</b>	<b>123,433</b>
<b>Total assets</b>	<b>179,865</b>	<b>(28,718)</b>	<b>151,147</b>	<b>145,224</b>	<b>-</b>	<b>145,224</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Interest bearing liabilities	2,592	-	2,592	2,429	-	2,429
Provisions	2,123	-	2,123	1,779	-	1,779
Current tax liabilities	1,309	-	1,309	-	-	-
Payables	6,391	-	6,391	3,319	-	3,319
<b>Total current liabilities</b>	<b>12,415</b>	<b>-</b>	<b>12,415</b>	<b>7,527</b>	<b>-</b>	<b>7,527</b>
<b>Non-current liabilities</b>						
Interest bearing liabilities	54,290	-	54,290	54,290	-	54,290
Provisions	361	-	361	343	-	343
Deferred tax liabilities	19,129	(8,242)	10,887	-	-	-
Payables	-	-	-	9,761	-	9,761
<b>Total non-current liabilities</b>	<b>73,780</b>	<b>(8,242)</b>	<b>65,538</b>	<b>64,394</b>	<b>-</b>	<b>64,394</b>
<b>Total liabilities</b>	<b>86,195</b>	<b>(8,242)</b>	<b>77,953</b>	<b>71,921</b>	<b>-</b>	<b>71,921</b>
<b>Net assets</b>	<b>93,670</b>	<b>(20,476)</b>	<b>73,194</b>	<b>73,303</b>	<b>-</b>	<b>73,303</b>
<b>Equity</b>						
Contributed equity	67,156	-	67,156	67,156	-	67,156
Reserves	(144)	-	(144)	-	-	-
Retained earnings	27,703	(20,476)	7,227	6,147	-	6,147
<b>Parent Entity interest</b>	<b>94,715</b>	<b>(20,476)</b>	<b>74,239</b>	<b>73,303</b>	<b>-</b>	<b>73,303</b>
Minority interest	(1,045)	-	(1,045)	-	-	-
<b>Total equity</b>	<b>93,670</b>	<b>(20,476)</b>	<b>73,194</b>	<b>73,303</b>	<b>-</b>	<b>73,303</b>

*Transition to AASB 132 and AASB 139*

The Company has taken the exemption available under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Purchased debt with a carrying value of \$111,674,000 that were classified in the balance sheet under previous AGAAP as "Purchased debt" were designated and re-classified as "Other financial assets at fair value through profit and loss".

An adjustment of \$27,476,000 (\$19,234,000 net of tax) was recognised. This represented an initial loss on remeasurement to fair value of assets that, under previous AGAAP, had been measured at amortised cost.

The residual balance of \$665,000 that was classified in the balance sheet under previous AGAAP as "Purchased debt" and which represented capitalised court and legal costs (net) were re-classified as "Other non-current assets". There was no change to the measurement of this balance at 1 July 2005.

The non-current receivable arising from the sale of the business of Downie & Associates on 19 September 2004, together with the trade debtors and work-in-progress retained by the Collection House Group have been impaired with an adjustment of \$1,358,000 (\$1,242,000 net of tax) recognised. This represented a deficiency between the carrying amount and the recoverable amount from current and discounted future cashflows.

For further information refer to note 1(e).



# Directors' declaration } to the members of Collection House Limited }

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 40 - 95 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's and Consolidated Entity's financial position as at Friday, 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; 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; and
- (c) the audited remuneration disclosures set out on pages 28 - 35 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



**John Pearce**

MANAGING DIRECTOR

Brisbane, 30 August 2006

## Scope

### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Collection House Limited (the Company) and Controlled Entities, for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by AASB 124, under the heading "remuneration report" on pages 28 - 35 of the directors' report, as permitted by the Corporations Regulations 2001.

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 Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. 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, 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, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

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 remuneration disclosures, and
- // assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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 independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit opinion

In our opinion

- (a) The financial report of Collection House Limited:
  - // gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Collection House Limited and its consolidated entities as at 30 June 2006, and of their performance for the year ended on that date, and
  - // is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.
- (b) The audited remuneration disclosures that are contained on pages 28 - 35 of the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Corporations Regulations 2001.



Hacketts Chartered Accountants  
Brisbane, 30 August 2006



Liam Murphy  
PARTNER

## Shareholder information

The shareholder information set out below was applicable as at 12 August 2006

### (a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares		Redeemable preference shares	Convertible notes
	Shares	Options		
1 - 1000	546,025	-	-	-
1,001 - 5,000	5,233,459	-	-	-
5,001 - 10,000	4,725,645	-	-	-
10,001 - 100,000	14,156,040	-	-	-
100,001 and over	72,660,712	-	-	-
	<b>97,321,881</b>	-	-	-

There were 207 holders of less than a marketable parcel of ordinary shares. There is no current on-market buy back.

### (b) Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Mr Dennis George Punches	14,054,835	14.44
George Laurens (Qld) Pty Ltd	14,000,000	14.39
ANZ Nominess Limited	8,042,365	8.26
Mr Stephen Walker	6,750,000	6.94
City Plaza Inc	4,772,427	4.90
R P Prospects Pty Ltd	4,000,000	4.11
National Nominees Limited	3,934,660	4.04
Anthony Coutts & Jennifer Coutts	3,600,000	3.70
Citicorp Nominess Pty Limited	2,182,475	2.24
J P Morgan Nominess Australia Limited	1,519,128	1.56
Westpac Custodian Nominess Limited	826,662	0.85
Custodial Services Limited	698,500	0.72
Bernie No 132 Nominess Pty Ltd	681,988	0.70
Ankla Pty Ltd	596,485	0.61
Mr Anthony Coutts	534,000	0.55
Mr William Kagel	500,000	0.51
Mr John Oliver	418,125	0.43
Mr Raymond Larkin	400,000	0.41
Mr Neil Francis Day	320,100	0.33
Mr Krisno David Mumby	250,000	0.26
	<b>68,081,750</b>	<b>69.95</b>

### 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 follows:

### 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 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 12 August, 2006 there are 56,000 ordinary shares (0.58% 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.

### (c) Substantial holders

Substantial holders in the Company are set out below:

	Number held	Percentage
Ordinary shares		
Mr Dennis George Panches	14,054,835	14.44%
George Laurens (Qld) Pty Ltd	14,000,000	14.39%
ANZ Nominees Limited	8,042,365	8.26%
Mr Stephen Walker	6,750,000	6.94%
Options	-	- %

### (d) Voting rights

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

- (i) 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.
- (ii) Options  
No voting rights.

# 18 Corporate Directory

## Corporate Office

Collection House Limited

ABN 74 010 230 716

488 Queen St, Brisbane Qld 4000  
GPO Box 2584, Brisbane Qld 4001

**Telephone: +61 7 3292 1000**

Facsimile: +61 7 3831 6655

Email: [shares@collectionhouse.com.au](mailto:shares@collectionhouse.com.au)

Website: [www.collectionhouse.com.au](http://www.collectionhouse.com.au)

## Company Secretary

Kylie Lynam

## Locations

Sydney

Brisbane

Melbourne

Adelaide

Perth

Auckland

Ballarat

Bendigo

Newcastle

Shepparton

Albury

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## Share Registry

Computershare Investor  
Services Pty Ltd

Level 19, 307 Queen St, Brisbane Qld 4000

**Telephone: 1300 52 22 70**

Facsimile: +61 7 3229 9860

Website: [www.computershare.com](http://www.computershare.com)

## Auditors

Hacketts Chartered Accountants

Level 3, 549 Queen St, Brisbane Qld 4000

## Stock Exchange listings

Collection House Limited shares are listed on the Australian Stock Exchange. The home exchange is Brisbane.

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**Collection House Limited**  
Street Address: Level 3, 488 Queen St, Brisbane, QLD, 4000  
Postal Address: GPO Box 2584, Brisbane, QLD, 4001  
Tel: +61 7 3292 1000 Fax: +61 7 3832 0222  
Website: [www.collectionhouse.com.au](http://www.collectionhouse.com.au)