



Collection House Limited

Corporate Governance Statement

**Version 5: Approved by
the Board on 25/08/11**

**Version 4: Approved by
the Board on 25/08/10**

**Version 3: Approved by
the Board on 25/08/09**

**Version 2: Approved by
the Board on 26/06/08**

**Version 1: Approved by
the Board on 29/08/07**

Corporate Governance Statement

1. INTRODUCTION

This Statement relates to the year under review.

(a) *Date of statement*

This Statement reflects our corporate governance framework, policies and procedures which have been in place since 1 January 2008 and which were reviewed and re-endorsed by the Collection House Limited Board on 23 June 2011.

(b) *Access to information on the website*

This Corporate Governance Statement and the documents referred to in the Statement, can be viewed on our website in the corporate governance section (unless otherwise stated) at 'www.collectionhouse.com.au'.

2. OUR APPROACH TO CORPORATE GOVERNANCE

(a) *Framework and approach to corporate governance*

Our approach to corporate governance is based on a set of values and behaviours that underpin everyday activities, ensures transparency and fair dealing, and protects stakeholder interests. The Board continues to review this framework and our practices to ensure that we meet the interests of our stakeholders.

This approach includes a commitment to the highest standards of governance and the Second Edition of the 'Corporate Governance Principles and Recommendations' which our Board sees as fundamental to shareholder and market confidence and to the sustainability of our business and performance.

(b) *Compliance with the ASXCGC's Principles and Recommendations*

The ASX Listing Rules require listed entities, such as our Company, to include a statement in their Annual Report disclosing the extent to which they have followed the thirty (30) ASXCGC Principles and Recommendations (ASXCGC's Recommendations), during the reporting period, identifying any recommendations that have not been followed and providing reasons for that variance.

We believe that our corporate governance practices comply with the ASXCGC's Recommendations, other than:

- Recommendations 2.1 and 2.2 – relate to independence. Our reasoning on independence and an explanation for our variance on the ASXCGC's Recommendations 2.1 and 2.2 are set out in section 3(e) of this Statement;
- Recommendation 2.4 – establishment of a nominations committee. Our reasoning and an explanation for our variance with ASXCGC's Recommendation 2.4 are set out in sections 3(j) and 4(a) of this Statement; and
- Recommendation 4.2 – establishment of an audit and risk management committee comprising at least three members. Our reasoning and an explanation for our variance with ASXCGC's Recommendation 4.2 are set out in section 4(a) of this Statement.

A checklist summarising our compliance with the ASXCGC's Recommendations is on our website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendations 2.1, 2.2 and 2.6.

3. THE BOARD OF DIRECTORS

(a) Membership and expertise of the Board

Directors' membership, period of office held, experience and shareholdings of each Director at the date of the Annual Report are provided in greater detail in the Directors' Report on pages 27 and 28 in the 2011 Annual Report.

ASXCGC's Recommendations 2.6

(b) Board role and responsibility

The role and responsibilities of the Board are formalised in the Board Charter. The Charter also defines the matters that are reserved for the Board and its Committees, and those that the Board has delegated to management.

The Board is accountable to shareholders for our performance, and the Board's responsibilities include:

- providing strategic direction and approving significant corporate strategic initiatives;
- providing input into, and approval of, management's development of corporate strategy and performance objectives;
- reviewing and approving business plans;
- overseeing and monitoring the financial and non financial key performance indicators;
- Board performance and composition;
- Board and executive leadership selection;
- succession planning for the Board and executives;
- enhancing and protecting the brand and reputation of the Company;
- setting Chief Executive Officer (CEO) and Non-executive Director remuneration;
- considering and approving our half-yearly and annual financial statements;
- selecting and recommending to shareholders the appointment of the external auditor;
- approving our risk management strategy and various risk management frameworks and monitoring their effectiveness;
- corporate responsibility – considering the social, ethical and environmental impact of our activities, setting standards and monitoring compliance;
- maintaining a direct and ongoing dialogue with relevant regulators in Australia and ensuring that the market and our shareholders and other investors are continuously informed of material developments; and
- determining the scope of delegated authorities.

The Board has delegated a number of these responsibilities to its Committees. The responsibilities of these Committees are detailed in section 4 of this Statement.

The Board has delegated to Executive Management, responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- making recommendations for the appointment of Executive Management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for Executive Management roles;
- developing our annual budget plan and managing day-to-day operations within the budget plan;
- maintaining effective risk management frameworks;
- keeping the Board and market fully informed about material developments; and
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices, which have been set by the Board.

ASXCGC's Recommendation 1.1

(c) Board size and composition

The Board considers that the optimum number of Directors is between six and eight, with Independent Non-executive Directors, comprising the majority of the Board.

From 30 October 2001, the Board assessed its composition and size, and from time to time recommended changes to the Board's composition together with the skills required to discharge the Board's duties, having regard to our business mix, financial position and strategic direction, including specific qualities or skills that the Board believes are necessary for one or more of the Directors to possess.

Until 31 July 2010, the Board composition consisted of two Non-independent Non-executive Directors, three Independent Non-executive Directors and one Executive Director. On 31 July 2010, our Executive Director, Tony Aveling retired as MD/CEO.

On 28 June 2011, the Board appointed David Michael Gray as a Director of the Company, subject to shareholder approval at the next Annual General Meeting of the Company. The Board determined that David Michael Gray was the most suitable candidate for appointment and will add value to the Board given his proven board and governance stewardship, strategic and visionary thinking and business knowledge and experience with current and previous directorships and senior executive positions in large national and international companies.

As at 30 June 2011, there were two Non-independent Non-executive Directors, and four Independent Non-executive Directors. Our Constitution sets a maximum of ten Directors. The Chairman of the Board is non-executive, separate and independent of the role of the CEO.

ASXCGC's Recommendation 2.1

(d) The Chairman

The Board elects one of the Non-executive Directors to be Chairman.

The Chairman, John Pearce, is a Non-executive Director. He has been a Director of the Company since 9 April 1993 and Chairman since 25 June 2009.

The Chairman, John Pearce, and the Deputy Chairman, Dennis Punches are considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of an Independent Director. However, the Board considers that for the reasons set out in section 3(e), both John Pearce and Dennis Punches have extensive experience and professionalism which allows them to exercise quality, unfettered and independent judgment on all relevant issues falling within the scope of the role of Chairman and Deputy Chairman of the Board.

ASXCGC's Recommendation 2.2

(e) Director independence

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than by applying general materiality thresholds.

Directors must disclose any interests or relationships, including any related financial or other details, to the board to determine whether the relationship could, or could reasonably be perceived to, materially interfere with the exercise of a Director's unfettered and independent judgment.

Until 31 July 2011, when our Executive Director Tony Aveling retired as MD/CEO, a majority of the Board was not independent. On and from 1 August 2010 until 30 June 2011, the Board considers that a majority of the Board was independent. Notwithstanding, the Board considers that the individuals on the Board, that were, and are not presently independent, can, and do exercise quality, unfettered and independent judgment in the best interests of the Company, on all relevant issues.

Directors who have a conflict of interest in relation to a particular item of business must, and do, absent themselves from the Board meeting before commencement of discussion on the topic.

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

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

The Directors' Charter discloses a process for the selection and appointment of new Directors and the re-election of incumbent Directors. The Directors' Charter is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

Exceptions to ASXCGC's Recommendations

2.1 A majority of the Board should be Independent Directors

Until 31 July 2010, three Directors of the board, inclusive of John Pearce, Dennis Punches and Tony Aveling, were not considered to be independent in accordance with Recommendation 2.1.

On and from 1 August 2010 and as at 30 June 2011, two Directors of our Board are not considered to be independent in accordance with Recommendation 2.1. these Directors are John Pearce (Chairman appointed 24 June 2009) and Dennis Punches (Deputy Chairman appointed 25 June 2009). Tony Aveling retire as MD/CEO on 31 July 2010.

Due only to their respective substantial shareholdings in the Company, John Pearce and Dennis Punches are not classed as Independent Directors. The Board maintains however, that their individual and combined industry experience and knowledge of international and domestic trends in the collection industry are invaluable to the Company. Directors' experience and shareholdings are provided in greater detail in the Directors' Report on pages 27 and 28 in the 2011 Annual Report.

2.2 and 2.4 The Chairperson should be an Independent Director

While the Chairman of the Board, John Pearce and the Deputy Chairman, Dennis Punches, are not classified as independent (Recommendations 2.2 and 2.4), their experience and knowledge of the industry, both individually and collectively, coupled with their ability to lead, have enabled both of the them to be, and continue to be, a valuable and effective Chairman and Deputy Chairman respectively of the Board, and in the case of Dennis Punches, a member of the Remuneration Committee, with a scope well beyond that of other candidates, at either a national or international level.

Until 31 July 2010, Tony Aveling was not deemed to be independent by virtue of his role as MD/CEO of the Company. Tony Aveling retired as MD/CEO on 31 July 2010. Matthew Thomas was appointed as CEO effective as and from 1 August 2010. Mr Thomas is not a Director of the Company. Notwithstanding, the Board does not consider there are any matters that may materially interfere with the exercise by John Pearce, Dennis Punches and Tony Aveling (before 31 July 2010) of unfettered and independent judgment.

ASXCGC's Recommendations 2.1, 2.4 and 2.6

(f) Avoidance of conflicts of interest by a Director

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duties as Directors of the Company and their other interests and duties.

In accordance with our Constitution, all Directors are required to disclose any actual or potential conflict of interest on appointment as a Director and are required to keep these disclosures up to date.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, they may not participate in boardroom discussions or vote on matters in respect of which they have a conflict.

Our Constitution and Code of Conduct for Directors and Senior Executives are available from the Company's website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendation 3.1

(g) Meetings of the Board and their conduct

The Board has scheduled meetings each year and meets whenever necessary between scheduled meetings to deal with specific matters needing attention.

The Chairman, with input from the CEO and the Company Secretary, establishes meeting agendas for assessing our coverage of financial, strategic and major risk areas, throughout the year. The Directors have the opportunity to review meeting materials in advance. Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgments to bear on the issues and decisions at hand.

Details of meetings attended by Directors during the year are reported in the Directors' Report on page 29 in the 2011 Annual Report.

(h) Succession planning

The Board considers Director succession and is responsible for developing and implementing succession planning for Non-executive Directors, taking into account the challenges and opportunities facing us and the skills and expertise which are likely to be needed on the Board today and in the future.

The Board is responsible for CEO succession planning, for approving the CEO financial and non-financial performance objectives and for evaluating the performance of the CEO against those objectives.

The CEO is actively involved with Executive Management succession. The CEO oversees the process of objective setting for Executive Management and monitors the performance of Executive Management against those objectives.

ASXCGC's Recommendation 1.2

(i) Review of Board and Committee performance

The Board undertakes an annual review of its performance and of the performance of the Chairman, individual Directors and Board Committees.

The performance review process is facilitated internally, and can include interviews with Directors and written surveys of Directors, Executive Management and the Company Secretary. These reviews are conducted for the financial year 2010/2011 in accordance with the Company's performance evaluation process for Directors and Executive Management. The Chairman formally discusses the results with individual Directors and Committee chairs.

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

A performance evaluation of the Directors and Senior Executives consistent with the approach above has occurred during the reporting period.

ASXCGC's Recommendations 2.5, 2.6 and 8.1

(j) Nomination and appointment of new Directors

Until 30 October 2009, the Board had a Nominations Committee. From 30 October 2009, the Board assumed the Nominations Committee's role, responsibilities and functions. During the reporting period, the Board used the process for the selection and appointment of new Directors contained in the Directors' Charter when considering and making recommendations for nominations of new Directors to the Board.

A summary of the Directors' Charter is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

New Directors receive a letter of appointment, which sets out their duties, the terms and conditions of appointment including expected term of appointment, remuneration and the expectations of the role. This letter conforms to the requirements set out in ASXCGC's Recommendations.

If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next Annual General Meeting (AGM). Shareholders are provided with relevant background information on the candidates for election. The Board reviews the appointment criteria contained in the Directors' Charter from time to time and makes recommendations concerning the re-election of any Director by shareholders.

ASXCGC's Recommendations 2.4

(k) Board access to information and advice

All Directors have unrestricted and unfettered access to Company records and information and receive regular detailed financial and operational reports from Executive Management to enable them to carry out their duties.

The Chairman and other Non-executive Directors regularly consult with the CEO, the CFO, Company Executives, the Company Secretary and General Counsel. In addition, Directors may consult with, and request additional information from, any of our employees.

The Board collectively, and each Director individually, has the right to seek independent professional advice, at the Company's expense, to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in the Chairman's absence, Board approval may be sought.

ASXCGC's Recommendation 2.1 and 2.6

(l) Company Secretary

Our Company Secretary is Michael Watkins, who combines his role as Company Secretary and as General Counsel of the Company. Michael is a Legal Practitioner Director of Jones King Lawyers Pty Ltd, a wholly owned subsidiary of the Company.

Michael joined us in 2000 as General Counsel and was appointed to his present role as Company Secretary and General Counsel in December 2006 with responsibility for the management and delivery of company secretarial, legal and governance advice and support to the Board, Executive and the business. Responsibilities for the secretariat function include providing advice to Directors and officers on corporate governance and regulatory matters, developing and implementing our governance framework, coordinating the completion and dispatch of the Board and Committee Meeting agendas and papers, and giving practical effect to the Board's and the Committee's decisions.

Prior to Michael's current appointment, he practised commercial law in private practice from 1978 and was a partner in his own Brisbane CBD law firm from 1980, until accepting the appointment as General Counsel of the Company in 2000.

All Directors have access to advice from the Company Secretary and General Counsel at any time.

(m) Diversity

From 1 July 2011, the ASXCGC's Recommendations provide that ASX listed companies must establish a policy concerning diversity including a requirement to set measurable objectives for achieving gender diversity. Those objectives and the progress towards achieving the objectives are to be reviewed annually and our findings are to be contained in the annual report.

Recommendations 3.2, 3.3, 3.4 and 3.5.

On 21 April 2011, Collection House early adopted its Diversity Policy in accordance with the ASXCGC's Recommendations.

The Collection House Board has previously embraced diversity within its composition and at executive and senior management levels and will continue to embrace diversity, particularly in terms of gender and cultural diversity under its Diversity Policy, when it is appropriate to do so and a vacancy arises.

A copy of our Diversity Policy is available from the Corporate Governance section of the Company's website at 'www.collectionhouse.com.au'.

Set out below is a summary of the Company's gender diversity positions as at 30 June 2011.

Position	Total Number	Number of Women
Directors	6	Nil
Executives	4	1
Senior Managers	9	3
Middle Managers	18	7
Managers	57	26
Other Staff	480	273
Total Staff	574	310

4. BOARD COMMITTEES

(a) Board Committees and memberships

During the reporting year, we had three standing Board Committees:

- The Audit and Risk Management Committee;
- The Remuneration Committee; and
- The Board Sub-Committee.

The Committee Charters (available on our website except for the Board Sub-Committee) describe their roles and responsibilities, as approved by the Board.

Committee	Directors					
	John Pearce	Dennis Punches	Bill Kagel	Tony Coutts	Kerry Daly	David Gray
Audit and Risk Management Committee				Independent Director	Chairman and Independent Director	
Remuneration Committee		Non-independent Director	Independent Director	Chairman and Independent Director		
Board Sub-Committee (Committee commenced 24 February 2011)	Chairman and Non-independent Director Appointed 24 February 2011			Appointed 24 February 2011	Appointed 24 February 2011	

Attendances of Directors at Committee meetings are set out in the Directors' Report on page 29 in the 2011 Annual Report.

ASXCGC's Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1 and 8.2

Exceptions to the ASXCGC's Recommendations

The Directors, taking into consideration the revised nature, size and composition of the Board, and that the Company is not an entity that trades in the top 300 of the S&P All Ordinaries Index, have resolved, in regards to the Nominations Committee, that:

- the role, responsibilities and functions of the Nominations Committee be assumed by the Board as a whole;
- the Board considers that it is best placed to deal with the nomination, appointment and evaluation of Directors; and
- the members of the Board have sufficient industry experience, knowledge and technical expertise to discharge the Nominations Committee's mandate effectively.

From 30 October 2009, the Board, by discontinuing the Nominations Committee and assuming its role, responsibilities and functions, is not compliant with ASXCGC's Recommendation 2.4. However, the Board considers that given the revised nature, size and composition of the Board; the allocation of the scarce Director resources; and that it is ultimately responsible for the role, responsibilities and functions undertaken by the Nominations Committee, it is best placed to deal with the nomination, appointment and evaluation of Directors and considers that the efficiencies previously gained from having a Nominations Committee, no longer exist.

ASXCGC's Recommendation 2.4.

The Directors, taking into consideration the revised nature, size and composition of the Board, and that the Company is not an entity that trades in the top 300 of the S&P All Ordinaries Index, have resolved, in regards to the Audit and Risk Management Committee (the ARMC), that the membership of the Committee should be two Independent Non-

executive Directors with sufficient industry experience, knowledge and technical expertise to discharge the ARMC's mandate effectively.

The ARMC during the reporting year, did not comprise of three Independent Non-executive Directors in accordance with Recommendation 4.2.

The current membership structure of the ARMC is not compliant with ASXCGC's Recommendation 4.2. However, the Board considers that the current members of Kerry Daly, Chairman and Tony Coutts both being Independent Non-executive Directors with relevant industry experience and knowledge of domestic trends in the collection industry, are sufficient in number, independence, technical expertise and skills to properly discharge their roles and responsibilities effectively as committee members of the ARMC.

ASXCGC's Recommendation 4.2.

(b) Committee procedures

Composition and independence of the Committees

Committee members are chosen for the skills, experience and other qualities they bring to the Committees.

Operation of the Committees and reporting to the Board

During the year, the Board Committees meet at least annually, and at other times as necessary. Each Committee is entitled to the resources and information it requires and has direct access to our employees and advisers. The CEO is invited to attend all Committee meetings, except where the CEO has a material personal interest in a matter being considered. Executive Management and other selected employees are invited to attend Committee meetings as necessary.

How the Committees report to the Board

At the next Board meeting following each Committee meeting, the Board is given an oral report by the Chair of each Committee. In addition, all Committee minutes are tabled at Board meetings.

How Committee's performance is evaluated

The performance of Committees is discussed and reviewed initially within each Committee and then reviewed as part of the Board's performance review. The performance of each Committee member is evaluated as part of the annual review of each Director.

ASXCGC's Recommendation 2.5, 4.1, 4.2, 4.4, 7.1, 7.2, 7.4, 8.1, 8.2 and 8.3

(c) Audit and Risk Management Committee

Role of the Committee

The Audit and Risk Management Committee operates in accordance with its Board approved charter, a copy of which is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

The Audit and Risk Management Committee oversees the risk profile and approves our risk management framework within the context of the risk-reward strategy determined by the Board. The Committee monitors the alignment of our risk profile with our risk appetite. The Committee oversees how we manage the risks which are relevant to our operations.

The determination of the risk-reward strategy includes recommendations from the Audit and Risk Management Committee, the CEO and Executive Management on the parameters of our risk-reward profile and appropriate strategy.

Our Board shares oversight responsibility for risk management with the Audit and Risk Management Committee.

The Audit and Risk Management Committee, oversees all matters concerning:

- integrity of the financial statements and financial reporting systems;
- making recommendations to the Board for the appointment of the external auditor;
- external auditor's qualifications, performance, independence and fees;
- oversight and performance of the internal audit function;
- compliance with financial reporting and related regulatory requirements;
- reviews and approves the frameworks for managing our market, operational and compliance risk;
- determines, approves and reviews the limits and conditions that apply to the taking of risk, including the authority delegated by the Board to the CEO and Executive Management;
- monitors the risk profile, performance, capital levels, exposures against limits and management and control of our risks;
- monitors changes anticipated for the economic and business environment and other factors considered relevant to our risk profile;
- reviews and monitors any related party transactions and assesses their propriety;
- oversees the development and ongoing review of appropriate policies that support our frameworks for managing risk;
- reviews significant issues that may be raised by internal audit as well as the length of time and action taken to resolve such issues; and
- reviews our approach to corporate governance.

In fulfilling its responsibilities, the Audit and Risk Management Committee:

- receives regular reports from management, the internal and external auditors;
- meets with the internal and external auditors at least twice a year, or more frequently, if necessary;
- reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and the internal auditor at least twice a year without Executive Management being present; and

- provides the internal and external auditors with a clear line of direct communication at any time to either the Chairman of the Committee or the Chairman of the Board.

The Audit and Risk Management Committee met on 6 occasions during the reporting year.

The Audit and Risk Management Committee regularly updates the Board about its activities.

ASXCGC's Recommendations 4.1, 4.2, 4.3, 4.4, 7.1 and 7.2

(d) Remuneration Committee

Role of the Committee

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

The Remuneration Committee assists the Board by reviewing and approving its remuneration policies and practices. The principal function of the Committee is to assist the Board in ensuring that the Company's remuneration levels are appropriate and sufficient to attract and retain the Directors and key executives needed to run the Company. The Remuneration Committee:

- reviews and approves executive remuneration policy;
- reviews and makes recommendations to the Board on the performance of the CEO against the CEO's corporate goals and objectives;
- makes recommendations to the Board on the remuneration of the CEO;
- makes recommendations to the Board on the remuneration of Non-executive Directors, taking into account the shareholder approved fee pool;
- approves contracts and remuneration packages for positions reporting directly to the CEO;
- considers and evaluates the performance of Executive Management when making remuneration determinations and otherwise as required;
- monitors organisational structure and succession planning strategies;
- evaluates and reviews current industry standards and practices;
- reviews and makes recommendations to the Board on equity-based plans;
- approves all performance recognition expenditure; and
- oversees general remuneration practices across the Group.

The Remuneration Committee also reviews and makes recommendations to the Board concerning the recruitment, retention, termination and succession planning policies and procedures for the CEO and for Executive Management positions reporting directly to the CEO. This process was undertaken during the reporting year.

The Committee meets at least annually with additional meetings being convened as required. The Committee has access to Executive Management of the Company and may consult independent remuneration consultants to benchmark our reward practices and levels

against market practice, where it considers this necessary in order to effectively discharge its responsibilities.

ASXCGC's Recommendations 1.2, 1.3 and 8.1

(e) Board Sub-Committee

The Board Sub-Committee was established on 24 February 2011 to undertake a strategic review process to assess and develop initiatives to increase shareholder value and returns in the short to medium term including:

- Board succession planning and future composition
- Shareholder communication
- Capital optimisation
- Segmental performance review

The Board Sub-Committee comprises John Pearce as Chairman, Tony Coutts and Kerry Daly both being Independent Non-executive Directors.

The Board Sub-Committee meets on a regular basis and updates the full Board about its activities.

5. CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ASSURANCE

The Board receives regular reports about our financial condition and operational results as well as that of our controlled entities. The CEO and CFO annually provide formal statements to the Board, that in all material respects confirms:

- the financial records of the Company for the financial year have been properly maintained in that they:
 - are complete and present;
 - correctly record and explain its transactions and financial position and performance;
 - enable true and fair financial statements to be prepared and audited; and
 - are retained for seven years after the transactions covered by the records are completed;
- the financial statements and notes required by the accounting standards for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the Company's and consolidated entities' financial position and of their performance;
- any other matters that are prescribed by the Corporations Act regulations as they relate to the financial statements and notes for the financial year are satisfied;
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively; and

- the statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

ASXCGC's Recommendation 4.4 and 7.3

6. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

(a) Our Principles for Doing Business and Code of Conduct

Our Code of Conduct and Philosophy sets out the principles that govern our conduct and the behaviours that stakeholders can expect from us.

The Principles apply without exception to all Directors, executives, management and employees, and are aligned to our core values. Our Code of Conduct and Philosophy sets out the seven foundation principles, namely:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and do not misuse information;
- act professionally, ethically and honourably;
- act as a team;
- manage conflicts of interest responsibly; and
- strive to be a good corporate citizen with the highest standards of integrity, ethics, practice, privacy and security.

A summary of the Company's Code of Conduct for Directors and Senior Executives and our Philosophy are available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendations 3.1 and 3.3

(b) Internal policies and procedures

In addition to our Code of Conduct and Philosophy, we are committed to external regulator guidelines, such as the Australian Securities and Investments Commission and Australian Competition and Consumer Commission Debt Collection Guideline: for collectors and creditors.

We also have a number of key policies to manage our compliance and human resource requirements. There is a range of guidelines, communications and training processes and tools to support these policies. These tools include an online learning module titled 'Code of Conduct' which incorporates training for a range of key compliance requirements. Individual business units also have systems and procedures in place to support Company policies and procedures.

The Company's internal policies and procedures are quality assured via our two accredited Quality Management Systems in place:

- Professional Practices Management System which was developed by ACA International (formerly the American Collectors Association) and which is specifically tailored for the collection industry. Collection House has been accredited for seven (7) years.

- Brisbane Head Office of the Company became ISO 9001 accredited on 24 June 2011 demonstrating our commitment to quality management systems that support our internal policies and procedures.

ASXCGC's Recommendations 3.1

(c) Concern reporting and whistleblowing

All employees are encouraged to bring any concerns or problems to the attention of management, the human resources team or the compliance team. This includes activities or behaviours that may not be in accord with our Philosophy, the Code of Conduct, Securities Trading Policy, other policies, or other regulatory requirements or laws.

In 2005, the Board introduced a Whistleblower Protection Policy that specifically outlines procedures for dealing with allegations of improper conduct. Concerns can be raised in a number of ways, including in writing, anonymously through the Company's online whistleblower reporting system, or by telephone.

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

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

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

ASXCGC's Recommendations 3.1 and 3.3

(d) Securities trading policy

Directors and employees are restricted from dealing in our shares if they are in possession of inside information.

To highlight the importance of compliance with these requirements and to ensure high standards of conduct, we have a Securities Trading Policy which applies to all employees. Additional restrictions apply for Directors and any employees who, because of their seniority or the nature of their position, come into contact with key financial or strategic information about the Company all or most of the time (Prescribed Employees). Those restrictions limit the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities.

Further, Directors and Prescribed Employees are not permitted to trade in closed periods which operate for two months immediately preceding the half yearly results and the full year results respectively.

The periods in which Directors and Prescribed Employees can trade (Trading Windows) commence two business days after the release of our half year and full year results (Trading Window – normally 60 days) and after our Annual General Meeting (Trading Window – normally 30 days).

Directors and Prescribed Employees must also notify the Chairman or the CEO in writing of their intention to trade during those periods and confirm they do not have any inside information. Any trading remains subject to legal obligations to not trade while in the possession of inside information.

The Corporate Counsel Division monitors the trading of the Company's shares by Directors and Prescribed Employees on a daily basis.

Directors and Prescribed Employees may only deal in the Company securities outside of these times with the express prior approval of the Chairman, Deputy Chairman or the Managing Director.

A summary of the Securities Trading Policy is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendations 3.2 and 3.3

7. REMUNERATION FRAMEWORK

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

The expected outcomes of this remuneration philosophy are:

- retention and motivation of key executives;
- attraction and retention of quality management to the Company; and
- performance incentives which allow executives to share the rewards of the success of the Company.

The Board is keen to encourage equity holdings by Directors and employees to align their interests with those of shareholders. Many employees have participated in the Company's various share and option plans from time to time.

In February 2007, the shareholders approved certain share options in favour of Tony Aveling (former MD/CEO) as part of his employment agreement. Details of the share options are set out in the Remuneration Report on page 34 in the 2011 Annual Report.

In June 2007, certain share options were issued to eligible senior employees under an Executive Share Option Plan. Details of the Executive Share Option Plan (2007 ESOP) were presented, ratified and approved by the shareholders at the Annual General Meeting of the Company in October 2007. The Board considers that the composition of executive remuneration and equity related staff incentive plans are the domain of the Board and the CEO, subject to meeting the Company's statutory and ASX Listing Rule disclosure obligations.

In June 2008, subject to shareholder approval, the Board agreed to vary Tony Aveling's (former MD/CEO) remuneration package and employment agreement to include certain additional share options. This variation of his remuneration package and employment agreement and the grant of additional share options were approved by shareholders at the Company's Annual General Meeting in October 2008. Details of the share options are set out in the Remuneration Report on page 34 in the 2011 Annual Report.

In July 2008, certain additional share options were issued to eligible senior employees under the 2007 ESOP previously approved by shareholders at the Annual General Meeting of the Company in October 2007. Details of the share options are set out in the Remuneration Report on page 35 in the 2011 Annual Report.

In December 2010, the Board approved a new Employee Share Option Plan (2010 ESOP), in similar terms to the 2007 ESOP. Under the 2010 ESOP, certain eligible senior employees

were granted share options in March 2011. The 2010 ESOP will be presented to shareholders for approval at the 2011 Annual General Meeting. Details of the share options are set out in the Remuneration Report on page 35 in the 2011 Annual Report.

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

For additional information about the Company's remuneration practices and details relating to Directors' and executives' remuneration during the year, refer to the Directors' Report commencing on page 20 in the 2011 Annual Report.

Details of our remuneration framework are set out in the Remuneration Report on page 30 in the 2011 Annual Report.

ASXCGC's Recommendations 8.1, 8.2 and 8.3

8. MARKET DISCLOSURE

We are committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information. In achieving these standards, we have a Board approved Continuous Disclosure Policy, which governs how we communicate with our shareholders and with the investment community.

The policy reflects the ASX continuous disclosure obligations and spells out that information which a reasonable person would expect to have a material effect on the price of the Company's securities, that must be immediately disclosed, subject to certain exceptions.

The Board is primarily responsible for:

- making decisions on what should be disclosed publicly under the market disclosure policy, and for developing and maintaining relevant guidelines, including guidelines on information that may be price sensitive; and
- for ensuring compliance with the continuous disclosure requirements of the listing rules of the ASX, relevant securities and corporations legislation, and overseeing and coordinating information disclosure to regulators, analysts, brokers, shareholders, the media and the public.

All market announcements are released to the ASX first in time.

We also publish on our website the Annual Reports, profit announcements, presentations, notices of meetings and media releases.

A copy of the Continuous Disclosure Policy is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendations 5.1, 5.2 and 6.1

9. SHAREHOLDER COMMUNICATIONS AND PARTICIPATION

We are also committed to giving all shareholders comprehensive, timely and equal access to information about our activities so that they can make informed investment decisions.

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

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

The Board approved Shareholder Communications Guidelines is available from the corporate governance section of the Company's website at 'www.collectionhouse.com.au'.

ASXCGC's Recommendations 6.1 and 6.2

10. HEALTH AND SAFETY

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

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

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

ASXCGC's Recommendations 3.1 and 3.3

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

The Company adopted the Australian equivalents to IFRS in its consolidated entity's financial statements since 31 December 2006.

ASXCGC's Recommendations 3.1 and 3.3

12. CARBON EMISSIONS TRADING

Collection House is committed to reducing its energy consumption and carbon emissions. In this regard, Collection House has reviewed its business operations and obligations under the

prevailing Environmental legislation to determine whether it is required to establish a Carbon Emissions Trading Scheme.

Based on the prescribed reporting thresholds contained in the current law, Collection House does not have an obligation to report to the relevant regulators as its energy consumption and carbon emissions do not exceed the specified thresholds.

Notwithstanding, Collection House has taken and continues to take initiatives to reduce its carbon footprint.