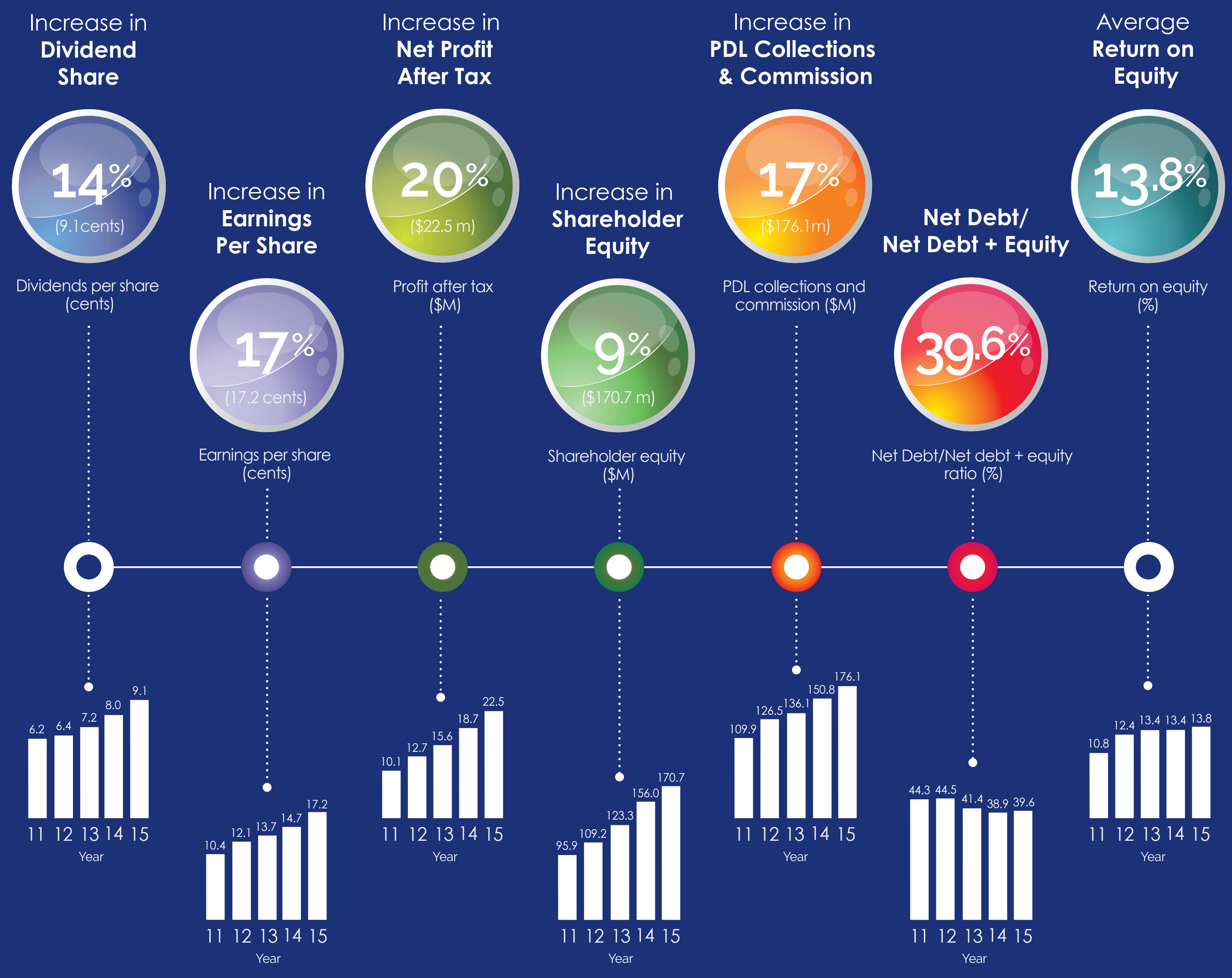
Collection House
Group

Contents

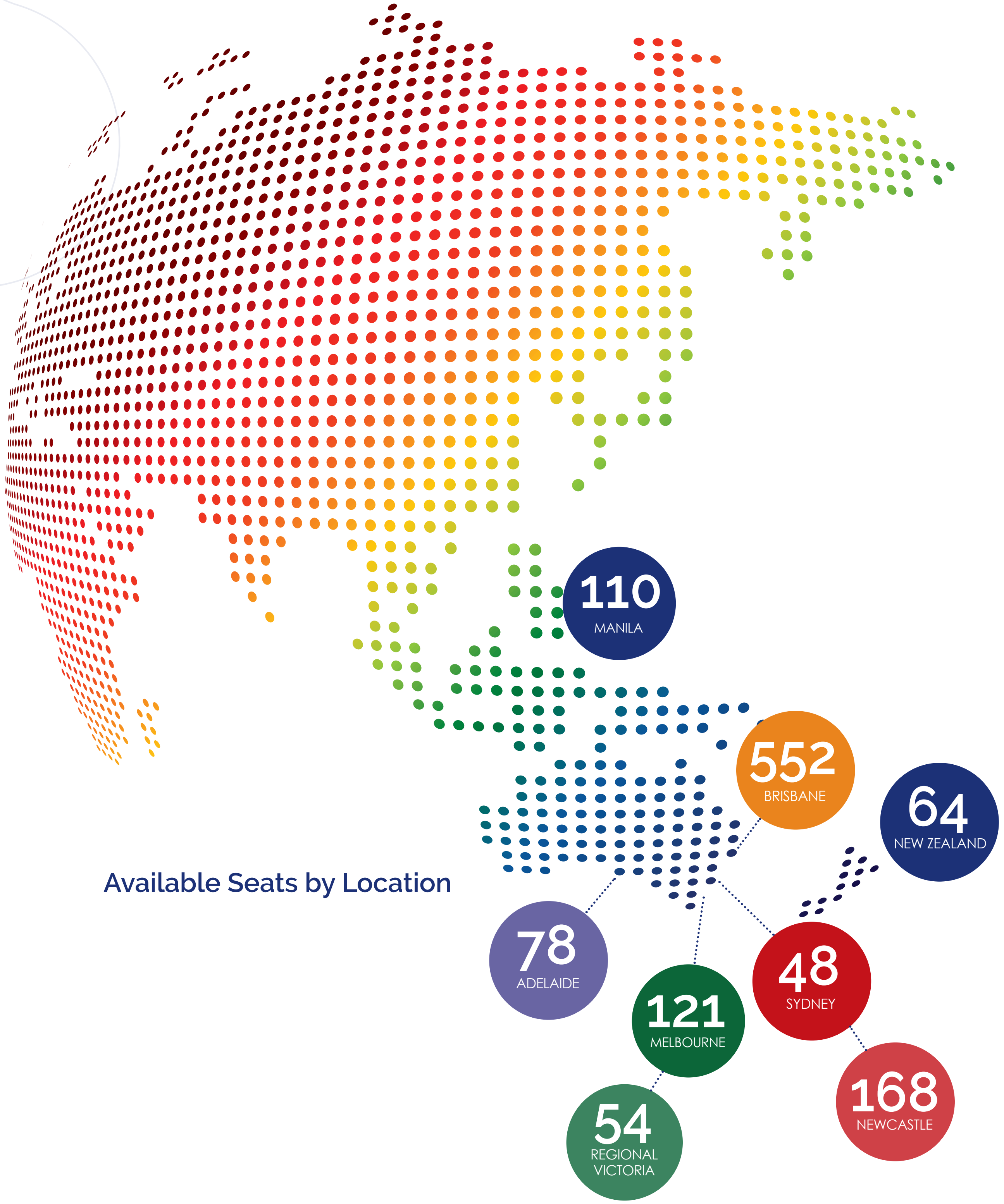
Front cover: Brisbane Skyring within the historical Gasworks location of Newstead.

Collection House Group
Performance Highlights



Collection House Group

Collection House
Leading the Way



Available Seats by Location

Collection House Limited (the Group) is a leading Australasian receivables management company, providing solutions that span the entire credit management lifecycle – from receivables outsourcing to debt collection and debt purchase.

Collection House is 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 operating for more than 22 years and have more than 950 staff including a highly experienced Executive Management Team. The average tenure of this Team exceeds 10 years.

Collection House is different from its competitors due to its approach to ethical debt recovery and adoption of industry leading compliance standards. The Group has achieved continued growth without diminishing the ethical foundations that underpin the brand and what Collection House stands for.

The Group has a strong culture that is focused on creating value for customers and clients alike. This is achieved by offering a multi-disciplined service that includes:

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

The Group's engagement with customers is efficient and ethical, and is further enhanced by the use of industry-leading technologies. These enable Collection House to deliver effective and innovative solutions to better assist customers and successfully manage the debt recovery process. The Group has created innovative proprietary software systems that drive efficiency and productivity, and deliver improved functionality as well as provide significant intellectual property to the Group.

Collection House enjoys strong business relationships with major Australian and international banks, financial institutions, large corporations, public utilities and government agencies.

Collection House continues to strive for excellence through globally recognised best practice initiatives. The Group continues to seek and develop strategies that assist in educating the wider community about financial hardship. Collection House also remains a strong supporter of the National Hardship Register, where financial counsellors can apply to register eligible consumers so they can obtain relief from debt collection activities.

Collection House is driven by an unwavering commitment to business conduct that is compliant, lawful and respectful. This commitment is embedded in our values, our aspirational goals, the professionalism and values of our staff and our business practices.

Chairman's Message

More than just a financial business

"Heading into 2016, we remain steadfastly resolute in our aim to deliver continued incremental business growth and shareholder value."

Dear fellow Shareholder,

It is with great pleasure I report to you that the 2015 financial year was the eighth consecutive year of earnings growth for the Collection House Group. Not only was the Group able to post a new record profit of $22.5 million, but the result also marked the achievement of average Net Profit After Tax (NPAT) growth of 20 percent for the past five years.

For shareholders, this translates to a 14 percent increase in dividends per share this financial year, and a 17 percent increase in earnings per share.

By any measure, this is a strong success story. It can be attributed to two main factors: firstly, sensible stewardship by the Board and the Executive; and secondly, prudent past investments that are now coming to fruition. The commitment we made over the past several years to invest in our people and our technology is now delivering sustainable growth across all of our business units, and ensuring a robust platform for moving forward.

Heading into 2016, we remain steadfastly resolute in our aim to deliver continued incremental business growth and shareholder value. We will do this with a focus on improving our balance sheet structure while allowing ourselves room for more growth, and maintaining appropriate gearing levels.

We will continue to look at expansion through new products and new segments within our core markets. The recent establishment of the Australian Credit Recoveries Trust in partnership with Balbec Capital LP is one important strategy, which will enable us to extend our Purchased Debt Ledgers market share, utilising our deep specialist knowledge and expertise.

We will continue to use our superior analytic capabilities, and embrace new technology to better understand and service our customers, as well as drive new business opportunities. Mobile technologies are driving rapid change in many industries, and ours is no exception. However, the Collection House Group is in the fortunate position of having invested in technology year in and year out. We recognised – long before the term 'digital disruption' became a corporate buzzword – that technology is an enabler of everything we do. For this reason, the Group has no need to play 'catch up' with technology. We are in a sound position to research, explore and harness new technological developments as they apply to our business, and there are already a number of exciting initiatives underway in this regard.

The Collection House Group has always had a strong commitment to business conduct that is ethical, lawful and respectful of both its community and environment. Again this year, we have released our Corporate Social Responsibility (CSR) report, which details significant achievements in this area. This report is a key milestone in our CSR journey, which began in earnest in 2013.

We also continue to strive to achieve best practice in all areas of our operations, as part of our desire to 'lead the way'. This ethos is embedded in our Company culture, and is not something that we simply pay lip service to.

Of course, the continued success of the Collection House Group is only possible because of the talented and dedicated people who work with us. To the staff across Australia, New Zealand and in the Philippines, to the Executive Management Team led by Matthew Thomas (MD and CEO), and to my fellow Board members: I extend my heartfelt thanks for your important individual contributions.

I'd like to take this opportunity to acknowledge Tony Coutts, who retired from the Board at the end of June 2015 after 20 years with Collection House. For three of those years he was the General Manager, and for the remainder he was a member of the Board. His knowledge and experience in finance, insurance and debt collection was invaluable during his tenure, and his guidance and loyal association to the Group is greatly appreciated. We wish Tony all the best for his retirement.

Working through the process of gathering data for the Annual Report is always an opportunity for reflection. Day-to-day, the advances seem minimal, but over the course of 12 months they add up to significant progress – and this year has been a pivotal one in positioning the business for a future that's changing at a faster pace than anything we have witnessed before.

The Collection House Group is well placed for this next phase. We are on the precipice of exciting times and the move to a new purpose-built premises at 100 Skyring in Newstead, Brisbane seems to be propitiously timed, as it too signifies an important step forward in the journey.

Shareholders can have confidence in the diversity of our business model, which although complex, limits reliance on the performance of any single product or segment of the market – ensuring strategic resilience. It also provides the Group with a unique perspective of the end-to-end debt collection industry. It is this depth and breadth of industry knowledge that is our greatest competitive advantage, and it is precisely what gives us our reputation and credibility as a market leader.

From this vantage point, the future looks bright. I look forward to your ongoing support so we can continue to go from strength to strength.

David Liddy,
Chairman

Managing Director and Chief Executive Officer's Report

Our promise to improve growth

The 2014-15 period realised the benefits of the 'gear change' process of FY14, with a 20 percent increase in PDL collections, and 17 percent increase in consolidated revenue driving the solid overall profit growth of 20 percent.

Our promise to deliver consistent earnings growth has continued with year-on-year Net Profit After Tax (NPAT) growth, which over the past five years averages 20 percent and enables us to continue to invest in the future. We see this as an imperative for continued growth.

The acceleration of change through pervasive internet technologies and other scientific advances point to a tomorrow very different to today.

We recognise and accept the increasing power of the consumer in the new digital economy, and have focused on redefining our role in this emerging new paradigm.

Since our overall purpose is to help clients and consumers resolve their financial problems, we regard digital tools as a platform to improve consumer engagement and empower the customer.

Put simply, we think such technologies make it easier to 'help us to help our customers' in our daily objective of resolving debt challenges.

Through FY15 we have continued to invest in the future of our business on a range of levels, and this will continue into FY16 and beyond so the Group can continue to evolve in a rapidly changing world.

The soundness of our strategy was proven in FY15 with the strength of results across all of our business units.

In the Purchased Debt Ledger (PDL) area, collections were up 20 percent being our highest ever growth rate, and double that of last year. This is despite new FY15 PDL investments ($72 million) being 12 percent lower than FY14, as was planned and outlined in our original market guidance.

The underlying growth factor remains the quality of the PDL portfolio, measured by the increasing proportion of paying accounts in the overall book, and the total cash yield. In FY15, that yield reached 8.3 percent of the book (PDL collections divided by closing total Face Value). During the year, the rate of expensing assets (Amortisation rate) averaged 42 percent over FY15 and has remained in tight range of 42-45 percent since FY11. Of all PDL collections in FY15, 36 percent were derived from accounts purchased three or more years ago, reflecting the ongoing consumer-friendly approach to accommodating long-term debt resolution.

In Collection Services (third party servicing), 10 percent revenue growth, along with productivity gains, drove the profit growth of 15 percent on the prior year, with earnings before interest and tax (EBIT) margins in the segment improving from 18.3 percent to 19.2 percent. The more robust approach to relationship management and business development implemented in FY14 has supported these achievements, with tangible results such as the major renewed contract win with St George/Capital Finance announced in February 2015.

Core strengths in compliance, ethics, innovation and depth of experience continue to underpin our ongoing growth within this business unit, which largely comprises of Collection House, MCC Group and CLH Lawyers.

While our overall growth is largely organic, we continue to invest in the product development of new debt solutions for both clients and customers, explore new debt purchase markets and models, and pursue acquisition or partnership opportunities. This sums up our winning strategy to date: future focused but balanced with present demands, measured yet inspired.

During the year, our entry into providing consumer financial services took a meaningful step forward. The establishment of a finance brokerage has assisted our Lion Finance customers with refinancing through trusted partners. Both personal loans and mortgages were originated by this brokerage and we continue to develop the capability and systems required to expand our consumer facing business.

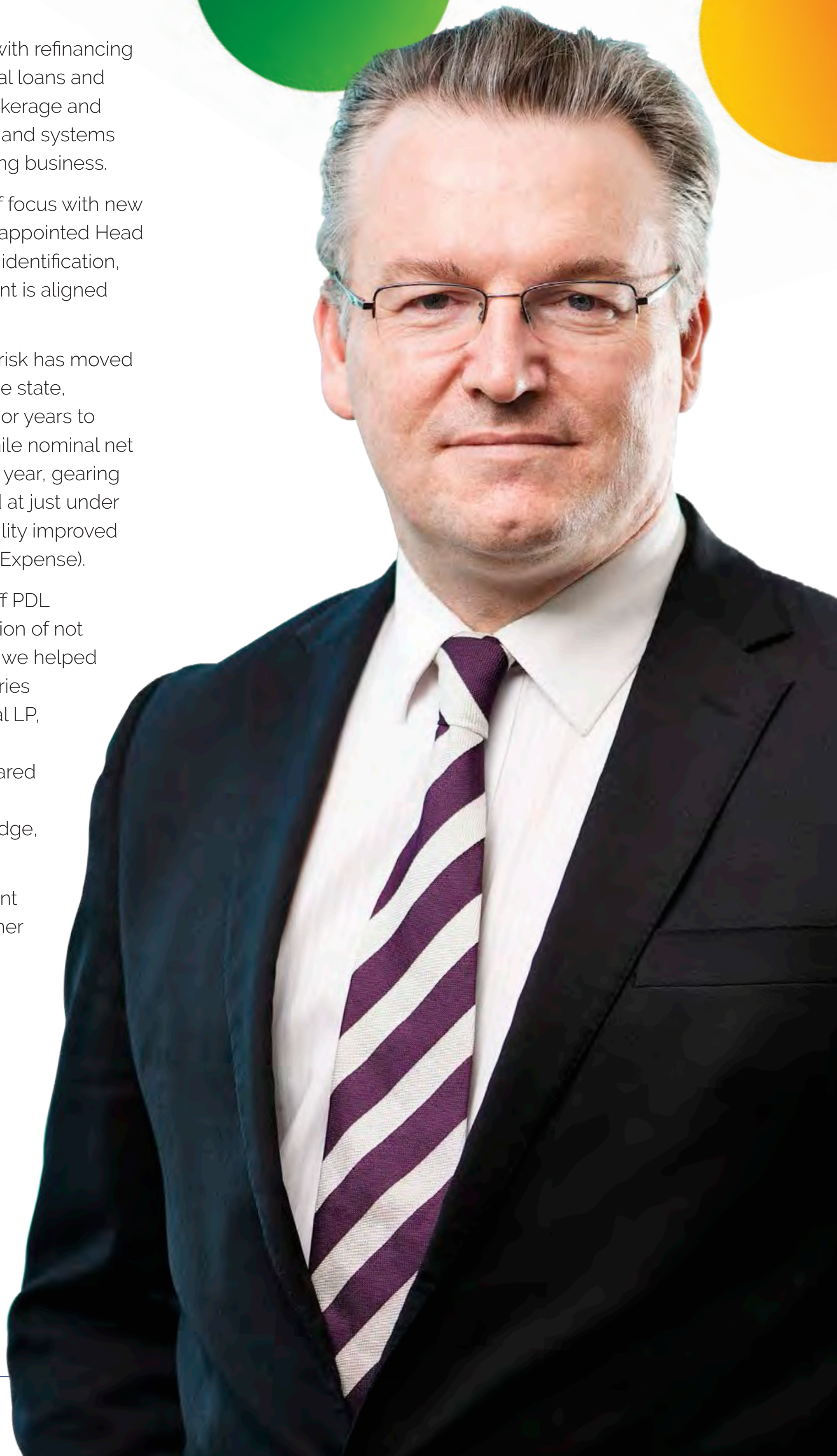
Risk Management has been an area of focus with new frameworks implemented by a newly appointed Head of Risk. An integrated approach to risk identification, mitigation and continuous improvement is aligned from the Board to operational levels.

Within the risk portfolio, debt funding risk has moved from a key focus area to a maintenance state, following the significant changes in prior years to diversify debt and reduce gearing. While nominal net debt increased by $12 million over the year, gearing (net debt/net debt plus equity) closed at just under the 40 percent target mark. Serviceability improved further to 16 times (EBITDA to Interest Expense).

To allow participation in larger once-off PDL investment opportunities, with the option of not increasing debt on the balance sheet, we helped establish the Australian Credit Recoveries Trust in partnership with Balbec Capital LP, an affiliate of Starwood Global Capital. This arrangement means we are prepared to leverage the capital Balbec brings through our deep PDL market knowledge, relationships and servicing capability.

As in prior years, technology investment has been strong and will increase further in FY16.

The proprietary 'C5' core collections platform has been enhanced in a variety of areas and a number of Collection Services' clients have been migrated. Those remaining on the legacy platform now account for under 10 percent of Group revenue.



> *“The soundness of our strategy was proven in FY15 with the strength of results across all of our business units.”*

In FY16, we will commence significant programs to enhance our analytics capability, as well as undertake increased research and development activity in the digital area, under a newly appointed Head of Digital.

Collection House Limited continues an unwavering commitment to conduct itself in a manner that is ethical, lawful and respectful of its community and environment. Our long-standing goal of 'leading the way' in ethical practice was advanced with the inaugural release of our Corporate Social Responsibility Scorecard last year, which has been released again for 2015. I am proud of the many achievements documented within that report and urge the reader to review the document.

Equally, I am pleased that we have made another jump in our independent AON Hewitt Staff Engagement Survey. We've achieved a seven percent increase in engagement score with 93 percent participation. This result took us above the national average for the first time and extremely close to the 'Best Employer' range.

Having recently seen the first class new headquarters at Skyring Terrace, Newstead in operation, I am certain we will see further gains in our goals for having a truly engaged and happy workforce.

We were also successful with our diversity objectives and made real progress in becoming an employer of choice. An example of this was the implementation of changes to our core systems to provide special assistance to visually impaired employees.

I wish to thank the Board, Executive Management Team and staff for their unwavering commitment and the achievements to date. I look forward to the next chapter of our growth journey together.

Matt Thomas,
Managing Director and Chief Executive Officer

PURPOSE
To help clients and customers resolve their financial problems.

VISION
To be the 'household name' for clients and customers seeking quality debt management solutions.

Investing in Our Future

Strategy and Innovation

Applying a disciplined approach to planning and achieving our goals

Our strong FY15 performance was underpinned by our FY14 investments that were implemented as part of the planned 'gear change' approach across the Group. Our ability to prepare and implement this change allowed the Group to accrue its benefits gained through rolling out the strategy in a disciplined and well-planned way.

During FY15, we continued to methodically refine the plans necessary to optimise our performance while simultaneously introducing detailed strategies to achieve future sustained growth. These strategies specifically address how we will engage and leverage opportunities within the rapidly changing digital economy, and are outlined below.

Collection House Corporate Strategy

This is the core strategy that drives all business activity and coordinates our sub-strategies. Importantly, all projects, initiatives and change activity must demonstrably align with one or more of the four corporate goals specified in the strategy. This allows us to identify key activities and objectives, and prioritise these accordingly. This approach also clearly establishes how we seek to satisfy our vision and purpose. We will continue to adjust our Corporate Strategy in FY16 to take advantage of emerging opportunities.

STRATEGY
To build our business in a sustainable way to broaden the quality services we deliver to a growing customer base.

Collection House Call Centre Strategy – This guides how we will implement a multi-channel communications platform to offer our customers an integrated and consistent cross-channel experience. This will provide our customers flexibility in choosing how they engage with us to resolve their debt challenges, while generating efficiencies and developing a 'digital-ready' workforce. In FY16 we will trial new technologies capable of delivering these objectives.

Collection House Information Technology Strategy 2015-18 – This details how we will invest in our IT infrastructure and related capability over the next three years. The strategy will boost productivity, protect our systems against digital threats, build on the existing advantages offered by our proprietary systems, and intensify our use of analytics for competitive advantage. In particular, in FY16 we will enhance our analytical capability through the appointment of an Executive Analyst.

Collection House Digital Strategy – This guides how we will implement suitable systems to take swift advantage of the emerging opportunities offered by the new digital economy. This includes the potential to deliberately introduce digital disruption and engage in the rapid experimentation and development of digital products and services. This approach will be prioritised in FY16 with the appointment of a Head of Digital.

Collection House Innovation Framework

The deliberate introduction of 'innovation' as a corporate value in FY15 was accompanied by an active culture supportive of experimentation, research and development, openness to change, and agility in achieving our goals. This philosophy underpins our planning frameworks and will continue in FY16.

Combined, these plans capture the sense of energy and ambition driving the next phase of our growth.

They also ensure we have suitably adapted to the realities of the new digital economy and its emphasis on innovative products and services.

Equally important is the harmonisation and execution of these plans. This is achieved through a formal strategy management system accompanied by centralised project, program and portfolio coordination. This allows for informed business planning, capital allocations, creation of value-adding projects and initiatives, and strategy feedback and learning opportunities. In FY16, we will further refine our strategy management system and improve our project management maturity.

Investing in Technology

Developing a competitive advantage

At Collection House, technology is one of our key competitive advantages.

The Group maintains an unwavering focus on using technology to assist business growth in a number of ways: to improve productivity and operational efficiencies, to augment customer service and better outcomes for clients, and to maintain our position as an industry leader.

We are committed to development, innovation and improvement, while still maintaining a sustained investment in the maintenance and protection of our current IT systems.

Over the past 12 months, we have continued the rollout of our proprietary C5 software, which delivers tangible benefits on a number of fronts. These include time-saving for staff (particularly in the area of training), uncomplicated document management, and enhanced client communication through an improved secure data exchange environment. We have also replaced the core payment facilities channel of our legacy C4 system and migrated to the C5 equivalent. We continue to improve and refine C5 as the need arises; the fact that we can do this in-situ is one of the key benefits of the C5 system.

Data Management

The Group's move to new premises has allowed us to review our data storage arrangements, and prepare to migrate all Company data to two new, custom-built facilities in the near future.

We are also planning to purpose build our own data vault to cope with the increasing data volumes we expect in the future. This strategic imperative is a medium-to-long-term undertaking for the business. Data is an asset and enabler for everything we do at Collection House, thus we aim to ensure we can continue to harness our data, protect it, and access it in a way that is relevant to the needs of the business and customers alike.

Analytics and Business Intelligence

In conjunction with the development of the data vault, we will continue to invest in capability and resources in the area of data mining and analytics. Predictive modelling, for example, provides the kind of business intelligence that enables us to make confident decisions about how we can work more effectively across all areas – from customer contact, to being able to apply the right treatments to the right debt. It is an area we are seeking to develop as we identify wider applications for such models across the business as a whole.

Digital – the future is now

Our Digital Strategy is strongly linked to both data management and analytics. We have now appointed a Head of Digital and Programming, and this role will be responsible for identifying and understanding how we can prepare ourselves for changes in technology and how it may impact our business. Currently, we are researching and exploring ways we can continue to build our 'trusted online community' in readiness for more digital-based engagement with customers.

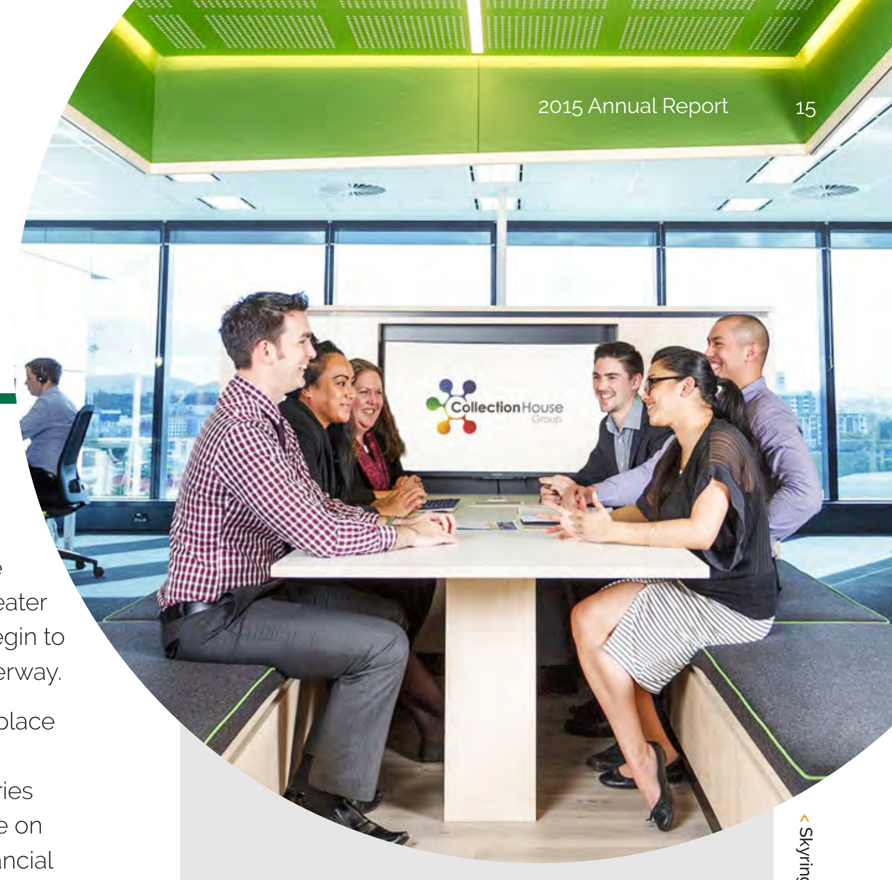
In addition to the Head of Digital and Programming position, we have expanded the specialist IT team by 30 percent to provide greater capability and expertise as we plan for, and begin to undertake, the exciting initiatives that are underway.

At present there is a lot of focus in the marketplace about 'digital disruption' and the lack of preparedness of some businesses and industries as the world in general faces a greater reliance on technology. The Group has made a strong financial commitment to developing overall IT capabilities in the next financial year, and will continue to do so. This reflects our commitment to future proofing our business.

Along with these new endeavours, we aim for optimal results in compliance, and we are currently working to align to ISO Standards 27001, 27002 and 27005. These standards relate to the management of risk, IT processes and policies, data encryption and the management of information.
All improvements in line with these guidelines are aimed at achieving best practice.

We are resolute to seeing our current technology plans to fruition and, as always, we remain open to innovation as it presents itself in the context of our overall business strategy.

> *"Staying agile and adaptable in an ever-changing technology and digital driven business environment."*



< Skyring Huddle Point

Design and technology seamlessly combine to create innovative and convenient work spaces while enhancing communication and collaboration. In the new premises at Skyring Terrace, Newstead, staff can instantly and easily access and display content from their hand-held devices via wireless network to screens scattered around the collective spaces or wall-mounted in meeting rooms.

For example, eight 'huddle points' (bench seating fitted around TV monitors) will be shared by 16 teams. A Senior Manager (or any member of staff) will be able to conduct, via the TV monitor, a quick meeting, formal training or daily briefing session. What's more, this Manager can still conduct the meeting, without actually being in the building, allowing the business to work collaboratively both locally and nationally. When not in use, these monitors can simply communicate digital messages such as the Collection House Core Values, motivational messages, information about strategic initiatives or workplace social engagements. Staff may use the huddle points in their break times too, which will mean that the areas become conduits of informal communication as well.

These spaces are not only functional, they also look good and will definitely improve the way our people receive important broadcast communications while at work.

Investing in Our People

Sustainable growth is achieved through our people

At Collection House, we believe that our people are our most valuable resource. We provide a first-class working environment and a culture built on accountability, respect, performance, ethics, professionalism, teamwork and innovation.
This is integral to our business ethos and is always our top priority.

First-class working environment

We acknowledge that for many of our staff their workspace is important to them.

In July 2015, we commenced our staged relocation to our new 8,000sqm headquarters to the Gasworks precinct in Newstead. This relocation has allowed us to focus heavily on future proofing our workspace, and additionally takes into account opportunities for further expansion.

Collaborative workspaces ensure our Managers practice inclusive leadership, and the technology driving this is also key in enabling them to invest in coaching and developing their teams.

In addition to our Newstead office, we have also been able to complete two smaller relocations in our regional Victorian offices. These higher quality premises have positively impacted our staffs' workplace satisfaction.

Ongoing commitment to staff engagement

We value staff feedback and are focused on ensuring that Collection House is a great place to work. During December we conducted an employee engagement survey, again partnering with AON Hewitt. A very pleasing 93 percent of staff completed the survey and with this level of participation we are confident that the engagement score is a true reflection of staff perception.

We saw a seven percent uplift year-on-year in respect to our overall engagement score, putting us four points above the Australian norm.

The largest improvements were seen across the areas of performance management, collaboration and communication.

PERFORMANCE

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

INNOVATION

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

ETHICS

We demonstrate integrity by being open, honest and fair.

TEAMWORK

We support one another's efforts, ensuring we achieve common goals by working together.

RESPECT

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

ACCOUNTABILITY

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

PROFESSIONALISM

We believe in honouring our business and personal commitments.

Investment in our leadership

We have implemented development programs which assist in identifying and developing current and future leaders within our business. As part of our succession planning, we continually review and recommend for promotion, employees who show exceptional leadership qualities and strong performance.

We appointed an additional 49 staff to our front line management program - Leadership Excellence and Development (LEAD), where the successful participants will embark on a two year program to equip them with the skills to be considered for future leadership opportunities.

We have continued to partner with an external leadership company, where all Senior Managers complete a two day Impact Leadership program. This program has helped to define the language and leadership methodologies we have adopted throughout the organisation.

During the year, 149 staff obtained a nationally recognised qualification, Certificate III in Mercantile Agents. This qualification is available to all staff upon joining the Company.

Embracing a diverse workforce

The Collection House workforce is made up of many individuals with diverse skills, values, backgrounds and experiences. We value diversity and recognise the organisational strength, deeper problem solving ability and opportunity for innovation that it brings. We also respect and leverage the unique contributions of employees with diverse backgrounds, experiences and perspectives, to provide exceptional customer service to an equally diverse community.

Driving innovation through our people

With innovation as a core value, we take a broad definition of 'innovation' and the positive spirit it represents. In particular, we see innovation as the process of translating an idea into a product, process, or service that contributes significant value to the Company. This can be a significant improvement to something that already exists, or it can be the creation of something new and transformational that is not currently in place.

A key driver of innovation is our Collective Minds program, which allows staff to proactively put forward suggestions. The ideas can relate to any part of the business, but essentially are captured under the key themes of work environment, work culture, business practice, IT systems and staff wellbeing.

As a result of the program, we have received a total of 314 staff ideas during the FY15 year and have been able to progress a significant number of these to fruition, which has improved our efficiency. Forward thinking is encouraged and celebrated at Collection House, which is also facilitated via the program.

We believe that sustainable growth is achieved through our people. We will continue to invest in our staff and ensure our workforce is highly engaged, rewarded for performance and provided an environment where learning and development opportunities are available to everyone.

Leadership 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.

David Liddy

Mr Liddy has over 43 years' 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, a position he has held since 1 January 2013 and Emerchants Limited, a position he held since 27 April 2012.

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.

Dennis Punches

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, on the Board of Capio Partners, LLC 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.

Matthew Thomas

Mr Thomas has over 23 years' experience in the finance and collections industry and has been with Collection House Limited for the past 16 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 was responsible 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, a member of The CEO Institute and a Graduate Member of the Australian Institute of Company Directors.

Tony Coutts (retired 30 June 2015)

Mr Coutts has over 39 years' experience in the finance, insurance and debt collection industry, including 20 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, responsible for sales.

From 1 July 2006, he became a Non-Executive Director.

Kerry Daly

Mr Daly has over 31 years' 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, a position he has held since March 2009.

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 2001-2007, he served as Executive Director of the fixed interest brokerage and investment banking business, Grange Securities Limited.

David Gray

Mr Gray has over 21 years' 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.

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.

Mr Hennessy is currently Chair of Redland Investment Corporation Pty Ltd, Chair of the Audit and Risk Committee of Metro Mining Limited, Chair of the Mater Hospital Foundation, Director of the Starlight Children's Foundation National Board, Member of the University of Queensland Senate, Chair of the University of Queensland Finance Committee and Chair of the Audit and Risk Committee 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.

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 Catholic Church Insurance and Aviation Australia Pty Ltd.

Ms Schafer was previously the Chair of RACQ and RACQ Insurance, with former directorships including Queensland Rail and was Commissioner of the National Transport Commission. She was a Non-Executive Director of the Territory Insurance Office prior to its sale. 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 and elected as a Director on 31 October 2014.

Executive Management Team

Our Executive Management Team (EMT) 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. The average tenure of the EMT exceeds 10 years.

1. Matthew Thomas

Managing Director and CEO

Refer to Leadership Directors on page 18.

2. Paul Freer

Chief Operating Officer

As Chief Operating Officer, Mr Freer is responsible for the business divisions of the Group. Mr Freer has been with the organisation for over two years.

He has over 25 years' experience across financial services incorporating over 13 years in General Management leadership positions covering receivables management, risk management, corporate and retail banking and funds management.

Mr Freer is an Associate of the Chartered Institute of Bankers, he holds a Diploma in Marketing and is a Graduate of the Australian Institute of Corporate Directors.

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 over 10 years.

Mr Ralston oversees all aspects of the Group's financial management, including reporting, 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.

4. Kylie Lynam

General Manager Human Resources and Corporate Services

Mrs Lynam has almost 20 years' experience in human resource management and has been with the Group for the past 15 years. During this time she has held a number of different roles, including Company Secretary in 2006.

Mrs 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.

Mrs Lynam leads the strategic projects, corporate services and training support areas to achieve key corporate objectives. She is also responsible for workforce optimisation and continuous improvement initiatives. She holds a double degree in Marketing and HR from University of Queensland.

5. Marcus Barron

Chief Information Officer

Mr Barron has been with the Group for more than 12 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. In 2013, he joined the EMT as Chief Information Officer.

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

6. Julie Tealby

Company Secretary and Chief Risk Officer

Mrs Tealby has been with the Group for more than 14 years and has held the position of Company Secretary since 2013. In addition to being Company Secretary, in August 2014, Mrs Tealby was appointed as Chief Risk Officer and oversees the Group's Risk, Internal Audit, Compliance, Resolutions and Corporate Legal and Governance Departments.

Mrs Tealby holds a Bachelor of Business (Accountancy), is a member of CPA Australia and is a professional member of the Institute of Internal Auditors. Mrs Tealby has completed her Graduate Diploma in Corporate Governance through the Governance Institute of Australia.

Building for the future
Our Performance
A diversified operating model

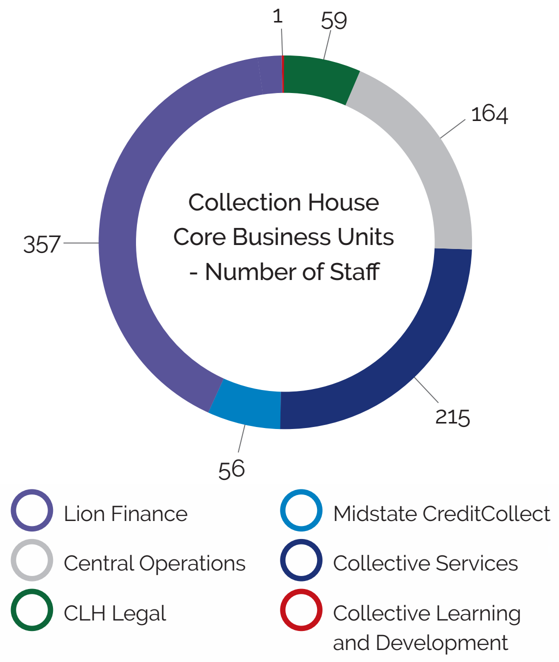
The scope and range of financial services provided by the Collection House Group is primarily what sets us apart from our competitors.

Our core operations are made up of four distinct areas:

- Lion Finance
- Collection Services
- CLH Legal
- Midstate CreditCollect

While each of these businesses form an important and integral part of the overall umbrella of the Group's brand, they each focus on a specific niche within the financial services market. And they are supported primarily by the internal business units.

Central Operations and Collective Learning and Development (CLAD), as well as the Group's functional support teams.



It is this integrated, yet diversified operating model, which enables the Group's diversity of clients, revenue streams, geographical presence and breadth and depth of specific industry expertise. This is what gives the Group its core strength and growth opportunities.

Operating in this way also limits reliance on the performance of any single product or segment of the market, which, in turn, ensures strategic resilience. It also provides the Group with a unique and holistic perspective of the end-to-end debt collection industry – providing deep industry insights and further enhancing our reputation and credibility as a market leader.

FY15 Report Card

In terms of an overall report card for FY15, the financial results attest to the fact that the business units are performing to expectation. On the following pages each business unit has provided an individual summary outlining key highlights for the past financial year, and how these indicators are linked to overall strategy and planned growth outcomes. In many respects, the past financial year has been one of 'building for the future'.

While each of the units has a different journey and a different story to tell, it is an incontestable fact that their successes, large and small, can be credited to two key attributes: people and technology.

In all of the Group's endeavours, our over-arching goal is to conduct business in a highly ethical way, and to continually seek business improvements that will deliver real benefits to our clients, our staff and to our shareholders.

Lion Finance

Lion Finance is the largest subsidiary of the Collection House Group, measured by its contribution to profit and its size. It accounts for around one-third of the Group's total staff numbers.

Lion Finance is responsible for the collection of Purchased Debt Ledgers (PDLs). At the end of FY15 Lion Finance had more than 304,000 active debt accounts with a combined face value of $1.5 billion.

Operational Management Team

Investing in people to position for the future

Reinforcing the Group's overall focus on 'building for the future', a strong focus on and an investment in people has been a key driver for Lion Finance over this past financial year.

The implementation of the Group's leadership training program over the past twelve months has helped people at all levels within the business to improve 'soft skills' such as coaching and mentoring, with the aim of becoming better leaders.
Early feedback has been positive. Customer Service Officers (CSOs) say they feel more supported as a result of the training, and the most recent AON Hewitt Employee Engagement Survey results attest to improvements in staff engagement too.
Inevitably, improving staff engagement will filter through into increased productivity and will lower staff turnover, which will benefit the business both in the short and long-term.

Also during the year, a significant investment was made in recruitment for the purpose of expansion. We are pleased to have met this milestone in the long-term growth strategy for the business.

Key highlights

- **The successful start-up of CashFlow Financial Advantage (CFFA).** The role of Lion Finance in this new advocacy service being offered by the Group is primarily to identify customers who meet specific criteria, and then connect them to other services that will assist them to resolve their financial situation. The long-term benefit for our customers is that they will be able to improve their financial position.
- **The enhancement of an online portal offering customers another channel for engagement and communication.** While the telephone has been – and continues to be – an important part of our customer service contact strategy, we are continually investigating and investing in ways to harness technology to interact with customers as alternatives to 'over the phone'. This becomes increasingly important as the population generally becomes more migratory and more reliant on digital and mobile technology.
- **The move to 100 Skyring.** Lion Finance Brisbane was the first business unit to move to its new headquarters at Newstead. These new premises will enable Lion Finance to expand its existing Brisbane based operational staff numbers as and when required.

Setting each of the above 'building blocks' in place has been an important part of securing the foundation for Lion Finance as it seeks further opportunities for growth.

Looking ahead into FY16, we will continue to focus on staff engagement for the betterment of customer service, as we seek to create deeper and more genuine relationships with customers.
We do this to reach 'resolution at first contact' – a better outcome for all parties. While considered a delicate balancing act, this supports the Group's ethical values and longer-term financial strategies around growing our repayment arrangement portfolio with customers to underpin solid revenue growth.

In order to support these endeavours with staff and customers, we will continue to develop IT systems and internal processes. This development is critical so that Lion Finance can continue to remain competitive and sustainable, as well as able to swiftly adapt to any changes in the economic environment, while ensuring compliance to the highest ethical standards of debt collection and legislative requirements.

Collection Services

The Collection Services division provides account receivables management across a broad range of industries including finance, banking, insurance, utilities, telecommunications, government and automotive under the Collection House brand name.

Creating long-term partnerships

Ensuring client satisfaction and building rewarding long-term client partnerships has been a key driver for Collection Services this year, as the division prepares for the future.

Over the past financial year, the focus of our team has been firmly upon securing long-term business opportunities, and in February this year we were successful in being awarded by St George, a four year contract servicing the secured retail portfolio, as well as the secured retail portfolio acquired from Capital Finance (Australia) Limited.

In keeping with this drive to secure long-term partnerships, Collection Services has also been assessing its client service and satisfaction across its entire client base. Our team is working to ensure appropriate resourcing for clients, alongside implementing changes to ensure productivity and efficiency gains that provide better value to clients, in terms of increased recoveries and net returns on post write-off portfolios.

Key highlights

- **We have also put significant effort into coaching and mentoring our own people.** This has meant developing better support structures for some roles, as well as clear paths for leadership throughout the entire team. These initiatives are designed to create staff satisfaction, while facilitating opportunities for people to stay with the organisation for longer, as well as identifying individual opportunities for professional development as staff continue their careers with the Group.
- **The successful on-boarding of a major utility client onto our C5 proprietary collections and CRM platform.** We will continue to migrate more clients over to this system during the next financial year. Migrating more clients to this system provides us with access to a greater and more diverse set of data. This allows us to better analyse the information so we can enhance the way we serve our clients and customers. It also allows us to better maintain our highly regarded competitive standing and marketplace reputation for receivables management and collections expertise.
- **We recruited an experienced Executive to the position of New Zealand Country Manager.** This is a key appointment in our strategic agenda and reaffirms our commitment to retain and grow our operations in New Zealand.

Central Operations

Central Operations is a shared services division, providing support to other businesses within the Group. Central Operations also includes Collection House International, the operation in Manila.

Building a strong platform for growth

In keeping with the Group's overall desire to ensure solid foundations for the benefit of future expansion, Central Operations has focused heavily on streamlining processes over this past financial year. This has been done to create a lean, efficient and strong platform to support future growth.

Performance in the Philippines

Collection House International BPO, Inc. in the Philippines, a call and services centre in Manila, is reaching the end of the first year of a three-year growth plan and has achieved its objectives for the 2015 Financial Year.

Key highlights

- **Growth in staff numbers from 78 to 110 seats.** This has been achieved while increasing productivity levels, as demonstrated by the increased operating revenues generated in Manila this year.
- **Increased operational efficiencies and outputs.** Chiefly these have been enhanced by improvements made to the staff training model including better orientation and support for new recruits, therefore enabling staff to develop confidence and capability more quickly. At the same time, this new model also includes more accurate performance measures and better processes around performance improvement and coaching. Early evidence also suggests that the establishment of these new initiatives has resulted in higher staff engagement levels.

This focus on people, coaching and performance will continue throughout the next financial year as we continue to look for more opportunities to utilise our Manila operational capability to benefit Lion Finance and Collection Services, and their clients.

Streamlining Australian processes

Over the course of this financial year, we have utilised our shared service concept to streamline operational activities, in areas of the business where centralisation can provide efficiency and best practice advantages. This has been achieved by managing Lions' growing repayment arrangement portfolio and the centralisation of a dedicated campaign management team, focused on performance analytics, workflow management and debt treatment paths.

The developments made this year will generate efficiencies into next year, and going forward we will continue to 'bed down' these changes. This remains part of our commitment to ensure a solid and stable platform from which we can continue to grow.

CLH Legal Group

CLH Legal Group is a wholly owned subsidiary of Collection House Group and an Incorporated Legal Practice offering debt recovery and litigation as well as insolvency solutions, across a broad range of industries.

Strengthening our market offering

Incremental growth and a change of business name have been key themes over the past financial year for the CLH Legal Group, as the firm positions itself for the future.

The name change in December 2014, enables CLH Legal to better leverage its unique position as the legal arm of the Collection House Group, as well as leverage the Group's enduring reputation for ethical conduct, strong performance, and client-focused services.

CLH Legal continues to enjoy steady growth. This can be attributed to the fact that the firm has earned a reputation in the marketplace for its deep experience, knowledge and capability in a specialist field. This with smart technology enables efficiencies across our practice management, processes and workflows. It can also be attributed to the distinct advantage CLH Legal has in being integrated with its highly regarded ASX listed parent company.

This view is shared by our client base and the broader market – both regard the backing of the Collection House Group as reassuring, and believe the new name of CLH Legal Group better reflects this relationship.

Key highlights

- **Growth of our external third-party client base.** This growth has diversified our revenue streams and is a crucial part of our strategy.
- **Growth in local and state government sectors.** This has been achieved through the servicing of Collection House clients.

Looking ahead, while we will be dedicating time and resources to continue to build our external third-party client base, our number one priority continues to be to improve productivity and efficiency so we can better service internal clients – maximising their outcomes.

We are confident with our projections for future growth. We are optimistic we can achieve this growth by building on two of our core strengths: our deep expertise in the specialist areas of corporate and personal insolvency, debt administration and commercial litigation; and by our solid standing as part of the Collection House Group.

Midstate CreditCollect

Midstate CreditCollect (MCC) is a fully owned subsidiary of the Collection House Group. It is a boutique agency based in regional Victoria offering professional credit management, debt collection and legal services

Preparing for a stronger future

The MCC merge occurred in 2013. Post this merge, MCC has focused on implementing the right structures, as well as centralising administration functions to eliminate duplication and create synergies and efficiencies across the business as a whole. There has been considerable focus on creating a unified team culture across the four MCC sites in Victoria, and with the wider Collection House Group. Each of these imperatives was done with the intention of steadfastly positioning MCC to grow into the future.

As a small boutique firm, MCC is able to offer 'case management' debt recovery – looking at each single debt individually and applying tailored recovery strategies as required.

Key highlights

- **New premises in Bendigo.** The opening of a brand new facility that has the capacity to house 30 people. National contracts and new business opportunities will be serviced by this team.
- **Significant business wins.** This includes a contract with a major national utility.
- **Supplier of the Year Award.** This award, from Procurement Australia (a facilitator of tenders and contracts for the public sector), underpins MCC's already strong reputation as a preferred contractor to the local government sector in Victoria.

These successes have positioned MCC for its next phase of growth. MCC will continue to access and leverage synergies as part of the Collection House Group, such as integrated data and business intelligence reporting. It is also an intention to assign more resources to business development with the aim of securing more work for the MCC team and strengthening existing client relationships.

From a capacity perspective, MCC is also steadily increasing headcount numbers in line with these growth plans.

We are confident that MCC is now in a position to reap tangible and financial benefits from the hard work that has been done over the past couple of years to consolidate the company post-merger.

Collective Learning and Development

Collective Learning and Development (CLAD) is the Group's registered training organisation, and is part of the National Training Framework, specialising in the delivery of financial services courses and credit and receivables management.

CLAD not only provides the Group's internal training requirements, it also provides staff development and a wide range of training services to a combination of external business and government agencies.

Supporting our people now and in the future

This past financial year, CLAD achieved record numbers of traineeship completion rates for the Certificate III in Mercantile Agents. All staff joining the Group are given the opportunity to complete the nationally recognised qualification.

Looking to FY16

In the next 12 months, CLAD will continue to focus on supporting our people by investing in online learning channels, enabling greater flexibility in the development and delivery of training courses.

The team will also conduct a review of the external marketplace to identify the type of training it can deliver to external clients in areas such as financial literacy, financial hardship and credit, and receivables management.

Corporate Social Responsibility

The CSR Outcomes Report is available online

Deepening our legacy of ethical conduct

The Collection House Group has always had a strong commitment to business conduct that is ethical, lawful and respectful of both its community and environment. Since 2013, the Group has had a dedicated Corporate Social Responsibility (CSR) program that delivers specific initiatives across four areas:

- **supporting the community**
- **protecting the environment**
- **engaging stakeholders**
- **respecting the law**

The program follows the international standard ISO 26000 Guidance on Social Responsibility. This enables CSR activity to be informed by internationally recognised best practice.

Over the past 12 months the program has recorded significant achievements, which are outlined below.

ETHOS

To achieve profitability in a socially and environmentally responsible manner.

Engaging the Financial Basics Foundation – investing in the future

Work with the Financial Basics Foundation over the past financial year has centred on expanding our partnership to improve staff awareness of, and commitment to, supporting the Foundation's efforts.

We also progressed plans to develop and commence a 2015-16 education program with high school students. The aim of this is to help young people become 'debt literate' and develop an understanding of debt through topics such as:

- **how people can get into debt that they cannot later manage**
- **the consequences of not controlling debt or meeting repayment obligations**
- **developing strategies for reducing the likelihood of future debt problems**

This is a priority area for the CSR program. There is a lack of current and practical classroom resources which address 'over-indebtedness'. We believe that by helping young people develop debt literacy they will be better equipped to avoid future fiscal hardship and financial exclusion.

Assisting the Clemente Learning Program – improving whole-of-life outcomes

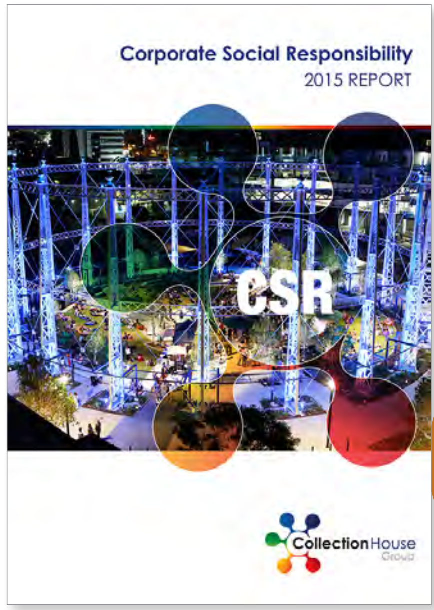
During the year we have also partnered with the St Vincent de Paul Society, Queensland, to participate in the Clemente Learning Program. This program helps people re-engage in their communities through a free-of-charge university program designed to build confidence through education. It is modelled on a successful program in the USA that has been implemented in Queensland.

Collection House staff began training volunteers as learning partners with Clemente students. This prepared them to become learning partners for the first semester program in the 2015-16 financial year. Through the program, learning partners provide support, encouragement and study skills assistance. Collection House also contributes to the program costs.

This will continue into next year. By resourcing this program, we seek to help socially excluded individuals overcome adversity and achieve higher education outcomes to improve their life opportunities.

Investing in the National Hardship Register – protecting the vulnerable

The Group continues to support and advocate for the work undertaken by the National Hardship Register (NHR). The NHR is a joint initiative between the Australian Collectors and Debt Buyers Association Limited and the community sector to protect individuals experiencing long-term and severe financial hardship from unnecessary debt collection activity.



The 2015 Corporate Social Responsibility Outcomes Report is available at collectionhouse.com.au to view.

Supporting Conexu – improving community outcomes

During the year we provided in-kind project management services to the Conexu Foundation to assist with the delivery of products and services for people who are Deaf, hard of hearing, or speech impaired. By working with Conexu to optimise their project management processes, we have helped them achieve measurable and significant improvements in efficiency, process and output quality.

By lending our expertise and professional knowledge to not-for-profit organisations, we seek to help them achieve their community-focused goals in an enduring way.

Going into the next financial year, we will continue to seek innovative opportunities for the Group to 'give back' to the community. Further, we will improve the way we measure and report our CSR practices consistent with ISO 26000.

Collection House Group

Corporate Governance

The Corporate Governance Statement is online

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. We also foster a culture that values ethical behaviour and integrity.

The Board keeps the governance system under regular review to ensure it reflects changes in law and keeps pace with best practice developments in corporate governance.

Board Composition

As at 30 June 2015 the Board comprises of eight Directors (including the Chair), seven of whom are Non-Executive Directors. During the year, Mr Tony Coutts announced his retirement as a Director effective from 5.00 pm Tuesday 30 June 2015.

On and from 1 July 2015 the Board comprises seven Directors (including the Chair), six of whom are Non-Executive Directors. The Managing Director (Matthew Thomas) is an Executive Director.

The Board considers its current members to have an appropriate mix of skills, experience and independence to enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives.

Board Committees

The Board has established two Committees each with its own Charter:

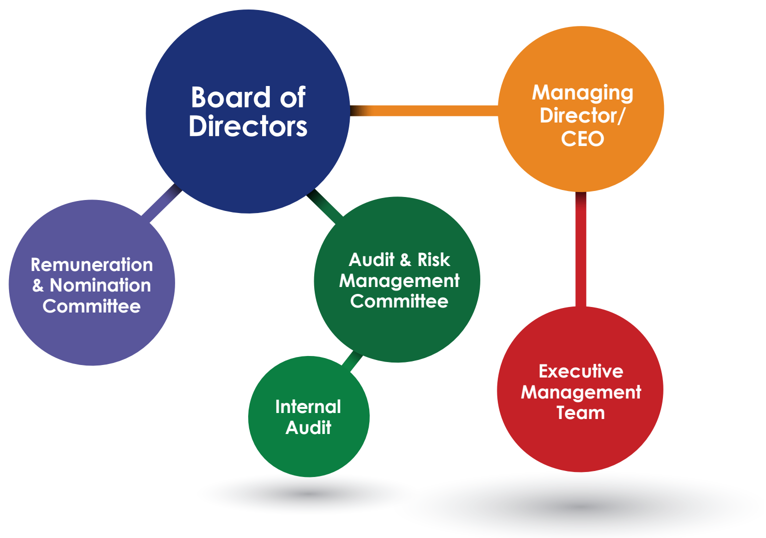
- Audit and Risk Management Committee
- Remuneration and Nomination Committee

The Board Committees play a crucial part in the governance framework.

Communication with Shareholders

Collection House Limited uses a range of methods to communicate with shareholders, including written and electronic communications.

Shareholders are able to make enquiries with the Group at any time through the Investor Enquiries page on the Group's website.



The Corporate Governance Statement is online.

The Company's listing on the Australian Securities Exchange (ASX) means it must comply with the Corporations Act 2001, the ASX Listing Rules and other Australian laws. As part of this compliance, Collection House Limited (the Group) is required to disclose how it has applied the Recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations – 3rd Edition (the Principles and Recommendations) during the financial year ending 30 June 2015 explaining any departures from them. The Group has, unless otherwise stated, followed the Principles and Recommendations throughout the year.

More information about Collection House Limited's Board and Management, corporate governance policies and procedures, and practices is in the Corporate Governance Statement available on the website at www.collectionhouse.com.au under the heading *Investor Centre – Corporate Governance.*

Collection House Group

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 2015.

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 (retired 30 June 2015)
- Kerry Daly
- David Gray
- Philip Hennessy
- Julie-Anne Schafer

See pages 36 to 38 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.

FY2015 highlights

- Net profit after tax for the year was **$22.5 million** (2014: $18.7 million)
- Earnings per share (EPS) were **17.2 cents** (2014: 14.7 cents)
- Shareholder equity was **$170.7 million** (2014: $156 million)
- Total dividends for the year of **9.1 cents** (interim 4.4 cents paid 27 March 2015, final 4.7 cents to be paid 16 October 2015), fully franked (up 13.8 percent from financial year 2014).

Overview of Group operations and financial results

The consolidated Net Profit After Tax (NPAT) of $22.5 million for the year ended 30 June 2015 increased 20.2 percent from $18.7 million in the previous year. Total revenue for the Group was $126.0 million an increase of 17.4 percent. Basic earnings per share increased 17.1 percent to 17.2 cents per share.

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

	Collection services		Purchased Debt Ledgers (PDLs)		Consolidated	
	30 June 2015 $ '000	30 June 2014 $ '000	30 June 2015 $ '000	30 June 2014 $ '000	30 June 2015 $ '000	30 June 2014 $ '000
Revenue						
Sales	48,751	44,433			48,751	44,433
Interest income			77,552	63,118	77,552	63,118
Total segment revenue	48,751	44,433	77,552	63,118	126,303	107,551
Intersegment elimination					(260)	(214)
Consolidated revenue	48,751	44,433	77,552	63,118	126,043	107,337
Results						
Segment result	9,373	8,140	31,898	27,593	41,271	35,733
Interest expense and borrowing costs					(5,915)	(5,474)
Unallocated revenue less unallocated expenses					(3,464)	(3,299)
Profit before tax					31,892	26,960
Taxation					(9,409)	(8,255)
NPAT					22,483	18,705

Collection Services business

Consolidated Collection Services (third party servicing) revenue increased year-on-year by 9.7 percent. The segment result for the year of $9.4 million increased 15.2 percent from the previous year result of $8.1 million. The EBIT margin in the segment improved from 18.3 percent to 19.2 percent during the financial year.

Key growth was achieved in FY15 across this sector through:

- Expansion of the St George/Capital Finance Contract (announced in late February 2015)
- Increased market share in energy and telecommunications
- New business won in new service areas such as back up servicing and insourcing

PDLs business

Total PDL collections increased 19.8 percent to $127.6 million for the year ended 30 June 2015. The segment result for the year was $31.9 million, an increase of 15.6 percent. PDL acquisitions at cost were $72.3 million compared to $82.2 million in 2014.

The underlying growth factor remains the quality of the PDL portfolio due to the increase in proportion of repayment arrangements in the overall book and total yield, which reached 8.3 percent in FY15.

Total repayment arrangements and litigated accounts portfolio increased to $389 million from $353 million in the previous year. Total collections in the year from this portfolio was 68 percent of total PDLs collections.

Directors' Report (cont'd)

Review of financial position

The Group's net assets increased 9.4 percent to $170.7 million. Total net borrowings increased to $111.8 million in 2015, up from $99.4 million in 2014.

The Group's net cash flow from operating activities was $77.7 million, an increase of 17.7 percent.

Net debt increased by $12.4 million over the year, and net debt/net debt plus equity closed at 39.6 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 32.

Investment for future performance

The Group embraces innovation as a corporate value and ongoing investment in future capability is a core element of our strategy. Above all, we recognise our people and culture as key drivers for positive and sustainable future performance.

We continue to invest in our people through engagement surveys and specialised leadership training. We embrace the benefits of a diverse workforce and increase our staff engagement through our commitment to Corporate Social Responsibility programs.

In June 2015 we commenced our staged relocation to our new 8,000 sqm headquarters in Newstead, and the full relocation is expected to be completed before September 2016. Our Midstate CreditCollect (MCC) brand also expanded and opened a new office in Bendigo.

We continue to invest in our capability through the continued expansion of the C5 collection platform. Our future technology investments include a two year analytics platform upgrade to build a substantially more powerful 'data vault', which will enable faster and more sophisticated data modeling and analysis. We have also invested in a Head of Digital position to ensure the Group is 'leading the way' in the new digital economy.

The Group continues to invest in business and product development. CashFlow Financial Advantage assists consumer customers with refinancing through trusted partners and has under development, plans for additional complementary services for consumers.

The Group continues to show its commitment to ethical debt collection practices through its dedicated Hardship Assistance team.

PDL investment in FY16 is expected to be 90-110 percent of FY15 levels with $41 million of PDL investment already committed under contract.

The April 2015 launch of a third party PDL investment vehicle, Australian Credit Recoveries Trust, provides the Group opportunities to source additional servicing income from PDL investments.

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.

The Group's short-term strategies include:

- Increasing sales through new and existing products and clients, with particular focus on leveraging core strengths in compliance, innovation and depth of experience/data
- Expanding collection capacity to increase liquidation rates from PDL assets
- Continuing expansion into high potential market sectors, such as Government
- Further expansion and maturity of our Manila operations - Collection House International (BPO), Inc.

The Group's longer-term growth will be driven by:

- Further organic growth of specialist subsidiaries: Midstate CreditCollect and CLH Legal Group
- Product development of new debt solutions for both clients and customers
- Ongoing investment in innovation, technology and analytics – with quicker realisation of benefits
- Pioneering new debt purchase markets and models
- Exploring acquisition or partnership opportunities in adjacent service areas

Risks

The Group remains committed to managing its risks. The most significant risks to the business include the ability to service the needs of clients in a manner that generate profits for the Group; the ability to accurately determine the price which the Group will pay for debts, the ability to accurately determine the value of the purchased debt portfolio at a point in time; and the ability to put debtors onto a payment plan.

Risk mitigation strategies are implemented for all key risks and regularly reported on to the Audit and Risk Mangement Committee, and the Board.

The Board and Management are resolved to deliver consistent earnings growth year-on-year, while maintaining gearing levels over time to deliver superior risk adjusted returns.

Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

Declared and paid during the year 2015	Cents per share	Total amount $'000	Date of payment
Final 2014 ordinary	4.1	5,318.4	17 October 2014
Interim 2015 ordinary	4.4	5,739.5	27 March 2015

After the balance date the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences:

Declared after end of year	Cents per share	Total amount $'000	Date of payment
Final 2015 ordinary	4.7	6,166.4	16 October 2015

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 $3.0 million from a Dividend Reinvestment Plan

(b) The Group purchased new debt ledger portfolios for A$72.3 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 **4.7 cents** per fully paid share to be paid on 16 October 2015 out of retained profits and a positive net asset balance as at 30 June 2015.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2015 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.

Directors' Report (cont'd)

Information on Directors as at 30 June 2015

David Liddy — **Independent, Non-Executive Chair**. Age 64.

Qualifications	MBA.
Experience	Mr Liddy has over 43 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, a position he has held since 1 January 2013 and Emerchants Limited, a position he has held since 27 April 2012. 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 and Nomination Committee.
Interest in shares	150,000 ordinary shares in CLH.

Dennis Punches — **Non-Executive Deputy Chairman**. Age 79.

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	3,502,535 ordinary shares in CLH.

Matthew Thomas — **Managing Director and Chief Executive Officer**. Age 44.

Experience	Mr Thomas has over 23 years' experience in the finance and collections industry and has been with Collection House Limited for the past 16 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	447,137 ordinary shares in CLH. 1,442,612 performance rights over ordinary shares in CLH.

Tony Coutts — **Non-Executive Director**. Age 56. (Retired 30 June 2015)

Experience	Mr Coutts has over 39 years of experience in the finance, insurance and debt collection industry, including 20 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	1,460,207 ordinary shares in CLH.

Kerry Daly — **Independent, Non-Executive Director**. Age 57.

Qualifications	BBus (Acc).
Experience	Mr Daly has over 31 years' experience in the financial services sector. Mr Daly was elected a Director of Collection House Limited on 30 October 2009. Mr Daly is also a Non-Executive Director of Trustees Australia Limited, a position he has held since March 2009. 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 68.

Qualifications	BSc (UK), Honorary Doctorate.
Experience	Mr Gray has more than 21 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 and Nomination Committee.
Interest in shares	183,098 ordinary shares in CLH.

Collection House Group

Directors' Report (cont'd)

Philip Hennessy

Independent, Non-Executive Director. Age 62.

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 debt insolvency and reconstruction, he retired from KPMG in July 2013. As Queensland Chair of KPMG, he was responsible for the leadership 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 Chairman of Redland Investment Corporation Pty Ltd, Chair of the Audit and Risk Committee of Metro Mining Limited, a position he has held since 30 September 2014, Chair of the Mater Hospital Foundation, Director of the Starlight Children's Foundation National Board, Member of the University of Queensland Senate, Chair of the University of Queensland Finance Committee and Chair of the Audit and Risk Committee of Blue Sky Alternatives Access Fund Limited, a position he has held since 15 April 2014. 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. Member of the Remuneration and Nomination Committee.
Interest in shares	50,000 ordinary shares in CLH.

Julie-Anne Schafer

Independent, Non-Executive Director. Age 61.

Qualifications	LLB (Hons), FAICD
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 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. She was a Non-Executive Director of the Territory Insurance Office prior to its sale. 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 and elected as a Director on 31 October 2014.
Special responsibilities	Member of the Remuneration and Nomination Committee.
Interest in shares	62,500 ordinary shares in CLH.

Company Secretary

The Company Secretary to 30 June 2015 was Julie Tealby.

Mrs Tealby holds a Bachelor of Business (Accountancy), has been a member of CPA Australia for 16 years and is a professional member of the Institute of Internal Auditors. In June 2015, Mrs Tealby completed 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. From 2005-2014, Mrs Tealby had also been the Company's Internal Auditor. Since August 2014, Mrs Tealby has been the Group's Chief Risk Officer.

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 2015, and the number of meetings attended by each Director were:

Meetings of committees						
2015	Directors		Audit and Risk Management		Remuneration and Nomination*	
	A	B	A	B	A	B
David Liddy	7	7	**	**	4	5
Dennis Punches	7	7	**	**	**	**
Matthew Thomas	7	7	**	**	**	**
Tony Coutts	6	7	6	7	**	**
Kerry Daly	7	7	7	7	**	**
David Gray	7	7	**	**	5	5
Philip Hennessy	7	7	7	7	3***	4
Julie-Anne Schafer	7	7	**	**	5	5

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 and Nomination Committee was re-established on 10 July 2014.
** Not a member of the relevant Board Committee.
*** Philip Hennessy appointed to Remuneration and Nomination Committee on 1 August 2014.

Directors' Report (cont'd)

Remuneration Report

Dear Shareholders,

I am pleased to present to you Collection House Limited's (the Group's) Remuneration Report for the financial year ended 30 June 2015.

The objective of the Group's executive remuneration framework is to motivate their individual and team performance to achieve outcomes expected from our shareholders, customers and the communities we operate in.

It is also an important tool in attracting and retaining critical staff.

The Board seeks to ensure that the remuneration levels and practices are in line with our industry and align with shareholder expectations. To this end, we have continued our engagement with outside advisers, Mercer Consulting (Australia) Pty Ltd (Mercer), who report directly to the Chair of the Remuneration and Nomination Committee.

We have also continued the practice of engaging directly with key shareholders and proxy advisers to solicit their opinions.

Our guidance for industry trends is based on a 'peer group' of companies within the financial services industry and of comparable financial dimensions to Collection House, that have been developed with Mercer.

Our executive 'packages' have three elements; total fixed remuneration, short-term incentive (STI) and long-term incentive (LTI).

The FY15 guidance remuneration mix for our MD and CEO is 33.33 percent fixed and 66.66 percent at risk, while the FY15 remuneration guidance mix for all other Executives is 60 percent fixed and 40 percent at risk.

Goals for the STI are established with each Executive Management Team (EMT) member and reflect both their own individual responsibilities and those of the team. They are challenging, but achievable. Both lag (typically financial) and lead (enabling) indicators are used.

Lead indicators, which align with the Group's strategic framework, include but are not limited to: employee engagement, ethical and compliant collection practices, client relationships and industry recognition.

LTI targets are heavily weighted towards Earnings Per Share (EPS), with 30 percent of the award granted if the target is achieved and up to a further 50 percent awarded if the target is exceeded by a pre-agreed stretch amount. Awards of 10 percent each are provided for achieving average ROE and net debt/net debt plus equity targets.

Following external consultation the Board has determined that from FY16, the allocation of LTI to EMT will be determined on a face value basis.

The Board is confident it has the right approach to remuneration that supports the business strategy of the Group and is appropriately responsive to various stakeholders' expectations.

Notwithstanding, the Board will continue to monitor its effectiveness and adjust if necessary. Thank you for your continuing support and for taking the time to read this report.

David Gray
Chair, Remuneration and Nomination Committee

Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY15 for Non-Executive Directors (NEDs), the Executive Director and other key management personnel. It has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (the Act) and its regulations. The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the Act. 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

A Directors and other key management personnel disclosed in this report

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

The Group's Directors and key management personnel for FY15	
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) (retired 30 June 2015)
Kerry Daly	Director (Non-Executive)
David Gray	Director (Non-Executive)
Philip Hennessy	Director (Non-Executive)
Julie-Anne Schafer	Director (Non-Executive)
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)
Julie Tealby	Company Secretary and Chief Risk Officer (appointed 11 August 2014)

There were no changes to the Directors or EMT after the reporting date and before the date the financial report was authorised for issue.

Directors' Report (cont'd)

B Remuneration governance

The Remuneration and Nomination Committee (the Committee) comprises four independent NEDs.

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

- How the remuneration policies are applied to members of the EMT
- The basis of short and long-term performance-based incentive payments for members of the EMT
- The appropriate fees for NEDs

The MD and CEO attends certain Committee meetings by invitation, where management input is required. The MD and CEO is not present during any discussions related to his own remuneration arrangements.

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 remuneration packages for key management personnel reflect their duties, responsibilities and level of performance – as well as to ensure 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
- Has a transparent reward structure with a risk proposition that is linked to the achievement of pre-determined performance targets

Use of external consultants

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

During FY15 the Committee engaged the services of Mercer Consulting (Australia) Pty Ltd (Mercer) to:

- Conduct a review of fees paid to its Board Chairman and NEDs relative to a comparator group of Australian listed companies (comparator group) and propose recommendations on future Board fee structure
- Conduct a review of remuneration paid to the members of the EMT relative to a comparator group of companies and propose recommendations on the EMT members remuneration levels and structure

Both Mercer and the Committee are satisfied the advice received from Mercer is free from undue influence from the KMP to whom the recommendations apply. The fees paid to Mercer for remuneration recommendations were $40,000 (ex GST). Other services provided by Mercer included advisory services totalling $16,000 (ex GST).

To ensure that the remuneration recommendations were free from undue influence the Committee ensured the following arrangements were followed:

- Mercer was engaged by, and reported directly to, the Chair of the Committee. Any agreements for the provision of remuneration consulting services were executed by the Chair of the Committee under delegated authority on behalf of the Board
- The report containing the remuneration recommendations was provided by Mercer directly to the Chair of the Committee
- Mercer was permitted to speak to Management throughout the engagement to understand company processes, practices and other business issues and obtain Management perspectives. However, Mercer was not permitted to provide any member of Management with a copy of their draft or final report that contained the remuneration recommendations

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 Group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of Executives with shareholders.

The Board reviews the remuneration packages for members of the EMT annually by reference to individual performance against key individual objectives, the Group's consolidated results and market data. The performance review of the MD and CEO is undertaken by the Chair of the Board who then makes a recommendation to the Board via the Remuneration and Nomination Committee. The performance review of the other members of the EMT is undertaken by the MD and CEO and approved by the Board via the Remuneration and Nomination Committee.

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.

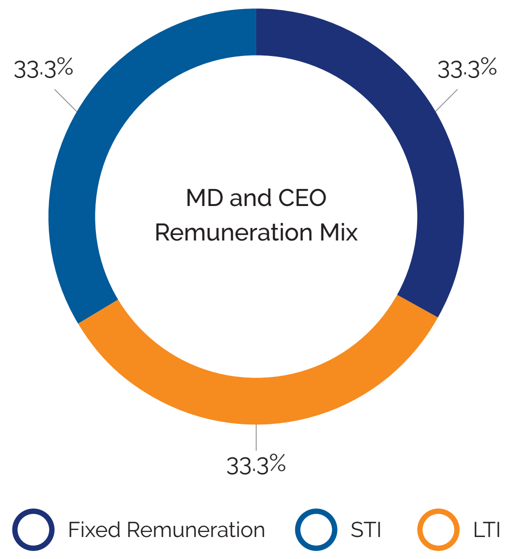
The EMT pay and reward framework has three components:

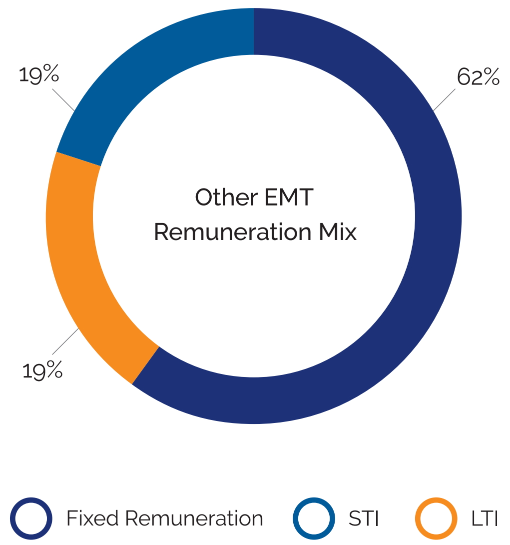
- Total fixed remuneration (TFR) including superannuation and benefits
- Short-term incentives (STIs), paid in cash
- Long-term incentives (LTIs) through participation in the Performance Rights Plan (PRP), which has been approved by the Board

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

Directors' Report (cont'd)

The following summarises the target remuneration mix of the EMT:





Total fixed remuneration

Structured as a total employment cost package, the total fixed remuneration (TFR) 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 TFR that comprises the cash salary and superannuation and non-monetary benefits. TFR for EMT members is reviewed annually to ensure the pay is in line with the role, experience and performance and remains competitive with the market. Group and individual performance are considered during the annual remuneration review. TFR is usually fixed for a 12-month period with any changes effective from 1 September each financial year. An EMT member's remuneration is also reviewed upon any change of duties.

The Board approved an overall TFR increase of three percent for the majority of the EMT in FY15. The GMHR and Corporate Services TFR increased by 11 percent and CIO TFR increased by 20 percent in line with Mercer's recommendations based on the Comparative Group.

Retirement benefits for EMT

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

Short-term incentives (STIs)

To ensure that remuneration for members of the EMT are aligned to the Group's performance, a portion of their remuneration, in line with their ability to influence results, is performance based and, therefore, 'at risk'.

EMT members have the opportunity to earn an annual cash-based STI if pre-defined targets are achieved. The MD and CEO has a target STI opportunity of 100 percent of TFR. Other EMT personnel have a STI opportunity of 30 percent of TFR.

STIs for the EMT in FY15 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.

There is a high degree of alignment between the Company strategy and the EMT's STI performance objective targets. The relative weights of financial versus non-financial performance targets for each Executive are detailed below and are based on their position and influence on the financial results. The weightings strive to provide a balance between the Company's overall financial goals and the ability of the individual Executives to influence these and other strategic outcomes.

Position	Financial Performance Objectives	Non-Financial Performance Objectives
Managing Director and CEO	60%	40%
Chief Financial Officer	60%	40%
Chief Operating Officer	60%	40%
GM HR and Corporate Services	20%	80%
Chief Information Officer	20%	80%
Company Secretary & Chief Risk Officer	20%	80%

The financial performance objectives are the same for all Senior Executives, providing a common objective for the EMT.

The non-financial KPIs have a high degree of variability between projects, people, and processes that reflect the individual roles, and include measures such as achieving strategic outcomes, developing people, growth, differentiation, innovation and other key initiatives during the financial year.

Each Executive has a high degree of clarity on their individual performance objectives and priorities, as established by their scorecard. They also have an understanding of the inter-relationship of their individual performance objectives to the objectives of the other members of the EMT.

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.

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

MD and CEO STI targets for FY15

Performance category	Metrics	Weighting (%)
Financial	Net profit after tax, return on earnings, debt and 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	30
People	Employee engagement and other strategic HR initiatives	5
Technological	Various strategic IT initiatives including Controller Five deployment	5

A summary of the actual STI Financial outcomes achieved is included in Section D Group performance and its link to STI.

Directors' Report (cont'd)

Cessation of employment

For resignation or termination for cause, any STI is forfeited, unless otherwise determined by the Board.

For any other reason, the Board may award STI on a pro-rata basis taking into account time and the current level of performance against performance hurdles.

Long-term incentives (LTIs)

LTIs are awarded to the Group's EMT by way of performance rights via the Performance Rights Plan (PRP). 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 (with no opportunity to retest).

Annual grants of performance rights are proposed to be made to the Group's EMT under the PRP. The MD and CEO was granted performance rights in FY15 representing 100 percent of TFR. Other EMT personnel were granted performance rights in FY15 representing 30 percent of TFR. The number of performance rights granted is calculated based on weighted average share price over the five trading days before the grant date. Sections H and I provide details of performance rights granted, vested, exercised and lapsed during the year.

Performance rights were awarded to various eligible employees on and from 1 July 2014 pursuant to the PRP, at a nil exercise price and subject to a three-year tenure hurdle. This is with the achievement of certain financial performance hurdles, which were approved by the Board for the financial period ended 30 June 2017 (FY17).

The performance rights will not vest unless the Group's financial performance meet these hurdles as at 30 June 2017. The Board set these challenging hurdles to ensure that the EMT were focused on the delivery of increased shareholder value through the achievement of the short and long-term goals of the Group. Participants in the PRP do not receive distributions or dividends on unvested LTI grants. The table below outlines each hurdle, the proportion of performance rights that will vest, as a percentage, if the target is achieved and the reason the Board established the hurdle.

Financial measurements	Board's reasoning for targets
Earnings Per Share (EPS)	EPS growth has been chosen to ensure long-term shareholder value is achieved. The FY15 LTI has been heavily weighted towards EPS growth with 30 percent of performance rights awarded if a base EPS is achieved in FY17. Up to a further 50 percent is awarded, with a straight line vesting between target and stretch, if an agreed stretch EPS is achieved in FY17.
Average Return on Equity (ROE)	ROE measures the Group's profitability relative to security holder investment in the Group. Ten percent of performance rights will vest if a target level of ROE is achieved in FY17.
Net Debt/ Net Debt plus Equity	The Board has set a general Net Debt/Net Debt plus Equity threshold limit of 40 percent. Ten percent of performance rights will vest if the agreed Net Debt/Net Debt plus Equity is achieved in FY17.

For the period 1 July 2014 to 30 June 2017, 680,184 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. The performance rights will vest (and therefore be capable of being exercised) depending on the Group achieving certain performance hurdles as at 30 June 2017 as highlighted above.

Cessation of employment

For 'uncontrollable events' (including death, serious injury and disability and forced early retirement, retrenchment or redundancy), any LTI that are capable of becoming exercisable if performance hurdles are met at the next test date will become vested performance rights. The Board, at its discretion, may determine the extent to which any other unvested performance rights, that have not lapsed, will become vested performance rights.

For any other reason, all unvested LTI awards will lapse immediately, unless otherwise determined by the Board.

Change of control

Where a proposal is publicly announced in relation to the Group which the Board reasonably believes may lead to a change in control event, all unvested LTI awards, that have not lapsed, will vest and become exercisable.

Clawback

The Group will reduce, 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

Group performance and its link to STI

Based on the achievements of the Group this year, the Committee determined that the EMT had achieved between 84 and 90 percent of their target opportunity.

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

- Increase in Net Profit after Tax from $18.7 million to $22.5 million
- Increase in Return on Equity from 13.4 percent to 13.8 percent
- Net Debt/Net Debt plus Equity remained under the 40 percent target
- EBIT margin remained at 30 percent
- EPS increased from 14.7 cents to 17.2 cents
- Achievement of progress towards non-financial supporting objectives under strategic, people and technology with 38 percent of the 40 percent MD/CEO weighting being achieved

The table below shows the actual STI Financial outcomes achieved for FY15.

Financial Performance Measure	Maximum Potential %	Actual Achieved %
Net Profit after Tax	15	10*
Return on Equity	10	7
Debt and Debt plus Equity	10	10
EBIT margin	10	10
EPS	15	10*

* Net profit after tax and EPS included challenging stretch targets which were not achieved.

Directors' Report (cont'd)

Group performance and its link to LTI

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.

	2011	2012	2013	2014	2015
Net Profit after Tax ($m)	$10.1	$12.6	$15.6	$18.7	**$22.5**
Dividends declared (franked)	6.2 cents	6.4 cents	7.2 cents	8.0 cents	**9.1 cents**
Share price commenced	$0.76	$0.69	$0.80	$1.65	**$1.88**
Share price ended	$0.65	$0.79	$1.65	$1.88	**$2.23**
Basic EPS (including discontinued operations)	10.4 cents	12.1 cents	13.6 cents	14.7 cents	**17.2 cents**

The vesting of LTI awards is linked to the Group's EPS, average ROE and Gearing performance. Based on the achievements of the Group's financial performance over the three-year performance period ended 30 June 2015 the Committee determined that the EMT had achieved 80 percent of its performance hurdles.

The table below outlines the Group's performance measures for the three-year performance period ended 30 June 2015 and the actual percentage achieved to these targets.

Performance Measure	Maximum Potential %	Actual achieved %
EPS	50	39
Average ROE	25	20
Net Debt/Net Debt plus Equity	25	25

Based on the above performance, the Board awarded 80 percent of performance rights vested for the performance period ended 30 June 2015 (the FY13 grant). The performance rights will be issuable on 1 September 2015.

Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 53 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 performance rights will vest unless the vesting conditions are met (see note 33 for details), hence the minimum value of the performance rights yet to vest is nil. The maximum value of the performance rights yet to be expensed has been determined as the amount of the grant date fair value of the performance rights that are yet to be expensed.

	Cash bonus 2015		Performance rights						
	Awarded %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed %	Financial years in which performance rights may be issued (subject to certain qualifying hurdles) Refer to note 33	Minimum total value of performance rights yet to be expensed	Maximum total value of performance rights yet to be expensed
Matthew Thomas	85	15	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	325,003
			2015	–	–	–	2018	–	584,458
Adrian Ralston	90	10	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	43,550
			2015	–	–	–	2018	–	103,959
Paul Freer	89	11	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	43,550
			2015	–	–	–	2018	–	109,358
Kylie Lynam	84	16	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	43,550
			2015	–	–	–	2018	–	74,573
Marcus Barron	84	16	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	15,925
			2015	–	–	–	2018	–	65,754
Julie Tealby	90	10	2013	80	–	20	2016	–	–
			2014	–	–	–	2017	–	33,799
			2015	–	–	–	2018	–	69,412

Directors' Report (cont'd)

E Non-Executive Director remuneration policy

Non-Executive Director's (NEDs) 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 aggregate fee pool and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external advisors when undertaking the annual review process.

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 FY15 aggregate total Non-Executive Director fees distribution is $697,435 (including superannuation). The Board will not seek any increase to the annual aggregate NED fee pool limit at the 2015 AGM.

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.

The table below summarises the NED fees for FY15 (exclusive of superannuation):

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, including fees paid in accordance with statutory rules and applicable accounting standards, refer to Section F below.

Following a remuneration review during FY15, the Board has approved NED fee changes from 1 July 2015.

The table below summarises the NED fees for FY16 (exclusive of superannuation):

FEES	From 1 July 2015
Base fees	
Chair	$165,000
Other Non-Executive Directors	$90,000
Additional fees	
Audit and Risk Management Committee Chair	$15,000
Audit and Risk Management Committee Member	$Nil
Remuneration and Nomination Committee Chair	$15,000
Remuneration and Nomination Committee Member	$Nil

Note that the changes in the NED fee structure do not require an increase in the Directors' fee pool limit.

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.

		Short-term benefits						
Non-Executive Directors		Salary and fees $	Cash bonus $	Non-monetary benefits $	Other $	Post-employment benefits super $	Share-based payments options $	Total $
David Liddy Chair	**2015**	**158,000**	**–**	**–**	**–**	**15,010**	**–**	**173,010**
	2014	158,000	–	–	–	14,615	–	172,615
Dennis Punches Deputy Chair	**2015**	**70,000**	**–**	**–**	**–**	**–**	**–**	**70,000**
	2014	61,848	–	–	–	–	–	61,848
Tony Coutts Non-Executive Director	**2015**	**82,154**	**–**	**–**	**–**	**7,805**	**–**	**89,958**
	2014	76,769	–	–	–	7,101	–	83,870
Kerry Daly Non-Executive Director	**2015**	**95,000**	**–**	**–**	**–**	**9,025**	**–**	**104,025**
	2014	91,769	–	–	–	8,489	–	100,258
David Gray Non-Executive Director	**2015**	**80,000**	**–**	**–**	**–**	**7,600**	**–**	**87,600**
	2014	76,769	–	–	–	7,101	–	83,870
Philip Hennessy Non-Executive Director	**2015**	**84,442**	**–**	**–**	**–**	**8,022**	**–**	**92,464**
	2014	62,158	–	–	–	5,750	–	67,908
Julie-Anne Schafer Non-Executive Director	**2015**	**75,000**	**–**	**–**	**–**	**7,125**	**–**	**82,125**
	2014	30,000	–	–	–	2,775	–	32,775

Collection House Group

Directors' Report (cont'd)

For recently appointed KMP, the remuneration information provided in the table below relates to the period from the date of appointment as KMP to FY15, unless otherwise stated.

		Short-term benefits						
Executive Director and other key management personnel		Salary and fees $	Cash bonus $	Non-monetary benefits $	Other $	Post-employment benefits super $	Share-based payments performance rights $	Total $
Matthew Thomas MD and CEO	**2015**	**527,479**	**498,096**	**3,747**	**–**	**50,110**	**483,283**	**1,562,715**
	2014	512,115	505,900	3,650	–	58,077	346,257	1,425,999
Adrian Ralston CFO	**2015**	**311,413**	**94,096**	**3,747**	**–**	**29,688**	**66,336**	**505,280**
	2014	302,343	75,700	3,650	–	28,078	53,902	463,673
Paul Freer COO	**2015**	**327,754**	**97,822**	**3,747**	**–**	**31,215**	**110,003**	**570,541**
	2014	293,135	78,400	3,650	–	27,115	70,420	472,720
Kylie Lynam General Manager – Human Resources and Corporate Services	**2015**	**219,446**	**64,096**	**3,747**	**–**	**20,952**	**58,990**	**367,231**
	2014	165,529	49,600	3,650	–	15,422	48,940	283,141
Marcus Barron CIO	**2015**	**187,237**	**56,096**	**3,747**	**–**	**21,739**	**45,738**	**314,557**
	2014	161,183	41,400	3,650	–	18,165	20,187	244,585
Julie Tealby* Company Secretary and Chief Risk Officer (appointed KMP 11 August 2014)	**2015**	**202,808**	**63,096**	**3,747**	**–**	**21,271**	**26,418**	**317,340**
	2014	–	–	–	–	–	–	–

* Amounts in table for Julie Tealby are from 1 July 2014.

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

	Fixed remuneration (%)		At risk – STIs (%)		At risk – LTIs* (%)	
Name	2015	2014	2015	2014	2015	2014
Matthew Thomas	**37**	40	**32**	36	**31**	24
Adrian Ralston	**68**	72	**19**	16	**13**	12
Paul Freer	**64**	68	**17**	17	**19**	15
Kylie Lynam	**66**	65	**17**	18	**16**	17
Marcus Barron	**68**	75	**18**	17	**15**	8
Julie Tealby	**72**	–	**20**	–	**8**	–

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

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. Collection House, at its full discretion, may make a payment in lieu of the notice period, either partially or in full. Major provisions of the agreements relating to remuneration are set out below.

Matthew Thomas MD and CEO	Annual fixed remuneration Performance cash bonus Performance rights	$584,458 inclusive of superannuation and non-monetary benefits for FY15. $584,458 was the maximum STI opportunity in relation to FY15. 628,119 at risk performance rights were issued in FY13. 419,919 at risk performance rights were issued FY14. 394,574 at risk performance rights were granted during FY15. See note 33 for further details.
Adrian Ralston CFO	Annual fixed remuneration Performance cash bonus Performance rights	$346,533 inclusive of superannuation and non-monetary benefits for FY15. $103,960 was the maximum STI opportunity in relation to FY15. 62,812 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued in FY14. 70,184 at risk performance rights were issued during FY15. See note 33 for further details.
Paul Freer COO	Annual fixed remuneration Performance cash bonus erformance rights	$364,527 inclusive of superannuation and non-monetary benefits for FY15. $109,358 was the maximum STI opportunity in relation to FY15. 100,000 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued in FY14. 73,829 at risk performance rights were issued during FY15. See note 33 for further details.
Kylie Lynam General Manager – Human Resources and Corporate Services	Annual fixed remuneration Performance cash bonus Performance rights	$248,577 inclusive of superannuation and non-monetary benefits for FY15. $74,573 was the maximum STI opportunity in relation to FY15. 62,812 at risk performance rights were issued in FY13. 56,269 at risk performance rights were issued in FY14. 50,345 at risk performance rights were issued during FY15. See note 33 for further details.
Marcus Barron CIO	Annual fixed remuneration Performance cash bonus Performance rights	$219,178 inclusive of superannuation and non-monetary benefits for FY15. $65,753 was the maximum STI opportunity in relation to FY15. 25,125 at risk performance rights were issued in FY13. 43,671 at risk performance rights were issued in FY14. 44,391 at risk performance rights were issued during FY15. See note 33 for further details.
Julie Tealby Company Secretary and Chief Risk Officer (appointed to KMP 11 August 2014)	Annual fixed remuneration Performance cash bonus Performance rights	$231,375 inclusive of superannuation and non-monetary benefits for FY15. $69,412 was the maximum STI opportunity in relation to FY15. 46,861 at risk performance rights were issued during FY15. See note 33 for further details.

Directors' Report (cont'd)

H Share-based compensation

Performance rights

Performance rights have been granted to certain eligible employees under the Collection House Performance Rights Plan (PRP).

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 118.

Performance rights granted under the PRP respectively carry no dividend or voting rights. When exercisable, each 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 118.

	Number of options granted		Number of options vested during the year	
Name	2015	2014	2015	2014
1. Matthew Thomas	–	–	–	295,800
2. Adrian Ralston	–	–	–	118,200
3. Paul Freer	–	–	–	–
4. Kylie Lynam	–	–	–	88,600
5. Marcus Barron	–	–	–	–

	Number of performance rights granted/issued during the year		Number of performance rights vested/issuable during the year	
Name	2015	2014	2015	2014
1. Matthew Thomas	**394,574**	419,919	**502,495**	–
2. Adrian Ralston	**70,184**	56,269	**50,250**	–
3. Paul Freer	**73,829**	56,269	**80,000**	–
4. Kylie Lynam	**50,345**	56,269	**50,250**	–
5. Marcus Barron	**44,391**	43,671	**20,100**	–
6. Julie Tealby (appointed 11 August 2014)	**46,861**	20,576	**10,050**	–

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 $	$
ESOP 2010	2015	2014	2015	2014
1. Matthew Thomas	-	295,800	-	0.6938
2. Adrian Ralston	-	118,200	-	0.6938
3. Kylie Lynam	-	88,600	-	0.6938

Directors' Report (cont'd)

I Equity instruments held by key management personnel

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.

2015	Balance at start of the year	Granted as compensation	Vested	Lapsed	Balance at end of the year	Vested and issuable	Un-vested
Matthew Thomas	1,048,038	394,574	502,495	125,624	814,493	502,495	814,493
Adrian Ralston	119,081	70,184	50,250	12,562	126,453	50,250	126,453
Paul Freer	156,269	73,829	80,000	20,000	130,098	80,000	130,098
Kylie Lynam	119,081	50,345	50,250	12,562	106,614	50,250	106,614
Marcus Barron	68,796	44,391	20,100	5,025	88,062	20,100	88,062
Julie Tealby	33,138	46,861	10,050	2,512	67,437	10,050	67,437

Note, the FY13 performance rights grant will be issuable on 1 September 2015.

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.

2015 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	150,000	-	-	-	150,000
Dennis Punches	10,502,535	-	-	(7,000,000)	3,502,535
Tony Coutts	4,829,059	-	-	(3,368,852)	1,460,207
Kerry Daly	394,607	-	-	-	394,607
David Gray	195,999	-	-	-	195,999
Philip Hennessy	50,000	-	-	-	50,000
Julie-Anne Schafer	38,500	-	-	24,000	62,500

2015 Executive Director and other key managment 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	647,137	-	-	(200,000)	447,137
Adrian Ralston	25,000	-	-	-	25,000
Paul Freer	6,500	-	-	500	7,000
Kylie Lynam	161,987	-	-	6,790	168,777
Marcus Barron	1,000	-	-	-	1,000
Julie Tealby	6,101	-	-	95	6,196

J Additional information

Loans to Directors and Executives

There were no loans to Directors or members of the EMT during FY15.

Shares under performance rights

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

Performance rights	Date rights effective	Number of rights granted/to be issued	Issue price of shares	No of shares issued 2015	No of unvested shares and vested but not yet issued shares under rights	Expiry date
PRP	1/7/12	1,256,238	Nil	Nil	939,667	30 September 2015
PRP	4/3/13	100,000	Nil	Nil	80,000	30 September 2015
PRP	1/7/13	839,830	Nil	Nil	816,733	30 September 2016
PRP	1/7/14	680,184	Nil	Nil	680,184	30 September 2017

Additional information – Unaudited

Insurance of officers

During the financial year the Group paid premiums of $87,701 in respect of Directors' and Officers' liability and legal expenses' and insurance. This was 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.

Directors' Report (cont'd)

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 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.

	Consolidated	
Description	30 June 2015	30 June 2014
1. Audit services, PKF Hacketts Audit Audit and review of the financial reports and other audit work under the *Corporations Act 2001*.	**148,900**	144,500
Total remuneration for audit services	**148,900**	144,500
2. Other assurance services, PKF Hacketts Audit	**88,000**	85,500
Total remuneration for audit-related services	**88,000**	85,500
Total remuneration	**236,900**	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 59.

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,

Chairman

20 August 2015

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 2015, 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, 20 August 2015

PKF Hacketts Audit
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Liability limited by a scheme approved under Professional Standards Legislation. PKF International Limited administers a network of legally independent firms which carry on separate business under the PKF Name. PKF International Limited is not responsible for the acts or omissions of individual member firms of the network. For office locations visit www.pkf.com.au

Financial Statements

Contents

Financial Statements: Income statement

For the year ended 30 June 2015

	Notes	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Revenue	5	126,043	107,337
Revenue from continuing operations		126,043	107,337
Depreciation and amortisation expense	6	(2,445)	(1,681)
Other expenses		(6,638)	(5,928)
Employee expenses		(56,551)	(48,486)
Direct collection costs		(16,515)	(14,115)
Operating lease rental expense	6	(6,087)	(4,693)
Finance costs	6	(5,915)	(5,474)
Profit before income tax		31,892	26,960
Income tax expense	7	(9,409)	(8,255)
Profit from continuing operations		22,483	18,705
Profit for the year		22,483	18,705
Profit is attributable to:			
Equity holders of Collection House Limited		22,483	18,705
		22,483	18,705
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	32	17.2	14.7
Diluted earnings per share	32	17.1	14.5

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

Financial Statements:

Statement of comprehensive income

For the year ended 30 June 2015

	Notes	Consolidated 30 June 2015 $'000	30 June 2014 $'000
Profit for the year		22,483	18,705
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)	(684)	725
Other comprehensive income for the year, net of income tax		(684)	725
Total comprehensive income for the year		21,799	19,430
Total comprehensive income for the year is attributable to:		21,799	19,430
Equity holders of Collection House Limited		21,799	19,430

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

Financial Statements:

Balance sheet

As at 30 June 2015

	Notes	Consolidated 30 June 2015 $'000	30 June 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	7,222	704
Receivables	9	10,265	9,574
Purchased debt ledgers	10	57,167	51,669
Other current assets	11	1,089	1,044
Total current assets		75,743	62,991
Non-current assets			
Purchased debt ledgers	10	198,822	182,581
Property, plant and equipment	12	5,475	5,436
Intangible assets	14	35,614	34,222
Total non-current assets		239,911	222,239
Total assets		315,654	285,230
LIABILITIES			
Current liabilities			
Payables	15	16,013	13,628
Borrowings	16	–	323
Current tax liabilities		2,027	7,071
Provisions	17	3,067	2,906
Other financial liabilities	18	2,149	1,600
Total current liabilities		23,256	25,528
Non-current liabilities			
Borrowings	19	119,000	99,800
Deferred tax liabilities	20	1,854	1,331
Provisions	21	402	356
Other financial liabilities	23	477	2,226
Total non-current liabilities		121,733	103,713
Total liabilities		144,989	129,241
Net assets		170,665	155,989
EQUITY			
Contributed equity	24	105,307	102,285
Reserves	25(a)	2,188	1,959
Retained profits	25(b)	63,170	51,745
Total equity		170,665	155,989

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

Collection House Group

Financial Statements:
Statement of changes in equity
For the year ended 30 June 2015

Consolidated	Notes	Attributable to owners of Collection House Limited Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
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
Balance at 1 July 2014		102,285	1,959	51,745	155,989
Profit for the year		–	–	22,483	22,483
Other comprehensive income		–	(684)	–	(684)
Total comprehensive income for the year		–	(684)	22,483	21,799
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	24	3,022	–	–	3,022
Employee share options value of employee services	25	–	913	–	913
Dividends provided for or paid	26	–	–	(11,058)	(11,058)
		3,022	913	(11,058)	(7,123)
Balance at 30 June 2015		105,307	2,188	63,170	170,665

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

Financial Statements:
Statement of cash flows
For the year ended 30 June 2015

	Notes	Consolidated 30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		180,702	151,903
Payments to suppliers and employees (inclusive of goods and services tax)		(89,103)	(74,462)
		91,599	77,441
Income taxes paid		(13,930)	(11,470)
Net cash inflow (outflow) from operating activities	35	77,669	65,971
Cash flows from investing activities			
Payments for property, plant and equipment		(540)	(203)
Payments for leasehold improvements		(297)	(312)
Payments for purchased debt ledgers		(71,396)	(81,270)
Payments for intangible assets		(3,093)	(3,854)
Net cash (outflow) inflow from investing activities		(75,326)	(85,639)
Cash flows from financing activities			
Proceeds from borrowings		19,700	30,321
Repayment of borrowings		(1,364)	(20,000)
Borrowing costs		(1,439)	(1,782)
Interest paid		(4,224)	(3,476)
Dividends paid to Company's shareholders	26	(11,058)	(9,643)
Proceeds from issues of shares and other equity securities		3,022	22,192
Net cash (outflow) inflow from financing activities		4,637	17,612
Net increase (decrease) in cash and cash equivalents		6,980	(2,056)
Cash and cash equivalents at the beginning of the financial year		381	2,400
Effects of exchange rate changes on cash and cash equivalents		(139)	37
Cash and cash equivalents at end of year	8	7,222	381

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

CollectionHouse Group

Financial Statements:
Notes to the financial statements
30 June 2015

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 20 August 2015 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 2014:

- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.

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 continue to early adopt the following pronouncements:

- AASB 9 *Financial Instruments (December 2010)* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

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) 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.

(v) 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(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 2015 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.

(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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(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.

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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(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.

Financial Statements:
Notes to the financial statements
30 June 2015

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 ("TOFA") legislation

TOFA began to apply to the group on 1 July 2010. The regime aims to align the tax and accounting treatment of financial arrangements. The Group elected to adopt the reliance on financial reports methodology. This election, together with the transitional election, had the effect of bringing to account deferred tax balances on financial arrangements that existed at 30 June 2010, over at four year period. The deferred tax in relation to the transitional adjustment that this created was fully amortised in the 30 June 2014 financial year.

(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. 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(h) Business combinations (continued)

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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

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.

(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.

(i) Financial assets subsequently measured at amortised cost - Purchased debt ledgers (PDLs)

Classification

Purchased debt ledgers have been included in this category of financial assets 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(l) Other financial assets (continued)

(ii) 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.

(iii) 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment

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

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

The costs of assets constructed or internally generated by the 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(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 15 years.

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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(r) Borrowings (continued)

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.

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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Share-based payments (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).

1 Summary of significant accounting policies (continued)

(x) Earnings per share (continued)

(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.

(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 2015 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 9 *Financial Instruments (December 2014) and associated Amending Standards* (applicable to annual reporting periods beginning on or after 1 January 2018);

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

The Group does not expect to adopt the new standards before their operative date. 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.

Financial Statements:
Notes to the financial statements
30 June 2015

1 Summary of significant accounting policies (continued)

(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.

(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.

(ac) Change in accounting estimates

In accordance with AASB138 Intangible assets, the Group has reviewed its accounting estimates with regard to the useful life of IT development and software. The useful life of IT development and software was previously amortised over a period ranging from 2 to 12 years. During the year the Group has reviewed the useful life of internally generated software and have concluded that the useful life be extended to 15 years commencing from 1 July 2014. The effects of this change is not material to the current years results, and it not expected to have a material impact on future years results.

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 cash flow 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.

Sensitivity

At 30 June 2015, 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 2015 and 2014, 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.

2 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

Trade interest rate risk (continued)

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. On 9 February 2015, the Company confirmed an interest rate swap transaction for an amount of $20m at a fixed rate of 1.86% per annum effective as at 9 February 2015 and continuing until 9 February 2018.

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

	30 June 2015		30 June 2014	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	3.5%	119,000	3.6%	100,123
Interest rate swaps (notional principal amount)	3.7%	(108,100)	4.0%	(88,100)
Net exposure to cash flow interest rate risk		10,900		12,023

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 2015, 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 $21,000 lower/higher (2014 change of 25 bps: $23,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been $21,000 lower/higher (2014 $23,000 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.

Financial Statements:
Notes to the financial statements
30 June 2015

2 Financial risk management (continued)

(a) Market risk (continued)

(iv) Summarised sensitivity analysis

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

		Interest rate risk			
		-25 bps		+25 bps	
Consolidated 30 June 2015	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial liabilities	931	2	2	(2)	(2)
Borrowings	10,900	19	19	(19)	(19)
Total increase / (decrease) in financial liabilities		21	21	(21)	(21)
Total increase / (decrease)		21	21	(21)	(21)

		Interest rate risk			
		-25 bps		+25 bps	
Consolidated 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)

(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.

Financial Statements:
Notes to the financial statements
30 June 2015

2 Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and 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. Cash flows 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 the following borrowing facilities throughout the year:

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Term debt facility	125,000	115,000
Group set off	7,500	5,000

The group set off can be drawn upon at any time and the term debt option can be drawn upon within 2 days, the group set off is repayable on demand, and the term debt is repayable at the end of the term.

The facility, which was syndicated in January 2014, was subject to meeting a number of financial undertakings. 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.

Financial Statements:
Notes to the financial statements
30 June 2015

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 2015	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Non-derivatives							
Non-interest bearing	16,013	–	–	–	–	16,013	–
Variable rate	–	–	931	119,000	–	119,931	–
Total non-derivatives	16,013	–	931	119,000	–	135,944	–

	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	–

(d) 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 2015, the Group has entered into five interest rate swaps as per note 2(a).

Financial Statements:
Notes to the financial statements
30 June 2015

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 judgment 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
- discount rates
- experience of employee departures and period of service

3 Critical accounting estimates and judgements

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

(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.

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.

Financial Statements:
Notes to the financial statements
30 June 2015

4 Segment information (continued)

(b) Segment information provided to the Board

2015	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	47,848	–	–	47,848	–	47,848
Intersegment sales	903	–	–	903	–	903
Total sales revenue	48,751	–	–	48,751	–	48,751
Interest income	–	77,552	–	77,552	–	77,552
Total segment revenue	48,751	77,552	–	126,303	–	126,303
Intersegment elimination				(260)	–	(260)
Consolidated revenue				126,043	–	126,043
Segment result						
Segment result	9,373	31,898	–	41,271	–	41,271
Interest expense and borrowing costs				(5,915)	–	(5,915)
Unallocated revenue less unallocated expenses				(3,464)	–	(3,464)
Profit before income tax				31,892	–	31,892
Income tax expense				(9,409)	–	(9,409)
Profit for the year				22,483	–	22,483
Segment assets and liabilities						
Segment assets	182,145	259,515	(126,006)	315,654	–	315,654
Unallocated assets			–	–	–	–
Total assets				315,654	–	315,654
Segment liabilities	19,766	131,564	(129,217)	22,113	–	22,113
Unallocated liabilities				122,876	–	122,876
Total liabilities				144,989	–	144,989
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,475	73,819	–	77,294	–	77,294
Total acquisitions				77,294	–	77,294
Depreciation and amortisation expense	1,148	886	411	2,445	–	2,445
Total depreciation and amortisation				2,445	–	2,445
Other non cash expenses	245	50,247	1,226	51,718	–	51,718

4 Segment information (continued)

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

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

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

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 2015 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2014 $'000	30 June 2015 $'000	30 June 2014 $'000
Australia	121,001	101,089	304,526	273,172	77,288	87,071
New Zealand	4,399	5,814	9,893	11,437	3	854
Philippines	–	–	1,236	621	3	–
	125,400	106,903	315,654	285,230	77,294	87,925

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 2015 %	30 June 2014 %	30 June 2015 %	30 June 2014 %
Margin on segment revenue	19	18	41	44

(d) Other segment information

Sales between segments are carried out at arm's 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 2015 $'000	30 June 2014 $'000
Interest income	77,552	63,118
Commission	47,970	43,903
Other revenue	521	316
Revenue from continuing operations	126,043	107,337

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.

6 Expenses

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	1,116	1,120
Total depreciation	1,116	1,120
Amortisation		
Computer software	535	42
Customer contracts	330	148
Business formation costs	38	19
Stamp Duty	426	352
Total amortisation	1,329	561
Total depreciation and amortisation	2,445	1,681
Finance expenses		
Interest and finance charges paid/payable	6,357	5,753
Amount capitalised (a)	(442)	(279)
Finance costs expensed	5,915	5,474
Rental expense relating to operating leases		
Minimum lease payments	6,087	4,693
Total rental expense relating to operating leases	6,087	4,693

(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 5.1% (2014 – 4.1%).

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

7 Income tax expense

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
(a) Income tax expense		
Income tax expense – Profit from continuing operations	9,409	8,255
Income tax expense is attributable to:		
Current tax	9,708	11,983
Deferred tax	523	(2,890)
Under (over) provided in previous years	(822)	(838)
Aggregate income tax expense	9,409	8,255
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 13)	125	(261)
(Decrease) increase in deferred tax liabilities (note 20)	398	(2,629)
	523	(2,890)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	31,892	26,960
Tax at the Australian tax rate of 30% (2014 – 30%)	9,568	8,088
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenses	231	390
Effect of tax rates in foreign jurisdictions	25	14
Tax exempt (income) / loss	(201)	(91)
	9,623	8,401
Adjustments for current tax of prior periods	(214)	(146)
	(214)	(146)
Income tax expense	9,409	8,255

8 Current assets – Cash and cash equivalents

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Cash at bank and in hand	7,222	704
	7,222	704

(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 2015 $'000	Consolidated 30 June 2014 $'000
Balances as above	7,222	704
Bank overdrafts (note 16)	–	(323)
Balances per statement of cash flows	7,222	381

(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 2015 $'000	Consolidated 30 June 2014 $'000
Net trade receivables		
Trade receivables	5,302	5,065
Provision for impairment of receivables (a)	(96)	(49)
	5,205	5,016
Other receivables (c)	3,360	3,295
Prepaid expenses	1,699	1,263
	10,265	9,574

Financial Statements:
Notes to the financial statements
30 June 2015

9 Current assets –Trade and other receivables (continued)

(a) Impaired trade receivables

As at 30 June 2015 current trade receivables of the Group with a nominal value of $426,000 (2014 – $218,000) were assessed as potentially impaired. The amount of the provision was $96,000 (2014 – $49,000). 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 2015 $'000	30 June 2014 $'000
1 to 3 months	–	–
Over 3 months	426	218
	426	218

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

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
At 1 July	49	102
Provision for impairment recognised during the year	81	49
Receivables written off during the year as uncollectible	(1)	–
Unused amount reversed	(33)	(102)
	96	49

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.

Financial Statements:
Notes to the financial statements
30 June 2015

9 Current assets –Trade and other receivables (continued)

(b) Past due but not impaired

As at 30 June 2015, trade receivables of the Group of $1,056,000 (2014 – $2,357,000) 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 2015 $'000	30 June 2014 $'000
Up to 3 months	1,052	1,589
Over 3 months	4	768
	1,056	2,357

(c) Other receivables

These amounts relate to accrued revenue 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.

Financial Statements:
Notes to the financial statements
30 June 2015

10 Purchased debt ledgers

(a) Other financial assets subsequently measured at amortised cost

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Current	57,167	51,669
Non-current	198,822	182,581
Total other financial assets subsequently measured at amortised cost	255,989	234,250

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) 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 2015 $'000	30 June 2014 $'000
Other deposits	120	103
Legal and court costs capitalised – net	969	941
	1,089	1,044

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 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
Year ended 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

	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Work-in-progress $'000	Total $'000
Year ended 30 June 2015					
Opening net book amount	1,800	2,597	–	1,039	5,436
Additions	99	–	–	1,072	1,171
Disposals	(8)	(8)	–	–	(16)
Depreciation charge	(666)	(450)	–	–	(1,116)
Transfers	1,261	297	–	(1,558)	–
Closing net book amount	2,486	2,436	–	553	5,475
At 30 June 2015					
Cost or fair value	8,952	4,806	–	553	14,311
Accumulated depreciation	(6,466)	(2,370)	–	–	(8,836)
Net book amount	2,486	2,436	–	553	5,475

(a) Non-current assets pledged as security

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

Financial Statements:
Notes to the financial statements
30 June 2015

13 Non-current assets – Deferred tax assets

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
The balance comprises temporary differences attributable to:		
Tax losses	238	297
Provisions and employee benefits	1,356	1,257
Accruals	53	224
Doubtful debts	29	15
Future deductible windup costs	6	9
Other	12	17
	1,694	1,819
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(1,694)	(1,819)
Net deferred tax assets	–	–
Movements:		
Opening balance at 1 July	1,819	1,558
Change in tax rate	–	–
Credited / (charged) to the income statement (note 7)	(125)	261
Closing balance at 30 June	1,694	1,819

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

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 2014	297	1,257	224	15	9	17	1,819
• to profit or loss	(59)	99	(171)	14	(3)	(5)	(125)
At 30 June 2015	238	1,356	53	29	6	12	1,694

14 Non-current assets – Intangible assets

	Goodwill	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress – cost * $'000	Total $'000
At 1 July 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
Year ended 30 June 2015						
Opening net book amount	19,721	1,200	2,339	165	10,797	34,222
Exchange differences	(2)	–	–	–	–	(2)
Acquisition of business	–	–	–	–	–	–
Additions – internal development	–	63	–	–	2,241	2,304
Amortisation charge	–	(535)	(330)	(38)	–	(903)
Disposals	–	(7)	–	–	–	(7)
Transfers	–	2,642	–	–	(2,642)	–
Closing net book amount	19,719	3,363	2,009	127	10,396	35,614
At 30 June 2015						
Cost	23,482	10,887	2,487	184	10,396	47,436
Accumulated amortisation and impairment	(3,763)	(7,524)	(478)	(57)	–	(11,822)
Net book amount	19,719	3,363	2,009	127	10,396	35,614

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

Financial Statements:
Notes to the financial statements
30 June 2015

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.

2015	Collection services $'000	Purchased debt ledgers $'000	Total $'000
Goodwill	19,718	–	19,718
	19,718	–	19,718

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

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 2015 %	30 June 2014 %	30 June 2015 %	30 June 2014 %	30 June 2015 %	30 June 2014 %
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 (2014: 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 2015 rather than 12.5%, there would have been no impact on the resulting impairment evaluation (2014: 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 2015 $'000	30 June 2014 $'000
Trade payables	4,790	3,254
Accrued expenses	9,626	8,619
Other payables	1,597	1,755
	16,013	13,628

(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 2015 $'000	30 June 2014 $'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.

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

17 Current liabilities – Provisions

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Employee benefits	3,039	2,865
Other	28	41
	3,067	2,906

(a) Movements in provisions

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

	Other
	$'000
2015	
Current	
Carrying amount at start of year	41
- additional provisions recognised	194
- payments / other sacrifices of economic benefits	(207)
Carrying amount at end of year	28
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

18 Current liabilities – Other financial liabilities

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Contingent consideration (note 31 (a))	1,545	810
Finance lease liabilities	454	635
Other current financial liabilities	150	155
	2,149	1,600

19 Non-current liabilities – Borrowings

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Secured		
Bank loans	119,000	99,800
Total secured non-current borrowings	119,000	99,800
Unsecured		
Total unsecured non-current borrowings	–	–
Total non-current borrowings	119,000	99,800

(a) Secured liabilities and assets pledged as security

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
The total secured liabilities (current and non-current) are as follows:		
Bank overdrafts and bank loans	119,000	100,123
Total secured liabilities	119,000	100,123

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.

Collection House Group

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

19 Non-current liabilities – Borrowings (continued)

(a) Secured liabilities and assets pledged as security

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

	Notes	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Current			
Floating charge			
Cash and cash equivalents	8	7,222	704
Receivables	9	10,265	9,574
Purchased debt ledgers	10	57,167	51,669
Total current assets pledged as security		74,654	61,947
Non-current			
Floating charge			
Purchased debt ledgers	10	198,822	182,581
Plant and equipment	12	5,475	5,436
Total non-current assets pledged as security		204,297	188,017
Total assets pledged as security		278,951	249,964

(b) Fair value

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

Group	30 June 2015 Carrying amount $'000	30 June 2015 Fair value $'000	30 June 2014 Carrying amount $'000	30 June 2014 Fair value $'000
On-balance sheet (i)				
Non-traded financial liabilities				
Bank overdrafts	–	–	323	323
Bank loans	119,000	119,000	99,800	99,800
	119,000	119,000	100,123	100,123

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.

19 Non-current liabilities – Borrowings (continued)

(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. On 9 February 2015, the Company confirmed an interest rate swap transaction for an amount of $20m at a fixed rate of 1.86% per annum effective as at 9 February 2015 and continuing until 9 February 2018.

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 2015 $'000	Consolidated 30 June 2014 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	2,956	2,255
Purchased debt	577	882
Prepayments	4	2
Other	11	11
	3,548	3,150
Total deferred tax liabilities	3,548	3,150
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	(1,694)	(1,819)
Net deferred tax liabilities	1,854	1,331

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Movements:		
Opening balance at 1 July	3,150	5,779
Change in tax rate	–	–
Charged / (credited) to the income statement (note 7)	398	(2,629)
Closing balance at 30 June	3,548	3,150

Collection House Group

Financial Statements:
Notes to the financial statements
30 June 2015

20 Non-current liabilities – Deferred tax liabilities (continued)

Movements – Consolidated	Property, plant and equipment $'000	Purchased debt $'000	Prepayments $'000	Other $'000	Total $'000
At 1 July 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

Movements – Consolidated	Property, plant and equipment $'000	Purchased debt $'000	Prepayments $'000	Other $'000	Total $'000
At 30 June 2014	2,255	882	2	11	3,150
• to profit or loss	701	(305)	2	–	398
At 30 June 2015	2,956	577	4	11	3,548

21 Non-current liabilities – Provisions

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Employee benefits	**402**	356
	402	356

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 2015 $'000	30 June 2014 $'000
Contingent consideration (note 31 (a))	**–**	1,516
Finance lease liabilities	**477**	579
Other non-current financial liabilities	**–**	131
	477	2,226

Financial Statements:
Notes to the financial statements
30 June 2015

24 Contributed equity

	Company		Company	
	2015 Shares	2014 Shares	**2015 $'000**	2014 $'000
(a) Share capital				
Ordinary shares				
Fully paid	**131,199,651**	129,717,785	**105,307**	102,285
	131,199,651	129,717,785	**105,307**	102,285
Total contributed equity			**105,307**	102,285

(b) Movements in ordinary share capital:

Issues of ordinary shares during the year

Date	Details	Number of Shares	$'000
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 issue	–	(848)
30 June 2014	Closing balance	129,717,785	102,285
1 July 2014	Opening balance	129,717,785	102,285
17 October 2014	Dividend reinvestment plan issues	725,442	1,424
27 March 2015	Dividend reinvestment plan issues	756,424	1,617
	Less: Transaction costs arising on share issues	–	(19)
30 June 2015	Closing balance	131,199,651	105,307

(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.

Financial Statements:
Notes to the financial statements
30 June 2015

24 Contributed equity (continued)

(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) Performance rights

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 cash flow, 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.

Financial Statements:
Notes to the financial statements
30 June 2015

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 2015 and 2014 financial years.

25 Reserves and retained earnings

(a) Reserves

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Share-based payments reserve	3,429	2,516
Foreign currency translation reserve	(1,241)	(557)
	2,188	1,959

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Movements:		
Share-based payments reserve		
Balance 1 July	2,516	1,771
Option expense	913	745
Balance 30 June	3,429	2,516

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	(557)	(1,282)
Currency translation differences arising during the year	(684)	725
Balance 30 June	(1,241)	(557)

Collection House Group

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

25 Reserves and retained earnings

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Balance 1 July	51,745	42,683
Net profit for the year	22,483	18,705
Dividends	(11,058)	(9,643)
Balance 30 June	63,170	51,745

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of performance rights issued to employees that have not yet vested, or those that have vested at year end but not yet been issued as shares.

(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 2015 $'000	Consolidated 30 June 2014 $'000
(a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2014 – 4.1 cents per share (2013 – 3.6 cents)	5,318	4,613
Fully franked interim dividend for the year ended 30 June 2015 – 4.4 cents per share (2014: 3.9 cents)	5,740	5,030
	11,058	9,643

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2015 and 2014 were as follows:		
Paid in cash	8,017	7,016
Satisfied under the Dividend Reinvestment Plan	3,041	2,627
	11,058	9,643

26 Dividends (continued)

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'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 4.7 cents per fully paid ordinary share (2014 – 4.1 cents, fully franked). The aggregate amount of the proposed dividend expected to be paid on 16 October 2015 out of retained profits and a positive net balance sheet at 30 June 2015, but not recognised as a liability at year end, is	6,166	5,318
	6,166	5,318

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2015 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 2016.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2015 and will be recognised in subsequent financial reports.

	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2014 – 30%)	30,397	26,204
	30,397	26,204

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.

Collection House Group

Financial Statements:
Notes to the financial statements
30 June 2015

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 2015 $'000	30 June 2014 $'000
(a) PKF Hacketts Audit		
Audit services		
Audit and review of financial reports	148,900	144,500
Audit-related services	88,000	85,500
Total auditors' remuneration	236,900	230,000
(b) Non PKF Hacketts Audit audit firms		
Audit services		
Audit and review of financial reports	4,143	1,497
Total auditors' remuneration	4,143	1,497

28 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2015 in respect of:

Claims

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

Relocation

Due to the relocation of the Brisbane head office to new premises over the coming year, it is likely a make good will be required on the current premises. However due to a number of factors, the make good liability is unable to be reliably determined at this stage. It is also expected from a cash flow perspective, any outflows incurred in relation to make good in future periods is likely to be offset through lease incentives negotiated on the new premises at Skyring Terrace.

Guarantees

(a) Bank Guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to $7,293,344 (2014: $1,991,592). 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 2015 $'000	30 June 2014 $'000
Purchased debt ledgers	41,372	53,305
	41,372	53,305

(b) Non-cancellable operating leases

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

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	5,626	4,861
Later than one year but not later than five years	23,532	7,496
Later than five years	36,771	–
	65,929	12,357

(c) Non-cancellable finance leases

During the year, the Group leased two items of plant and equipment and intangibles with a carrying amount of $383,000 (2014 – $1,140,000) under finance leases expiring within three years.

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows:		
Within one year	572	687
Later than one year but not later than five years	495	610
Later than five years	–	–
Minimum lease payments	1,067	1,297
Less: Future finance charges	(54)	(83)
Recognised as a liability	1,013	1,214

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

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 2015 $'000	30 June 2014 $'000
Short-term employee benefits	3,316,517	3,033,070
Post-employment benefits	229,562	204,648
Share-based payments	790,768	554,559
	4,336,847	3,792,277

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 41 to 58.

(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):

	2015 %	2014 %
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	100
Collective Learning and Development Pty Ltd	100	100
CLH Legal Group Pty Ltd (formerly Reliance Legal Group Pty Ltd)	100	100
Lion Finance Pty Ltd	100	100
Midstate CreditCollect 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	100	100
Collection House International BPO, Inc *	100	100

* 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 $1,778,535 has been paid at 30 June 2015. The remaining consideration of $1,544,965 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.

Collection House Group

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

32 Earnings per share

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	17.2	14.7
Total basic earnings per share attributable to the ordinary equity holders of the Company	17.2	14.7
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	17.1	14.5
Total diluted earnings per share attributable to the ordinary equity holders of the Company	17.1	14.5

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	22,483	18,705
	22,483	18,705
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	22,483	18,705
	22,483	18,705

32 Earnings per share (continued)

(d) Weighted average number of shares used as the denominator

	Consolidated	
	30 June 2015 Number	30 June 2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	130,500,443	127,159,372
Adjustments for calculation of diluted earnings per share:		
Performance Rights	884,800	1,420,777
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	131,385,243	128,580,149

(e) Information concerning the classification of securities

(i) 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 79% 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.

Financial Statements: Notes to the financial statements 30 June 2015

Financial Statements: Notes to the financial statements 30 June 2015

33 Share-based payments

(a) 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 to eligible employees.

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.

During the reporting period ending 30 June 2015, 680,184 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 PR2015.

	PR2015	
Effective date	1 July 2014	
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	10%
	Debt/Debt + Equity	10%
	EPS Base	30%
	EPS Stretch	50%
	Total	100%
Exercise conditions and Vesting Date	The Performance Rights Test Date will be 30 June 2017 (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 2017 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 2017.	
5 Day volume weighted average Share price	$1.8515	

(1) Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2015, the Test Date will be 30 June 2017.

33 Share-based payments (continued)

(a) Performance Rights Plan (continued)

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.

	PR2014	
Effective date	1 July 2013	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date(2)	
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	

(2) 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.

Financial Statements:
Notes to the financial statements
30 June 2015

33 Share-based payments (continued)

(a) Performance Rights Plan (continued)

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.

	PR2013	
Effective date	1 July 2012(3)	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date(4)	
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	$0.7960	

(3) Except for Paul Freer, whose Performance Rights commenced 4 March 2013, and five day volume weighted average share price is $1.5950.

(4) 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)

(a) 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	Vested during the year	Lapsed during the year	Balance at end of the year	Vested and issuable at end of the year*
			Number	Number	Number	Number	Number	Number
Company - 2015								
1 July 2012	30 September 2015	Nil	1,231,114	–	939,667	291,447	–	939,667
4 March 2013	30 September 2015	Nil	100,000	–	80,000	20,000	–	80,000
1 July 2013	30 September 2016	Nil	831,430	–	–	14,697	816,733	–
1 July 2014	30 September 2017	Nil	–	680,184	–	–	680,184	–
Total			2,162,544	680,184	1,019,667	326,144	1,496,917	1,019,667

* Vested performance rights will be issuable on 1 September 2015.

Effective Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Vested during the year	Lapsed during the year	Balance at end of the year	Vested and issuable 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	–

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.

(b) 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 2015 $'000	30 June 2014 $'000
Employee share options	–	99
Employee performance rights	913	646
Total expenses arising from share-based payment transactions	913	745

Financial Statements:
Notes to the financial statements
30 June 2015

Financial Statements:
Notes to the financial statements
30 June 2015

34 Events occurring after the reporting period

(a) Dividend

A fully franked final dividend of 4.7 cents, totalling $6.2 million, has been declared, payable on 16 October 2015. 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 2015 $'000	30 June 2014 $'000
Profit for the year	22,483	18,705
Depreciation and amortisation	4,839	3,644
Amortisation of purchased debt ledgers	50,090	43,417
Non cash employee benefits expense – share-based payments	913	745
Provision for doubtful debts	47	(53)
Other non cash expenses	524	320
Borrowing costs	1,439	1,782
Interest paid	4,480	3,693
Change in operating assets and liabilities		
(Increase) / decrease in trade debtors and bills of exchange	(126)	646
(Increase) / decrease in sundry debtors	(1,287)	(2,048)
(Increase) / decrease in other non-current assets	(2,440)	(2,283)
Increase / (decrease) in trade creditors	1,581	400
Increase / (decrease) in sundry creditors and accruals	(353)	218
Increase / (decrease) in current tax liability	(5,044)	(325)
Increase / (decrease) in deferred tax liabilities	523	(2,890)
Net cash inflow (outflow) from operating activities	77,669	65,971

36 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	30 June 2015 $'000	30 June 2014 $'000
Balance sheet		
Current assets	6,375	4,993
Non-current assets	276,474	252,014
Total assets	282,849	257,007
Current liabilities	17,061	24,978
Non-current liabilities	141,345	115,779
Total liabilities	158,406	140,757
Shareholders' equity		
Contributed equity	105,309	102,283
Reserves	3,430	2,517
Retained earnings	15,704	11,450
Capital and reserves attributable to owners of Collection House Limited	124,443	116,250
Profit or loss for the year	15,311	14,308
Total comprehensive income	15,311	14,308

(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

Refer to note 28 for contingent liabilities entered into by the parent entity. For information about guarantees given by the parent entity, please see above.

Financial Statements:
Directors' declaration
30 June 2015

In the directors' opinion:

(a) the financial statements and notes set out on pages 61 to 123 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 2015 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
20 August 2015

Financial Statements:
Independent auditor's report to the members
30 June 2015

PKF Hacketts

PKF

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 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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
ABN 33 873 151 348

Level 6, 10 Eagle Street, Brisbane QLD 4000
GPO Box 1568, Brisbane QLD 4001
p +61 7 3839 9733
f +61 7 3832 1407

8 East Street, PO Box 862
Rockhampton QLD 4700
p +61 7 4927 2744
f +61 7 4927 4317

Liability limited by a scheme approved under Professional Standards Legislation. PKF International Limited administers a network of legally independent firms which carry on separate business under the PKF Name. PKF International Limited is not responsible for the acts or omissions of individual member firms of the network. For office locations visit www.pkf.com.au

Financial Statements:
Independent auditor's report to the members
30 June 2015

PKF Hacketts

PKF

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 2015 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 40 to 58 of the Directors' Report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

PKF Hacketts

PKF HACKETTS AUDIT

Shaun Lindemann
Partner

Brisbane, 20 August 2015

Shareholder
Information

The shareholder information set out below was applicable as at 20 August 2015.

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	2,730	1,579,671
1,001-5,000	4,857	13,449,583
5,001-10,000	1,593	12,057,516
10,001-100,000	1,281	28,995,624
100,001 and over	77	75,117,257
Total	10,538	131,199,651

There were 354 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	16,361,942	12.47
2. Ankla Pty Ltd	11,564,049	8.81
3. JP Morgan Nominees Australia Limited	9,226,617	7.03
4. Citicorp Nominees Pty Limited	7,441,703	5.67
5. National Nominees Limited	4,563,368	3.48
6. Mr Dennis George Punches (D G Punches Revocable Account)	2,302,535	1.75
7. Brispot Nominees Pty Ltd (House Head Nominee No. 1 Account)	1,793,628	1.37
8. Tombenet Pty Ltd (Coutts Superannuation A/C)	1,460,207	1.11
9. Garrett Smythe Limited	1,139,778	0.87
10. BNP Paribas Noms Pty Ltd (DRP)	1,024,543	0.78
11. Mr William Walter Kagel	1,000,000	0.76
12. Mr Dennis George Punches (Grantor Ret Annuity No. 2 Account)	1,000,000	0.76
13. Mr Anthony Robin Aveling	968,273	0.74
14. Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	867,040	0.66
15. Nowcastle Pty Ltd	813,251	0.62
16. Ripeland Pty Ltd	694,142	0.53
17. Mr Lev Mizikovsky and Mrs Emily Dorothy Mizikovsky (Superfun Superfund Account)	623,944	0.48
18. Durbin Superannuation Pty Ltd (Durbin Family S Fund A/C)	618,241	0.47
19. Mr Raymond Larkin and Mrs Joan Larkin (Larkin Revocable Account)	550,000	0.42
20. HSBC Custody Nominees (Australia) Limited – Account 3	505,002	0.38
Total	64,518,263	49.18

Collection House Group

Shareholder Information (cont'd)

Unquoted equity securities

Details of these Performance Rights are set out at note 33 of the financial statements.

Effective Date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Vested during the year	Lapsed during the year	Balance at end of the year	Vested and issuable at end of the year*
			Number	Number	Number	Number	Number	Number
Company - 2015								
1 July 2012	30 September 2015	Nil	1,231,114	–	939,667	291,447	–	939,667
4 March 2013	30 September 2015	Nil	100,000	–	80,000	20,000	–	80,000
1 July 2013	30 September 2016	Nil	831,430	–	–	14,697	816,733	–
1 July 2014	30 September 2017	Nil	–	680,184	–	–	680,184	–
Total			2,162,544	680,184	1,019,667	326,144	1,496,917	1,019,667

* Vested performance rights will be issuable on 1 September 2015.

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 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.

C. Substantial Holders

Substantial shareholders of ordinary shares in the Company are set out below:

Holder	Units	% of issued capital
1. HSBC Custody Nominees (Australia) Limited	16,361,942	12.47
2. Mr Lev Mizikovsky, Ankla Pty Ltd, Sunstar Australia Pty Ltd, Ripeland Pty Ltd and Rollee Pty Ltd, Nowcastle Pty Ltd, L & E Mizikovsky Superfun Superfund (combined shareholdings)	14,233,787	10.85
3. JP Morgan Nominees Australia Limited	9,226,617	7.03
4. Citicorp Nominees Pty Limited	7,441,703	5.67

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) (retired 30 June 2015)

Kerry Daly – Director (Non-Executive)

David Gray – Director (Non-Executive)

Philip Hennessy – Director (Non-Executive)

Julie-Anne Schafer – Director (Non-Executive)

Company Secretary

Julie Tealby

Executive Management Team

Matthew Thomas – Managing Director and Chief Executive Officer

Adrian Ralston – Chief Financial Officer

Paul Freer – Chief Operating Officer

Kylie Lynam – General Manager – Human Resources and Corporate Services

Marcus Barron – Chief Information Officer

Julie Tealby – Chief Risk Officer and Company Secretary

Main contact

Matthew Thomas
Managing Director and Chief Executive Officer

t. +61 7 3100 1245
e. matthew.thomas@collectionhouse.com.au

Principal registered office in Australia

Level 7, 515 St Paul's Terrace
Fortitude Valley Qld 4006

t. +61 7 3292 1000
f. +61 7 3832 0222
w. www.collectionhouse.com.au

Postal address

PO Box 2247
Fortitude Valley BC Qld 4006

Share register

Computershare Investor Services Pty Ltd

GPO Box 2975
Melbourne Vic 3000

t. 1300 850 505
f. +61 7 3237 2152
w. www.computershare.com.au

Auditor

PKF Hacketts Audit

Level 6, 10 Eagle Street
Brisbane Qld 4000

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 23 October 2015 at 11.00 am at the Emporium Hotel, 1000 Ann Street, Fortitude Valley, Brisbane, Queensland

Collection House
Group