ANNUAL REPORT 2014

Collection House Group

Contents

Performance highlights

Increase in dividends per share

11%

Dividends per share (cents)

FY11 / 6.2
FY12 / 6.4
FY13 / 7.2
FY14 / 8.0

Increase in profit after tax

20%

Profit after tax ($M)

FY11 / 10.1
FY12 / 12.7
FY13 / 15.6
FY14 / 18.7

Increase in earnings per share

8%

Earnings per share (cents)

FY11 / 10.4
FY12 / 12.1
FY13 / 13.6
FY14 / 14.7

Increase in PDL collections and commission

11%

PDL collections and commission ($M)

FY11 / 109.9
FY12 / 126.5
FY13 / 136.1
FY14 / 150.8

Average Return on equity remained steady at

13%

Return on equity (%)

FY11 / 10.8
FY12 / 12.4
FY13 / 13.4
FY14 / 13.4

Reduction in debt/debt + equity

5%

Debt/debt + equity ratio (%)

FY11 / 44.3
FY12 / 44.5
FY13 / 41.5
FY14 / 39.3

Increase in shareholder equity

27%

Shareholder equity (%)

FY11 / 95.9
FY12 / 109.2
FY13 / 123.3
FY14 / 156.0

The new face of the Collection House Group

The Collection House Group has a new logo. Our new logo reflects the diverse but unified nature of our business. We offer a holistic approach and provide resolutions to financial matters – for both our customers and clients.

Our new logo represents the full spectrum of the receivables management process, which includes:

- early stage receivables outsourcing;
- debt collection;
- debt purchasing;
- legal and insolvency services; and
- consulting and training.

The move away from rigid lines to a circular device with interconnecting colours represents our ability to offer end-to-end solutions across our subsidiaries. It also represents the importance of the people we employ and who work together for the growth and success of the Collection House Group.

As we continue to grow and expand our service offerings, the interconnected theme enables us to further diversify through new products and markets. The overall image resonates with today's Collection House – contemporary, dynamic and leading edge – shifting the paradigm of debt collection services.

The companies captured by the new logo include:

- Collection House Limited;
- Lion Finance Pty Ltd;
- Reliance Legal Group Pty Ltd (previously Jones King Lawyers Pty Ltd);
- Collection House International BPO, Inc.;
- Collection House (NZ) Limited;
- Collective Learning and Development Pty Ltd; and
- CashFlow Financial Advantage Pty Ltd.

Our subsidiary, Midstate CreditCollect Pty Ltd (MCC) will continue to use its current logo. This will enable MCC to continue with its specialised brand.

Collection House Group – diverse and unified

Our subsidiary, Midstate CreditCollect Pty Ltd (MCC) will continue to use its current logo. This will enable MCC to continue with its specialised brand.

Our business

Our ongoing success is a result of our commitment to being the industry's leader in ethical debt recovery and financial services, together with a strong focus to create value for our customers and clients.

Collection House Group (the Group) is Australia's leading receivables management business. We provide solutions that span the entire credit lifecycle - from receivables outsourcing to debt collection and debt purchase.

We are listed on the Australian Securities Exchange (ASX). In fact, we are Australia's only public listed, end-to-end receivables management company with offices in Queensland, New South Wales, Victoria, South Australia, New Zealand and the Philippines. Our ASX code is CLH.

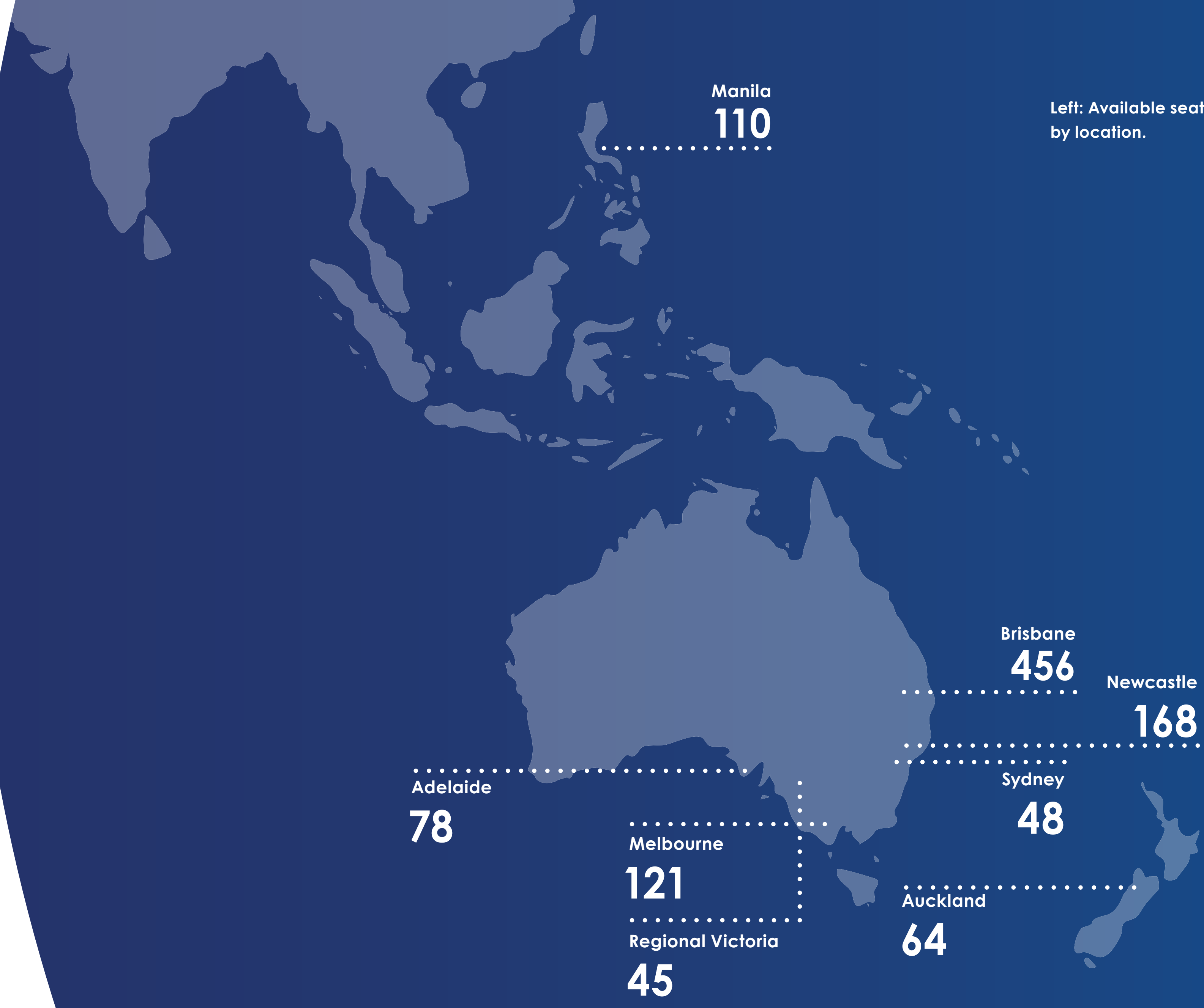
We have been in business for more than 21 years and our ongoing success is a result of our commitment to being the industry's leader in ethical debt recovery, a disciplined approach to business and a strong focus to create value for our customers and clients.

With over 800 staff, our customers and clients benefit from our full service receivables management solutions, which include:

- purchased debt;
- collection services;
- receivables management;
- legal and insolvency services; and
- credit management training.

We enjoy strong business relationships with major Australian and international banks, financial institutions, large corporations, public utilities and governments.

We use technology to drive performance and maintain our position as an industry leader. We have created innovative proprietary systems that drive efficiency and productivity, and which will continue to deliver improved functionality and significant intellectual property to the Group.



Left: Available seats by location.

Our services

Purchased debt
We purchase delinquent credit facilities from originators and assume the obligations and benefits of the debt. We then collect on the account to generate profitable returns while achieving positive customer outcomes.

Collection services
We provide debt collection services on referred default accounts, receiving a commission fee for each successful collection undertaken.

Receivables management
We offer a receivables management service for our clients to assist their customers maintain their credit facility.

Legal and insolvency services
We provide specialised legal advice in debt recovery and insolvency matters.

Credit management training
We deliver development and training services for people working in the collection industry.

Our vision is to be the household name for consumers and clients who seek quality debt management solutions.

Our values

At Collection House Group, we respect our clients, customers and staff. We believe that **teamwork** and **accountability** drive our **performance**. Our **focus on innovation** allows us to find smarter ways to succeed for our stakeholders. At all times we strive to maintain the highest standards of **professionalism** and ethics.

Accountability

We expect individuals to own their actions and take responsibility for their work priorities, outcomes and behaviour.

Innovation

We empower our people to share ideas and think creatively to build a culture of improvement, adaptability and growth.

Respect

We treat staff, customers and clients respectfully and recognise the importance of diversity.

Ethics

We demonstrate integrity by being open, honest and fair.

Professionalism

We believe in honouring our business and personal commitments.

Performance

We embrace a performance based culture where results, hard work and determination are recognised.

Teamwork

We support each other and work together to ensure that we achieve our common goals.

Our goals

- Maintain strong relationships with key organisations in selected market segments.
- To be proven by our clients as the agency of choice in terms of delivering value and outstanding results.
- To be regarded by regulators and consumer representatives as leading the way in ethical practice.
- To be viewed by our staff as a first class working environment built on values of accountability, respect, clear communication, teamwork, professionalism and innovation.
- Achieve superior risk adjusted shareholder returns.

Our strategic themes

The success of Collection House is underpinned by the quality, dedication and resolve of our people to achieve value and outstanding results for our shareholders and clients.

Chairman's message

Dear fellow shareholder,

The 2014 financial year has been another successful one for the Collection House Group. I am very pleased to report that we have maintained the momentum of recent years and once again posted double-digit growth across all key businesses. Last year was, in fact, our seventh successive year of growth. This demonstrates the Group's sustainable business model and highlights the strong prospects for continued success in the years ahead.

In 2014, Collection House delivered a net profit after tax of $18.7 million, a new record for the Group and an increase of 20 percent on last year's result. Our success has created value for all shareholders. Our share price has continued to perform, which has delivered good capital growth and strong dividend yields. This year Collection House will pay a full year dividend of eight cents, an increase of 11 percent on the previous year. We continue to de-risk the business and have delivered against all key shareholder value measures, including:

- Earnings per share, which has improved by 8 percent to 14.7 cents;
- Return on equity, has remained at 13 percent notwithstanding capital raising completed during the year;
- Gearing ratio, which has been reduced from 41 percent to 39 percent; and
- Earnings before interest and tax margin, which has improved from 29 percent to 30 percent.

The 2014 financial year also saw the Group invest in areas that will deliver good growth over the long-term. There was record investment in purchased debt ledgers (PDLs), and the Group expanded into high potential market sectors such as government and statutory authorities. We have expanded our national and international operations and made significant investment in human resources. Collection House remains focused to deliver strong sustainable growth through the continued pursuit of innovation, improved technology, productivity and operational efficiencies. Our investment in new technology platforms and data analysis allows us to respond quickly to changes in the market and is a key component of our ongoing operational success.

In 2015, Collection House's growth path will continue with expansion into potentially new markets and new products, which should generate increased sales. The Group will continue to invest in quality PDLs and expand our collection services, while maintaining our best-in-class compliance record. The Group will always look to grow our business through selective partnerships and acquisitions in adjacent and complementary service areas, and we will continue our strong focus on capital management and balance sheet strength.

While business confidence is seen as sound, following a dip earlier in the year after the federal budget, the diversity of the Group's full financial service offering provides strength and resilience to changes in national economic circumstances. Forward indicators point to a modest improvement in the Australian economy and consumer confidence is improving. In fact, consumer spending reached an all-time high during the year. However, there are some worrying factors – Australian household debt is at reported record levels. Australian house prices appear very high and we have seen a rise in unemployment. Nevertheless, our access to multiple revenue streams from a diverse service offering reduces our dependency on the performance of any single product or market segment and provides strength and resilience to our business.

The success of Collection House is underpinned by the quality, dedication and resolve of our people to achieve value and outstanding results for our shareholders and clients. All of our success over the past 12 months has been the result of the commitment and hard work of our Executive Management Team, skilfully led by Managing Director and Chief Executive Officer Matthew Thomas, and all staff across Australia, New Zealand and the Philippines. On behalf of the Board, I thank them all.

During the past 12 months, the Group welcomed two new directors to the Board – Philip Hennessy and Julie-Anne Schafer. Both Philip and Julie-Anne have brought tremendous breadth and depth of financial and commercial acumen to our business. They moved seamlessly into their roles and, along with all members of the Board, have executed their duties as directors with great distinction.

Finally, the Board remains confident that we will continue to achieve sound growth and returns for shareholders throughout the 2015 financial year. I look forward to your ongoing support and working with the Collection House team so that together we can build shareholder value and go from strength to strength over the next 12 months.

Yours faithfully,

David Liddy
Chair, Collection House Group

Managing Director and Chief Executive Officer's report

Within my report last year I alluded to a step-change ahead in the business, and provided more specific details at the Annual General Meeting (AGM) the following month. By that stage we had implemented significant changes during the first quarter of the 2014 financial year (FY14), and I indicated that there were further system and business changes planned for the New Year. I knew then, as I can confirm now, that FY14 was not to be a year of "business as usual" but we would deliver as promised.

As I commence my fifth year as Chief Executive Officer, hopefully regular Annual Report readers will appreciate that "following through" is one of my most important leadership qualities. We have promised year after year to deliver consistent earnings growth, and over the past four years we have achieved an average of 19 percent compound growth in earnings. But this year required us to do more – not only to perpetuate that growth but to unlock opportunities for greater shareholder returns into the future. To do so, we committed to execute a "gear change" within the business and to enhance capabilities in terms of people, structure, systems and balance sheet strength.

We followed through, increasing our headcount by 18 percent over the year, implementing a new operational structure and redefining a number of key management positions. We replaced a number of systems including the core collection software platform utilised by Lion Finance, which required substantial data migration and the retraining of all relevant staff.

And we followed through by using the improved balance sheet strength built throughout the 2013 financial year (FY13) and the proceeds of a highly successful capital raising in September 2013 to capture more of the PDL market share. Over the year we increased PDL investments by 50 percent, while reducing gearing from 41 to 39 percent and seeing net debt increase only $12 million despite the record $82 million outlay on new debt ledgers. Debt funding risk has been further mitigated over the year through lower gearing, syndication of banking facilities between Westpac and CBA, and long-term hedging of interest rates.

No doubt, for some the journey over FY14 was uncomfortable and at times we saw productivity reduce as the changes were implemented. But this was to be expected, as was the substantial improvements over the same performance metrics in the second half of the year, which saw the Group reach new operational records.

As a result, we successfully implemented the growth investments that needed to be made, while delivering a 20 percent increase in net profit after tax (NPAT) year on year, with an all-time record profit of $18.7 million. This full year result is almost five times that compared to prior to the global financial crisis in financial year 2007.

Maintaining our earnings growth despite the extent of internal change has enabled us to increase the FY14 dividend by 11 percent compared to last year – notwithstanding the capital raising completed during the year, as well as keeping steady our rate of return on shareholders' equity at 13 percent.

With the significant operational changes during the year we aimed to maintain earnings before interest and tax (EBIT) margins at FY13 levels, so we're pleased with the final outcome being a modest increase from 29 to 30 percent.

Revenue growth driving the result is again diversified: Collection Services revenue increased 12 percent in FY14 compared to FY13, while PDL collections increased 10 percent. Overall, revenue growth has accelerated since FY13 and this is expected to continue.

Managing Director and Chief Executive Officer's report (cont'd)

Positively, growth in recoveries from the PDL portfolio has been higher from older portions of the book, with recoveries from three-plus year debt exceeding 35 percent, and recoveries from two-plus year debt exceeding 55 percent. The overall cash yield of the portfolio exceeded seven percent reflecting improving overall book quality. Underlying the trends above, the Repayment Arrangements and Litigated Account Portfolio grew to $353 million face value as at 30 June 2014. We expect further improvements in recovery from the PDL portfolio from the investments made in better systems and people.

The primary system enhancement was the deployment of the proprietary C5 collection platform, which has enabled us to hire and train staff more quickly, while also obtaining more efficiency from experienced staff. Built in a very data centric way, C5 allows us to capture and analyse substantial amounts of data and, therefore, work smarter at an individual employee and portfolio level.

Not to be overlooked, almost a third of the Group's profit is derived from Collection Services (third party servicing) and this segment delivered the highest revenue growth within the Group.

Our strategy to increase sales through new and existing products and clients, with particular focus on leveraging core strengths in compliance, innovation and experience has driven this growth – and will continue to do so in the future. For example, we have had a focus on the government sector for some time. The Group now acts nationally for 53 local government clients and 16 state government departments or statutory authorities.

Over the long-term we see further organic growth coming through our specialist subsidiaries – Midstate CreditCollect and Reliance Legal Group (formerly Jones King Lawyers Pty Ltd). We continue to invest in product development of new debt solutions for both clients and customers, explore new debt purchase markets and models, and pursue opportunities for acquisitions or partnership opportunities.

Our business is driven by an unwavering commitment to conduct business that is ethical, lawful and respectful of its community and environment. This is expressed through our long-standing goal to "lead the way" in ethical practice and our ongoing emphasis on accountability within the Group as a core feature of our culture.

The Group's existing orientation to ethical conduct, stakeholder engagement and environmental responsibility was further advanced in 2014 with the implementation of corporate social responsibility (CSR) as a specific program with measurable objectives.

This commitment was formalised with the introduction of the *Corporate Social Responsibility Policy* in February 2014, using the ISO 26000 standard to integrate social responsibility into our organisation. As a requirement of this policy, the Group has released a CSR Scorecard along with our 2014 Annual Report.

One supporting CSR activity of note during the year was the launch of the National Hardship Register (NHR). The concept is based on the reality that while most consumers want to repay outstanding amounts a small number are unlikely to ever to be able to make payment. These most vulnerable consumers are often affected by long-term physical or mental illness where there is still no legal relief from unpaid debts other than bankruptcy proceedings or the good faith of individual creditors who may perhaps provide debt waivers.

Recognising that debt recovery activity against such vulnerable consumers is futile and counter-productive for all parties involved, the Group proposed a NHR, which financial counsellors could apply to register eligible consumers and, therefore, obtain relief from debt collection activities. As a joint project between Financial Counselling Australia and the Australian Collectors and Debt Buyers Association (ACDBA), and after almost two years of planning, a pilot NHR program commenced in January 2014. I am pleased to report that it has produced positive and very encouraging results. Approximately half of the members of the ACDBA are now committed to the pilot program, which entails an obligation to cease collection activity for eligible consumers and waive all known debts within three years from registration.

For Collection House, the NHR has been an ideal project to be involved with as it exercises many of our core values: respect, teamwork, accountability, professionalism, innovation, performance and ethics. Like many of the investments in business growth that we have made during the last financial year, the NHR is another platform from which great things can be expected in the future.

Finally, thank you to the Board, my fellow Executive Management Team members and the more than 800 staff at Collection House for their considerable efforts and achievements over the year. I look forward to our continued growth journey together.

Matthew Thomas
Managing Director and
Chief Executive Officer

Our performance

Collection House Group is a dynamic and diversified growing company.

The diversity and range of our financial service offerings provides strength, resilience and growth opportunities for the Group into the future.

The Group has delivered seven successive years of increased profit and shareholder value, while investing in the strategic growth and expansion of its business locally and internationally.

Our diverse service offerings allow us to deliver shareholder value, while achieving superior outcomes for our clients and beneficial solutions for our customers.

Our business model is underpinned by multiple revenue streams from the diverse service offerings thereby reducing our dependency on the performance of any single product or market segment, providing strength, resilience and confidence for our stakeholders.

Our diversification is further enhanced through our geographical presence, which includes Australia, New Zealand and the Philippines.

Here is a summary of the Group's performance over the past 12 months across each of our subsidiaries and major business units.

Our business model is underpinned by multiple revenue streams from the diverse service offerings thereby reducing our dependency on the performance of any single product or market segment, providing strength, resilience and confidence for our stakeholders.

Lion Finance

Lion Finance Pty Ltd (Lion Finance) is the largest subsidiary of the Group, with over 400 Customer Service Officers (CSOs) in Brisbane, Melbourne, Adelaide, Newcastle, Auckland and Manila.

At Lion Finance, we focus on the collection of Purchased Debt Ledgers (PDLs). At the end of FY14, we had more than 263,000 active debt accounts, with a combined face value of $1.5 billion.

During FY14, we achieved growth in revenue, while implementing the latest version of our proprietary collections system and rolling out a new leadership management approach that focused on customer solutions and employee coaching to uplift productivity and the quality of our services. In addition, we continued to review our approach to purchasing debt ledgers, so that we could meet the Group's goal to build year-on-year revenue growth.

Some key achievements during FY14 include the following.

- We implemented our new proprietary collections system that enabled the business to achieve better outcomes, as follows:
  - our advanced training and skills development program delivered improved productivity metrics and results through more effective conversations with customers;
  - increased use of our data analysis capabilities selected the most appropriate accounts for our CSOs to approach our customers, in a timely fashion, to achieve the best financial solution and beneficial result for the customer;
  - automation of previously manual processes significantly improved the collection approach through the use of technology systems and controls; and
  - continuous improvement of customer management solutions were achieved to meet the changing needs of the market and the business.
- We commenced a new leadership development program that spans all leadership functions in the business. This program aims to instil and re-enforce the Group's values and ethical collection standards in all of our leaders. This program is ongoing into FY15, as we continue to invest in our people and culture at Lion Finance.
- We launched a new bonus structure across the business that links the performance of our people with our strategic business objectives.
- We continued to invest in our collection strategy through the use of data analysis, to ensure a consistent approach, improved results and best practice.
- We enhanced our Customer Online Portal to provide customers with an on-line solution for settling accounts and negotiating payments in a convenient and non-confronting forum.

In FY15, we will focus on the following.

- Expand our capacity through our recently opened, second operating division in Brisbane, as well as an increase in CSOs in Manila.
- Centralise our campaign leader team program to create a centre of excellence focused on optimising customer contacts and effective use of campaigns to deliver better outcomes for customers and for Lion Finance's business objectives.
- Enhance our debt ledger purchasing strategy and to continue to look for opportunities to further refine and improve our purchase of debt types, linked to our performance objectives.

Our diverse service offering allows us to deliver shareholder value while achieving superior outcomes for our clients and beneficial solutions for our customers.

Collection Services

Collection Services is a division of Collection House Limited that provides account receivables management solutions across the full life cycle of an account payable – starting from overflow reminder calls for missed payments, through to long-term overdue debt management services.

Collection Services' approach is to focus on helping clients to manage overdue payments, to prevent overdue debts from becoming long-term debts and, to find a financial solution for customers that meets both the customer's repayment capability, as well as our clients' needs and requirements.

Our clients comprise a broad cross-section of Australian commerce and industry including banking, utilities, telecommunications, asset finance and insurance sectors. Our services are provided under varying pricing structures that are linked to the service, the dynamics of the debt type, and the clients' preferred pricing methodology.

Some key achievements during FY14 include the following.

- Development of innovative and effective early stage debt management services for clients.
- Enhancement of our client relationships through specific client account management to ensure the delivery of key performance elements for clients including effective recovery goals, compliance with the law, ethical practice and customer service.
- Development of new products and services such as an overflow reminder call service and a new model for the end-to-end outsourcing of a collection function.
- Implemented a new leadership development program that aligns our professional, ethical and performance culture to the leadership approach across all levels of the Group.

In FY15, we will focus on the following.

- Continuous improvement and cost management across the different early debt management portfolios to protect client revenues as well as maintaining margins in a challenging and competitive environment.
- Leveraging our data analysis through the implementation of the Central Campaign Leader team to drive improved service and collection rates for clients.
- Marketing our new products and services to increase revenue opportunities and growth for the Group.

Central Operations

Central Operations is a shared division that provides front-line collection services to businesses within the Group. Central Operations' largest business unit is Collection House International BPO, Inc. (CHIBI) – the Group's offshore operation based in Manila, the Philippines.

During FY14, a key focus was on the delivery of sustainable and consistent performance levels to Lion Finance and to Collection Services clients. Central Operations aims to maximise performance of the Group by leveraging the cost efficiencies gained by operating in the Philippines.

Central Operations offer the Group and their clients a competitive advantage and a point of difference.

Some key achievements during FY14 include the following.

- Broadened our offshore collection services to cover a wider range of debt types for Lion Finance and, for Collection Services.
- Expansion of our Manila based operation in line with performance improvement and business flows.
- Creation of a three-year strategy for further development of our offshore operation.

In FY15, we will focus on the following.

- Implementing phase one of the next three-year strategy that aims to significantly increase call centre capacity by June 2015.
- Continuous productivity and performance improvements linked to the implementation of a new training and skills development program that was launched during the last quarter of FY14. This includes leveraging Australian capability, knowledge, skills and experience coupled with a localised approach to develop the best collections outcome for our clients and customers.
- Continuous development of our offshore offering to ensure it is utilised at specific times in the life cycle of an overdue account to maximise net recovery, at a competitive cost.

These initiatives will allow the Group to grow our offshore operation and, therefore, our tailored service offerings for our customers and clients.

Reliance Legal Group Pty Ltd (formerly Jones King Lawyers Pty Ltd)

During the second half of FY14, Jones King Lawyers Pty Ltd re-branded and changed its name to Reliance Legal Group Pty Ltd (Reliance). Reliance continues to trade as Jones King Lawyers and will change to Reliance Lawyers in due course.

The launch of Reliance followed extensive consultation with key stakeholders and represented an important step in the continued expansion of the external, third party client practice of the Group's dedicated legal arm.

Reliance is an incorporated legal practice that specialises in debt recovery, debt and commercial litigation and insolvency – personal insolvency, debt administration and corporate insolvency. We are co-located with Collection House in Brisbane, Sydney and Melbourne.

Some key achievements during FY14 include the following.

- The implementation of a new legal practice management system that has improved the quality of our legal professional services and enhanced workflow and case management outcomes.
- Expansion of our external third party client base, diversifying our revenue stream with a broader source of legal referrals.
- Continued increase in overall revenue contribution to the Group.

In FY15, we will focus on the following.

- Leveraging the opportunities offered by the new legal practice management system by implementing enhanced automated workflows that allow redeployment of resources to other areas of the law practice.
- Continuing to expand external third party client revenue by building on the achievements of FY14.
- Improving productivity and efficiency for internal legal services within the Group by leveraging economies of scale that the operating model enables.
- Implementing a new leadership development program that aligns our professional, ethical and performance culture to the leadership approach across all levels of the Group.

Midstate CreditCollect

Midstate CreditCollect Pty Ltd (MCC) represents the merged businesses of Midstate Credit Management Services Pty Ltd and CreditCollect into a unique multi-disciplinary business model being an incorporated legal practice and commercial agency offering boutique professional credit management, debt collection and legal services to local governments, corporates, water authorities, utilities and education sector clients.

MCC competes directly with smaller commercial agencies that provide more of an "account management" service, which often appeals to clients that are smaller to mid-sized organisations.

Based in regional Victoria, MCC is a market leader in cash flow management and debt collection for local government and water authorities across the state, which we are now leveraging in both Victoria and other Australian states.

Some key achievements during FY14 include the following.

- Transition to a multi-disciplinary business model including an incorporated legal practice and commercial agency that enables a more efficient and broader range of professional service offerings for clients, being fully compliant with legal and regulatory requirements.
- Successfully rolled out a new collection services platform across the business to standardise processes and increase operational efficiency in all offices in regional Victoria.
- Created a single, post-merger culture in the business that is aligned with the Group's values.

In FY15, we will focus on the following.

- Implementing the business synergies enabled by the roll-out of the new collection services software platform, across all MCC Group services, including MCC Legal.
- Leveraging the extensive business development activities of the previous CreditCollect business to build new business opportunities across a wider pool of existing and new clients.
- Expanding our business to include New South Wales and South Australia clients, while continuing to grow market share within Victoria.
- Marketing our niche expertise in the local government, utilities and telecommunications sectors for specific account and debt types to maximise revenue for clients, as well as MCC.

With an experienced and focused management team, and the consolidation and transition to one operating business model complete, the next 12 months represent an exciting time for MCC. We will leverage the Group's products, services and capabilities, while also offering its own unique account management service for clients.

Collective Learning and Development

Collective Learning and Development is our Registered Training Organisation that specialises in the delivery of financial services courses and, in particular, credit and receivables management. Collective Learning and Development is part of the National Training Framework.

In addition to providing the Group's internal training requirements, we also provide staff development and collection training services to a range of external businesses and government agencies.

Presently, we have 280 students undertaking traineeship courses in Certificate III in Mercantile Agents, all of whom are Collection House Group employees. Training is delivered across all Australian sites (Sydney, Brisbane, Melbourne, Adelaide and Newcastle) by qualified and experienced training specialists.

Some key achievements during FY14 include the following.

- We created and facilitated training courses for a range of government departments.
- Through consultation and training needs analysis, we tailored training programs to suit our client's requirements.

Over the next 12 months, we plan to expand our student base through new business opportunities, while also maintaining the strong association with our existing internal and external clients.

In FY15, we will focus on the following.

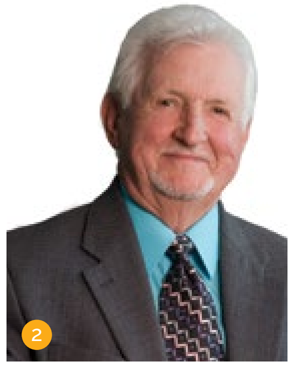
- Enhance our current learning management system (LMS) to facilitate online and blended learning.
- Develop unique courses that are reflective of the current market conditions (including robust hardship training).
- Proactively work with the Group's business development team to build and share client relationships.

We also plan to increase our current traineeship base significantly over the next 12 months.

Our leadership

The Collection House Group is led by an experienced and professional Board of Directors, all of whom bring great breadth and depth of financial and commercial acumen to the business.

Directors



The Collection House Group is led by an experienced and professional Board of Directors, all of whom bring great breadth and depth of financial and commercial acumen to the business.

1 David Liddy

Mr Liddy has over 42 years of banking experience, including appointments in Australia, London and Hong Kong. He was appointed as Collection House Limited's Chair in March 2012.

Mr Liddy is also a Non-executive Director of Steadfast Group Limited and Emerchants Limited, and Chair of Financial Basics Foundation and Financial Basics Community Foundation.

Previously, he was MD and CEO of Bank of Queensland Limited from 2001 to 2011.

Mr Liddy holds an MBA, is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

2 Dennis Punches

Mr Punches was first appointed to the Collection House Limited's Board in July 1998. In 2000 he was appointed as Chair of the Board. In 2009 he stepped down as Chair to become the Group's Deputy Chair.

He is presently co-Chair of International Collectors Group and a Trustee for Wisconsin's Carroll University.

He is a former Director of Attention LLC Inc, Analysis and Technology Inc, and co-founder and former Chair of Payco American Corporation.

3 Matthew Thomas

Mr Thomas has over 22 years of experience in the finance and collections industry and has been with Collection House Limited for the past 15 years. He was appointed to the Board in March 2013.

Since starting with Collection House as a Customer Service Officer in 1999, Mr Thomas has been promoted to various positions, including IT Manager and Chief Information Officer. In 2007, Mr Thomas was promoted to Chief Operating Officer. In this role he had responsibility for all collection operations as well as Group IT strategy and business analysis. Mr Thomas was appointed as the Group's Chief Executive Officer in July 2010.

Mr Thomas is currently Deputy Chair of the Australian Collectors and Debt Buyers Association and a Graduate Member of the Australian Institute of Company Directors.

4 Tony Coutts

Mr Coutts has over 38 years of experience in the finance, insurance and debt collection industry, including 19 years at Collection House Limited. He was Collection House Limited's General Manager from 1995 to 1998. In September 1998 he was appointed as an Executive Director of Collection House Limited with responsibilities for sales. He became a Non-executive Director from 1 July 2006.

5 Kerry Daly

Mr Daly has over 30 years of experience in the financial services sector. Mr Daly was appointed a Director of Collection House Limited on 30 October 2009.

Mr Daly is currently a Non-executive Director of Trustees Australia Limited.

During the period 1987 to December 2000, Mr Daly was MD and CEO of The Rock Building Society Limited where he initiated its demutualisation and was responsible for its ASX listing. From January 2001, he served as Executive Director of the fixed interest brokerage and investment banking business Grange Securities Limited.

6 David Gray

Mr Gray has more than 20 years of experience in senior executive positions with large national and international companies. He is currently the Chair of Queensland Cyber Infrastructure, a position he has held since March 2008, Chair of Australian Urban Infrastructure Network, a position he has held since 2010 and is an adjunct professor at QUT.

Previously, Mr Gray was Deputy Chair of the Civil Aviation Safety Authority (CASA) from 2009 to 2014, a Director of Brisbane Airport Corporation from 2010 to 2014, Chair of Queensland Motorways from 2006 to 2010, Chair of WaterSecure from 2008 to 2011, MD of Boeing Australia from 1995 to 2006, MD of GEC Marconi (Australia) from 1990 to 1995 and Divisional Chief Executive of GEC (Australia) Heavy Engineering from 1984 to 1990.

Mr Gray was appointed to Collection House Limited's Board on 28 June 2011 and elected a Director on 28 October 2011.

7 Philip Hennessy

Mr Hennessy was, until February 2013, Queensland Chair of KPMG, Chartered Accountants. After 12 years in that role and some 30 years being involved in all aspects of corporate insolvency and reconstruction, he retired from KPMG in July 2013.

As Queensland Chair of KPMG, he was responsible for the leadership of the firm in the Queensland market. This role included operational efficiency, strategic direction, go to market strategy, engagement of the firm's people, engagement with its clients and its connection to the community.

Mr Hennessy is currently a Member of the Infrastructure Australia Advisory Board, Chair of the Mater Hospital Foundation, Director of the Starlight Children's Foundation National Board, Member of the University of Queensland Senate, the Chair of the University of Queensland Finance Committee and a Director of Blue Sky Alternatives Access Fund Limited.

Mr Hennessy was appointed to the Board of Collection House Limited on 22 August 2013 and elected a Director on 25 October 2013.

8 Julie-Anne Schafer

Ms Schafer is an accomplished Director with experience across a broad range of industries. She has worked in a number of Non-executive Director roles with a focus on business outcomes, customers, risk management and governance.

She is currently a Non-executive Director of Territory Insurance Office, Catholic Church Insurance and Aviation Australia Pty Ltd.

Ms Schafer was previously the Chair of RACQ and RACQ Insurance, also had former directorships including Queensland Rail and was a Commissioner of the National Transport Commission.

Ms Schafer is a facilitator for the Australian Institute of Company Directors in Governance, Strategy and Risk Management. She is also a member of the Australian and New Zealand Institute of Insurance and Finance.

Ms Schafer was appointed to the Board of Collection House Limited on 28 January 2014.

Our leadership (cont'd)

Executive Team

The five members of the Group's executive management team (EMT) have extensive experience within the Group and its operations. This knowledge and stability underpins the continued success of the Group. The EMT is uniquely positioned to understand the long-term trends affecting the Group and its markets, as well as the drivers of success. The EMT is focused on delivering sustained growth over time while remaining receptive to new ideas and the continued pursuit of innovation.

1 Matthew Thomas, Managing Director and CEO

Mr Thomas has over 22 years of experience in the finance and collections industry and has been with the Group for the past 15 years. He was appointed to the Board in March 2013.

Since starting with Collection House as a Customer Service Officer in 1999, Mr Thomas has been promoted to various positions, including IT Manager and Chief Information Officer. In 2007, Mr Thomas was promoted to Chief Operating Officer. In this role he had responsibility for all collection operations as well as Group IT strategy and business analysis. Mr Thomas was appointed as the Group's CEO in July 2010.

Mr Thomas is currently Deputy Chair of the Australian Collectors and Debt Buyers Association and a Graduate Member of the Australian Institute of Company Directors.

2 Paul Freer, Chief Operating Officer

Mr Freer was appointed as the Group's Chief Operating Officer in March 2013. In this role he oversees the operations of several of the Group's business divisions, including Collection Services, Lion Finance, Midstate CreditCollect, Reliance Legal Group and Collection House International.

Mr Freer has over 25 years of experience across financial services incorporating over 13 years in general management and leadership positions in receivables management, risk management, corporate and retail banking, and fund management. During his career he has worked in several countries including throughout Africa, Europe, the Indian Ocean region, the Middle East, the USA and the UK. He has worked with organisations such as Barclays Plc, Lloyds Bank Plc, Fleet Financial Group Inc and National Commercial Bank of Saudi Arabia.

Mr Freer's current focus is to develop the next generation of leaders within operations as well as expand the products and services to deliver improved performance for clients and to drive revenue growth.

3 Adrian Ralston, Chief Financial Officer

Mr Ralston is responsible for the overall financial management of the Group. He has been with Collection House for the past ten years.

On a day-to-day basis, Mr Ralston oversees all aspects of the Group's financial management, including financial reporting, financial planning and analysis, merger and acquisition activities, process management and investor relations.

Mr Ralston has over 20 years of operational and financial management in the commercial sector. He was formerly General Manager Finance and Administration with Hevi Lift, part of the Swire Group of companies, and was Chief Financial Officer at BDS Group. He holds an MBA from Deakin University, a Bachelor of Business (Accounting), Northern Territory University and is a Fellow of CPA Australia.

Our Executive Management Team builds value for our shareholders, customers and clients through superior leadership skills and a focus on innovation, high quality service delivery and long-term sustainable growth of the business.

4 Kylie Lynam, General Manager Human Resources and Corporate Services

Ms Lynam has over 17 years of experience in human resource management and has been with the Group for the past 14 years. During this time she has held a number of different roles, including Company Secretary in 2006.

Ms Lynam's principal role is to drive the Group's human resource management strategy and to ensure that all employees have the right skills and embrace the Group's culture to enable strong business performance. Ms Lynam leads the compliance, strategic projects, corporate services and training support areas to achieve key corporate objectives. She is also responsible for workforce optimisation and continuous improvement initiatives.

5 Marcus Barron, Chief Information Officer

Mr Barron has been with the Group for the past 11 years. As Chief Information Officer (CIO), Mr Barron is responsible for all of the Group's information technology and data analysis requirements. Applying his experience to both the operational and technological divisions of the Group, Mr Barron's main responsibility is to deliver superior technological systems for internal and external stakeholders.

He joined the Group as a Customer Service Officer in 2001. He then moved into operational management roles, was promoted to be a business analyst, and then Informational Technology Manager and finally, in 2013, he joined the EMT as CIO.

He holds a Bachelor of Information Technology, University of Queensland, and is a member of the Australian Computer Society.

Our people

The success of the Group is underpinned by the quality and dedication of our people, and their drive to achieve value and outstanding results for our stakeholders.

We provide all of our staff with a first-class working environment that is built upon the mutual values of accountability, respect, clear communication, professionalism, teamwork and innovation.

During FY14, our workforce increased by 18 percent. This was partially due to the growth of our Lion Finance business, where we appointed an additional 60 staff for a new site in Brisbane. We have also seen growth within Collection Services and Central Operations divisions. As a result, the Group had a total of 820 full-time equivalent staff at the end of FY14.

This year we reviewed our front-line positions and focused on improving three key areas – people, performance and process.

People

We know that talent and strong leadership are integral to the success of our business. With that in mind, over the past 12 months, we refined the Team Leader roles to ensure that they were focused on coaching and developing their team members.

In line with the importance of coaching and developing our people we continued to build on our leadership development (LEAD) program. In addition, we have partnered with an external provider to accelerate leadership training for our managers. This training provides managers with a more in-depth understanding of effective performance management concepts and equips them with the tools to create and enhance a positive culture within their teams.

We understand the value of a diverse and inclusive workforce and, the importance to have the right people in the right jobs, with the rights skills. We improve outcomes by using the life experience of our mature age workers. We recognise the importance of bilingual staff and, the value and opportunity that a multi-cultural workforce offers to better communicate with our diverse customer base.

Performance and training

Our innovative in-house training and development programs provide our staff with the opportunity to develop and build their career within the Group.

Given the type and nature of the Group's diverse financial services products and services, training and personal development of our staff is taken very seriously by the Group.

Our training team, plays a pivotal part in the training process from induction training, collection operation techniques, debt collection computer training, telephone collection and negotiating skills training, legal and regulatory training, ASIC and ACCC Debt Collection Guidelines, Privacy Laws, Hardship identification and specific areas of collection practice required in specialised areas such as early stage overdue debt recovery, motor vehicle recovery, banking and finance, insurance, insolvency administration and many more.

An increasing number of staff are enrolling in the Certificate III in Mercantile Agents and other specialised courses to enhance their knowledge of the business and to assist them progress within the Group.

During FY14, the Group enhanced its development and coaching techniques which created consistency across the Group, and better identified opportunities for improvement in the performance and training area.

Process

During FY14, we implemented a new human resources and payroll system. This included a refresh of our performance management system, which is now known as 'Perform and Grow', and the creation of an e-recruitment system, which is in the final stages of being implemented.

These process changes have led to better experiences for our people and improved efficiencies for our business.

Our technology

Collection House Group uses technology to drive performance and maintain our position as an industry leader. Over many years, the Group has invested capital and human resources to develop innovative proprietary systems. These systems have become integral to our success and are a central component of our competitive advantage.

Consistent with our three-year plan to invest in our technology platforms, during the last financial year, the Group remained focused to deliver strong sustainable growth through the continued pursuit of innovation, improved technology, productivity and operational efficiencies. This year, we extended the release of the Controller 5.0 (C5) platform, which is now used by the majority of our business.

C5 has improved the Group's productivity and efficiency through tangible time savings across our operations, particularly with respect to the training of new staff. It has also significantly improved document management, client communication and data exchange, all in a safe and secure environment.

Investment in the resourcing of business intelligence will enable the evolution of enterprise-wide data analysis capabilities that will:

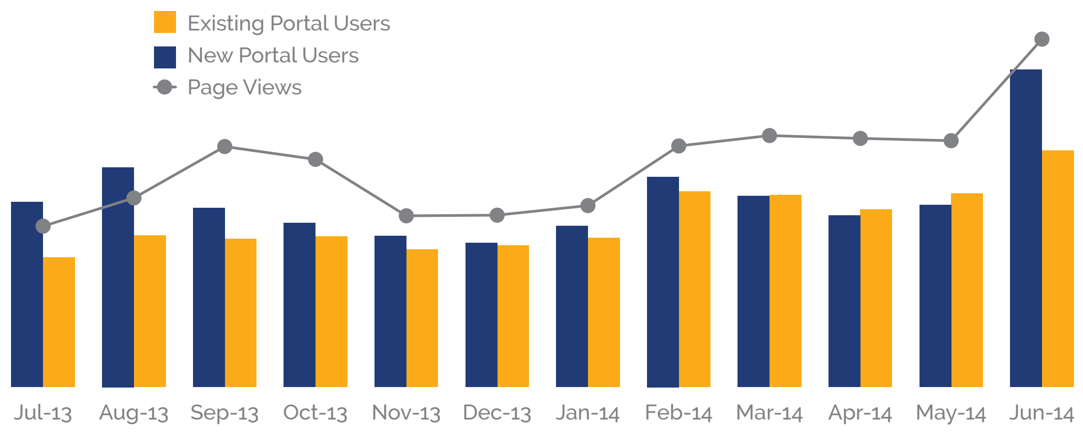
- provide powerful new insights into our businesses, the market and, therefore, assist with high-level decision making;
- improve debt acquisition and valuation models; and
- enhance the ability to execute operational strategies with robust comparative abilities.

While our internal information assets remain the core of our technologies business, we also excel in our ability to provide solutions for our customers and clients. The Group has embraced the use of on-line and mobile technologies to interact with customers in a way that best suits them – such as web-enabled communications and negotiations.

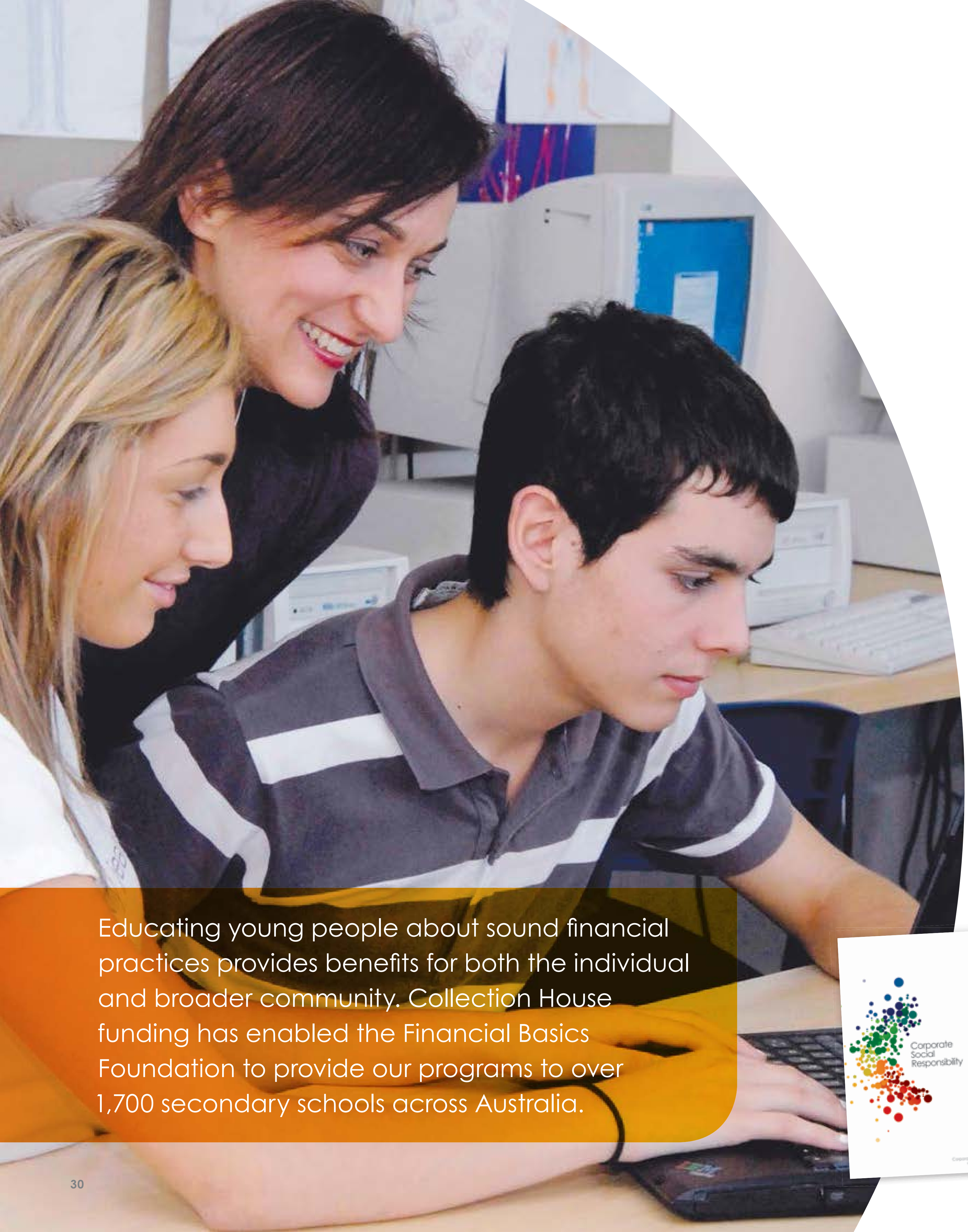
Investment in business intelligence, data analysis and new infrastructure has the Group well positioned for continued growth and success in FY15.

The Group is now in the second year of its three-year technology focused strategy. However, given the early successes of enhancement of core systems, the continued growth of the Group and external market trends, we have already embarked on the next evolution of our strategy. We have begun work to improve integration between our custom software and data analysis platforms, refresh of e-Channel and Contact Centre strategies and concepts, to deal with the continued growth of the Group.

As we continue this work, as with all of our technologically driven functions, the goal to deliver meaningful outcomes for our stakeholders is central to all of the Group's activities in 2015.



We have embraced interactive customer engagement where people may choose to engage with us in a way that best suits them – for example, web-enabled negotiation.



Educating young people about sound financial practices provides benefits for both the individual and broader community. Collection House funding has enabled the Financial Basics Foundation to provide our programs to over 1,700 secondary schools across Australia.

Corporate social responsibility

The Collection House Group remains committed to business conduct that is ethical, lawful and respectful of its community and environment. This is depicted through our long standing orientation to "leading the way" in ethical practice within our industry. It is also reflected in our established cultural values of accountability, professionalism and ethics.

Building on our legacy of ethical conduct, in 2013-14 we introduced a dedicated Corporate Social Responsibility (CSR) program. This program follows the guidance provided by the international standard *ISO 26000 Guidance on Social Responsibility* and includes:

- maintaining behaviour and conduct consistent with the actions and expectations of ISO 26000;
- informing our stakeholders of the social and environmental impact of our operations through dedicated reporting that is balanced, comparable, accurate, clear and reliable;
- partnering with non-government organisations in new initiatives;
- deepening our community engagement;
- supporting people experiencing financial hardship, and
- continuously improving our CSR practices.

During 2014-15, we will maintain our current range of CSR affiliated activities and introduce a range of new initiatives. To maintain focus, these activities will be aligned with four key areas.

1. **Supporting the community** – we will continue to support the communities in which we operate through initiatives such as the Community Engagement Program, Corporate Giving Program and Community Volunteering Program.
2. **Protecting the environment** – we will maintain our sustainable business practices as demonstrated through the application of our Environmental Management Policy and related initiatives.
3. **Engaging stakeholders** – we will preserve our constructive engagement with stakeholder groups consistent with our commitment to open and transparent business practices.
4. **Respect for the law** – we will continue our strong commitment to the spirit and intent of the law, relevant legislation and the regulatory requirements for each jurisdiction in which we operate.

In particular, we will look to deliver innovative CSR activities that leverage off our existing strengths to generate a lasting positive difference. Some leading initiatives that we will explore during 2014-15 include:

- providing in-kind professional project management services to non-government organisations to assist them achieve community-focused goals;
- continuing to support and drive the National Hardship Register;
- targeting improved environmental protection outcomes across the Collection House Group, and
- partnering with research institutions to explore the interface between the effects of mental illness and financial hardship outcomes.

For comprehensive information about our CSR program and its range of activities, please refer to the *Collection House 2013-14 Corporate Social Responsibility Outcomes Report* available at www.collectionhouse.com.au

Corporate governance statement

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Collection House Limited's Board (the Board) and its Senior Executives are committed to achieving and demonstrating the highest standard of good corporate governance practices.

This statement sets out the extent to which Collection House Limited (the Group) has followed the best practice recommendations set by the ASX Corporate Governance Council (the Principles and Recommendations – 2nd Edition) during the year ending 30 June 2014. The Group has, unless otherwise stated, followed those recommendations throughout the year.

The Group's key policies, board and committee charters and a checklist detailing its compliance with the Principles and Recommendations are available from its website at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

A summary of the Group's corporate governance policies and procedures, organised in the same order as the Principles and Recommendations, is set out below.

Principle 1
Lay solid foundations for management and oversight

The relationship between the Board and its Senior Executives is critical to the Group's long-term success. The Board is responsible to guide and monitor the Group on behalf of its shareholders. In addition, the Board (in conjunction with the Senior Executives) is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board Charter sets out a full list of specific functions that are reserved for the Board. The Board Charter is available *at www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

Board appointments are made pursuant to formal terms of appointment.

The Board has delegated to the Managing Director and Chief Executive Officer (MD and CEO) and the Senior Executives responsibility for matters that are not specifically reserved for the Board – such as the day-to-day management of the Group's affairs and the implementation of its corporate strategy. These delegations are reviewed on an annual basis.

The Board has established processes for evaluating the performance of the MD and CEO and Senior Executives. The individual performance of the MD and CEO and each of the Senior Executives is evaluated against the achievement of agreed performance objectives. The evaluation process is conducted annually and is followed by the determination of appropriate remuneration for the relevant Senior Executive.

Detailed information regarding the Group's remuneration practices is provided in the Remuneration Report contained in the Directors' Report of the Annual Report. Senior Executives were evaluated following the end of the financial year in accordance with the processes described in the Remuneration Report.

More information

The Board's responsibilities and functions are contained in the Group's corporate governance policies which are available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

Principle 2
Structure the Board to add value

Composition of the Board

The Board currently comprises eight Directors (including the Chair), seven of whom are Non-executive Directors. During the year, Mr John Pearce retired as a Director (22 August 2013), Mr Philip Hennessy (22 August 2013) and Ms Julie-Anne Schafer (28 January 2014) were appointed to the Board as Independent Non-executive Directors. The Managing Director (Matthew Thomas) is an Executive Director.

An induction process was carried out as part of Mr Hennessy and Ms Schafer's appointment to the Board. This process was designed to enable the immediate, active and valuable contribution by the incoming Directors to the Board's decision-making processes. The induction process involved meetings between Mr Hennessy and Ms Schafer and their fellow Directors and members of the Senior Executive to discuss the Group's strategic objectives, financial affairs, culture, values, risks and operations. An induction pack was also provided by the Company Secretary which documented a wide range of matters relevant to the Group's governance, including the roles, responsibilities and activities of the Board, its Committees, the Senior Executives and Management.

The Board considers that, individually and collectively, the Directors have an appropriate mix of skills, qualifications and experience to enable them to appropriately discharge their duties effectively.

Information about each current Director's qualifications, skills, experience and period in office is set out in the Directors' Report of the Annual Report.

The roles of Chair and MD and CEO are exercised by separate persons. David Liddy (Independent Non-Executive Director) acts as Chair and Matthew Thomas as the MD and CEO.

Independence of Directors

The Board is currently comprised of eight Directors, five of whom are Independent Directors. Therefore, a majority of Directors are independent.

The Board considers a Director to be independent if they are independent of Management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from the perspective of both the Group and individual Director. The determination of materiality requires consideration of both quantitative and qualitative elements. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to act in an independent manner.

In accordance with the definition of independence above, and in consideration of the independence criteria set out in box 2.1 of the ASX Principles and Recommendations – 2nd Edition, the Board considers that the following Directors are independent:

- David Liddy – Independent, Non-executive Chair;
- Kerry Daly – Independent, Non-executive Director;
- David Gray – Independent, Non-executive Director;
- Philip Hennessy – Independent, Non-executive Director; and
- Julie-Anne Schafer – Independent, Non-executive Director.

The Board has reviewed the independence status of its Non-executive Directors and has assessed and now considers that Mr Tony Coutts is no longer independent due to his invaluable association with the Group, which has extended over 19 years.

Directors must disclose any interests or relationships, including any related financial or other details, to the Board to determine whether that interest or relationship could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgment. At each Board meeting, the Board requires each Director to disclose any new information which could, or could reasonably be perceived to, impair the Director's independence.

In applying its policy on independence, the Board's emphasis is to encourage independent judgment amongst all Directors at all times – irrespective of their background. Nonetheless, the independence of each Director is assessed annually.

Selection and appointment of new Directors

On 10 July 2014 the Remuneration and Nomination Committee was formed by the Board. Accordingly, the role and function in relation to nomination matters were carried out by the whole Board until this date.

When considering the selection and appointment of a new Director, the Board has adhered to procedures contained in the Nomination Charter, including, but not limited to:

- the qualifications, experience and skills appropriate for an appointee, having regard to those of the existing Board members and likely changes to the Board in the foreseeable future;
- upon identifying a potential appointee, specific consideration is given to that candidate's:
  - competencies and qualifications;
  - independence;
  - other directorships and time availability; and
  - the effect of their appointment on the overall balance and composition of the Board.

The duties, responsibilities and powers of the Board extend to reviewing and approving the Nomination Charter and, from 10 July 2014, the Remuneration and Nomination Committee Charter. During the reporting period, the Board was responsible for implementing and developing succession plans to maintain appropriate experience, expertise and diversity on the Board.

On 10 July 2014 the Remuneration and Nomination Committee was formed, which, on and from this date, will be responsible for the implementation of the duties under the Remuneration and Nomination Committee Charter. The Charter of the Remuneration and Nomination Committee, which details its duties, objectives and responsibilities, is available *at www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

The Remuneration and Nomination Committee comprises of four Independent, Non-executive Directors, David Gray (Chair), David Liddy, Julie-Anne Schafer and Philip Hennessy.

The re-appointment procedures for incumbent Directors are outlined in the Collection House Limited Constitution. In summary, subject to the specific matters described in the Constitution, an election of Directors must take place each year at which one third (excluding the Managing Director) of Directors must retire. Any Director who has been in office for three or more years and for three or more annual general meetings must also retire. Directors who retire are generally eligible for re-election.

Evaluating performance of the Board, its Committees and its Directors

During the reporting period the Board is responsible for reviewing Collection House's procedure for the evaluation of the performance of the Board, its Committees and its Directors.

A performance evaluation of the Board and its Committees is undertaken annually at the completion of the financial year by interviewing Directors, and can include written surveys sent to each Board and Committee member.

The performance review is facilitated internally and covers the role, composition, procedure and practices of the Board and its Committees. The individual responses provided are confidential to each Board and Committee member. The Chair formally discusses the results with the Directors and the Committees.

The Chair is reviewed by his fellow Directors adjudging his performance and contributions to the Board, Board discussions, leadership, and in guiding and assisting the Board to comply with its Charter.

The Board and its Committees were evaluated following the end of the financial year and in accordance with the processes described above.

Independent advice

To enable the Group's Board to fulfil its role, each Director may obtain independent advice on relevant matters at the Group's expense.

In these circumstances, the Director must notify the Chair of the nature of the advice prior to obtaining that advice. This enables the Chair to take steps to ensure that the party from whom advice is sought has no material conflict of interest with the Group. The Chairman is also responsible for approving payment of invoices relating to the external advice.

Further, all Directors have unrestricted and unfettered access to the Group's records and information and receive regular detailed financial and operational reports from members of the Senior Executive that enable them to carry out their duties.

The Chair and the Directors regularly consult with the MD and CEO, the CFO, members of the Senior Executive and the Company Secretary. In addition, Directors may consult with, and request additional information from, any of the Group's employees.

Each Board Committee has the full authority of the Board to:

- communicate and consult with external and internal persons and organisations concerning matters delegated to the Committee; and
- appoint independent experts to provide advice on matters delegated to the Committee.

The Group's Committees

To assist in carrying out its responsibilities, the Board has established the following Committees:

- Audit and Risk Management Committee; and
- Remuneration and Nomination Committee (10 July 2014 – previously from 5 December 2013 Remuneration Committee).

Each Committee has adopted a formal Charter that outlines its duties and responsibilities.

Departure from Recommendation 2.4: The Principles and Recommendations recommend that the Board should establish a Nomination Committee.

During the reporting year, taking into consideration the nature, size and composition of the Board and the allocation of scarce Director resources, the Board determined that:

- it is ultimately responsible for the role, responsibilities and functions of the Nomination Committee; and
- the full Board will carry out the functions and duties of the Committee in accordance with the Nomination Charter.

In addition, at the time of making the determination, the Board resolved that:

- the role, responsibilities and functions of the Nomination Committee be assumed by the Board as a whole;
- the Board considers that it is best placed to deal with the nomination, appointment and evaluation of Directors;
- the members of the Board have sufficient industry experience, knowledge and technical expertise to discharge the Nomination Committee's mandate effectively; and
- the efficiencies previously gained from having a Nomination Committee no longer existed.

The Board reconsidered its determination on 10 July 2014 and decided that, given the resources and corporate governance best practices, it was now appropriate to delegate the Nominations responsibilities back to a Committee. As a result, the Board formed the Remuneration and Nomination Committee.

More information

A full copy of each of the Group's Charters is available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

Principle 3
Promote ethical and responsible decision-making

Codes of conduct

The Group has established a Code of Conduct that outlines the standard of ethical behaviour that is expected of its Directors and Officers at all times. Together with the philosophy for all employees, these policies act as the guiding principles for acceptable behaviours, responsibilities and:

- practices required by employees to maintain confidence in Collection House's integrity and ethical standards;
- expectations regarding professionalism, respect for the law, conflicts of interest, confidentiality, environment and good corporate values;
- legal obligations of employees and the reasonable expectations of their stakeholders; and
- responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Policy concerning trading in the Group's securities

The Group has adopted a formal *Securities Trading Policy*, which details the Group's policy concerning trading in the Group's shares by Directors, members of the Senior Executive and all employees.

The policy is reviewed annually by the Board and was last updated and disclosed to the ASX on 5 December 2013, in accordance with ASX Listing Rules. The policy addresses each of the ASX requirements, including provisions relating to the prohibition of trading by Directors and members of the Senior Executive in the Group's securities during defined blackout periods.

A copy of the *Securities Trading Policy* was given to ASX and released to the market and is available *at www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

Policy concerning diversity

The Group has established a policy concerning diversity and disclosed its policy on its website.

The *Diversity Policy* recognises that diversity can take many forms: cultural background, race, ethnicity, experience, gender, age, impairment or disability, sexual preference, religion, political beliefs or any other area of potential difference.

The Group values diversity and recognises the important benefits and contributions that people of diverse backgrounds make to the Group. Our diverse workforce is central to our continued growth and improved operational performance as employees of diverse backgrounds and experience are able to provide exceptional customer service to our equally diverse customer base.

In order to attract and retain a diverse workforce, the Group is committed to providing an environment in which all employees are treated fairly and equitably, where diversity is embraced, and to maintain a workforce that reflects the diversity of the Australian population.

The Group reviews annually the proportion of female employees in the Group, women in Senior Executive positions and women on the Board. Set out below is the report for the year ending 30 June 2014.

Position	Number	%
Number of women employees in the whole organisation	497	63
Number of women in senior executive positions*	2	33
Number of women on the Board	1	12.5

* Executive includes members of the Executive Management Team and Company Secretary.

The *Diversity Policy* includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Women account for 63 percent of the Group's non managerial positions and 43 percent of overall managers in the Group. The Board has established the 2014-2015 measurable objectives in the context of a longer-term strategy which will enable better opportunities for women to move into more senior managerial roles in the future.

The table below sets out these diversity objectives and the progress made towards achieving those objectives in 2014.

Measurable objectives – 2013-2014	progress
• Analytic reviews of gender diversity within the organisation to determine priority actions and programs.	ongoing
• Develop leadership development (LEAD) program which will assist in creating a gender diverse leadership pipeline.	achieved
• Review recruitment practices so that when Senior Executive positions become available at least one female applicant must be short listed (where possible) provided that they have the appropriate qualifications, skills and experience.	achieved
• Maintain a workplace free from discrimination and harassment.	ongoing
• Continuing to ensure we maintain a workplace that supports staff with family, carer and cultural responsibilities.	ongoing

The table below sets out the diversity objectives as approved by the Board for 2015.

Measurable objectives – 2014-2015	progress
• At least one female candidate to be shortlisted for all Executive and Senior Management positions.	
• Increase women within the succession pipeline to 50 percent in each of the below categories: – Readiness to assume now; – Readiness to assume within 1-2 years; – Readiness to assume 3-5 years; – Beyond 5 years.	
• Encourage women to participate in the LEAD program with the aim to achieve 50 percent of participants being women.	

In accordance with the *Diversity Policy*, the Board assessed that the measurable objectives were substantially achieved. The exception is those objectives with a time frame that exceeds an individual reporting year. However, work is progressing and the Board considers that these objectives are achievable within the allocated time frames.

More information

Full copies of the Group's *Code of Conduct for Directors and Senior Executives, Diversity Policy* and Securities Trading Policy are available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance*.

Principle 4
Safeguard integrity in financial reporting

Collection House Audit and Risk Management Committee and Charter

The Board has established an Audit and Risk Management Committee to review the integrity of the Group's financial reporting and to oversee the independence of the Group's external auditors.

The current members of the Audit and Risk Management Committee are Kerry Daly (Chair), Tony Coutts, David Gray (from 1 July 2013 to 5 December 2013) and Philip Hennessy (appointed 5 December 2013). All members of the Committee are Non-executive Directors with the majority being independent. The Committee met six times during the reporting year.

Information about each Committee member's qualifications, skills, experience and their attendance at Audit and Risk Management Committee meetings are set out in the Directors' Report.

The Audit and Risk Management Committee has adopted a formal Charter that outlines its duties and responsibilities.

The Charter includes information on the procedures for selection and appointment of the external auditor of the Group and for the rotation of external audit engagement partners. Annually, the Committee is responsible for evaluating and monitoring the external auditors' qualifications, independence, performance, capability and service provided by the external auditor. The Committee conducted its monitoring and evaluation of the external auditor and provided its findings to the Board.

More information

A full copy of the Group's *Audit and Risk Management Committee Charter* is available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance.*

Principle 5
Make timely and balanced disclosure

Policy to ensure compliance with ASX Listing Rule disclosure requirements

The Group has a formal *Continuous Disclosure Policy* in place, which is available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance.* The purpose of this policy is to set out the procedures to be followed to enable accurate, timely, clear and adequate disclosure to the market and compliance with ASX Listing Rules requirements. The policy details processes for:

- ensuring material information is communicated to the Board, its MD and CEO or its Company Secretary;
- the assessment of information and for the disclosure of material information to the market; and
- the broader publication of material information to the Group's shareholders and the media.

More information

A full copy of the Group's *Continuous Disclosure Policy* is available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance.*

Principle 6
Respect the rights of shareholders

Promotion of effective communication with shareholders

The Group has an *Investor Relations Guideline* (formerly the Shareholder Communication Guideline) which seeks to promote effective communication with its shareholders. The Guideline explains how information concerning the Group will be communicated to shareholders. The communication channels include:

- Collection House's Annual Report;
- Disclosures made to the ASX; and
- Notices of Meeting and other Explanatory Memoranda.

The Group has a dedicated corporate website which includes links to all ASX communications and other company information. Investors are able to make enquiries with the Group at any time via the Investor Enquiries page on our website at *www.collectionhouse.com.au/contact.*

More information

A full copy of the Group's *Investor Relations Guideline* is available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance.*

Principle 7
Recognise and manage risk

Policy for the oversight and management of material business risks

The Board is responsible for, and has established, policies for the oversight and management of material business risks and has adopted a formal *Risk Management Policy and Framework.* Risk management is an integral part of the industry in which the Group operates.

Management of risk is overseen by the Board and the Audit and Risk Management Committee. The Senior Executives have the responsibility to design, implement and report on the adequacy and effectiveness of the risk management system and internal controls within the Group.

Design and implementation of risk management and internal control systems

As required by the Board, the Senior Executives have devised and implemented risk management systems appropriate to the Group.

The *Risk Management Policy* provides guidance to assist in the identification, assessment, monitoring and management of risk for the Group and requires that the results are reported to the Board via the Audit and Risk Management Committee. A formal *Risk Management Framework* has been developed using the model outlined in *AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.*

The Framework identifies specific key risks at all levels of the business and provides for the reporting and monitoring of material risks across the Group.

The Board receives periodic reports through the Audit and Risk Management Committee, which summarises the results of risk management initiatives of the Group.

Managing Director and Chief Executive Officer and Chief Financial Officer assurances

The Board receives regular reports about the Group's financial and operational results.

At each reporting period, the MD and CEO and CFO certify to the Board that the Group'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 Group (and its Controlled Entities) at that date and in compliance with the relevant Accounting Standards and section 295A of the *Corporations Act 2001.*

More information

Full copies of the Group's *Audit and Risk Management Committee Charter and Risk Management Policy* are available at *www.collectionhouse.com.au* under the heading *Investors – Corporate Governance.*

Principle 8
Remunerate fairly and responsibly

Remuneration of Board members and Senior Executives

Until 5 December 2013, the Board was solely responsible for determining and reviewing compensation arrangements for Directors and members of the Senior Executive pursuant to the *Remuneration Charter* previously endorsed by the Board.

From 5 December 2013, the Board reinstated the Remuneration Committee to perform the role, responsibilities and functions of executive remuneration under the *Remuneration Committee Charter.*

From 5 December 2013, the members of the Remuneration Committee include David Gray (Chair), David Liddy and Julie-Anne Schafer (from 28 January 2014). All members are Independent Non-executive Directors. Since reestablishment, the Committee has met on one occasion. Information about each Committee member's qualifications, skills, experience and their attendance at Remuneration Committee meetings are set out in the Directors' Report.

Departure from Recommendations 8.1 and 8.2

The Principles and Recommendations recommend that the Board should establish a Remuneration Committee.

From 1 July 2013 until 5 December 2013, the Board assumed the role and functions of the Remuneration Committee as it believed that minimal benefit would accrue to the Group through a separate committee.

During this reporting period, the Group subsequently became an entity that trades in the top 300 of the S&P/ASX All Ordinaries Index. Accordingly, the Board reinstated the Remuneration Committee on 5 December 2013.

The role of the Board and Remuneration Committee when considering remuneration includes the review and recommendation of appropriate Directors' fees to be paid to Non-executive Directors.

The Board and Management of Collection House Limited are committed to achieving and demonstrating the highest standard of corporate governance that is embedded into the culture of the Group.

The Board and Remuneration Committee also considers how the remuneration policies are applied to Senior Executives, including any equity-based remuneration plan that may be considered, subject to shareholder approval (where required). When considering the entitlement by members of the Senior Executives to short-term incentive (STI), and long-term incentive (LTI) payments and entitlements, the Board and Remuneration Committee exercises its discretion in relation to the payment of these benefits, having regard to the overall performance of individual Senior Executives against objectives set by the Board for the MD and CEO and members of the Senior Executive, and the overall performance of the Group. Details of STI and LTI schemes are set out in the Remuneration Report section of the Director's Report.

The objectives of the Group's remuneration policies are to ensure that:

- Senior Executives are motivated to pursue the long-term growth and success of the Group; and
- there is a clear relationship between performance and remuneration.

Following the end of the financial year, the Board and Remuneration Committee reviewed and approved:

- the MD and CEO performance against objectives set by the Board for the financial year ending 30 June 2014 and, consequently, the short-term bonus payments made to the MD and CEO and Senior Executives referable to the financial year ending 30 June 2014;
- the remuneration for the MD and CEO and members of the Senior Executive, which will apply during the financial year ending 30 June 2015;
- the short-term incentives for the MD and CEO and members of the Senior Executive, which will apply during the financial year ending 30 June 2015; and
- the long-term incentives for the MD and CEO and members of the Senior Executive.

The Board and Remuneration Committee is responsible to develop and monitor the application of the Group's *Diversity Policy.*

Policy on entering into transactions in associated products which limit economic risk

Group employees who hold Collection House shares (unvested or vested as the case may be) under the Executive Share Option Plan (ESOP) or Performance Rights Plan (PRP) are not permitted to hedge or create derivative arrangements in respect to those shares or any of their rights and interests in any of those shares. Non-executive Directors do not participate in any share option or performance rights plans.

The rules of the ESOP and PRP specifically provide that a participant must not grant or enter into any Security Interest in or over any Collection House shares that may be acquired under the Plan (Participant Shares) or otherwise deal with any Participant Shares or interest in them until the relevant Participant Shares are transferred to the participant in accordance with the Plan rules. Security Interests are defined to extend to any mortgage, charge, pledge or lien or other encumbrance of any nature, and include any derivative relating to or involving a Participant Share. Any Security Interest, disposal or dealing made by a participant in contravention of the Plan rules will not be recognised by the Group.

A summary of current remuneration arrangements, including share options and performance rights are set out in more detail in the Remuneration Report section of the Directors' Report.

More information

Full copies of the Group's *Remuneration Charter* and *Executive Share Option Plan* and *Performance Rights Plan* are available at www.collectionhouse.com.au under the heading *Investors – Corporate Governance.*

Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as the Company or the Group) consisting of Collection House Limited and the entities it controlled for the financial year ended 30 June 2014.

Directors

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

- David Liddy
- Dennis Punches
- Matthew Thomas
- Tony Coutts
- Kerry Daly
- David Gray
- Philip Hennessy (appointed 22 August 2013)
- Julie-Anne Schafer (appointed 28 January 2014)
- John Pearce (retired 22 August 2013)

See pages 46 to 48 for profile information on the directors.

Principal activities

The principal activities of the Group during the financial year were the provision of debt collection services and receivables management throughout Australasia and the purchase of debt by its special purpose subsidiary Lion Finance Pty Ltd. There were no significant changes in the nature of the activities of the Group during the year.

Dividends paid to members during the financial year	30 June 2014 $'000	30 June 2013 $'000
Final ordinary dividend for the year ended 30 June 2013 of 3.6 cents fully franked (2012 – 3.2 cents fully franked) per fully paid share paid on 30 October 2013.	4,613	3,490
Interim ordinary dividend for the year ended 30 June 2014 of 3.9 cents fully franked (2013 – 3.6 cents fully franked) per fully paid share paid on 28 March 2014.	5,030	4,140

In addition to the above dividends, since the end of the financial year, the Directors have recommended the payment of a final fully franked ordinary dividend of 4.1 cents per fully paid share to be paid on 17 October 2014 out of retained profits and a positive net asset balance as at 30 June 2014.

FY2014 highlights

- Net profit after tax for the year was **$18.7 million** (2013: $15.6 million)
- Earnings per share (EPS) were **14.7 cents** (2013: 13.6 cents)
- Shareholder equity was **$156 million** (2013: $123 million)
- Total dividends for the year of **8.0 cents** (interim 3.9 cents paid 28 March 2014, final 4.1 cents to be paid 17 October 2014), fully franked, (up 11.1 percent from financial year 2013).

Review of operations and financial results

The consolidated net profit after tax (NPAT) of $18.7 million for the year ended 30 June 2014 increased 19.8 percent from $15.6 million in the previous year. Total revenue for the Group was $107.3 million an increase of 10.3 percent. Basic earnings per share increased 8.0 percent to 14.7 cents per share.

Key financial results - by segment - audited ($'000)

	Collection services		Purchased Debt Ledgers (PDLs)		Consolidated	
	30 June 2014 $ '000	30 June 2013 $ '000	30 June 2014 $ '000	30 June 2013 $ '000	30 June 2014 $ '000	30 June 2013 $ '000
Revenue						
Sales	44,433	39,779			44,433	39,779
Interest income			63,118	-	63,118	-
Collections from PDLs			-	96,711	-	96,711
Fair value movement in PDLs			-	(38,780)	-	(38,780)
Total segment revenue	44,433	39,779	63,118	57,931	107,551	97,710
Intersegment elimination					(214)	(404)
Consolidated revenue	44,433	39,779	63,118	57,931	107,337	97,306
Results						
Segment result	8,140	7,161	27,593	25,145	35,733	32,306
Interest expense and borrowing costs					(5,474)	(6,164)
Unallocated revenue less unallocated expenses					(3,299)	(3,811)
Profit before tax					26,960	22,331
Taxation					(8,255)	(6,717)
NPAT					18,705	15,614

Collection Services business

Consolidated Collection Services revenue increased year on year by 12.2 percent. The segment result for the year of $8.1 million increased 13.7 percent from the previous year result of $7.2 million. The segment, through its improved productivity and profitability, contributed to the total net operating cash flow of the Group.

PDLs business

Total PDLs collections increased 10.2 percent to $106.5 million for the year ended 30 June 2014. The segment result for the year was $27.6 million, an increase of 9.7 percent. PDLs acquisitions at cost were $82.2 million compared to $52.3 million in 2013.

During the year, the continued use of analytics, scoring/modelling and customer data validation yielded profitable growth as demonstrated by the increased collections coming from older portfolios.

Total repayment arrangements and litigated accounts portfolio increased to $353 million from $300 million in the previous year. Total collections in the year from this portfolio was 71 percent of total PDLs collections.

The availability of debt for sale was solid, with additional debt sellers entering the market and less activity seen from some competitors. Higher pricing was noticed on some specific PDLs transactions but pricing on mainstream purchases was within historical norms.

Review of financial position

The Group's net assets increased 26.5 percent to $156 million. Total net borrowings increased to $99.4 million in 2014, up from $87.0 million in 2013.

The Group's net cash flow from operating activities was $65.9 million, an increase of 6.0 percent.

During the year, the Group syndicated its banking facility with Westpac and Commonwealth Bank for three years. All covenants have been met with the loan to value ratio at 41 percent, compared to the covenant of 55 percent.

The Board has confirmed its confidence in the Group's future prospects. The Directors have recommended the payment of a final fully franked dividend as stated on page 42.

Business strategies and prospects for future financial years

Enduring strategic themes of innovation, differentiation and people-focus will continue to underpin our overall growth strategy.

Growth will be driven by leveraging our "one stop shop" diversified model, engaging in broader market sectors, and introducing leading edge financial solutions to both clients and customers. Improving growth will be achieved through strong existing client relationships and expanding into new market sectors with a focus on increasing government sector work – across the Group we now act nationally for 53 local government clients and 16 state government departments or authorities.

Enhancing customer interactions through multiple channels will include more focus on web-based technologies and leveraging our new collection platform C5.

Strong prospects also being pursued in the early receivables outsourcing market.

The Group guidance of its NPAT for the financial year ended 30 June 2015 is between $21 million and $22 million.

PDL investment in financial year 2015 is not expected to exceed financial year 2014 levels – $53m of PDL investment already committed under contract.

EBIT margins expected to remain steady over financial year 2015, with improving trend in second half.

Planning will commence for the further expansion of the Group's Manila operations (Collection House International BPO, Inc.) in the medium-term.

In the long-term, we will seek to maintain the Group's track record of increasing profitability and dividends for shareholders. Specific long-term strategies will include:

- further organic growth of specialist subsidiaries: MCC Group and Reliance Legal Group (formerly Jones King Lawyers Pty Ltd);
- product development of new debt solutions for both clients and customers;
- ongoing investment in innovation and analytics;
- pioneering new debt purchase markets and models; and
- exploring acquisition or partnership opportunities in adjacent service areas.

Critical factors related to collection services

– *The ability to service the needs of clients in a manner that generate profits for the Group.*

Meeting the needs of clients is critical to this business. Margins are under constant pressure from clients and there are many organisations prepared to undercut the Group to get business. The Group's response to this is to provide pro-active and superior professional service to our clients and to meet their needs. Our clients require ethical and compliant collections, ongoing reporting of performance, and regular and timely remittance of funds collected on their behalf.

Critical factors related to PDLs

– *The ability to accurately determine the price which the Group will pay for debts.*

The price paid for a debt is a critical input to being able to make a profit on any debt purchase. The Group has invested significant resources in being able to accurately price debts prior to submitting a bid to purchase.

The ability to accurately price debts is reliant upon having access to reliable sources of information and skilled employees making the pricing determination. The Group has access to the complete history of its own debt collection activities and uses this information extensively, together with other publicly available information to understand a particular debt portfolio prior to purchase.

Our employees are highly skilled and trained and are able to make accurate assessments of the correct price that should be paid for debts.

Higher pricing was noticed on some specific transactions but pricing on the mainstream purchases has been within long-term typical range.

– *The ability to accurately determine the value of the purchased debt portfolio at any point in time.*

As equally important as purchasing debts at the correct price is knowing the true value of the portfolio on an ongoing basis. With this knowledge, the Group is able to manage the portfolio on an ongoing basis and take appropriate action, if required.

The same information systems and employee skills which enable the Group to accurately price debts also enables the Group to effectively manage the debt portfolio on a day-to-day basis.

PDL collections, as a percentage of book value, has increased slightly, reflecting collections being achieved in line with pricing expectations and assets expensed consistently and in accordance with actual collections.

– *The ability to put debtors onto a payment plan. Converting as many of the debts in the portfolio as possible into regular paying arrangements is critical to the business success of the Group.*

Having a plan in place increases the recoverability of a debt, which increases the profitability of the portfolio and the Group. The Group applies significant resources to ensure purchased debts are placed on arrangement as expeditiously as possible.

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) The Group raised capital of $2.6 million from a Dividend Reinvestment Plan and $20 million from a Share Placement with sophisticated and institutional investors and Share Purchase Plan.

(b) The Group purchased new debt ledger portfolios for A$82.2 million.

Matters subsequent to the end of the financial year

1. Dividend

The Directors have recommended the payment of a final fully franked ordinary dividend of **4.1 cents** per fully paid share to be paid on 17 October 2014 out of retained profits and a positive net asset balance as at 30 June 2014.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2014 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.

Environmental regulation

The Group'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 2014

David Liddy	**Independent, Non-executive Chair. Age 63.**
Qualifications	MBA.
Experience	Mr Liddy has over 42 years of banking experience, including appointments in Australia, London and Hong Kong. He was appointed as Collection House Limited's Chair in March 2012. Mr Liddy is also a Non-executive Director of Steadfast Group Limited and Emerchants Limited, and Chair of Financial Basics Foundation and Financial Basics Community Foundation. Previously, he was MD and CEO of Bank of Queensland Limited from 2001-2011. Mr Liddy holds an MBA, is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.
Special responsibilities	Chair of the Board. Member of the Remuneration Committee from 5 December 2013. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	150,000 ordinary shares in CLH.
Dennis Punches	**Non-executive Deputy Chairman. Age 78.**
Qualifications	BS.
Experience	Mr Punches was first appointed to the Collection House Limited Board in July 1998. In 2000 he was appointed as Chair of the Board. In 2009 he stepped down as Chair to become the Group's Deputy Chair. He is presently co-Chair of International Collectors Group and a Trustee for Wisconsin's Carroll University. He is a former Director of Attention LLC Inc, Analysis and Technology Inc, and co-founder and former Chair of Payco American Corporation.
Special responsibilities	Deputy Chair of the Board.
Interest in shares	10,502,535 ordinary shares in CLH.
Matthew Thomas	**Managing Director and Chief Executive Officer. Age 43.**
Experience	Mr Thomas has over 22 years of experience in the finance and collections industry and has been with Collection House Limited for the past 15 years. He was appointed to the Board in March 2013. Since starting with Collection House as a Customer Service Officer in 1999, Mr Thomas has been promoted to various positions, including IT Manager and Chief Information Officer. In 2007, Mr Thomas was promoted to Chief Operating Officer. In this role he had responsibility for all collection operations as well as Group IT strategy and business analysis. Mr Thomas was appointed as the Group's Chief Executive Officer in July 2010. Mr Thomas is currently Deputy Chair of the Australian Collectors and Debt Buyers Association and a Graduate Member of the Australian Institute of Company Directors.
Special responsibilities	Managing Director and Chief Executive Officer.
Interest in shares and performance rights	647,137 ordinary shares in CLH. 1,048,038* performance rights over ordinary shares in CLH.

* 419, 919 performance rights are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

Tony Coutts	**Non-executive Director. Age 55.**
Experience	Mr Coutts has over 38 years of experience in the finance, insurance and debt collection industry, including 19 years at Collection House Limited. He was Collection House Limited's General Manager from 1995 to 1998. In September 1998 he was appointed as an Executive Director of Collection House Limited with responsibilities for sales. He became a Non-executive Director from 1 July 2006.
Special responsibilities	Member of the Audit and Risk Management Committee.
Interest in shares	4,829,059 ordinary shares in CLH.
Kerry Daly	**Independent, Non-executive Director. Age 56.**
Qualifications	BBus (Acc).
Experience	Mr Daly has over 30 years of experience in the financial services sector. Mr Daly was elected a Director of Collection House Limited on 30 October 2009. Mr Daly is currently a Non-executive Director of Trustees Australia Limited. During the period 1987 to December 2000, Mr Daly was MD and CEO of The Rock Building Society Limited where he initiated its demutualisation and was responsible for its ASX listing. From January 2001, he served as Executive Director of the fixed interest brokerage and investment banking business Grange Securities Limited.
Special responsibilities	Chair of the Audit and Risk Management Committee.
Interest in shares	394,607 ordinary shares in CLH.
David Gray	**Independent, Non-executive Director. Age 67.**
Qualifications	BSc (UK), Honorary Doctorate.
Experience	Mr Gray has more than 20 years of experience in senior executive positions with large national and international companies. He is currently the Chair of Queensland Cyber Infrastructure, a position he has held since March 2008, Chair of Australian Urban Infrastructure Network, a position he has held since 2010 and is an adjunct professor at QUT. Previously, Mr Gray was Deputy Chair of the Civil Aviation Safety Authority (CASA) from 2009 to 2014, a Director of Brisbane Airport Corporation from 2010 to 2014, Chair of Queensland Motorways from 2006 to 2010, Chair of WaterSecure from 2008 to 2011, MD of Boeing Australia from 1995 to 2006, MD of GEC Marconi (Australia) from 1990 to 1995 and Divisional Chief Executive of GEC (Australia) Heavy Engineering from 1984 to 1990. Mr Gray was appointed to Collection House Limited's Board on 28 June 2011 and elected a Director on 28 October 2011.
Special responsibilities	Chair of the Remuneration Committee from 5 December 2013. Chair of the Remuneration and Nomination Committee from 10 July 2014. Member of the Audit and Risk Management Committee to 5 December 2013.
Interest in shares	183,098 ordinary shares in CLH.

Philip Hennessy	Independent, Non-executive Director. Age 61.
Experience	Mr Hennessy was, until February 2013, Queensland Chair of KPMG, Chartered Accountants. After 12 years in that role and some 30 years being involved in all aspects of corporate insolvency and reconstruction, he retired from KPMG in July 2013. As Queensland Chair of KPMG, he was responsible for the leadership of KPMG in the Queensland market. This role included operational efficiency, strategic direction, go to market strategy, engagement of KPMG's people, engagement with its clients and KPMG's connection to the community. Mr Hennessy is currently a Member of the Infrastructure Australia Advisory Board, Chair of the Mater Hospital Foundation, Director of the Starlight Children's Foundation National Board, Member of the University of Queensland Senate, the Chair of the University of Queensland Finance Committee and a Director of Blue Sky Alternatives Access Fund Limited. Mr Hennessy was appointed to the Board of Collection House Limited on 22 August 2013 and elected a Director on 25 October 2013.
Special responsibilities	Member of the Audit and Risk Management Committee from 5 December 2013. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	50,000 ordinary shares in CLH.
Julie-Anne Schafer	**Independent, Non-executive Director. Age 60.**
Qualifications	LLB (Hons), GAICD
Experience	Ms Schafer is an accomplished Director with experience across a broad range of industries. She has worked in a number of Non-executive Director roles with a focus on business outcomes, customers, risk management and governance. She is currently a Non-executive Director of Territory Insurance Office, Catholic Church Insurance and Aviation Australia Pty Ltd. Ms Schafer was previously the Chair of RACQ and RACQ Insurance, also had former directorships including Queensland Rail and was a Commissioner of the National Transport Commission. Ms Schafer is a facilitator for the Australian Institute of Company Directors in Governance, Strategy and Risk Management. She is also a member of the Australian and New Zealand Institute of Insurance and Finance. Ms Schafer was appointed to the Board of Collection House Limited on 28 January 2014.
Special responsibilities	Member of the Remuneration Committee from 28 January 2014. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	38,500 ordinary shares in CLH.

Company Secretary

The Company Secretary to 30 June 2014 was Julie Tealby and Michael Watkins to 25 October 2013.

Julie Tealby was appointed Company Secretary on 31 January 2013. Mrs Tealby holds a Bachelor of Business (Accountancy), has been a member of CPA Australia for 15 years and is a professional member of the Institute of Internal Auditors. Mrs Tealby is near completion of her Graduate Diploma in Corporate Governance through the Governance Institute of Australia. Previously Mrs Tealby held Board and Company Secretary positions with the Financial Basics Foundation and the Financial Basics Community Foundation. Prior to 2001, Mrs Tealby held the position of Financial Controller and Company Secretary with Collection House Limited. Since 2005, Mrs Tealby has also been the Company's Internal Auditor.

Michael Watkins was appointed to the position of Company Secretary from 21 December 2006 until his retirement on 25 October 2013. Before joining Collection House Limited, Mr Watkins was in practice as a commercial lawyer from 1978 and as a partner in his own Brisbane law firm from 1980 until accepting the appointment as General Counsel of the Group in 2000. Mr Watkins is a Fellow member of Chartered Secretaries Australia and undertook the combined roles of General Counsel and Company Secretary for the Group up until his retirement.

Meetings of Directors

The number of meetings of the Group's Board of Directors and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

2014	Directors		Meetings of committees: Audit and Risk Management		Remuneration*	
	A	B	A	B	A	B
David Liddy	7	7	**	**	1	1
Dennis Punches	7	7	**	**	**	**
Matthew Thomas	7	7	**	**	**	**
Tony Coutts	5	7	4	6	**	**
Kerry Daly	7	7	6	6	**	**
David Gray	6	7	4	4	1	1
Philip Hennessy (appointed 22 August 2013)	4	4	2	2	**	**
Julie-Anne Schafer (appointed 28 January 2014)	2	2	**	**	1	1
John Pearce (retired 22 August 2013)	3	3	**	**	**	**

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.

* The Remuneration Committee was re-established on 5 December 2013.

** Not a member of the relevant Board committee.

Remuneration Report

During the financial year to 30 June 2014 (FY14), Collection House Limited (the Group) engaged with its shareholders and their representatives so that the Group could improve the quality of its Remuneration Report and meet the expectations of all stakeholders. As a result, the Group has enhanced its remuneration processes and its disclosures in the FY14 Remuneration Report. These enhancements include:

- The re-establishment of the Remuneration Committee on 5 December 2013. The Remuneration Committee has three members, all of whom are Independent Directors. The Chair of the Remuneration Committee is not the Chair of the Board.
- The engagement of an external, independent remuneration company to provide recommendations on remuneration for Non-executive Directors.
- The Remuneration Committee engaged an external, independent remuneration company to review the Group's remuneration policies and provide recommendations on remuneration packages for all key management personnel for the financial year ended 30 June 2015 (FY15).
- The implementation of a more transparent Remuneration Report and communication of remuneration policies to shareholders and their representatives.

Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY14 for Non-executive Directors, Executive Director and other key management personnel.

The Remuneration Report contains the following sections:

A Directors and other key management personnel disclosed in this report

B Remuneration governance

C Executive remuneration policy and framework

D Relationship between remuneration and the Group's performance

E Non-executive Director remuneration policy

F Details of remuneration of Directors and key management personnel

G Service agreements

H Share-based compensation

I Equity instruments held by key management personnel

J Additional information

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

A Directors and other key management personnel disclosed in this report

The key management personnel include those who have the authority and responsibility to plan, direct and control the major activities of the Group.

The Group's Directors and key management personnel for FY14	
Board of Directors	
David Liddy	Chair (Non-executive)
Dennis Punches	Deputy Chair (Non-executive)
Matthew Thomas	Managing Director (MD) and Chief Executive Officer (CEO) (Executive)
Tony Coutts	Director (Non-executive)
Kerry Daly	Director (Non-executive)
David Gray	Director (Non-executive)
Philip Hennessy	Director (Non-executive) (appointed 22 August 2013)
Julie-Anne Schafer	Director (Non-executive) (appointed 28 January 2014)
John Pearce	Director (Non-executive) (retired 22 August 2013)
Executive Management Team (EMT)	
Matthew Thomas	MD and CEO
Adrian Ralston	Chief Financial Officer (CFO)
Paul Freer	Chief Operating Officer (COO)
Kylie Lynam	General Manager – Human Resources and Corporate Services
Marcus Barron	Chief Information Officer (CIO)
Michael Watkins	General Counsel and Company Secretary (retired 31 October 2013)

B Remuneration governance

On 5 December 2013 the Collection House Board (the Board) re-formed the Remuneration Committee. Prior to this, remuneration arrangements for Directors and the EMT were handled by the Board.

The Remuneration Committee primarily considers and makes recommendations to the Board regarding:

- the appropriate fees for Non-executive Directors;
- how the remuneration policies are applied to members of the EMT; and
- the basis of short and long-term performance-based incentive payments for members of the EMT.

Fundamental to all arrangements is that all key management personnel must contribute to the achievement of short and long-term objectives, enhance shareholder value, avoid unnecessary or excessive risk taking and discourage behaviour that is contrary to the Group's values.

Details of the short and long-term incentive schemes are set out below in the "Executive Remuneration Policy and Framework" section of the Remuneration Report.

The objectives of the Group's remuneration policies are to ensure that remuneration packages for key management personnel reflect their duties, responsibilities and level of performance - as well as to ensure that all key management personnel are motivated to pursue the long-term growth and success of the Group.

In determining the remuneration of all key management personnel, the Board aims to ensure that the remuneration policies and framework:

- are fair and competitive and align with the long-term interests of the Group;
- incentivise all key management personnel to pursue the short and long-term growth and success of the Group within an appropriate risk control framework;
- are competitive and reasonable, enabling the Group to attract and retain key talent, knowledge and experience;
- are aligned to the Group's strategic and business objectives and the creation of shareholder value; and
- has a transparent reward structure with a risk proposition that is linked to achievement of pre-determined performance targets.

Use of external consultants

In performing its role, the Board, and now the Remuneration Committee, may directly commission and receive information, advice and recommendations from independent, external advisers. This is done to ensure that the Group's remuneration packages are appropriate, reflect industry standards and will help achieve the objectives of the Group's remuneration strategy.

During FY14 the Board engaged the services of Egan Associates Pty Limited to review its existing remuneration policies and to provide recommendations with respect to Non-executive Directors' emoluments. Egan Associates Pty Limited have stated that its review and recommendations were made free from undue influence by any member of the Group. Under the terms of the engagement, Egan was paid $5,670 (ex GST) for these services.

Also during the reporting period, the Chair of the Remuneration Committee undertook a comprehensive review of a wide-range of possible independent, external consultants that could be appointed by the Group to review its remuneration policies and framework. As a result, in July 2014, the Remuneration Committee engaged an independent, external consultant, Mercer Consulting (Australia) Pty Ltd, to review the Group's existing remuneration policies and to provide recommendations on the EMT's remuneration packages – including base remuneration and short and long-term incentives for FY15.

To ensure that the remuneration recommendations are free from undue influence the Remuneration Committee will ensure the following arrangements are made:

- The remuneration company is engaged by, and reports directly to, the Chair of the Remuneration Committee. Any agreements for the provision of remuneration consulting services will be executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board.
- The report containing the remuneration recommendations will be provided by the external remuneration consultant directly to the Chair of the Remuneration Committee.

- The external remuneration consultant will be permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, the external remuneration consultant will not be permitted to provide any member of management with a copy of their draft or final report that contains the remunerable recommendations.

Voting and comments made at the Group's 2013 AGM

The Group received an unanimous vote in favour, on a show of hands, of its Remuneration Report for FY13.

Securities Trading Policy

The trading of shares issued to eligible employees under any of the Group's employee equity plans was subject to, and conditional upon, compliance with the Group's *Securities Trading Policy*. Members of the EMT are prohibited from entering into any hedging arrangements over unvested performance rights under the Group's Performance Rights Plan (PRP). The Group would consider a breach of this policy as misconduct, which may lead to disciplinary action and potentially dismissal.

C Executive remuneration policy and framework

The Board reviews the remuneration packages for members of the EMT annually by reference to individual performance against key individual objectives and the Group's consolidated results. The performance review of the MD and CEO is undertaken by the Board. The performance review of the other members of the EMT is undertaken by the MD and CEO and approved by the Board.

The Group aims to reward members of the EMT with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

The EMT pay and reward framework has three components:

- fixed base pay and benefits, including superannuation;
- short-term incentives (STIs); and
- long-term incentives (LTIs) through participation in the PRP, which has been approved by the Board.

The combination of these components amount to the total remuneration package or total employment cost for members of the EMT.

Base pay

Structured as a total employment cost package, the base pay may be delivered as a combination of cash and prescribed non-financial benefits at the discretion of the EMT member. Members of the EMT are offered a competitive base pay that comprises the cash salary and superannuation and non-monetary benefits. Base pay for EMT members is reviewed annually to ensure the pay is in line with role, experience and performance and remains competitive with the market. They are usually fixed for a 12-month period with any changes effective from 1 September each financial year. An EMT member's pay is also reviewed on promotion.

The Board approved an overall base pay increase of three percent for the majority of the EMT in FY14. The Board approved an increase of 28 percent for the COO during FY14. This was due to the completion of the COO's six-month qualifying period and to better align the COO's base salary with the market.

Retirement benefits for EMT

There are no retirement benefits made available to members of the EMT, other than as are required by statute or by law.

Short-term incentives (STIs)

To ensure that remuneration for members of the EMT is aligned to the Group's performance, a significant component of an EMT member's remuneration package is performance based and, therefore, "at risk".

EMT members have the opportunity to earn an annual STI if pre-defined targets are achieved. The MD and CEO has a maximum target STI opportunity of 100 percent of base pay excluding superannuation and non-monetary benefits. EMT personnel have a maximum target STI opportunity of 25 percent of base pay excluding superannuation and non-monetary benefits.

STIs for the EMT in FY14 were based on scorecard measures and weightings. The MD and CEO key performance objective targets were set by the Board at the beginning of the financial year and aligned to the Group's strategic and business objectives, as outlined below.

The STIs for other members of the EMT are recommended by the MD and CEO to the Board based on the MD and CEO's financial and non-financial target performance objectives.

The non-financial objectives vary with position, role and responsibility and include measures such as achieving strategic outcomes, developing people, growth, differentiation, innovation and other key initiatives during the financial year. Different weighting between financial and non-financial performance is given to different members of the EMT based on their positions and influence on the financial result of the business.

Objectives, once agreed, are identified as strategic projects or initiatives. These are tracked via the Strategic Project Team, who provide updates on a monthly basis. The process provides oversight for the Board on the progress of all agreed objectives. At the end of the financial year the Board reviews achievement of these key objectives and the weighted STIs are calculated based on the outcomes.

This structure ensures that STIs are only paid when an individual member of the EMT delivers against their key objectives and the Group's strategic goals.

MD and CEO STI targets for FY14

Performance category	Metrics	Weighting (%)
Financial	Net profit after tax (NPAT), return on equity, net debt / net debt plus equity, earnings before interest and taxes (EBIT) margin, and earnings per share (EPS).	60
Strategic	Key strategic initiatives annually agreed by the Board.	23
People	Employee engagement and other strategic HR initiatives.	8
Technological	Various strategic IT initiatives including Controller 5.0 deployment.	9

Based on the achievements of the Group this year, the Remuneration Committee determined that the EMT had achieved between 96 and 98 percent of their target opportunity.

In making this assessment, the Committee considered the following factors:

- Increase in net profit after tax from $15.6 million to $18.7million
- Return on equity (average) remained at 13.4 percent
- Net debt/Net debt plus equity reduced from 41 to 39 percent
- EBIT margin increased from 29 to 30 percent
- EPS increase from 13.6 cents to 14.7 cents
- Increase of the employee engagement by 14 percent.

Long-term incentives (LTIs)

LTIs are provided to the Group's EMT via the PRP, which was unanimously approved by shareholders at the 2013 AGM.

The LTI program has the objective of delivering long-term shareholder value by incentivising members of the EMT to achieve sustained financial performance over a three-year period.

Performance rights were awarded to various eligible employees on and from 1 July 2013 pursuant to the PRP, at a nil exercise price and subject to a three-year tenure hurdle and achieving certain financial performance hurdles, which were approved by the Board for the financial period ended 30 June 2016 (FY16). The Board has not set Total Return to Shareholders (TRS) as a base hurdle due to the absence of a deep set of listed peers and the belief that Management should focus on the four key strategic financial measurements below to achieve the best return for shareholders.

The performance rights will not vest unless the Group's financial performance meet these hurdles as at 30 June 2016. The Board set these hurdles to ensure that the EMT were focused on the short and long-term goals of the Group. The table below outlines each hurdle, the proportion of performance rights that will vest, as a percentage, if the target is achieved, the reason the Board established the hurdle and the Group's progress towards achieving the hurdle.

Financial measurement	The Board's reasoning for setting targets	Proportion of performance rights that vest (%)
EPS base	Earnings per share is regarded as an overriding measure of management performance which aligns to shareholder interests, and is counter balanced by the below metrics which encourage earnings growth with prudent use of both equity and debt capital. EPS has grown 60 percent since FY10 and future EPS growth is guided by the Board's intention to continue to deliver relatively consistent earnings growth over the long-term.	30
EPS stretch	Earnings per share stretch is to reward management for efforts in creating above expected shareholder value. However still within the parameters set below which requires the prudent use of both equity and debt capital.	30
Average ROE	Return on equity was regarded as being at an unsatisfactory level when the current CEO was appointed at the end of FY10. The Board saw benefit in incentivising improvement in this metric over the long-term, to achieve an ROE closer to comparable listed peers.	25
Net Debt/Net Debt plus Equity	The Board set a direction in FY12 to reduce balance sheet risks, and a component was to wind down gearing levels of the business over time. A general threshold limit of 40 percent (Net Debt / Net Debt plus Equity) was set at that time which has since been achieved. For FY16, this ratio must not exceed 38.3 percent .	15

839,830 unlisted performance rights over ordinary shares in the Company were granted during the current year under the PRP to the EMT and other eligible employees for the period 1 July 2013 to 30 June 2016.
The performance rights will vest (and therefore be capable of being exercised) depending on the Group achieving certain performance hurdles as at 30 June 2016, as highlighted above. Any shares granted to the MD and CEO are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

LTIs in the form of performance rights will be granted annually to members of the EMT for a three-year period. The next performance rights grant will relate to the three-year period 2014 to 2017, based on performance conditions to be recommended by the Remuneration and Nomination Committee and approved by the Board. In relation to the 2014 to 2017 period, the Remuneration and Nomination Committee has recommended that the Board adjust the metrics so that a greater weighting is given to the achievement of EPS stretch targets, which aligns with the creation of shareholder value.

The Group will cancel or clawback any performance-based remuneration in the event of serious misconduct or a material misstatement of the Group's financial statements.

D Relationship between remuneration and the Group's performance

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

The overall level of reward for members of the EMT takes into account the performance of the Group over a number of years, with greater emphasis given to the current and previous year. Details of the relationship between the remuneration policy and Group's performance over the last five years is detailed below.

	2010	2011	2012	2013	2014
Net profit after tax ($m)	$8.9	$10.1	$12.6	$15.6	**$18.7**
Dividends declared (franked)	5.8 cents	6.2 cents	6.4 cents	7.2 cents	**8.0 cents**
Share price commenced	$0.47	$0.76	$0.69	$0.80	**$1.65**
Share price ended	$0.75	$0.65	$0.79	$1.65	**$1.88**
Basic EPS (including discontinued operations)	9.2 cents	10.4 cents	12.1 cents	13.6 cents	**14.7 cents**

Details of remuneration: cash bonuses, options and performance rights

For each cash bonus, grant of options and performance rights included in the table on pages 60 to 61 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 bonus is payable in future years. No options or performance rights will vest unless the vesting conditions are met (see note 33 for details), hence the minimum value of the options or performance rights yet to vest is nil. The maximum value of the options or performance rights yet to be expensed has been determined as the amount of the grant date fair value of the options and performance rights that are yet to be expensed.

	Cash bonus 2014		Options or performance rights						
	Paid %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed $	Financial years in which options or performance rights may vest (subject to certain qualifying hurdles) Refer to note 33	Minimum total value of options or performance rights yet to be expensed	Maximum total value of options or performance rights yet to be expensed
Matthew Thomas	98	2	2013	-	-	-	2016	-	242,167
			2014	-	-	-	2017	-	520,005
Adrian Ralston	98	2	2013	-	-	-	2016	-	24,217
			2014	-	-	-	2017	-	69,680
Paul Freer	98	2	2013	-	-	-	2016	-	88,333
			2014	-	-	-	2017	-	69,680
Kylie Lynam	96	4	2013	-	-	-	2016	-	24,217
			2014	-	-	-	2017	-	69,680
Marcus Barron	98	2	2013	-	-	-	2016	-	9,687
			2014	-	-	-	2017	-	54,079
Michael Watkins (retired 31 October 2013)	100	0	-	-	-	-	-	-	-

E Non-executive Director remuneration policy

Non-executive Director's fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. Non-executive Directors do not receive share options or performance rights.

The maximum annual aggregate Directors' fee pool limit is $900,000 per annum and was approved by shareholders at the Group's AGM on 25 October 2013. The aggregate total Director fees distribution is $690,540.

Payments are allowed for additional responsibilities for the Board's Chair, for membership of a Board Committee and for the Chair of each Board Committee. Fees and payments to Non-executive Directors reflect the demands that are made on, and the responsibilities of, the Directors.

In accordance with advice from Egan Associates Pty Limited the following fees have been applied from 9 December 2013. Previous fees have been stated for comparison purposes.

Fees	From 9 December 2013	From 1 March 2013 to 8 December 2013
Base fees		
Chair	$158,000*	$158,000*
Other Non-executive Directors	$70,000	$58,000
Additional fees		
Audit and Risk Management Committee Chair	$25,000	$30,000
Audit and Risk Management Committee Member	$10,000	$15,000
Remuneration and Nomination Committee Chair	$10,000	$15,000
Remuneration and Nomination Committee Member	$5,000	$15,000

* The Chair's fee will cover his entire engagement on the Board.

For further information in relation to Directors' remuneration, refer to pages 58 to 59.

Retirement allowances for Directors

There are no retirement allowances paid to Non-executive Directors.

F Details of remuneration of Directors and key management personnel

Amounts of remuneration

Details of the remuneration of Directors and all other key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out below.

Non-executive Directors		Short-term benefits				Post-employment benefits super $	Share-based payments options $	Total $
		Salary and fees $	Cash bonus $	Non-monetary benefits $	Other $			
David Liddy	2014	158,000	-	-	-	14,615	-	172,615
Chair	2013	152,461	-	-	-	13,721	-	166,182
Dennis Punches	2014	61,848	-	-	-	-	-	61,848
Deputy Chair	2013	52,666	-	-	-	-	-	52,666
Tony Coutts	2014	76,769	-	-	-	7,101	-	83,870
Non-executive Director	2013	67,462	-	-	-	6,072	-	73,534
Kerry Daly	2014	91,769	-	-	-	8,489	-	100,258
Non-executive Director	2013	82,462	-	-	-	7,422	-	89,884
David Gray	2014	76,769	-	-	-	7,101	-	83,870
Non-executive Director	2013	67,173	-	-	-	6,046	-	73,219
Philip Hennessy	2014	62,158	-	-	-	5,750	-	67,908
Non-executive Director (appointed 22 August 2013)	2013	-	-	-	-	-	-	-
Julie-Anne Schafer	2014	30,000	-	-	-	2,775	-	32,775
Non-executive Director (appointed 28 January 2014)	2013	-	-	-	-	-	-	-
John Pearce	2014	9,815	-	-	-	908	-	10,723
Non-executive Director (retired 22 August 2013)	2013	52,462	-	-	-	4,722	-	57,184

For recently appointed KMP, the remuneration information provided in the table below relates to the period from the date of appointment as KMP to FY14.

Executive Director and other key management personnel		Short-term benefits				Post-employment benefits super $	Share-based payments options and performance rights $	Total $
		Salary and fees $	Cash bonus $	Non-monetary benefits $	Other $			
Matthew Thomas	2014	512,115	505,900	3,650	-	58,077	346,257	1,425,999
MD and CEO	2013	518,169	500,000	3,476	-	24,908	166,270	1,212,823
Adrian Ralston	2014	302,343	75,700	3,650	-	28,078	53,902	463,673
CFO	2013	295,169	73,000	3,476	-	25,930	39,127	436,702
Paul Freer	2014	293,135	78,400	3,650	-	27,115	70,420	472,720
(appointed 4 March 2013) **COO**	2013	76,923	17,000	-	-	6,923	17,667	118,513
Kylie Lynam	2014	165,529	49,600	3,650	-	15,422	48,940	283,141
General Manager – Human Resources and Corporate Services	2013	195,692	47,000	3,476	-	17,612	31,612	295,392
Marcus Barron **CIO**	2014	161,183	41,400	3,650	-	18,165	20,187	244,585
(appointed KMP 1 July 2013)	2013	-	-	-	-	-	-	-
Michael Watkins	2014	238,904*	22,253	1,230	-	11,052	14,853	288,292
General Counsel and Company Secretary (retired 31 October 2013)	2013	269,407	68,000	3,476	-	24,247	22,495	387,625

* Includes a payout of accrued annual and long service leave on retirement.

The relative proportions of remuneration referred to in the preceding table that are fixed and linked to performance and share based options are detailed below.

Name	Fixed remuneration (%)		At risk – STIs (%)		At risk – LTIs* (%)	
	2014	2013	2014	2013	2014	2013
Matthew Thomas	**40**	45	**36**	41	**24**	14
Adrian Ralston	**72**	74	**16**	17	**12**	9
Paul Freer	**68**	71	**17**	14	**15**	15
Kylie Lynam	**65**	73	**18**	16	**17**	11
Marcus Barron	**75**	-	**17**	-	**8**	-
Michael Watkins** (retired 31 October 2013)	**87**	76	**8**	18	**5**	6

* LTIs are provided by way of options and performance rights based on the value of options and performance rights expensed during the year.

** Fixed remuneration included payout on accrued annual and long service leave on retirement.

G Service agreements

Remuneration and other terms of employment for the MD and CEO and other key management personnel are also formalised in service agreements. Except as otherwise stated, all contracts with members of the EMT may be terminated early by either party with three months' notice. Major provisions of the agreements relating to remuneration are set out below.

Matthew Thomas **MD and CEO**	Annual base salary	$566,288 inclusive of superannuation for FY14.
	Performance cash bonus	$515,000 exclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Options	1,479,000 options were granted in 2011. 100 percent of performance hurdles have been achieved and all remaining options were exercised in FY2014.
	Performance rights	628,119 at risk performance rights were issued in FY13. 419,919 at risk performance rights were granted during FY14 subject to shareholder approval. See note 33 for further details.
Adrian Ralston **CFO**	Annual base salary	$335,820 inclusive of superannuation for FY14.
	Performance cash bonus	$77,212 exclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Options	591,000 options were granted in 2011. 100 percent of performance hurdles have been achieved and all remaining options were exercised in FY14.
	Performance rights	62,812 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued during FY14. See note 33 for further details.
Paul Freer **COO** (appointed 4 March 2013)	Annual base salary	$353,250 inclusive of superannuation for FY14.
	Performance cash bonus	$80,000 exclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Performance rights	100,000 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued during FY14. See note 33 for further details.
Kylie Lynam **General Manager – Human Resources and Corporate Services**	Annual base salary	$223,832 inclusive of superannuation for FY14.
	Performance cash bonus	$51,585 exclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Options	443,000 options were granted in 2011. 100 percent of performance hurdles have been achieved and all remaining options were exercised in FY14.
	Performance rights	62,812 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued during FY14. See note 33 for further details.
Marcus Barron **CIO** (appointed 29 January 2013)	Annual base salary	$182,876 inclusive of superannuation for FY14.
	Performance cash bonus	$46,118 inclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Performance rights	25,125 at risk performance rights were issued in FY13. 43,671 at risk performance rights were issued during FY14. See note 33 for further details.
Michael Watkins **General Counsel and Company Secretary** (retired 31 October 2013)	Annual base salary	$295,028 inclusive of superannuation for FY14.
	Performance cash bonus	$22,253 exclusive of superannuation was the maximum STI opportunity in relation to FY14.
	Options	443,000 options were granted in 2011. 100 percent of performance hurdles have been achieved and all remaining options were exercised in FY14. See note 33 for further details.

H Share-based compensation

Options and performance rights

Options and performance rights have been granted to certain eligible employees under the Collection House Executive Share Option Plan (ESOP) and Performance Rights Plan (PRP) respectively.

The terms and conditions of all options and performance rights mentioned above affecting remuneration in the previous, current or future reporting periods are set out in note 33 of the financial statements. Refer to page 128.

Options and performance rights granted under the ESOP and PRP respectively carry no dividend or voting rights. When exercisable, each option and performance right is convertible into one ordinary share of Collection House Limited.

Details of options and performance rights over ordinary shares in the Group provided as remuneration to members of the EMT are set out below. Further information on the options and performance rights are set out in note 33 of the financial statements. Refer to page 128.

Name	Number of options granted during the year		Number of options vested during the year	
	2014	2013	2014	2013
1. Matthew Thomas	-	-	**295,800**	1,283,200
2. Adrian Ralston	-	-	**118,200**	552,800
3. Paul Freer	-	-	-	-
4. Kylie Lynam	-	-	**88,600**	414,400
5. Marcus Barron	-	-	-	-
6. Michael Watkins (retired 31 October 2013)	-	-	**88,600**	444,400

Name	Number of performance rights granted/issued during the year		Number of performance rights vested during the year	
	2014	2013	2014	2013
1. Matthew Thomas	**419,919***	628,119	-	-
2. Adrian Ralston	**56,269**	62,812	-	-
3. Paul Freer	**56,269**	100,000	-	-
4. Kylie Lynam	**56,269**	62,812	-	-
5. Marcus Barron	**43,671**	25,125	-	-

* Performance rights granted to the MD and CEO are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

The assessed fair value at the relevant date of options granted to the individuals is allocated over the period from grant date to vesting date, and the amount is included in the remuneration table in this report. Fair values at grant date are independently determined using a modified binomial 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 assessed fair value at grant date of performance rights compensation granted to members of the EMT has been independently determined and is calculated using the five day volume weighted average price (VWAP). The expense is recognised over the vesting period. The expense for each relevant financial year will require an assessment at each reporting date of the probability that each performance hurdle will be achieved.

Shares provided on exercise of remuneration options

Details of ordinary shares in the Group provided as a result of the exercise of remuneration options to members of the EMT are set out below.

Name	Number of ordinary shares issued on exercise of options during the year		Amounts paid per ordinary share	
			$	$
	2014	2013	2014	2013
ESOP2008				
1. Matthew Thomas	-	100,000	-	0.4927
2. Adrian Ralston	-	200,000	-	0.4927
3. Kylie Lynam	-	150,000	-	0.4927
4. Michael Watkins (retired 31 October 2013)	-	225,000	-	0.4927
ESOP 2010				
1. Matthew Thomas	**295,800**	1,183,200	**0.6938**	0.6938
2. Adrian Ralston	**118,200**	472,800	**0.6938**	0.6938
3. Kylie Lynam	**88,600**	354,400	**0.6938**	0.6938
4. Michael Watkins (retired 31 October 2013)	**88,600**	354,400	**0.6938**	0.6938

I Equity instruments held by key management personnel

Options

The number 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, are set out below.

2014 Name	Balance at start of the year	Granted as compensation	Exercised (optional)/ vested (rights)	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Matthew Thomas	295,800	-	(295,800)	-	-	-	-
Adrian Ralston	118,200	-	(118,200)	-	-	-	-
Kylie Lynam	88,600	-	(88,600)	-	-	-	-
Michael Watkins (retired 31 October 2013)	88,600	-	(88,600)	-	-	-	-

Performance rights

Details of performance rights over ordinary shares in the Company provided as remuneration to each director of Collection House Limited and other key management personnel of the Group, are set out below.

2014 Name	Balance at start of the year	Granted as compensation	Exercised (optional)/ vested (rights)	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Matthew Thomas	628,119	419,919*	-	-	1,048,038*	-	1,048,038
Adrian Ralston	62,812	56,269	-	-	119,081	-	119,081
Paul Freer	100,000	56,269	-	-	156,269	-	156,269
Kylie Lynam	62,812	56,269	-	-	119,081	-	119,081
Marcus Barron	25,125	43,671	-	-	68,796	-	68,796

* Performance rights granted to the MD and CEO are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

Share holdings

The number 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.

2014 Non-executive Directors	Balance at start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at the end of the year
David Liddy	100,000	-	-	50,000	150,000
Dennis Punches	14,452,535	-	-	(3,950,000)	10,502,535
Tony Coutts	4,821,665	-	-	7,394	4,829,059
Kerry Daly	380,000	-	-	14,607	394,607
David Gray	168,000	-	-	27,999	195,999
Philip Hennessy (appointed 22 August 2013)	-	-	-	50,000	50,000
Julie-Anne Schafer (appointed 28 January 2014)	-	-	-	38,500	38,500
John Pearce (retired 22 August 2013)	9,157,839	-	-	-	9,157,839*

* as at 22 August 2013

2014 Executive Director and other key management personnel	Balance at start of the year	Received during the year on the exercise of options	Received on vesting of rights to deferred shares	Other changes during the year	Balance at the end of the year
Matthew Thomas	735,931	295,800	-	(384,594)	647,137
Adrian Ralston	200,000	118,200	-	(293,200)	25,000
Paul Freer	-	-	-	6,500	6,500
Kylie Lynam	66,000	88,600	-	7,387	161,987
Marcus Barron	-	-	-	1,000	1,000
Michael Watkins (retired 31 October 2013)	175,000	88,600	-	3,697	267,297*

* as at 31 October 2013.

J Additional information

Loans to Directors and Executives

There were no loans to Directors or members of the EMT during FY14.

Shares under option

LTIs are provided to certain eligible employees via the ESOP and PRP, see note 33 for further information.
Un-issued ordinary shares of the Group under option at the date of this report are detail below.

Options	Date options granted	Number of options granted	Issue price of shares	No of shares issued 2014	No of unvested shares under options	Expiry date
ESOP	1/3/11	2,956,000	$0.6938	591,200	Nil	23 December 2013

Performance Rights	Date rights effective	Number of rights granted/to be issued	Issue price of shares	No of shares issued 2014	No of unvested shares under rights	Expiry date
PRP	1/7/12	1,256,238	Nil	Nil	1,256,238	30 September 2015
PRP	4/3/13	100,000	Nil	Nil	100,000	30 September 2015
PRP	1/7/13	839,830*	Nil	Nil	839,830	30 September 2016

* Performance rights granted to the MD and CEO are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

Additional information – Unaudited

Insurance of officers

During the financial year the Group has paid insurance premiums of $49,855 in respect of Directors' and Officers' liability and legal expenses' insurance, for current and former Directors and Officers, including Senior Executives of the Group and Directors, Senior Executives and secretaries of its controlled entities.

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

Proceedings on behalf of the Group

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

No proceedings have been brought or intervened in on behalf of the Group 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 and Risk Management Committee, was satisfied that the provision of the non-audit services during the year was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. During the year, the Group's auditors have performed no other non-audit services in addition to their assurance duties. All other assurance services were subject to the corporate governance procedures adopted by the Group.

Details of the amounts paid to the auditors of the Group, PKF Hacketts Audit, are set out below.

Description	Consolidated ($)	
	30 June 2014	30 June 2013
1. Audit services, PKF Hacketts Audit	**144,500**	144,500
Audit and review of the financial reports and other audit work under the *Corporations Act 2001*.		
Total remuneration for audit services	**144,500**	144,500
2. Other assurance services, PKF Hacketts Audit	**85,500**	85,500
Total remuneration for audit-related services	**85,500**	85,500
Total remuneration	**230,000**	230,000

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 68.

Rounding of amounts

The Group 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' 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.

Auditor

PKF Hacketts Audit continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Collection House Limited

David Liddy
Chair
21 August 2014

Auditor's Independence declaration

PKF Hacketts

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF COLLECTION HOUSE LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014 there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

PKF Hacketts

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 21 August 2014

PKF Hacketts Audit
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Financial statements

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Income statement
for the year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Revenue	5	107,337	97,306
Revenue from continuing operations		107,337	97,306
Depreciation and amortisation expense	6	(1,681)	(1,949)
Other expenses		(5,928)	(5,722)
Employee expenses		(48,486)	(42,688)
Direct collection costs		(14,115)	(14,066)
Operating lease rental expense	6	(4,693)	(4,386)
Finance costs	6	(5,474)	(6,164)
Profit before income tax		26,960	22,331
Income tax expense	7	(8,255)	(6,717)
Profit from continuing operations		18,705	15,614
Profit for the year		18,705	15,614
Profit is attributable to:			
Equity holders of Collection House Limited		18,705	15,614
		18,705	15,614
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	14.7	13.6
Diluted earnings per share	32	14.5	13.5

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

Statement Of Comprehensive Income
for the year ended 30 June 2014

		Consolidated	
	Notes	30 June 2014 $'000	30 June 2013 $'000
Profit for the year		18,705	15,614
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	25(a)	725	(8)
Other comprehensive income for the year, net of income tax		725	(8)
Total comprehensive income for the year		19,430	15,606
Total comprehensive income for the year is attributable to:			
Equity holders of Collection House Limited		19,430	15,606
		19,430	15,606

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

Balance Sheet
as at 30 June 2014

		Consolidated	
	Notes	30 June 2014 $'000	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	704	2,400
Receivables	9	9,574	7,693
Purchased debt ledgers	10	51,669	46,611
Other current assets	11	1,044	721
Total current assets		62,991	57,425
Non-current assets			
Purchased debt ledgers	10	182,581	149,196
Property, plant and equipment	12	5,436	4,705
Intangible assets	14	34,222	28,252
Total non-current assets		222,239	182,153
Total assets		285,230	239,578
LIABILITIES			
Current liabilities			
Payables	15	13,628	11,513
Borrowings	16	323	-
Current tax liabilities		7,071	7,396
Provisions	17	2,906	2,850
Other financial liabilities	18	1,600	276
Total current liabilities		25,528	22,035
Non-current liabilities			
Borrowings	19	99,800	89,400
Deferred tax liabilities	20	1,331	4,221
Provisions	21	356	361
Other financial liabilities	23	2,226	294
Total non-current liabilities		103,713	94,276
Total liabilities		129,241	116,311
Net assets		155,989	123,267
EQUITY			
Contributed equity	24	102,285	80,095
Reserves	25(a)	1,959	489
Retained profits	25(b)	51,745	42,683
Total equity		155,989	123,267

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

Statement Of Changes In Equity
for the year ended 30 June 2014

Consolidated	Notes	Attributable to owners of Collection House Limited Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012		74,324	147	34,699	109,170
Profit for the year		-	-	15,614	15,614
Other comprehensive income		-	(8)	-	(8)
Total comprehensive income for the year		-	(8)	15,614	15,606
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	24	5,771	-	-	5,771
Employee share options - value of employee services	25	-	350	-	350
Dividends provided for or paid	26	-	-	(7,630)	(7,630)
		5,771	350	(7,630)	(1,509)
Balance at 30 June 2013		80,095	489	42,683	123,267
Balance at 1 July 2013		80,095	489	42,683	123,267
Profit for the year		-	-	18,705	18,705
Other comprehensive income		-	725	-	725
Total comprehensive income for the year		-	725	18,705	19,430
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	24	22,190	-	-	22,190
Employee share options - value of employee services	25	-	745	-	745
Dividends provided for or paid	26	-	-	(9,643)	(9,643)
		22,190	745	(9,643)	13,292
Balance at 30 June 2014		102,285	1,959	51,745	155,989

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

Statement Of Cash Flow
for the year ended 30 June 2014

	Notes	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		151,861	138,803
Payments to suppliers and employees (inclusive of goods and services tax)		(74,462)	(67,615)
		77,399	71,188
Interest received		19	26
Income taxes paid		(11,470)	(9,010)
Net cash inflow (outflow) from operating activities	35	65,948	62,204
Cash flows from investing activities			
Payments for property, plant and equipment		(203)	(395)
Payments for leasehold improvements		(312)	(67)
Payments for purchased debt ledgers		(81,270)	(50,623)
Proceeds from sale of purchased debt ledgers		23	2,205
Payments for intangible assets		(3,854)	(4,031)
Net cash (outflow) inflow from investing activities		(85,616)	(52,911)
Cash flows from financing activities			
Proceeds from borrowings		30,321	10,000
Repayment of borrowings		(20,000)	(5,700)
Borrowing costs		(1,782)	(1,718)
Interest paid		(3,476)	(4,625)
Dividends paid to Company's shareholders	26	(9,643)	(7,630)
Proceeds from issues of shares and other equity securities		22,192	5,246
Net cash (outflow) inflow from financing activities		17,612	(4,427)
Net increase (decrease) in cash and cash equivalents		(2,056)	4,866
Cash and cash equivalents at the beginning of the financial year		2,400	(2,514)
Effects of exchange rate changes on cash and cash equivalents		37	48
Cash and cash equivalents at end of year	8	381	2,400

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Collection House Limited and its subsidiaries (the Group).

The financial statements were authorised for issue on 21 August 2014 by the directors of the Company.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Collection House Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Collection House Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2013:

- AASB10 *Consolidated Financial Statements, AASB 11: Joint Arrangements,* AASB 12: *Disclosure of Interests in Other Entities,* AASB 127: *Separate Financial Statements, AASB 128: Investments in Associates and Joint Ventures and AAS2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards;*
- AASB 119: *Employee Benefits* and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119.* The Group has applied these Standards retrospectively in accordance with AASB 108: *Accounting Policies Changes in Accounting Estimates and Errors* and the transitional provisions of AASB 119;
- AASB13: *Fair Value Measurement* and AASB 2011-8: *Amendments to Australian Accounting Standards arising from AASB 13.*

The adoption of these new standards did not materially affect any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2013:

- AASB 9 *Financial Instruments*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* None of the items in the financial statements had to be restated as a result of applying these standards.

(iv) Changes in accounting policies

From 1 July 2013, as a result of a change in the Group's business model for managing its financial assets, the Purchased Debt Ledgers (PDLs) have been reclassified as financial assets that are subsequently measured at amortised cost. The change is recognised prospectively and there was no impact on the balance sheet at 1 July 2013, and prior periods are not required to be restated. There was no change to the values recognised in relation to the carrying value of the PDLs at the date of reclassification. Please refer to note 1(l) for the accounting policy with respect to the PDLs under the amortised cost model which is applicable from 1 July 2013.

1 Summary of significant accounting policies (continued)

(v) Changes in presentation

As a result of the reclassification of its PDLs and a review of its financial statements, the Group has changed the presentation of revenue on the face of the income statement. In prior periods, each separate component of revenue including Commission, Other revenue, Collections of PDLs and Change in fair value of PDLs were presented on the face of the income statement. For the current period, and all future reporting periods, revenue will be presented as one line item on the face of the income statement. The separate components of revenue will be presented in note 5 of the financial statements.

(vi) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

(vii) Critical accounting estimates

The preparation of financial statements 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 2014 and the results of all subsidiaries for the year then ended. Collection House Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the 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 acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

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.

There are currently no non-controlling interests in the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

1 Summary of significant accounting policies (continued)

(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 it 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 profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

The results and financial position of foreign operations (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 and statement of comprehensive income 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 in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Financial Statements
30 June 2014

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

(i) Interest income – PDL's

Interest income is recognised using the effective interest method under AASB 9 Financial Instruments. Interest is shown net of any adjustments to the carrying amount of purchased debt ledgers as a result of changes in estimated cash flows.

(ii) Rendering of services – commission revenue

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

(iii) Sale of non-current assets

The net gain or loss on disposal is included as either a revenue or an expense 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.

(iv) 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.

(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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 foreign operations where the company 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Collection House Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Taxation of Financial Arrangements legislation

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (TOFA legislation) was passed in 2009. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing closer alignment between tax and accounting requirements. The regime also includes comprehensive tax hedging rules that would allow the tax recognition of gains and losses on many hedging instruments to be matched to the accounting recognition of gains and losses of the underlying hedged items.

TOFA became mandatory for the Group for the tax year beginning 1 July 2010. There are specific transitional provisions in relation to the taxation of existing financial arrangements outstanding at the transition date (i.e. there is a choice to bring pre-commencement financial arrangements into the new regime subject to a balancing adjustment being calculated on transition to be returned over the next succeeding four tax years). Based on analysis conducted by the Group, the Group has elected to bring pre-commencement financial arrangements into the TOFA regime.

Further, the Group has performed a review in relation to whether to adopt certain tax-timing methodologies under the TOFA regime. As a result of this review, the Group has elected to adopt the reliance on financial reports methodology. This election, together with the transitional election, has the effect of bringing to account deferred tax balances on financial arrangements that existed at 30 June 2010, over a four year period. Further, there will be a closer alignment between tax and accounting recognition and measure of financial arrangements and consequently less deferred taxes associated with these financial arrangements in future years.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (notes 18 and 23). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other current financial liabilities and other non-current financial liabilities. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to the profit or loss 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 asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 29). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred.

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

(j) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, 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. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. Trade receivables are due for settlement no more than 30 days from the date of recognition, and are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1 Summary of significant accounting policies (continued)

(l) Other financial assets

Classification

The Group classifies financial assets as subsequently measured at either amortised costs or fair value on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Until 30 June 2013 PDLs were classified as financial assets at fair value through profit or loss. From 1 July 2013, and for all future reporting periods, the PDLs are classified as financial assets that are subsequently measured at amortised cost.

(i) Financial assets subsequently measured at amortised cost - Purchased debt ledgers (PDLs) from 1 July 2013

Classification

Purchased debt ledgers have been included in this category of financial assets from 1 July 2013 as the Group's business model for managing the PDLs and the characteristics of the contractual cash flows of the financial asset are consistent with this measurement approach.

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.

Subsequent Measurement

PDLs are initially recognised at cost, as cost reflects fair value plus any incidental costs of acquisition and thereafter measured at amortised cost using the effective interest method, less any impairment losses.

Net gains on financial assets are disclosed in the income statement as interest income net of any change in value of the ledgers.

Impairment

The carrying amount of the PDLs is continuously reviewed to ensure that the carrying amount is not impaired. PDLs are collectively assessed for impairment as they are not considered to be individually significant within the portfolio and they have similar credit risk characteristics.

A PDL is considered to be impaired if the carrying amount exceeds the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the income statement. When a subsequent change in estimated future cash flows causes the amount of impairment loss to reverse, the reversal in impairment is recognised in the income statement to the initial amount of the original impairment loss.

(ii) Financial assets at fair value through profit or loss - Purchased debt ledgers (PDLs) prior to 1 July 2013

Purchased debt ledgers were previously included in this category of financial assets as they were managed and their performance evaluated on a fair value basis.

Purchased debt ledgers were 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 was determined based on a valuation technique. The valuation was based on the present value of expected future cash flows.

When the carrying value of a ledger was greater than the present value of its expected future cashflows the carrying amount was reduced to its recoverable amount (fair value), being the anticipated future cash flows discounted to present value.

Net gains on financial assets were disclosed in the income statement as collections of purchased debt ledgers net of any change in fair value of the ledgers.

1 Summary of significant accounting policies (continued)

(l) Other financial assets (continued)

Purchased debt ledgers 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.

(iii) Loans and receivables

Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

(iv) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be readily estimated.

(m) 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 Group uses estimated discounted cash flows to determine fair value.

Refer to note 2 for further details of fair value determination.

(n) Other current assets

(i) Legal and court costs capitalised

Significant legal and court costs associated with purchased debt and incurred subsequent to acquisition have been capitalised in recognition that it is expected beyond reasonable doubt future economic benefits will flow to the Group as a result of the expenditure being incurred.

These costs are amortised on a straight line basis over the period of their expected benefit, which is not expected to exceed twelve months.

(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.

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment (continued)

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 Group, 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 Group 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, are depreciated / amortised using the straight-line method over their estimated useful lives taking into account estimated residual values with the exception of purchased debt which subject to fair value adjustments based upon the 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.

- Plant and equipment	4-12 years
- Computer equipment	3-5 years
- Leased plant and equipment	Term of Lease + expected renewal

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment every six months, 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. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) IT development and software

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

1 Summary of significant accounting policies (continued)

(p) Intangible assets (continued)

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(iii) Customer contracts

The customer contracts were acquired as part of a business combination (see note 31 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over periods ranging from 2 to 10 years.

(iv) Other intangible assets

Licences and intellectual property are considered to have a definite useful life and are carried at cost less accumulated amortisation. 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 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(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 it is recorded at the contracted rate as part of "Other payables".

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 removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 reporting period.

(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 are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable 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.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

(t) Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period. 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(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 the Chief Executive Officer via the employment agreement between the Company and the Chief Executive Officer.

Share-based compensation benefits are provided to employees other than the Chief Executive Officer via the Collection House Limited Executive Share Option Plan. Further details are set out in note 33.

The fair value of options granted under the Executive Share Option Plan and the CEO employment agreement 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 Monte Carlo 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 is adjusted to reflect market vesting conditions, but 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.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Performance Rights compensation benefits are provided to key employees via the Collection House Performance Rights Plan (PRP). The fair value of the performance rights granted under the PRP was independently determined. The fair value at grant date has been calculated using the five day volume weighted average price (VWAP).
The expense is recognised over the vesting period. The expense for each relevant financial year will require an assessment at each reporting date of the probability that each performance hurdle will be achieved. This probability factor will then be multiplied by the total number of rights apportioned to each performance hurdle to determine the number used in calculating the charge to profit and loss. Further details are set out in note 33.

(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 to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the equity holders of Collection House Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the equity holders of Collection House Limited.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners 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 and excluding treasury shares (note 32).

(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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

1 Summary of significant accounting policies (continued)

(y) 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 consolidated 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 flows.

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

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

At the date of authorisation of the financial report, the following relevant Standards and Interpretations were issued but not yet effective:

i. AASB 2012-3 *Amendments to Australian Accounting Standards* – Offsetting Financial Assets and *Financial Liabilities (effective 1 January 2014);*

ii. Interpretation 21: *Levies* (effective 1 January 2014);

iii. AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (effective 1 January 2014);

iv. AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (effective 1 January 2014);

v. AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities* (effective 1 January 2014).

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015. The Group is currently evaluating the impact of the new standards, however they are not expected to have a material impact on the Group.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(ab) Parent entity financial information

The financial information for the parent entity, Collection House Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Collection House Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

1 Summary of significant accounting policies (continued)

(ab) Parent entity financial information (continued)

(ii) Tax consolidation legislation

Collection House Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Collection House Limited, and the controlled entities in the tax consolidated group 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Collection House Limited for any current tax payable assumed and are compensated by Collection House Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Collection House Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current 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.

(iii) Financial guarantees

The parent entity has provided no financial guarantees in relation to loans and payables of subsidiaries.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity 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. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, aging analysis for credit risk and cashflow analysis to determine the risk associated with the Purchased Debt Ledger portfolio.

Risk management is carried out by the finance department under policies approved by the Audit and Risk Management Committee of the Board. Under the authority of the Board of Directors the Audit and Risk Management Committee ensures that the total risk exposure of the Group is consistent with the Business Strategy and within the risk tolerance of the Group. Regular risk reports are tabled before the Audit and Risk Management Committee.

Within this framework, the Finance team identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NZ Dollar and the Philippine Peso.

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

2 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity
At 30 June 2014, had the Australian Dollar weakened/strengthened by 10% against the NZ Dollar or the Philippine Peso with all other variables held constant, the impact for the year would have been immaterial to both profit for the year and equity.

(ii) Price risk

The Group is not exposed to price risk, as there are no subsidiary company investments in the consolidated results.

(iii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk from two sources – Trade interest rate risk and Investment interest rate risk.

Trade 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 main trade interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk, if the borrowings are carried at fair value. During 2014 and 2013, the Group borrowings at variable rates were denominated in Australian Dollars only.

The Group analyses trade interest rate exposure in the context of current economic conditions. Management is aware of the impact on profits of specific interest rate increases, and annual budgets and ongoing forecasts are framed based upon group and market expectations of interest rate levels for the coming year.

Interest rate hedges and swaps are an available tool for managing interest rate risk within the Group. The Board has authorised their use and if it is determined that it would be profitable and / or advantageous to the Group, these tools will be used.

On 17 September 2012, the Company confirmed an interest rate swap transaction for an amount of $15m at a fixed rate of 3.02% per annum effective as at 7 September 2012 and continuing until 7 September 2015. On 21 September 2012, the Company confirmed an interest rate swap transaction for an amount of $14.5m at a fixed rate of 2.86% per annum effective as at 21 September 2012 and continuing until 21 September 2015. On 29 January 2014, the Company confirmed an interest rate swap transaction for an amount of $12.6m at a fixed rate of 2.895% per annum effective as at 30 January 2014 and continuing until 1 February 2016. On 16 May 2014, the Company confirmed an interest rate swap transaction for an amount of $46m at a fixed rate of 3.05% per annum effective as at 28 July 2014 and continuing until 27 January 2017.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	30 June 2014		30 June 2013	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	3.6%	100,123	4.3%	89,400
Interest rate swaps (notional principal amount)	4.0%	(88,100)	4.7%	(81,400)
Net exposure to cash flow interest rate risk		12,023		8,000

2 Financial risk management (continued)

(a) Market risk (continued)

Investment interest rate risk
In addition the Group is exposed to Investment interest rate risk which arises from the significant investment in Purchased Debt Ledgers. A number of different types of risk arise from the PDL investments. All PDL risks are managed together as described below.

Interest rate risk
Group sensitivity
At 30 June 2014, if interest rates had changed by +/- 25 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $23,000 lower/higher (2013 - change of 25 bps: $15,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been $23,000 lower/higher (2013 - $15,000 lower/higher) mainly as a result of an increase/decrease in cash not required for interest payments. Other financial assets and liabilities are not interest bearing and therefore are not subject to interest rate risk.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

Consolidated		Interest rate risk			
		-25 bps		+25 bps	
30 June 2014	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial liabilities	1,280	2	2	(2)	(2)
Borrowings	12,023	21	21	(21)	(21)
Total increase / (decrease) in financial liabilities		23	23	(23)	(23)
Total increase / (decrease)		23	23	(23)	(23)

Consolidated		Interest rate risk			
		-25 bps		+25 bps	
30 June 2013	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial liabilities	570	1	1	(1)	(1)
Borrowings	8,000	14	14	(14)	(14)
Total increase / (decrease) in financial liabilities		15	15	(15)	(15)
Total increase / (decrease)		15	15	(15)	(15)

2 Financial risk management (continued)

(b) Credit risk

The Group is exposed to credit risk from two sources – Trade credit risk and Investment credit risk.

Trade credit risk

Trade credit risk is managed on a Group basis. Trade credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to clients, including outstanding receivables and committed transactions.

The Group has no significant concentrations of trade credit risk. The Group has policies in place to ensure that services are made to customers with an appropriate credit history.

Investment credit risk

In addition the Group is exposed to Investment credit risk which arises from the significant investment in Purchased Debt Ledgers. A number of different types of risk arise from the PDL investments. All PDL risks are managed together as described below.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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 Finance Team aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. Cashflows are forecast on a day-to-day basis across the Group to ensure that sufficient funds are available to meet requirements on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Group had access to a $115,000,000 Multiple Option Facility throughout the year (2013: $115,000,000). The facility, which was syndicated in January 2014, was subject to meeting a number of financial undertakings. The undertakings were comfortably met at all times during both the current and prior years.

The facility is made up of a Cash Advance option, a Commercial Bill option, an Overdraft option, and a Set-off option. The cash advance option or the commercial bill option can be drawn upon with 2 days notice to the finance provider, and the overdraft option or the set-off option may be drawn upon at any time. The allocation between the various options is at the discretion of the Group subject to the total not exceeding the $115,000,000 commitment from the finance providers. The overdraft and set-off options are repayable on demand, and the Commercial Bill and cash advance options are repayable at the end of the term.

The undertakings are reviewed by the Audit and Risk Management Committee each month, and are reported on to the finance provider bi-annually. All companies within the Group are required to notify the finance provider of any event of default as soon as it becomes aware of them.

In addition to the above the Group is required to keep the finance provider fully informed of relevant details of the Group as they arise.

Further details of the banking facility and interest rate swaps entered into during the year are set out in note 19.

Notes to the Financial Statements
30 June 2014

2 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
At 30 June 2014	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Non-interest bearing	13,628	-	-	-	-	13,628	-
Variable rate	323	-	1,280	99,800	-	101,403	-
Total non-derivatives	13,951	-	1,280	99,800	-	115,031	-

At 30 June 2013	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets) / liabilities
Non-derivatives							
Non-interest bearing	11,513	-	-	-	-	11,513	-
Variable rate	-	-	570	89,400	-	89,970	-
Total non-derivatives	11,513	-	570	89,400	-	101,483	-

(d) Fair value measurements

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 (eg purchased debt portfolios in the Group) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are also used to determine fair value for the financial instruments.

The key assumption which underpins the valuation of Financial Instruments in the Group is the recovery rate. Assumptions are made about the recovery rate based on experience and market conditions. Sensitivity of profit and equity to changes in the actual recovery rate achieved is set out in the sensitivity analysis below.

The carrying value less doubtful debts provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

2 Financial risk management (continued)

(d) Fair value measurements (continued)

Purchased Debt Ledgers (prior to 1 July 2013)

To manage the interest rate and credit risks arising from investments in debt portfolios, the Group analyses the price to be paid for each tranche before it is purchased. Debt prices paid are determined by a bidding process in the market place, with each bidder determining the prices which they are prepared to pay based on their own analysis.

The price offered by the Group for any particular tranche of debt is determined based upon existing in-house knowledge of the tranche, macro-economic and micro-economic factors and the experience of senior management. In-house knowledge of a tranche exists if the tranche has been previously worked by the Group on a commission basis.

Due to contractual restrictions on the Group's ability to subsequently deal with the purchased debt portfolio, it is considered that there is not an active market in debt portfolios in which the Group can participate.

Initial recognition value

The factors that determine the price paid for a particular tranche of debt are:

1. The Face Value of the debt being purchased.

The face value of debt is dependent upon the value of debt that the vendor is prepared to sell.

2. The expected Recovery Rate of the debt being purchased.

The expected recovery rate is the percentage of the face value of a debt that is expected to be recovered as a result of collection activity, and is based upon the Group's historical experience with the particular tranche being purchased. Historical experience can vary from a detailed knowledge of the tranche if it has been previously worked by the Group on a commission basis, to a general knowledge of the type of debt being purchased from a new vendor, and specific knowledge discovered as part of a pre-purchase due diligence process.

3. The Price Multiple which can be obtained.

The price multiple is the discount factor between the recoverable amount of the debt and the price which is paid for it. The discount factor is determined by the amount that the vendor is prepared to accept in exchange for the debt, and the amount that the company is able to pay to acquire the debt and achieve an acceptable profit margin.

Subsequent measurement of carrying value

After a tranche has been purchased, fair value adjustments are made against the carrying value in line with revenue collected against it. The carrying value is continuously reviewed to ensure that it is not in excess of fair value based upon a discounted cash flow (DCF) model. The inputs to the DCF model are the same as are used in the original purchase price calculation with actual results substituted for expected estimates. In this context the only variable is the recovery rate, as neither the face value nor the price multiple can change as a result of working a debt.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The purchased debt ledger assets of the Group are classified as Level 3 in the fair value measurement hierarchy. Details of the Group's assets and liabilities measured and recognised at fair value are set out in note 10.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets of this nature is the current bid price. These instruments are included in level 1. The Group has no level 1 financial instruments.

2 Financial risk management (continued)

(d) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. The Group has no level 2 financial instruments.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for purchased debt ledgers which comprise all of the financial instruments held by the Group.

Purchased Debt Ledgers (after 1 July 2013)

The changes in level 3 instruments for the year ended 30 June 2014 are set out in note 10.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets at fair value through profit or loss to the achieved recovery rate. Following the change in classification of the PDLs to financial assets subsequently carried at amortised cost, this is not applicable for the current year.

Other than as set out in the following table, there are no other reasonably possible alternative assumptions that would have a material impact on fair value.

Consolidated		Recoverability			
		-2.79%		+2.79%	
30 June 2013	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial assets					
Financial assets at FVTPL	195,807	(1,031)	(1,031)	1,031	1,031
Total increase/(decrease) in financial assets		(1,031)	(1,031)	1,031	1,031
Total increase/ (decrease)		(1,031)	(1,031)	1,031	1,031

(e) Cash flow and fair value interest rate risk

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 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. The Board of Directors has authorised the use of interest rate swaps as a tool to manage interest rate risk. At 30 June 2014, the Group has entered into four interest rate swaps as per note 2(a).

3 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 Group 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

Each six months the Group tests 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. Refer to note 14 for details of these assumptions and the potential impact of changes to the assumptions.

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

Each six months the Group tests 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 other financial assets

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

(iv) Performance rights

The Group determines the amount to be posted to the share based payments reserve based on management's best estimate of employees meeting their performance hurdles. The value of performance rights could change if the number of employees that meet their performance hurdles differs significantly from managements estimate.

(b) Critical judgements in applying the entity's accounting policies

(i) Employee benefits

Management judgement is applied in determining the key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries
- future on-cost rates
- experience of employee departures and period of service

(ii) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for property, plant and equipment at the time of acquisition. As described in note 1(o) useful lives are reviewed regularly throughout the year for appropriateness.

Notes to the Financial Statements
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4 Segment information

(a) Description of segments

Individual business segments are identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are: Collection Services and Purchased Debt Ledgers. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The consolidated entity is organised on a global basis into the following divisions by product and service type.

Collection Services
The earning of commissions on the collection of debts for clients.

Purchased Debt Ledgers
The collection of debts from client ledgers acquired by the Group.

4 Segment information (continued)

(b) Segment information provided to the Board

2014	Collection services $'000	Purchased debt ledgers $'000	Intersegment eliminations/ unallocated $'000	Total continuing operations $'000	Discontinued operations $'000	Consolidated $'000
Segment revenue						
Sales to external customers	43,785	-	-	43,785	-	43,785
Intersegment sales	648	-	-	648	-	648
Total sales revenue	44,433	-	-	44,433	-	44,433
Interest income	-	63,118	-	63,118	-	63,118
Total segment revenue	44,433	63,118	-	107,551	-	107,551
Intersegment elimination				(214)	-	(214)
Consolidated revenue				107,337	-	107,337
Segment result						
Segment result	8,140	27,593	-	35,733	-	35,733
Interest expense and borrowing costs				(5,474)	-	(5,474)
Unallocated revenue less unallocated expenses				(3,299)	-	(3,299)
Profit before income tax				26,960	-	26,960
Income tax expense				(8,255)	-	(8,255)
Profit for the year				18,705	-	18,705
Segment assets and liabilities						
Segment assets	173,573	233,678	(122,021)	285,230	-	285,230
Unallocated assets				-	-	-
Total assets				285,230	-	285,230
Segment liabilities	19,553	127,109	(125,944)	20,718	-	20,718
Unallocated liabilities				108,522	-	108,522
Total liabilities				129,240	-	129,240
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	5,092	82,833	-	87,925	-	87,925
Total acquisitions				87,925	-	87,925
Depreciation and amortisation expense	1,005	783	(107)	1,681	-	1,681
Total depreciation and amortisation				1,681	-	1,681
Other non-cash expenses	104	43,664	927	44,695	-	44,695

4 Segment information (continued)

(b) Segment information provided to the Board (continued)

2013	Collection services $'000	Purchased debt ledgers $'000	Intersegment eliminations/ unallocated $'000	Total continuing operations $'000	Discontinued operations $'000	Consolidated $'000
Segment revenue						
Sales to external customers	39,035	-	-	39,035	-	39,035
Intersegment sales	744	-	-	744	-	744
Total sales revenue	39,779	-	-	39,779	-	39,779
Collections of Purchased Debt Ledgers	-	96,711	-	96,711	-	96,711
Fair Value movement on Purchased Debt ledgers	-	(38,780)	-	(38,780)	-	(38,780)
Net gain on financial assets	-	57,931	-	57,931	-	57,931
Total segment revenue	39,779	57,931	-	97,710	-	97,710
Intersegment elimination				(404)	-	(404)
Consolidated revenue				97,306	-	97,306
Segment result						
Segment result	7,161	25,145	-	32,306	-	32,306
Interest expense and borrowing costs				(6,164)	-	(6,164)
Unallocated revenue less unallocated expenses				(3,811)	-	(3,811)
Profit before income tax				22,331	-	22,331
Income tax expense				(6,717)	-	(6,717)
Profit for the year				15,614	-	15,614
Segment assets and liabilities						
Segment assets	140,142	202,533	(103,097)	239,578	-	239,578
Unallocated assets				-	-	-
Total assets				239,578	-	239,578
Segment liabilities	14,986	107,197	(106,888)	15,295	-	15,295
Unallocated liabilities				101,016	-	101,016
Total liabilities				116,311	-	116,311
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,668	52,528	-	57,196	-	57,196
Total acquisitions				57,196	-	57,196
Depreciation and amortisation expense	1,049	466	212	1,727	-	1,727
Total depreciation and amortisation				1,727	-	1,727
Other non-cash expenses	249	39,303	507	40,059	-	40,059

4 Segment information (continued)

(c) Geographical information

The consolidated entity operates in two main geographical areas, Australia and New Zealand.

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Australia	101,089	92,457	273,172	228,270	87,071	55,911
New Zealand	5,814	4,509	11,437	11,204	854	1,285
Philippines	-	-	621	104	-	-
	106,903	96,966	285,230	239,578	87,925	57,196

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 (c) and AASB 8 *Operating Segments*.

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, 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 payables, 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		Purchased debt ledgers	
	30 June 2014 %	30 June 2013 %	30 June 2014 %	30 June 2013 %
Margin on segment revenue	18	18	44	43

(d) Other segment information

Sales between segments are carried out at arms length and are eliminated on consolidation. The revenue from external parties reported to the chief operating decision maker is consistent with that in the income statement.

5 Revenue

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Interest income	63,118	-
Commission	43,903	39,131
Other revenue	316	244
Collections of purchased debt ledgers	-	96,711
Change in fair value of purchased debt ledgers	-	(38,780)
Net gain on other financial assets - purchased debt ledgers	-	57,931
Revenue from continuing operations	107,337	97,306

From 1 July 2013, purchased debt ledgers are classified as financial assets subsequently measured at amortised cost. Interest income represents revenue from PDLs subsequently measured at amortised cost, through the application of the effective interest method under AASB 9 *Financial Instruments*. Refer to note 1(a) (iv) for details regarding the change in accounting policy.

Adjustments to the carrying amount of purchased debt ledgers as a result of changes in estimated cash flows were not significant during the year. These have been included in interest revenue above.

Total collections of purchased debt ledgers for the year ended 30 June 2014 were $106.5m (2013: $96.7m).

6 Expenses

	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	1,120	1,168
Total depreciation	1,120	1,168
Amortisation		
Computer software	42	500
Customer contracts	148	-
Business formation costs	19	-
Stamp Duty	352	281
Total amortisation	561	781
Total depreciation and amortisation	1,681	1,949
Finance expenses		
Interest and finance charges paid/payable	5,753	6,400
Amount capitalised (a)	(279)	(236)
Finance costs expensed	5,474	6,164
Fair value losses on other financial assets	-	38,780
	-	38,780
Rental expense relating to operating leases		
Minimum lease payments	4,693	4,386
Total rental expense relating to operating leases	4,693	4,386

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 4.1% (2013 – 4.9%).

7 Income tax expense

	Consolidated 30 June 2014 $'000	30 June 2013 $'000
(a) Income tax expense		
Income tax expense - Profit from continuing operations	8,255	6,717
Income tax expense is attributable to:		
Current tax	11,983	11,057
Deferred tax	(2,890)	(3,655)
Under (over) provided in previous years	(838)	(685)
Aggregate income tax expense	8,255	6,717
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 13)	(261)	50
(Decrease) increase in deferred tax liabilities (note 20)	(2,629)	(3,705)
	(2,890)	(3,655)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	26,960	22,331
Tax at the Australian tax rate of 30% (2013 - 30%)	8,088	6,699
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	390	145
Effect of tax rates in foreign jurisdictions	14	11
Tax exempt (income) / loss	(91)	11
	8,401	6,866
Adjustments for current tax of prior periods	(146)	(149)
	(146)	(149)
Income tax expense	8,255	6,717

8 Current assets - Cash and cash equivalents

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Cash at bank and in hand	704	2,400
	704	2,400

(a) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Balances as above	704	2,400
Bank overdrafts (note 16)	(323)	-
Balances per statement of cash flows	381	2,400

(b) Risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

(c) 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.

9 Current assets - Trade and other receivables

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Net trade receivables		
Trade receivables	5,065	4,157
Provision for impairment of receivables (a)	(49)	(102)
	5,016	4,055
Other receivables (c)	3,295	2,561
Prepaid expenses	1,263	1,077
	9,574	7,693

9 Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables

As at 30 June 2014 current trade receivables of the Group with a nominal value of $218,000 (2013 - $261,000) were assessed as potentially impaired. The amount of the provision was $49,000 (2013 - $102,000). The individually impaired receivables mainly relate to debtors which have been outstanding for more than 90 days. It has been assessed that a portion of these receivables are expected to be recovered.

The ageing of these receivables is as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
1 to 3 months	-	-
Over 3 months	218	261
	218	261

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
At 1 July	102	93
Provision for impairment recognised during the year	49	181
Receivables written off during the year as uncollectible	-	(70)
Unused amount reversed	(102)	(102)
	49	102

The creation and release of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

(b) Past due but not impaired

As at 30 June 2014, trade receivables of the Group of $2,357,000 (2013 - $1,851,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Up to 3 months	1,589	1,805
Over 3 months	768	46
	2,357	1,851

9 Current assets - Trade and other receivables (continued)

(c) Other receivables

These amounts relate to accrued revenue, rental bonds and other assets.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(e) Fair value and credit risk

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

(f) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

10 Purchased debt ledgers

(a) Other financial assets subsequently measured at amortised cost

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Current	51,669	-
Non-current	182,581	-
Total other financial assets subsequently measured at amortised cost	234,250	-

From 1 July 2013, PDLs are measured at amortised cost using the effective interest method in accordance with AASB 9 *Financial Instruments*.

The effective interest rate is the implicit interest rate based on forecast collections determined in the period of acquisition of an individual PDL and equates to the Internal Rate of Return (IRR) of the forecast cash flows without any consideration of collection costs.

(b) Other financial assets at fair value through profit or loss

Prior to 1 July 2013, PDLs were recorded as financial assets measured at fair value through profit or loss.

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Current	-	46,611
Non-current	-	149,196
Total other financial assets at fair value through profit or loss	-	195,807

10 Purchased debt ledgers (continued)

(b) Other financial assets at fair value through profit or loss (continued)

The following table presents the Group's assets which are measured and recognised at fair value at 30 June 2014. The assets below are financial instruments which are classified as level 3 under the hierarchy set out in AASB 7 *Financial Instruments: Disclosures*. Further details are set out in note 2.

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Current and Non-current		
At beginning of year	-	184,523
Net additions*	-	50,064
Collections disclosed in profit	-	(96,711)
Fair value gain / (loss) disclosed in profit	-	57,931
At end of year	-	195,807
Current and Non-current		
Other financial assets at fair value through profit or loss	-	195,807
	-	195,807

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

* Net additions for the year ended 30 June 2013 are represented by total additions of $52,269,000, less $2,205,000 in relation to incidental disposals of other financial assets.

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and price risk are provided in note 2.

11 Current assets - Other current assets

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Other deposits	103	42
Legal and court costs capitalised - net	941	679
	1,044	721

12 Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Work-in-progress $'000	Total $'000
At 1 July 2012					
Cost or fair value	6,837	3,656	-	165	10,658
Accumulated depreciation	(4,293)	(1,167)	-	-	(5,460)
Net book amount	2,544	2,489	-	165	5,198
Year 30 June 2013					
Opening net book amount	2,544	2,489	-	165	5,198
Additions	53	65	-	622	740
Disposals	(13)	(52)	-	-	(65)
Depreciation charge	(821)	(347)	-	-	(1,168)
Transfers	56	218	-	(274)	-
Closing net book amount	1,819	2,373	-	513	4,705
At 30 June 2013					
Cost or fair value	6,962	3,892	-	513	11,367
Accumulated depreciation	(5,143)	(1,519)	-	-	(6,662)
Net book amount	1,819	2,373	-	513	4,705

	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Work-in-progress $'000	Total $'000
Year 30 June 2014					
Opening net book amount	1,819	2,373	-	513	4,705
Additions	624	157	-	1,057	1,838
Disposals	(1)	-	-	-	(1)
Depreciation charge	(708)	(398)	-	-	(1,106)
Transfers	66	465	-	(531)	-
Closing net book amount	1,800	2,597	-	1,039	5,436
At 30 June 2014					
Cost or fair value	7,682	4,520	-	1,039	13,241
Accumulated depreciation	(5,882)	(1,923)	-	-	(7,805)
Net book amount	1,800	2,597	-	1,039	5,436

(a) Non-current assets pledged as security

Refer to note 19 for information on non-current assets pledged as security by the Group.

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13 Non-current assets - Deferred tax assets

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**297**	192
Provisions and employee benefits	**1,257**	1,027
Accruals	**224**	277
Doubtful debts	**15**	31
Future deductible windup costs	**9**	16
Other	**17**	15
	1,819	1,558
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	**(1,819)**	(1,558)
Net deferred tax assets	**-**	-
Movements:		
Opening balance at 1 July	**1,558**	1,608
Change in tax rate	**-**	-
Credited / (charged) to the income statement (note 7)	**261**	(50)
Closing balance at 30 June	**1,819**	1,558

Movements – Consolidated	Tax losses $'000	Provisions and employee benefits $'000	Accruals $'000	Doubtful debts $'000	Future deductible windup costs $'000	Other $'000	Total $'000
At 30 June 2012	274	867	362	28	48	29	1,608
- to profit or loss	(82)	160	(85)	3	(32)	(14)	(50)
At 30 June 2013	192	1,027	277	31	16	15	1,558

Movements – Consolidated	Tax losses $'000	Provisions and employee benefits $'000	Accruals $'000	Doubtful debts $'000	Future deductible windup costs $'000	Other $'000	Total $'000
At 30 June 2013	192	1,027	277	31	16	15	1,558
- to profit or loss	105	230	(53)	(16)	(7)	2	261
At 30 June 2014	297	1,257	224	15	9	17	1,819

14 Non-current assets - Intangible assets

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress – cost * $'000	Total $'000
At 1 July 2012						
Cost	22,304	8,290	-	-	4,058	34,652
Accumulated amortisation and impairment	(3,763)	(6,991)	-	-	-	(10,754)
Net book amount	18,541	1,299	-	-	4,058	23,898
Year ended 30 June 2013						
Opening net book amount	18,541	1,299	-	-	4,058	23,898
Exchange differences	12	-	-	-	-	12
Acquisition of business	915	-	-	-	-	915
Additions – internal development	-	92	-	-	3,835	3,927
Amortisation charge	-	(500)	-	-	-	(500)
Disposals	-	-	-	-	-	-
Transfers	-	223	-	-	(223)	-
Closing net book amount	19,468	1,114	-	-	7,670	28,252
At 30 June 2013						
Cost	23,231	8,062	-	-	7,670	38,963
Accumulated amortisation and impairment	(3,763)	(6,948)	-	-	-	(10,711)
Net book amount	19,468	1,114	-	-	7,670	28,252
Year ended 30 June 2014						
Opening net book amount	19,468	1,114	-	-	7,670	28,252
Exchange differences	13	-	-	-	-	13
Acquisition of business	240	-	2,487	-	-	2,727
Additions – internal development	-	128	-	-	3,311	3,439
Amortisation charge	-	(42)	(148)	(19)	-	(209)
Disposals	-	-	-	-	-	-
Transfers	-	-	-	184	(184)	-
Closing net book amount	19,721	1,200	2,339	165	10,797	34,222
At 30 June 2014						
Cost	23,484	8,190	2,487	184	10,797	45,142
Accumulated amortisation and impairment	(3,763)	(6,990)	(148)	(19)	-	(10,920)
Net book amount	19,721	1,200	2,339	165	10,797	34,222

* *Work-in-progress includes capitalised development costs of an internally generated intangible asset which is under development.*

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30 June 2014

14 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Company's cash-generating units (CGUs) identified according to business segment.

A segment-level summary of the goodwill allocation is presented below.

2014	Collection services $'000	Purchased debt ledgers $'000	Total $'000
Goodwill	19,721	-	19,721
	19,721	-	19,721

2013	Collection services $'000	Purchased debt ledgers $'000	Total $'000
Goodwill	19,468	-	19,468
	19,468	-	19,468

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows are not extrapolated beyond five years. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

There are no intangible assets associated with the purchased debt ledgers CGU, therefore no further analysis of this segment is required.

(b) Key assumptions used for value-in-use calculations

CGU	Growth rate (revenue)*		Growth rate (expenses) **		Discount rate ***	
	30 June 2014 %	30 June 2013 %	**30 June 2014 %**	30 June 2013 %	**30 June 2014 %**	30 June 2013 %
Collection services	**5.00**	5.00	**3.00**	3.00	**12.50**	12.50

* Revenue growth has been set at 5% for the period of the calculation.

** Expense growth rate has been set at the current inflation rate for the period of the calculation.

*** In performing the value-in-use calculation, the Group has applied the pre-tax discount weighted average cost of capital to discount the forecast future attributable pre-tax cash flows.

(c) Impairment charge

As a result of the impairment evaluation, the Group has determined that the carrying value of intangible assets does not exceed their value-in-use, and no impairment charge was required (2013: Nil).

14 Non-current assets - Intangible assets (continued)

(d) Impact of possible changes in key assumptions

Collection services

There is a substantial margin between the calculated value-in-use and the carrying value of all assets within the CGU. If the risk-free rate used in the value-in-use calculation had been 22.5% at 30 June 2014 rather than 12.5%, there would have been no impact on the resulting impairment evaluation (2013: Nil). Because of the large excess of fair value over carrying value, at no reasonable risk free rate is there an impairment issue for the CGU.

If the estimated revenue growth is increased to 10.00% and expenses growth held at 3.00%, there is no impact on the resulting impairment evaluation. If the revenue growth rate is decreased to -2.00% (i.e. declining revenue) and expense growth is set at 3.00%, there is no impact on the resulting impairment evaluation. To reflect the Company's current practice of managing revenue and expenses simultaneously, growth in revenue and growth in expenses has been considered together rather than in isolation.

15 Current liabilities - Trade and other payables

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Trade payables	3,254	2,854
Accrued expenses	8,619	7,680
Other payables	1,755	979
	13,628	11,513

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 2.

16 Current liabilities - Borrowings

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Secured		
Bank overdraft	323	-
Total secured current borrowings	323	-
Total current borrowings	323	-

Further information relating to Borrowings is set out in note 19.

17 Current liabilities - Provisions

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Employee benefits	2,865	2,814
Other	41	36
	2,906	2,850

(a) Movements in provisions

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

	Other $'000
2014	
Current	
Carrying amount at start of year	36
- additional provisions recognised	183
- payments / other sacrifices of economic benefits	(178)
Carrying amount at end of year	41

	Other $'000
2013	
Current	
Carrying amount at start of year	25
- additional provisions recognised	134
- payments / other sacrifices of economic benefits	(123)
Carrying amount at end of year	36

18 Current liabilities – Other financial liabilities

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Contingent consideration (note 31 (a))	810	-
Finance lease liabilities	635	276
Other current financial liabilities	155	-
	1,600	276

19 Non-current liabilities - Borrowings

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Secured		
Bank loans	99,800	89,400
Total secured non-current borrowings	99,800	89,400
Unsecured		
Total unsecured non-current borrowings	-	-
Total non-current borrowings	99,800	89,400

(a) Secured liabilities and assets pledged as security

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
The total secured liabilities (current and non-current) are as follows:		
Bank overdrafts and bank loans	100,123	89,400
Total secured liabilities	100,123	89,400

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

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Notes	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Current			
Floating charge			
Cash and cash equivalents	8	704	2,400
Receivables	9	9,574	7,693
Purchased debt ledgers	10	51,669	46,611
Total current assets pledged as security		61,947	56,704
Non-current			
Floating charge			
Purchased debt ledgers	10	182,581	149,196
Plant and equipment	12	5,436	4,705
Total non-current assets pledged as security		188,017	153,901
Total assets pledged as security		249,964	210,605

Notes to the Financial Statements
30 June 2014

19 Non-current liabilities - Borrowings (continued)

(b) Fair value

The carrying amounts and fair values of borrowings at the end of reporting period are:

Group	30 June 2014 Carrying amount $'000	30 June 2014 Fair value $'000	30 June 2013 Carrying amount $'000	30 June 2013 Fair value $'000
On-balance sheet *(i)*				
Non-traded financial liabilities				
Bank overdrafts	323	323	-	-
Bank loans	99,800	99,800	89,400	89,400
	100,123	100,123	89,400	89,400

As noted, none of the classes of liabilities are readily traded on organised markets in standardised form.

(i) On-balance sheet

The fair value of current borrowings equals their carrying amount. The facility is structured as a series of loan instruments which are renewed on a regular basis with terms of less than six months, and the impact of discounting on such instruments is not material. The rolling nature of the loan instruments is designed to provide the Group with maximum flexibility within the overall facility, however the overall facility is classified as non-current.

(c) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2.

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 2.

On 17 September 2012, the Company confirmed an interest rate swap transaction for an amount of $15m at a fixed rate of 3.02% per annum effective as at 7 September 2012 and continuing until 7 September 2015. On 21 September 2012, the Company confirmed an interest rate swap transaction for an amount of $14.5m at a fixed rate of 2.86% per annum effective as at 21 September 2012 and continuing until 21 September 2015. On 29 January 2014, the Company confirmed an interest rate swap transaction for an amount of $12.6m at a fixed rate of 2.895% per annum effective as at 30 January 2014 and continuing until 1 February 2016. On 16 May 2014, the Company confirmed an interest rate swap transaction for an amount of $46m at a fixed rate of 3.05% per annum effective as at 28 July 2014 and continuing until 27 January 2017.

A financial asset or financial liability has not been recognised in relation to the arrangement, as it is not considered to have a material impact on the results.

20 Non-current liabilities - Deferred tax liabilities

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,255	1,418
Purchased debt	882	4,353
Prepayments	2	3
Other	11	5
	3,150	5,779
Total deferred tax liabilities	3,150	5,779
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(1,819)	(1,558)
Net deferred tax liabilities	1,331	4,221

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Movements:		
Opening balance at 1 July	5,779	9,484
Change in tax rate	-	-
Charged / (credited) to the income statement (note 7)	(2,629)	(3,705)
Closing balance at 30 June	3,150	5,779

Movements - Consolidated	Property, plant and equipment $'000	Purchased debt $'000	Prepayments $'000	Other $'000	Total $'000
At 1 July 2012	1,214	8,185	7	78	9,484
- to profit or loss	204	(3,832)	(4)	(73)	(3,705)
At 30 June 2013	1,418	4,353	3	5	5,779

Movements - Consolidated	Property, plant and equipment $'000	Purchased debt $'000	Prepayments $'000	Other $'000	Total $'000
At 30 June 2013	1,418	4,353	3	5	5,779
- to profit or loss	837	(3,471)	(1)	6	(2,629)
At 30 June 2014	2,255	882	2	11	3,150

Notes to the Financial Statements
30 June 2014

21 Non-current liabilities - Provisions

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Employee benefits	356	361
	356	361

22 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.

23 Non-current liabilities – Other financial liabilities

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Contingent consideration (note 31 (a))	1,516	-
Finance lease liabilities	579	294
Other non-current financial liabilities	131	-
	2,226	294

24 Contributed equity

	Company 2014 Shares	Company 2013 Shares	Company 2014 $'000	Company 2013 $'000
(a) Share capital				
Ordinary shares				
Fully paid	129,717,785	115,437,740	102,285	80,095
	129,717,785	115,437,740	102,285	80,095
Total contributed equity			102,285	80,095

24 Contributed equity (continued)

(b) Movements in ordinary share capital:

Issues of ordinary shares during the year

Date	Details	Number of shares	$'000
1 July 2012	Opening balance	108,159,097	74,324
27 July 2012	Employee options exercised	7,500	4
28 August 2012	Employee options exercised	135,000	66
31 August 2012	Employee options exercised	120,000	59
31 August 2012	Employee options exercised	90,000	44
10 September 2012	Employee options exercised	90,000	45
10 September 2012	Employee options exercised	45,000	22
18 September 2012	Employee options exercised	400,000	197
24 September 2012	Employee options exercised	30,000	15
19 October 2012	Dividend reinvestment plan issues	747,046	695
19 October 2012	Share issue	1,676,153	1,559
1 November 2012	Employee options exercised	5,000	2
	Less: Transaction costs arising on share issue	-	(125)
16 January 2013	Employee options exercised	25,000	12
12 February 2013	Employee options exercised	400,000	197
14 February 2013	Share Issue	371,024	525
18 February 2013	Employee options exercised	133,600	84
22 February 2013	Employee options exercised	40,000	20
22 February 2013	Employee options exercised	40,000	20
26 February 2013	Employee options exercised	2,276,200	1,579
26 February 2013	Employee options exercised	75,000	37
1 March 2013	Employee options exercised	67,500	33
4 March 2013	Employee options exercised	60,000	30
14 March 2013	Employee options exercised	25,000	12
5 April 2013	Dividend reinvestment plan issues	407,120	642
19 June 2013	Employee options exercised	12,500	6
	Less: Transaction costs arising on share issue	-	(9)
30 June 2013	Closing balance	115,437,740	80,095
1 July 2013	Opening balance	115,437,740	80,095
30 August 2013	Employee options exercised	414,000	287
3 September 2013	Share Issue	7,878,780	13,000
4 September 2013	Employee options exercised	177,200	123
1 October 2013	Share Issue	4,242,478	7,000
30 October 2013	Dividend reinvestment plan issues	818,950	1,323
28 March 2014	Dividend reinvestment plan issues	748,637	1,305
	Less: Transaction costs arising on share issues	-	(848)
30 June 2014	Closing balance	129,717,785	102,285

24 Contributed equity (continued)

(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.

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.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the market price.

(e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 33.

(f) Options and performance rights

Information relating to options provided as part of the MD/CEO remuneration package and options provided under the Collection House Executive Share 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 33.

Information relating to the performance rights plan adopted as a means of rewarding and incentivising key employees, including details of rights issued during the financial year, is set out in note 33.

(g) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, and to provide adequate returns for shareholders and benefits for other stakeholders.

"Capital" includes all funding provided under the Group's funding facility (net of cash balances for which a right of offset is held) plus equity as shown in the balance sheet.

In order to maintain or adjust the capital structure, the Group may:

- draw down or repay debt funding;
- adjust the amount of dividends paid to shareholders;
- negotiate new or additional facilities or cancel existing ones;
- return capital to shareholders or issue new shares or
- sell assets to reduce debt.

The Group manages capital to ensure that the goals of continuing as a going concern and the provision of acceptable stakeholder returns are met.

Arrangements with the Group's financiers are in place to ensure that there is sufficient undrawn credit available to meet unforeseen circumstances should they arise. Financing facilities are renegotiated on a regular basis to ensure that they are sufficient for the Group's projected growth plus a buffer. As far as possible, asset purchases are funded from operational cashflow, allowing undrawn balances to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements can be met. By maintaining a buffer of undrawn funds, the Company reduces the risk of liquidity and going concern issues.

Management of the mix between debt and equity impacts the Group's Cost of Capital and hence ability to provide returns to stakeholders, primarily the funding institutions and shareholders. The Group maintains its debt-to-equity mix in accordance with its immediate needs and forecasts at any point in time. Effective management of the capital structure maximises profit and hence franked dividend returns to shareholders.

When additional funding is required, it is sourced from either debt or equity, depending upon management's evaluation as to which is the most appropriate at that point in time.

24 Contributed equity (continued)

(g) Capital risk management (continued)

The financing facility includes all funding provided by the Group's main bankers. Details of financing facilities are set out in note 2.

Quantitative analyses are conducted by management using contributed equity balances shown above together with the drawn and undrawn loan balances disclosed in note 2.

As part of the financing facility, the Company is required to monitor a number of financial indicators as specified by the financiers. The Group monitors the indicators on a monthly basis and reports to the funding providers every six months. The Group has comfortably met these covenants at all times during the year.

This strategy was followed during both the 2014 and 2013 financial years.

25 Reserves and retained earnings

(a) Reserves

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Share-based payments reserve	2,516	1,771
Foreign currency translation reserve	(557)	(1,282)
	1,959	489

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Movements:		
Share-based payments reserve		
Balance 1 July	1,771	1,421
Option expense	745	350
Balance 30 June	2,516	1,771

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	(1,282)	(1,274)
Currency translation differences arising during the year	725	(8)
Balance 30 June	(557)	(1,282)

25 Reserves and retained earnings (continued)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Balance 1 July	42,683	34,699
Net profit for the year	18,705	15,614
Dividends	(9,643)	(7,630)
Balance 30 June	51,745	42,683

(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 to employees but not exercised and performance rights issued to employees that have not yet vested.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

26 Dividends

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
(a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2013 – 3.6 cents per share (2012 - 3.2 cents)	4,613	3,490
Fully franked interim dividend for the year ended 30 June 2014 – 3.9 cents per share (2013: 3.6 cents)	5,030	4,140
	9,643	7,630

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2014 and 2013 were as follows:		
Paid in cash	7,016	6,293
Satisfied under the Dividend Reinvestment Plan	2,627	1,337
	9,643	7,630

26 Dividends (continued)

	Consolidated 30 June 2014 $'000	30 June 2013 $'000
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a fully franked final dividend of 4.1 cents per fully paid ordinary share (2013 - 3.6 cents, fully franked). The aggregate amount of the proposed dividend expected to be paid on 17 October 2014 out of retained profits and a positive net balance sheet at 30 June 2014, but not recognised as a liability at year end, is	5,318	4,156
	5,318	4,156

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2015.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2014 and will be recognised in subsequent financial reports.

	Consolidated 30 June 2014 $'000	30 June 2013 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013 - 30%)	26,204	19,068
	26,204	19,068

The above amounts represent the balance of the franking account as at the end of the reporting period, 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; and

(d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

27 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 30 June 2014 $	30 June 2013 $
(a) PKF Hacketts Audit		
Audit services		
Audit and review of financial reports	144,500	144,500
Audit-related services	85,500	85,500
Total auditors' remuneration	230,000	230,000
(b) Non PKF Hacketts Audit audit firms		
Audit services		
Audit and review of financial reports	1,497	1,209
Total auditors' remuneration	1,497	1,209

28 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

Claims

There were no claims of a material nature during the relevant period.

Guarantees

(a) Bank Guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to $1,991,592 (2013: $1,568,888). During the period, the Group replaced Bank Guarantees to secure our continued performance in the normal course of business resulting in the increase.

(b) Guarantees and Indemnities (secured) given by the Company and certain of its subsidiaries in support of the existing Multiple Option Facility provided by Westpac Banking Corporation and Commonwealth Bank of Australia, are currently in place.

Paragraphs (a) and (b) above are secured by a Fixed and Floating charge over the assets of the Company and certain of its subsidiaries of the Group and may give rise to liabilities in the Group, if the associates do not meet their respective 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.

29 Commitments

(a) Capital commitments

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

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Purchased debt ledgers	53,305	39,416
	53,305	39,416

(b) Non-cancellable operating leases

The Group leases its offices under non-cancellable operating leases expiring at various times during the next five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	4,861	4,175
Later than one year but not later than five years	7,496	10,927
Later than five years	-	594
	12,357	15,696

(c) Non-cancellable finance leases

During the year, the Group leased five items of plant and equipment and intangibles with a carrying amount of $1,140,000 (2013 – $808,000) under finance leases expiring within three years.

	Consolidated	
	30 June 2014 $'000	30 June 2013 $'000
Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows:		
Within one year	687	302
Later than one year but not later than five years	610	302
Later than five years	-	-
Minimum lease payments	1,297	604
Less: Future finance charges	(83)	(34)
Recognised as a liability	1,214	570

30 Related party transactions

(a) Group companies

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in note 31.

(b) Key management personnel compensation

	Consolidated	
	30 June 2014 $	30 June 2013 $
Short-term employee benefits	3,033,070	2,548,948
Post-employment benefits	204,648	137,603
Share-based payments	554,559	277,171
	3,792,277	2,963,722

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 50 to 66.

(c) 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.

(d) Transactions with other related parties

The classes of non director-related parties are:

> wholly owned controlled entities;

> directors of related parties and their director-related entities.

Transactions

There were no transactions with non-wholly owned related parties. Transactions with wholly owned related parties are eliminated on consolidation.

31 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):

	2014 %	2013 %
Parent and Ultimate Parent company:		
Collection House Limited		
Controlled entities - incorporated in Australia		
Cashflow Accelerator Pty Ltd	100	100
CashFlow Financial Advantage Pty Ltd *	100	-
Collective Learning and Development Pty Ltd	100	100
Reliance Legal Group Pty Ltd (formerly Jones King Lawyers Pty Ltd)	100	100
Lion Finance Pty Ltd	100	100
Midstate CreditCollect Pty Ltd (formerly Midstate Credit Management Services Pty Ltd)	100	100
PH Collections (Australasia) Pty Ltd	100	100
Controlled entities - incorporated in New Zealand		
Collection House (NZ) Limited	100	100
Lion Finance Limited	100	100
Controlled entities - incorporated in Philippines		
Collection House International BPO, Inc **	100	100

* CashFlow Financial Advantage Pty Ltd was incorporated on 13 September 2013.

** Collection House International BPO, Inc started up on 10 May 2012 and commenced business operations on 1 April 2013. While Collection House Limited holds legal and beneficial ownership of 9,995 issued shares in the subsidiary, it has beneficial ownership of 5 issued shares in the subsidiary, held on trust for Collection House Limited by each of the five appointed directors of the subsidiary, in accordance with Philippines law, representing all of the issued shares in the subsidiary currently.

(a) Other acquisitions

Collection House acquired the commercial agency business of CreditCollect on 14 February 2013, via its subsidiary Midstate CreditCollect Pty Ltd (formerly Midstate Credit Management Services Pty Ltd). The agreement for the sale of the business calculates a possible aggregate purchase price of $4,077,500 including a contingent consideration component of $3,323,500 of which $997,888 has been paid at 30 June 2014. The remaining consideration of $2,325,612 which is contingent on achieving EBIT targets has been recorded as a liability in relation to this acquisition. Total goodwill of $836,500 was recognised in relation to the business acquisition, in addition to customer contracts intangible assets of $2,487,000, as outlined in note 14.

32 Earnings per share

	Consolidated 30 June 2014 Cents	30 June 2013 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	14.7	13.6
Total basic earnings per share attributable to the ordinary equity holders of the Company	14.7	13.6
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	14.5	13.5
Total diluted earnings per share attributable to the ordinary equity holders of the Company	14.5	13.5
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	18,705	15,614
	18,705	15,614
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	18,705	15,614
	18,705	15,614

(d) Weighted average number of shares used as the denominator

	Consolidated 30 June 2014 Number	30 June 2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	127,159,372	114,467,012
Adjustments for calculation of diluted earnings per share:		
Options	-	287,117
Performance Rights	1,420,777	739,462
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	128,580,149	115,493,591

32 Earnings per share (continued)

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the Collection House Ltd Executive Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 33.

(ii) Performance rights

Performance rights issued to employees under the Performance Rights Plan (PRP) are considered to be potential ordinary shares and have been included at the probability rate of 70% in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share. Details relating to the performance rights are set out in note 33.

33 Share-based payments

(a) Executive Share Option Plan

On 15 June 2007, 1,250,000 options were issued to a number of eligible employees pursuant to ESOP1. On 26 October 2007, at an Annual General Meeting, the shareholders approved ESOP1 and ratified the prior issue of options. Those options expired on 28 February 2011.

On 26 June 2008, the Board resolved that the then MD/CEO be authorised, at his discretion, to offer certain options on suitable terms and conditions to eligible employees under ESOP1.

On 18 July 2008, the then MD/CEO issued 1,437,500 options to a number of eligible employees pursuant to ESOP1. A summary of these options is identified below as EXEC2.

On 2 December 2010, the Board approved a new Executive Share Option Plan (ESOP2). The Board also authorised that its Chairman be authorised to offer certain options in the case of the CEO and/or that Matthew Thomas, CEO was authorised, in the case of the other eligible employees, to offer Options to those eligible employees under ESOP2, at his discretion respectively.

On 1 March 2011, the Chairman issued or caused to be issued 2,956,000 options to a number of eligible employees pursuant to ESOP2. A summary of these options is identified below as EXEC3.

Future options may be issued pursuant to ESOP2 subject to not only individual performance being considered, but also Company performance hurdles being achieved before options may vest and be exercised.

	EXEC2 options			EXEC3 options		
Grant date	18 July 2008			1 March 2011		
Earliest possible vesting date	25 June 2011			23 December 2012		
Performance hurdles	Tranche	# of options	Hurdle Price	Tranche	# of options	Hurdle Price
	1	287,500	0.60	1	591,200	1.00
	2	287,500	0.70	2	591,200	1.25
	3	287,500	0.80	3	1,182,400	1.50
	4	287,500	0.90	4	591,200	1.75
	5	287,500	1.00			

33 Share-based payments (continued)

(a) Executive Share Option Plan (continued)

	EXEC2 options	EXEC3 options
Exercise conditions and Vesting Date	The options vested on the later of: (a) 25 June 2011; and (b) for each tranche of options, as follows: A. In respect of the first tranche options,the date that the weighted average closing price shares over a 10 business day period (Qualifying Price) for the first tranche options (namely $0.60) was satisfied; B. In respect of the second tranche options, the Qualifying Price for the second tranche options (namely $0.70) was satisfied; C. In respect of the third tranche options, the Qualifying Price for the third tranche options (namely $0.80) was satisfied; D. In respect of the fourth tranche options, the Qualifying Price for the fourth tranche options (namely $0.90) was satisfied; and E. In respect of the fifth tranche options, the Qualifying Price for the fifth tranche options (namely $1.00) was satisfied.	The options will vested on the later of: (a) 23 December 2012; and (b) for each tranche of options, as follows: A. In respect of the first tranche options, the date that the weighted average closing price shares over a 10 business day period (Qualifying Price) for the first tranche options (namely $1.00) was satisfied; B. In respect of the second tranche options, the Qualifying Price for the second tranche options (namely $1.25) was satisfied; C. In respect of the third tranche options, the Qualifying Price for the third tranche options (namely $1.50) was satisfied; and D. In respect of the fourth tranche options, the Qualifying Price for the fourth tranche options (namely $1.75) is satisfied.
Exercise price	$0.4927 per option	$0.6938 per option
Expiry date	25 June 2013, subject to the following, in the event that: (a) the eligible employee's employment ceases due to death, disablement, sickness or if the employment is terminated without cause, then the eligible employee shall be entitled to options granted prior to the date of cessation and for which the vesting date has occurred or which subsequently occurs, prior to the expiry date. (b) the Company terminates the eligible employee's employment for poor performance (in the reasonable opinion of the Company), the eligible employee may only exercise within 12 months after the date of termination those options which have vested prior to the date of termination. All other options shall immediately lapse. (c) the eligible employee resigns or has employment terminated for cause, the eligible employee may only exercise within 1 month of the date of termination those options which have vested prior to the date of termination or resignation. All other options shall immediately lapse.	The options will expire on: (a) the business day after the expiration of three (3) months, or any longer period determined by the Company after the eligible employee ceases to be employed by the Company or an associated body corporate of the Company; or (b) the eligible employee ceasing to be employed by the Company or an associated body corporate of the Company due to fraud or dishonesty; or (c) 23 December 2013.
Share price at grant date	$0.48	$0.72

33 Share-based payments (continued)

(a) Executive Share Option Plan (continued)

	EXEC2 options	EXEC3 options
Expected price volatility	55.6%	50.0%
Expected dividend yield	9%	8.29%
Risk free interest rate	6.64%	5.198%

The expected price volatility was usually based on the historic volatility (for the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The resulting valuation per option was/is as follows:

Tranche	Exec 2 options	Exec 3 options
1	$0.1530	$0.1522
2	$0.1520	$0.1522
3	$0.1510	$0.1522
4	$0.1480	$0.1522
5	$0.1460	

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Company - 2014								
1 March 2011	As stated above	$0.69	591,200	-	591,200	-	-	-
Total			591,200	-	591,200	-	-	-
Weighted Average exercise price			$0.69	-	$0.69	-	-	-

Grant Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Company – 2013								
1 March 2011	As stated above	$0.69	2,956,000	-	2,364,800	-	591,200	-
31 October 2008	As stated above	$0.49	800,000	-	800,000	-	-	-
18 July 2008	As stated above	$0.49	912,500	-	912,500	-	-	-
Total			4,668,500	-	4,077,300	-	591,200	-
Weighted Average exercise price			$0.62	-	$0.61	-	$0.69	-

33 Share-based payments (continued)

(a) Executive Share Option Plan (continued)

The weighted average share price during the year ended 30 June 2014 was $1.76 (2013 – $1.34).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0 years (2013 – 0.48 years).

Fair value of options granted

The assessed fair value at grant date of all options granted is set out above. The fair value at grant date is independently determined using a Monte Carlo option pricing model in relation to the EXEC3 options and a combination of Bermudan and Barrier – style option pricing model in relation to the MD/CEO options and the EXEC2 options 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 respective options.

(b) Performance Rights Plan

In line with the executive remuneration framework, the Board approved and adopted the Performance Rights Plan (PRP), effective on and from 1 July 2012, as a means of rewarding and incentivising its key employees.

The PRP was extended to the then Chief Executive Officer (CEO), now Managing Director and CEO and, at his discretion, to eligible employees.

During the reporting period ending 30 June 2014, 839,828 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP. A summary of these performance rights is identified below as PR2014.

33 Share-based payments (continued)

(b) Performance Rights Plan (continued)

	PR2014	
Effective date	1 July 2013	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date[1]	
Performance hurdles based on the satisfactory achievement of confidential performance conditions approved by the Board	Performance Conditions	% off Pool
	Average ROE	25%
	Debt/Debt + Equity	15%
	EPS Base	30%
	EPS Stretch	30%
	Total	100%
Exercise conditions and Vesting Date	The Performance Rights Test Date will be 30 June 2016 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved. As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each eligible employee, as at that Test Date: (a) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; (b) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and (c) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date, and shall provide written notification to each eligible employee as to that determination.	
Exercise price	Nil	
Expiry date	30 September 2016 A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of: (a) where Performance Hurdles have not been satisfied as at the relevant Test Date; (b) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; (c) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and (d) 30 September 2016.	
5 Day volume weighted average Share price	$1.5479	

[1] Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2014, the Test Date will be 30 June 2016.

During the reporting period ending 30 June 2013, 1,356,238 unlisted performance rights were issued to a number of eligible employees pursuant to the PRP. A summary of these performance rights is identified below as PR2013.

Future performance rights may be issued by the Board pursuant to the PRP. Such future performance rights will be subject to not only individual performance being considered, but also, Company performance hurdles being achieved before performance rights may vest at the discretion of the Board.

Notes to the Financial Statements
30 June 2014

33 Share-based payments (continued)

(b) Performance Rights Plan (continued)

	PR2013	
Effective date	1 July 2012 [2]	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date[3]	
Performance hurdles based on the satisfactory achievement of confidential performance conditions approved by the Board	Performance Conditions	% off Pool
	Average ROE	25%
	Debt/Debt + Equity	25%
	EPS Base	25%
	EPS Stretch	25%
	Total	100%
Exercise conditions and Vesting Date	The Performance Rights Test Date will be 30 June 2015 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved. As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each eligible employee, as at that Test Date: (a) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; (b) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and (c) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date, and shall provide written notification to each eligible employee as to that determination.	
Exercise price	Nil	
Expiry date	30 September 2015 A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of: (a) where Performance Hurdles have not been satisfied as at the relevant Test Date; (b) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; (c) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and (d) 30 September 2015.	
5 Day volume weighted average Share price [2]	$0.7960	

[2] Except for Paul Freer, whose Performance Rights commenced 4 March 2013, and five day volume weighted average share price is $1.5950.

[3] Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2013, the Test Date will be 30 June 2015.

33 Share-based payments (continued)

(b) Performance Rights Plan (continued)

Set out below are summaries of rights issued under the plan:

Effective Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Company - 2014								
1 July 2012	30 September 2015	Nil	1,256,238	-	-	25,124	1,231,114	-
4 March 2013	30 September 2015	Nil	100,000	-	-	-	100,000	-
1 July 2013	30 September 2016	Nil	-	839,828	-	8,398	831,430	-
Total			1,356,238	839,828	-	33,522	2,162,544	-

Effective Date		Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Vested and exercisable at end of the year
			Number	Number	Number	Number	Number	Number
Company - 2013								
1 July 2012	30 September 2015	Nil	-	1,256,238	-	-	1,256,238	-
4 March 2013	30 September 2015	Nil	-	100,000	-	-	100,000	-
Total			-	1,356,238	-	-	1,356,238	-

Fair Value of Performance Rights Issued

The assessed fair value at issue date of all performance rights is set out above. The fair value at issue date is determined based on the five day volume weighted average share price prior to issue date.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Employee share options	99	150
Employee performance rights	646	200
Total expenses arising from share-based payment transactions	745	350

34 Events occurring after the reporting period

(a) Dividend

A fully franked final dividend of 4.1 cents, totalling $5.3 million, has been declared, payable on 17 October 2014. No provision has been raised in these accounts for this amount.

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

	Consolidated 30 June 2014 $'000	Consolidated 30 June 2013 $'000
Profit for the year	18,705	15,614
Depreciation and amortisation	3,644	3,793
Fair value losses on purchased debt ledgers	-	38,780
Amortisation of purchased debt ledgers	43,417	-
Non-cash employee benefits expense - share-based payments	745	350
Provision for doubtful debts	(53)	9
Assets written off	-	70
Other non-cash expenses	297	497
Borrowing costs	1,782	1,718
Interest paid	3,693	4,446
Change in operating assets and liabilities		
(Increase) / decrease in trade debtors and bills of exchange	646	277
(Increase) / decrease in sundry debtors	(2,048)	(168)
(Increase) / decrease in other non-current assets	(2,283)	(1,871)
Increase / (decrease) in trade creditors	400	195
Increase / (decrease) in sundry creditors and accruals	218	788
Increase / (decrease) in current tax liability	(325)	1,361
Increase / (decrease) in deferred tax liabilities	(2,890)	(3,655)
Net cash inflow (outflow) from operating activities	65,948	62,204

36 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Company	
	30 June 2014 $'000	30 June 2013 $'000
Balance sheet		
Current assets	4,993	4,694
Non-current assets	252,014	207,507
Total assets	257,007	212,201
Current liabilities	24,978	23,369
Non-current liabilities	115,779	100,181
Total liabilities	140,757	123,550
Shareholders' equity		
Contributed equity	102,283	80,095
Reserves	2,517	1,771
Retained earnings	11,450	6,785
Capital and reserves attributable to owners of Collection House Limited	116,250	88,651
Profit or loss for the year	14,308	10,687
Total comprehensive income	14,308	10,687

(b) Guarantees entered into by the parent entity

The parent entity has entered into guarantees with certain of its subsidiaries as set out in note 28.

No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee, as the fair value is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2014 or 30 June 2013. For information about guarantees given by the parent entity, please see above.

Director's declaration
30 June 2014

In the directors' opinion:

(a) the financial statements and notes set out on pages 71 to 136 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 consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date,

(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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

David Liddy
Chairman

Brisbane
21 August 2014

PKF Hacketts

Independent Auditor's Report to the members of Collection House Limited

Report on the Financial Report

We have audited the accompanying financial report of Collection House Limited, which comprises the consolidated balance sheet as at 30 June 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

PKF Hacketts Audit
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Independent Auditor's report

PKF Hacketts

Opinion

In our opinion:

a) the financial report of Collection House Limited is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 50 to 66 of the Directors' Report for the year ended 30 June 2014. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Collection House Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001.*

Matters Relating to the Electronic Presentation of the Financial Report

This auditor's report relates to the financial report of the consolidated entity for the year ended 30 June 2014 included on the website of the Collection House Limited. The directors of the Company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This audit report refers only to the financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Company's website.

PKF Hacketts

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 21 August 2014

Shareholder information

The shareholder information set out below was applicable as at 25 August 2014.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares	
	Holders	Shares
1-1,000	1,671	969,707
1,001-5,000	3,388	9,397,877
5,001-10,000	1,361	10,046,931
10,001-100,000	1,123	25,842,673
100,001 and over	79	83,460,597
Total	7,622	129,717,785

There were 215 holders of less than a marketable parcel of ordinary shares.

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	Units	% of issued capital
1. HSBC Custody Nominees (Australia) Limited	12,656,678	9.76
2. Ankla Pty Ltd	11,098,805	8.56
3. JP Morgan Nominees Australia Limited	10,414,109	8.03
4. Mr Dennis George Punches (D G Punches Revocable Account)	6,302,535	4.86
5. Tombenet Pty Ltd (Coutts Superannuation A/C)	4,829,059	3.72
6. National Nominees Limited	4,552,632	3.51
7. Citicorp Nominees Pty Limited	3,528,137	2.72
8. Mr Dennis George Punches (D G Punches Revocable Account)	3,000,000	2.31
9. Mr John Marshall Pearce & Mrs Sandra Anne Pearce (Collection House S/Fund A/C)	2,500,000	1.93
10. BNP Paribas Noms Pty Ltd (DRP)	1,931,063	1.49
11. AMP Life Limited	1,684,150	1.30
12. Garrett Smythe Limited	1,093,922	0.84
13. Mr William Walter Kagel	1,000,000	0.77
14. Mr Dennis George Punches (Grantor Ret Annuity No. 2 Account)	1,000,000	0.77
15. Mr Anthony Robin Aveling	975,627	0.75
16. Mr Lev Mizikovsky and Mrs Emily Dorothy Mizikovsky (Superfun Superfund Account)	967,505	0.75
17. Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	809,123	0.62
18. Nowcastle Pty Ltd	780,532	0.60
19. Ripeland Pty Ltd	739,142	0.57
20. Durbin Superannuation Pty Ltd (Durbin Family S Fund A/C)	670,000	0.52
Total	70,533,019	54.37

Unquoted equity securities

Details of these Options and Performance Rights are set out at note 33 of the financial statements.

Grant date	Balance at 1 July 2013	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
Performance rights					
1 July 2012	1,256,238	-	-	25,124	1,231,114
4 March 2013	100,000	-	-	-	100,000
1 July 2013	-	839,828*	-	8,398	831,430

* Performance rights granted to the MD and CEO are subject to shareholder approval at the Group's AGM being held on 31 October 2014.

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

There is a restriction of a relevant interest in the 3,000,000 shares held by Mr Dennis George Punches as Trustee for the DG Punches Revocable A/C (No. 2) under section 608(1)(c) of the *Corporations Act 2001*.

There is a restriction on the relevant interest in the 371,024 shares held by Mark G Answerth & Associates Pty Ltd under section 608(1) of the *Corporations Act 2001*.

C substantial holders

Substantial shareholders of ordinary shares in the Company are set out below:

Holder	Units	% of issued capital
Mr Lev Mizikovsky, Ankla Pty Ltd, Sunstar Australia Pty Ltd, Ripeland Pty Ltd, Rollee Pty Ltd and Nowcastle Pty Ltd (combined shareholdings)	14,118,966	10.9
HSBC Custody Nominees (Australia) Limited	12,656,678	9.8
Dennis George Punches (combined shareholdings)	10,502,535	8.1
JP Morgan Nominees Australia Limited	10,414,109	8.0

D. Voting rights

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

(a) 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.

(b) Options

No voting rights.

Corporate directory

Directors

David Liddy – Chair (Non-executive)

Dennis Punches – Deputy Chair (Non-executive)

Matthew Thomas – Managing Director and Chief Executive Officer (Executive)

Tony Coutts – Director (Non-executive)

Kerry Daly – Director (Non-executive)

David Gray – Director (Non-executive)

Philip Hennessy – Director (Non-executive) (appointed 22 August 2013)

Julie-Anne Schafer – Director (Non-executive) (appointed 28 January 2014)

Executive Management Team

Matthew Thomas – Managing Director and Chief Executive Officer

Adrian Ralston – Chief Financial Officer (CFO)

Paul Freer – Chief Operating Officer (COO)

Kylie Lynam – General Manager – Human Resources and Corporate Services

Marcus Barron – Chief Information Officer (CIO)

Company Secretary

Julie Tealby

Main contact

Matthew Thomas
Managing Director and Chief Executive Officer
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Auditor

PKF Hacketts Audit
Level 3, 549 Queen Street
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Stock exchange listing

Collection House Limited shares are listed on the Australian Securities Exchange (ASX). The home exchange is Sydney.

ASX code

CLH

Investor and client presentation

The Group's latest investor and client presentation is available at www.collectionhouse.com.au.

Notice of Annual General Meeting

The AGM of Collection House Limited will be held on 31 October 2014 at 11am at the Emporium Hotel, 1000 Ann Street, Fortitude Valley, Brisbane, Queensland.

Collection House
Group