

About Collection House Group

Collection House Limited (the Group) is a leading Australasian receivables management company, providing solutions that span the entire credit management lifecycle and beyond – incorporating receivables outsourcing, debt collection services, debt purchasing, legal services, financial services training, customer service outsourcing, finance broking, and financial hardship management services.

We have strong business relationships with major Australian and international banks, financial institutions, large corporations, public utilities and Government agencies.

With more than 950 staff in offices across Brisbane, Sydney, Victoria, Adelaide, New Zealand and the Philippines, the Collection House Group offers stakeholders a range of professional, ethical and effective products and services.

Collection House is different from competitors in a number of ways: the breadth of our service offering; our approach to ethical debt recovery (which is ingrained in our culture); and our commitment to technology to continually evolve our service and capabilities.

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FY16 Financial Results



CollectionHouse
Limited

Debt collection and receivables management



LionFinance

Debt purchasing and recovery



CLH Lawyers

Legal services including insolvency administration



MCC
MIDSTATE CREDITCOLLECT PTY LTD

Tailored debt collection services, specialising in Local Government



CollectiveLearning
and Development

Nationally recognised training provider in financial services and leadership



CLH Business Services

Provision of customer service activities on behalf of organisations



ThinkMe!
we're more about you

Licensed specialist finance broker for the provision of credit



SAFE HORIZONS

Provision of financial hardship services on behalf of organisations



Chairman's Report

Dear fellow Shareholders,

The 2016 financial year was a challenging year for the Group, and after several years of record financial results it tested our Board and management team to respond to the challenge and maintain focus on long term value creation.

The market's reaction in late 2015 and early 2016 was blunt, and we moved quickly to address the operational issues which caused the poor performance in the first half.

2016's net profit after tax was \$18.6 million, which included some one-off costs for our head office relocation and for restructuring. With these items excluded, the underlying NPAT was \$20.9 million, which is 7% down on FY15.

Revenue across the Group increased, particularly in the Collection Services segment. However, Purchased Debt Ledger (PDL) collections of \$123.3 million was slightly down on the previous year, largely due to the lower PDL investment which was flagged at the beginning of FY16.

Many of the actions taken this financial year were with an eye to the future and positioning the Group to be able to capitalise on sustainable growth opportunities.

Key to this is our balance sheet, with gearing levels at the end of the financial year at 37.7% - comfortably below the Board's target limit of 40% - and with our three year bank funding facility successfully renewed at a lower overall borrowing cost. This provides us with capacity to invest in Purchased Debt Ledgers when desired.

Furthermore, the CEO transition is now complete, with the commencement in early July of our new Chief Executive Anthony Rivas. Anthony joins the Collection House Group with extensive collections knowledge and experience, having worked in the industry across the world for his entire career. Anthony's deep operational knowledge is an asset to our Company as we continue to focus on performance improvement initiatives Group-wide, and look to expand into natural adjacencies to ensure sustainable shareholder value.

Part of the year's repositioning focus has also incorporated the Board, with a Board renewal process undertaken and two new Non-executive Directors appointed. Leigh Berkley is a debt purchase and collections senior executive based

in the UK who brings extensive collections experience to the Board table; and Lev Mizikovsky is an experienced company director and major shareholder in CLH. They both bring fresh thinking and new ideas to the Board and we welcome their input and contribution.

With Anthony's arrival, we have taken the opportunity in the first quarter of this financial year to refresh the Group's strategy, Purpose statement and values. We have crystallised the Purpose of the CLH Group as being to strengthen clients', customers' and shareholders' financial situation through our exceptional people - offering education, innovative products and services to all. In other words, we want to strengthen our clients' financial situation by providing a world class service that allows them to focus on their core capabilities; we want to strengthen our customers' financial situations by helping them meet their obligations in a way they can manage and potentially improve their access to credit going forward; and we want to improve the financial situation of you, our shareholders, by delivering consistent and predictable returns.

There are a number of key enablers to be able to deliver on this Purpose, with two of the major ones being our people and our technology. We are committed to providing an environment that rewards, recognises and develops all members of the Collection House Group to help them become the leading providers of credit management solutions in Australasia. And we are equally committed to continue our investment in developing and utilising technology in ways that will keep us efficient and relevant in this digital age.

Our focus in FY17 is on stabilising our core collections business through productivity and efficiency initiatives, and also on growing our existing business and new subsidiaries. This is outlined in detail in Anthony's report over the following pages. We are enthusiastic about the breadth of innovation and new products on the roadmap for FY17 and beyond.

In closing, there are a number of acknowledgements I would like to make. As always, I would like to recognise the efforts of my fellow Board members, and acknowledge employees of each of the divisions that make up the Collection House Group for their efforts and commitment over the past year.



I would like to take this opportunity to thank Matthew Thomas for his 17 years service to Collection House. Matthew held many roles with the Company over this time, including Chief Information Officer, Chief Operating Officer, and then finally Managing Director and Chief Executive Officer. Matthew had many achievements in his varied positions, not least the role he played in establishing the National Hardship Register, and on behalf of the Board and the staff at Collection House I would like to thank him for his commitment and service.

I would also like to acknowledge and thank Adrian Ralston, who served as our Chief Financial Officer for almost 13 years until 2016; and Dennis Panches and David Gray, who both retired from the Board over the past 12 months. Dennis, who was Deputy Chairman and involved as a Director since 1998, announced his retirement at our Annual General Meeting last October. David Gray served as a Director from 2011 until August this year and made a significant contribution to the Board, particularly through his role as Chair of the Remuneration and

Nomination Committee. Once again, on behalf of the Board I would like to thank both Dennis and David for their contributions, and we wish them the best in their retirement.

As announced recently, this will be my last report to you as Chairman of the CLH Group, as I will also be retiring from the Board at the Annual General Meeting in November. With the CEO transition and Board renewal process complete, I will be handing the baton to long-standing Director Kerry Daly at the AGM. I have enjoyed my time with Collection House, in particular seeing the ongoing growth and diversification of the Group into a broader financial services company. With another fresh chapter of evolution now underway, the future looks promising.

A handwritten signature in blue ink, appearing to read 'David Liddy'.

David Liddy
Chairman

We are committed to providing an environment that **rewards,**
recognises and develops all members of the CLH Group

Chief Executive Officer's Report

I am delighted to provide my first report to you as Collection House Limited's new Chief Executive Officer.

I joined Collection House because I fundamentally believe there is an opportunity to move this company from prominent to pre-eminent. The Collection House Group has had a number of successes in the past, however we are now faced with the challenge of repositioning ourselves and taking steps to address the concerns of you, our investors.

The industry we work in is similar to many others in today's world: technology is a critical driver that can enable us to become more efficient as well as effective. In today's economy, our industry no longer respects tradition – it appreciates and rewards innovation. By embracing this mindset and working smarter, we will be able to diversify our offerings to our customers: the individuals we help each day to get back on track.

Therefore, in this first report to shareholders I would like to share with you our plans for FY17 and ahead, as well as providing a summary of the FY16 year's performance.

FY16 overview

The 2016 statutory net profit after tax was \$18.6 million, or \$20.9 million on an underlying basis.

Total revenue increased 5.3% to \$133 million, driven by organic growth in the Collection Services segment which increased 19.1%. This segment added a number of new clients throughout the year, including appointment to the ATO panel and the subsequent creation of a Government Services division.

In terms of the Purchased Debt Ledger (PDL) segment, collections of \$123.3 million were down 3% compared to the previous year, mainly due to lower PDL investment in FY16. Pleasingly however, PDL collections as a percentage of face value was maintained at 8% year-on-year, which reflects the quality of our PDL book and our ability to largely maintain PDL collections despite reduced investment. Furthermore, we improved our ability to liquidate older assets – 62% of PDL recoveries in FY16 were from PDLs purchased over two years ago, while recoveries from books more than three years old represented over 40%. These are promising signs for the year ahead.

Throughout the year, the Group continued its investments in future growth drivers, not least of which are our people. Michelle Cummins was appointed as Chief People and Culture Officer in late 2015, and has realigned the Human Resources function to become a broader service delivering improvements to the recruitment process, staff engagement and training. This has already been evidenced in the increase in tenure of Lion Finance staff over the second half of 2016.

Another key growth driver is technology. Collection House's technology and capabilities in this area have long been a competitive advantage, and we are committed to continuing our research and development in digital and software development. Throughout the 2016 financial year this included continued investment in our proprietary C5 operating platform, which is one of the best I've come across globally. The team also delivered improvements to our customer portal, established a new data centre, and launched our first smartphone app for customers.

The Group's strong commitment and reputation for ethical and compliant business practices is one of the things that attracted me to this position. This runs through our collections practice – which was demonstrated by the ACCC's recent independent research showing Collection House had the lowest complaint rates in the industry, and our industry Ombudsman's annual report into EDR complaints. It also extends to our commitment to our corporate social responsibility program, which we continue to grow; and our founding support of the National Hardship Register.

Our updated strategic framework: the game plan

In the first quarter of FY17, the Executive Leadership Team and I reviewed and refreshed the Group's FY17 strategy, including redefining the Collection House Group's Purpose, Mission, Vision Statements, strategic pillars, goals, and company values.

The Executive team is charged with owning specific tasks under each of the strategic pillars. All goals have been "rolled down" to each employee in the organisation, so they all know the part they play in achieving our Purpose, Mission and Vision.

We have a clear and united path forward, and I am committed to keeping you updated as to our progress towards these objectives.

OUR STRATEGIC FOUNDATION

Purpose

To strengthen clients', customers' and shareholders' financial situation through our exceptional people – offering education, innovative products and services to all.

Mission

To enable our people to be the leading provider of credit management solutions in Australasia, exceeding expectations of our clients, customers and investors.

Vision Statements

- We will be the industry leader and partner of choice by embracing change, fostering creativity and innovation, and delivering results that exceed expectations and providing a world class service.
- By investing in our people, we create a culture igniting energy, enthusiasm, empowerment and pride every day. We will achieve this through learning, development, rewards and recognition.
- We will be supportive and involved in our communities through our leadership, education and collaboration.

OUR FY17 STRATEGIC PILLARS



OUR FY17 KEY GOALS



OUR VALUES

Stewardship

Act like an owner. Leave things better today than you did yesterday.

Aiming High Together

Don't settle for good... and then don't settle for great. Drive each other to be the best and get better.

Challenging Boundaries

Embrace change. Positively invent, improve and optimise.

Respect, Integrity and Accountability

Be considerate, be honest and own your decisions.

Cooperative and Collaborative Spirit

Share knowledge, develop others and enable everyone to achieve our common goals.

Chief Executive Officer's Report

FY17 and beyond

When the FY16 results were announced in mid-August, I had been with the Group for six weeks and I was asked what my first impressions of Collection House were. I responded that I had four key observations:

- The calibre of the people within the many brands and divisions of the Collection House Group is extremely high
- The proprietary collections platform C5 is one of the best platforms I've come across, and there are consequently a number of opportunities to further leverage this application both internally and externally
- There are a number of opportunities to enhance operational effectiveness across the Group's core business of collections and across our other divisions
- There are concurrently a number of opportunities for growth into adjacent business areas in the short- and long-term.

I'd specifically like to expand on the last two points, as these are key focus areas for the Group in FY17.

Enhancing our operational effectiveness is about improving our core business, and ensuring we are as productive and efficient as possible for the benefit of our clients and shareholders.

We are doing this in a number of ways, including:

- Reviewing and renewing our vendor relationships
- Undertaking an in-depth review of skip tracing services (location of missing delinquent payers) across the Group
- Positioning our brand to improve consumer interaction when contacting customers and leaving messages
- Enhancing and growing the productivity and sustainability of our Manila operations where possible
- Leveraging available data sources to identify individuals with the ability to pay their obligations
- Productivity reviews and optimisation across the Group to maximise efficiency.

Speaking of efficiency, we are in the midst of updating our contact centre technology, the heartbeat to our future optimised model. At the time of writing we are undertaking a full scope pilot with technology company QPC, who are agents for the globally recognised 'Interactive Intelligence' (ININ) contact centre solution. This product will increase the number of available dialer seats six-fold and beyond – it is a game-changer for our business, with benefits including increasing efficiency per hour within our agent base, reducing idle time, and rigorous split skill call distribution, as well as providing tools previously unavailable such as voice analytics and survey support. I look forward to providing an update on this pilot at the Annual General Meeting in November.

In today's economy,
our industry no longer
respects tradition
– it appreciates and
rewards innovation.
By embracing this
mindset and working
smarter, we will be able
to diversify our offerings
to our customers: the
individuals we help each
day to get back on track.



We are taking steps to further diversify our business as well. Recently, we created two new business divisions as natural adjacencies to our existing capabilities, providing our salesforce with the ability to explore additional opportunities with existing clients and increasing the wave of offerings for potential new clients in the marketplace.

One of these new businesses is CLH Business Services, a vertical created to service first party direct relationships across our financial services vertical and emerging customer service vertical. With our call centres, systems and trained people, we can assist clients with the core and non-core areas of their business, including answering customer queries, taking initial applications and/or front-end validation, and general customer service activities including early stage recoveries and reselling opportunities.

The second subsidiary, Safe Horizons, will enable clients to outsource their financial hardship services to us. Collection House is very experienced at managing and assisting customers through short, medium and long-term financial difficulty with dignity and follow-up – we are therefore naturally

placed to offer a service to clients to help rehabilitate their customers in an appropriate and sensitive way that is customised to their business. This builds on our pedigree of being one of the key players in the establishment of the National Hardship Register.

Both of these new business lines are an opportunity for the Group to organically increase our services to existing clients, as well as find new opportunities in the marketplace across Australasia.

Finally, I would like to take this opportunity to sincerely thank our Chairman David Liddy, the Board of Directors, our clients and suppliers, and also the full Collection House team for your warm welcome as I have settled in to the Group. I am excited about our journey together, and am committed to achieving outcomes for all of you moving forward.

Anthony Rivas
Chief Executive Officer

Board of Directors



David Liddy AM
Chairman
Joined 2012
Member of the Remuneration and Nomination Committee



Kerry Daly
Independent, Non-executive Director
Joined 2009
Chair of the Audit and Risk Management Committee



Philip Hennessy
Independent, Non-executive Director
Joined 2013
Member of the Audit and Risk Management and the Remuneration and Nomination Committees



Julie-Anne Schafer
Independent, Non-executive Director
Joined 2014
Member of the Remuneration and Nomination Committee (Chair from 5/8/16)



Leigh Berkley (from 1/7/16)
Independent, Non-executive Director
Joined 2016
Member of the Audit and Risk Management Committee (from 27/7/16)



Lev Mizikovsky (from 1/7/16)
Non-executive Director
Joined 2016
Member of the Audit and Risk Management and the Remuneration and Nomination Committee (from 27/7/16)



Dennis Punches
(retired 23/10/15)
Deputy Chair
Joined 1998



Matthew Thomas
(retired as MD 30/6/16)
Managing Director
Joined 2013
Chief Executive Officer



David Gray
(retired 5/8/16)
Independent, Non-executive Director
Joined 2011
Chair of the Remuneration and Nomination Committee;
Member of the Audit and Risk Management Committee

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.

Please refer to the Director's Report on page 31 for further information.

Executive Management Team

(As at 1 September 2016)



Anthony Rivas
Chief Executive Officer

Anthony joined the Collection House Group on 6 July 2016, bringing more than 25 years' experience in the collections and receivables industry across three continents.

Most recently the Managing Director of Australian Receivables Limited (ARL), a wholly owned subsidiary of global customer service leaders Alorica, Anthony brings a proven ability to drive results, build a productive culture, and deliver value.

He is responsible for the overall management of the Group and the achievement of results for all stakeholders.



George Wilson
Chief Financial Officer

George joined the Group on 1 September 2016. He has extensive financial and general management experience in large public and private companies, including Burswood Limited, Repcol Limited and Coogee Chemicals Pty Ltd.

He is responsible for all aspects of the Group's financial management including reporting, planning and analysis, taxation, and investor relations.

George holds a Bachelor of Accounting degree from Glasgow University, is a Chartered Accountant, and a graduate of the Australian Institute of Company Directors.



Michelle Cummins
Chief People & Culture Officer

Michelle was appointed to the Chief People & Culture Officer role in November 2015. She has more than 15 years' experience in human resource management; and oversees attracting and retaining talent, learning and development, culture and employee engagement and succession planning.

Michelle holds a Graduate Diploma in Management from RMIT, and a Masters in Employment Relations from Griffith University. She is a member of the US-based Community Association Managers International Certification Board (CAMICB) as the HR International Subject Matter Expert; is a member of the RMIT MBA & EMBA Advisory Board and the National Education Advisory Board for Strata Community Association (SCA); and is a Certified Professional with the Australian Human Resources Institute.



Marcus Barron
Chief Information Officer

Marcus has been with the Group for more than 13 years, and 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, Marcus' main responsibility is to deliver superior technological solutions for internal and external stakeholders.

He holds a Bachelor of Information Technology from the University of Queensland.



Julie Tealby
Company Secretary and
Chief Risk Officer

Julie has been with the Group for more than 15 years, and has held the position of Company Secretary since 2013.

As Chief Risk Officer she oversees the Group's Risk, Internal Audit, Compliance, Resolutions and Corporate Legal and Governance.

Julie holds a Graduate Diploma in Corporate Governance, a Bachelor of Business (Accountancy), and a Graduate Certificate in Internal Audit. She is a Fellow of the Governance Institute of Australia and Chartered Secretaries, a member of CPA Australia, and is a professional member of the Institute of Internal Auditors.

The Executive Management Team comprises experienced professionals who are committed to delivering the Group's strategy for the benefit of all stakeholders.

FY16 Review of Operations

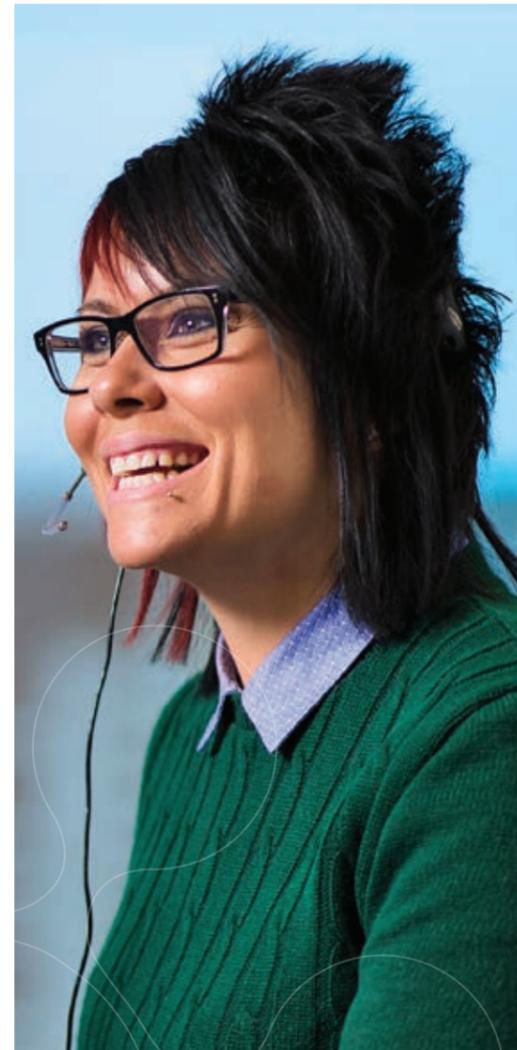
LION FINANCE

Lion Finance is the Group's purchased debt entity, responsible for the collection of Purchased Debt Ledgers (PDLs) the Group has bought from credit providers such as banking and finance companies, telco's and utility companies. Lion Finance is the largest division within the Collection House Group in terms of annual profit contribution and accounting for around one third of the Group's total staff members. At the end of FY16, Lion Finance had more than 262,000 active debt accounts with a combined face value of \$1.5 billion.



FY16 OUTCOMES

- Supporting our Team Leaders for success.** In FY16, significant focus has been on developing and implementing programs to enhance the capability of the current leaders in our business. January 2016 saw the introduction and roll out of an end-to-end Team Leader management approach. Ensuring alignment of practice across all Lion sites, the training provided Team Leaders with coaching and mentoring to make them more effective in their roles. Adherence to this new structure has achieved consistency across the Lion Finance leadership team, and has created an opportunity and environment for the daily application of best practice. The new Team Leader model also includes more focused performance measures, rationalised management information, and better processes designed to support performance improvement and coaching.
- Relocation, growth and stabilisation of a successful operation at the first-class working environment of our Brisbane head office.** Lion Finance were the first team to move into the new headquarters, with more than 100 staff relocating between July and December 2015. Strong succession planning enabled more than 10 internal staff transfers to move into leadership roles over this period. Collaborative workspaces in the new location ensure our managers practise inclusive leadership, and positively influenced the stronger performance growth in the second half of the year.
- People and process optimisation.** Changes and improvements to the Lion Finance staff training model have led to improved results from orientation and induction. The newly created "model office" aspect of new starter induction has reduced the speed to proficiency of Customer Service Officers by four months, and significantly improved performance-based attrition in the second half of 2016.
- The continued growth and improved partnership with Cashflow Financial Advantage – now ThinkMe.** The ThinkMe broker service has become an integral part of a collaborative approach with Lion Finance's customers. Lion is now able to facilitate financial opportunities to Australians that have impaired credit histories through referral (where appropriate) to ThinkMe to assist with refinancing or debt consolidation. In 2016, more than 1,000 Lion Finance customers were referred.



Lion Finance
is the **largest**
division within
the Collection
House Group

COLLECTION SERVICES

The Collection Services division provides debt collection and account servicing on behalf of third parties, across a broad range of industries – including banking and finance, insurance, telecommunications, government, utilities, and automotive companies. Our experienced teams act as an extension of our client's internal accounts and collections team, resulting in increased recoveries and net returns for our clients whilst protecting their relationship with their customers.



FY16 OUTCOMES

- Increase in total revenue from the Collection Services segment.** Revenue from this segment has continued to grow over the past five years, growing 19.1% to \$58 million in FY16.
- Successful on-boarding of a significant two-year Federal government contract in April 2016 and creation of a Government Services division.** The appointment to the Australian Taxation Office panel followed substantial effort and preparation, not only throughout the procurement process, but also in strategic preparations over a number of years to be in a position to access these opportunities. For example, the ATO contract is being serviced from a purpose built, secure Government Business facility within the new Brisbane headquarters.
- Continued investment in forming long-term partnerships.** Over the past financial year, our team has continued to focus on securing long-term business partnerships - through acquiring new clients, and also through
- Re-established our position in New Zealand.** With the key appointment of an experienced Executive to the position of New Zealand Country Manager in mid-2015, significant focus has been placed on re-establishing our position in this market. These efforts are bearing fruit, with Collection House (NZ) Limited now participating in either exclusive or panel insurance agreements for more than 80% of the general insurance industry in New Zealand.
- Increased operational efficiencies and outputs.** We have continued to focus on improving efficiency over the past year, through improvements to resource planning, targeted staff training, tailored debt treatment analytics, and further automation through the continued migration onto our C5 proprietary collections and CRM platform.

FY16 Review of Operations

CLH LAWYERS

CLH Lawyers is a wholly owned subsidiary and the incorporated legal practice of the Group. Acting for both Lion Finance and external clients, the firm currently employs 64 staff across its operations in Queensland, NSW and Victoria, and is considered a boutique provider of legal services. Part of the success of CLH Lawyers is its specialisation: we are a debt recovery, litigation and insolvency firm. It's what we do and what we know.



CLH Lawyers
is a specialist
debt recovery,
litigation and
insolvency firm



FY16 OUTCOMES

- **Delivered strongest result to date.** CLH Lawyers has continued to grow internally and externally, and the firm achieved its highest net profit contribution to date in FY16.
- **Continuing brand expansion into external markets.** A focus over the past 18 months has been to expand into external markets in order to diversify our revenue streams. This commenced in December 2014 with the rebranding to CLH Lawyers – positioning the firm as a specialist legal practice, whilst leveraging the reputation and the backing of the Collection House Group. In FY16 we undertook a range of marketing initiatives to leverage this new brand, including the development of a new client-facing website (www.clhlawyers.com.au).
- **Secured a number of new key clients.** A number of new business and Government clients have been secured throughout the year, which will continue to drive FY17 revenue.
- **Improved offering for Government clients.** We invested in a software platform to better service our Government clients, which will continue to drive client satisfaction and further streamline operations. Local and state Government remains a key external growth market for the firm.

COLLECTIVE LEARNING & DEVELOPMENT

Collective Learning and Development (CLAD) is the Group's registered training organisation, specialising in the delivery of financial services, credit, receivables management and leadership courses. CLAD provides this training internally to the various divisions within the Group, and also delivers training services externally to a range of businesses and Government agencies.



FY16 OUTCOMES

- **Continued development of Collection House Group staff.** All staff joining the Group are given the opportunity to undertake a Certificate III in Mercantile Agents. A further 95 staff completed the training and assessment for this nationally recognised qualification in FY16. Furthermore, we completed the transition of our traineeship development sessions to online delivery, which has already assisted in increasing the completion rate for these sessions. We will continue to look for opportunities to deliver training online.
- **Expanded our training service offering.** During the year, we have substantially expanded our suite of non-accredited training courses available to external clients. As well as our respected mercantile training services, we can now offer clients training courses on:
 - Financial literacy
 - Leadership development
 - DiSC People Profiling
 - The Five Behaviours of a Cohesive Team.
- **Increased our external client base.** In line with our strategy to increase our revenue contribution to the Group, CLAD were successful in acquiring new external clients this year to provide both nationally recognised training courses and non-accredited training.

FY16 Review of Operations

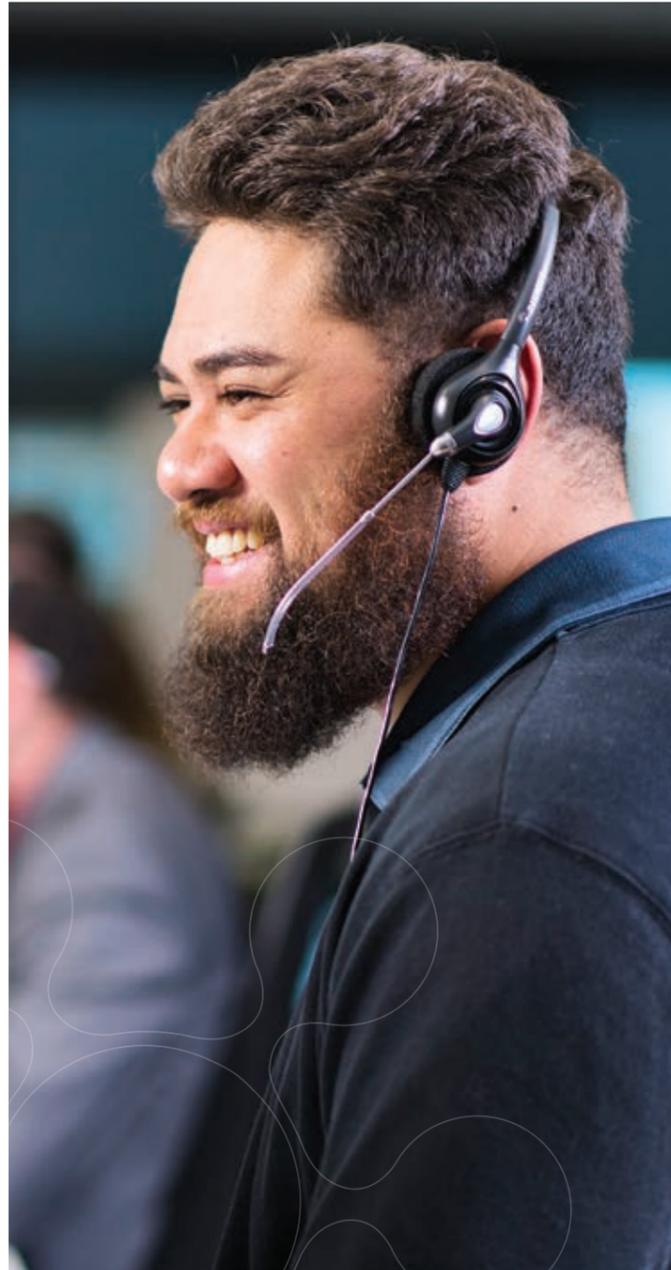
MIDSTATE CREDITCOLLECT

Midstate CreditCollect (MCC) is a boutique collection agency based in regional Victoria, offering personalised credit management, debt collection and legal services in a non-call centre environment. As a wholly owned subsidiary of the Group, MCC services Victorian-based businesses, water authorities and Government agencies as well as major national companies.



FY16 OUTCOMES

- Continued client and revenue expansion.** MCC acquired several new major clients in FY16, including a number of local Government bodies. We also renewed several existing contracts including a national telecommunications provider.
- Expansion into the education sector.** As part of MCC's strategic focus to diversify revenue sources, a key outcome in FY16 was securing clients in the education sector, particularly TAFE colleges and universities.
- A refreshed marketing approach.** To support our client acquisition and retention efforts, MCC undertook a range of marketing initiatives throughout the year, including a new client-facing website (www.midstatecc.com.au), the production of a corporate DVD outlining our service offering, and hosting a number of local Government / water authority education seminars for existing and prospective clients.
- Ensuring client satisfaction.** In line with our brand promise, MCC has continued to meet our clients' expectations: 100% of participants in our annual client survey rated their satisfaction with MCC as either very or highly satisfied; and 87% of participants' rated our services as above average or excellent value for money.



100%

of client survey participants rated their satisfaction with MCC as **very or highly satisfied**



TECHNOLOGY

The Technologies team are responsible for all I.T. frameworks and systems, data management, analytics and business intelligence, and digital strategy. The Group's technology has long been a competitive advantage, and plays a key role in our ability to improve productivity, enhance customer service, and to maintain our position as an industry leader.

FY16 OUTCOMES

- Continued investment in C5, our proprietary collections platform.** C5 (or Controller Version 5) is the Group's custom built CRM software solution. C5 uses best-of-breed technology to embed 23 years of our intellectual property into a collections platform that is designed to drive efficiency, effectiveness and compliance.

The value of this platform was demonstrated with the on-boarding of the ATO contract during the year – this contract was on-boarded in record time for the Group despite the complexity added by stringent security requirements.
- Data Vault project delivering value.** The Data Vault project involves building a customised enterprise data warehouse solution using modern data architecture. The purpose is to allow the Group to store and access our increasing volumes of data in ways that allows our Analytics team to have a dynamic view of information in almost real time.

The project delivered its first three reporting "products" during the year, providing analytics

on the characteristics of debt portfolios over time, adherence to payment commitments, and information about staffing levels.

- Improved campaigns functionality.** A review and revamp of our campaigns functionality – the C5 tool for managing the treatment of debts in bulk – has enabled collection of more meaningful analytics, and the ability to create more structured and automated treatment plans.
- Improved customer portal.** Improvements delivered to the customer portal have increased the number of customers using this self-service channel, reducing physical mail production by more than 10%.
- Development of an industry-first smartphone app.** The Digital team delivered a mobile app which enables customer offers to be sent and claimed via mobile. The initial take-up of this app and subsequent offers has been positive, and will continue to be developed in FY17.

Our **proprietary platform C5** enabled the on-boarding of a significant **new contract in record time** for the Group

FY16 Review of Operations

PEOPLE & CULTURE

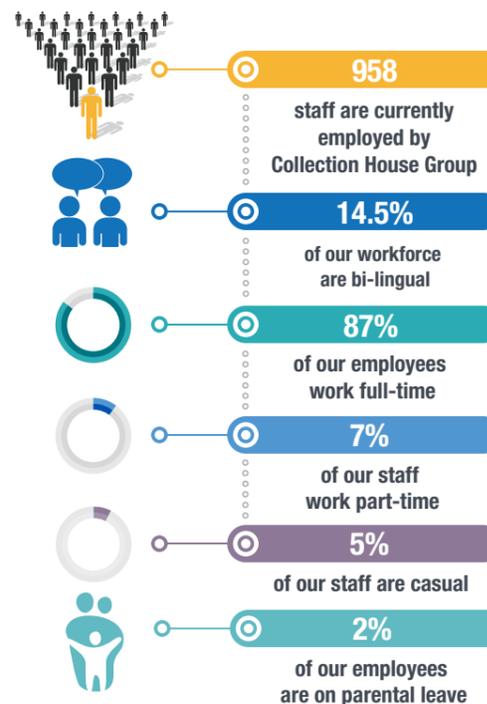
The People & Culture team support all human resources and organisational development needs for the Collection House Group. This ranges from recruitment and induction through to training and development, reward and recognition programs, and employee engagement initiatives. With people at the very core of the Group's services, the People & Culture team's role is focused on developing an engaged and productive workforce to underpin the Group's performance.

FY16 OUTCOMES

- First-class working environment.** The Brisbane headquarter relocation has been completed, with all Brisbane staff now in one purpose-built fit-out in Newstead. All operating units are now located in the same office for the first time in several years, with capacity for future growth. Employees have access to excellent facilities and break-out areas, and collaborative workspaces are equipped with state-of-the-art technology to allow enhanced interaction and communication.
- New name and new approach to HR.** The Human Resources team rebranded in FY16 to People & Culture, and adopted a business partnership approach to each division within the Group. This included appointment of dedicated business partners, a review of how People & Culture could support each department, and the introduction of 'stay, engagement and exit' surveys to enable the identification of trends.
- Improved recruitment and training programs.** To enable better recruitment and reduce turnover amongst Customer Service Officers (CSO's), a number of changes have been implemented to the recruitment, induction and training processes. This included the identification of the attributes of a "model CSO", and adjusting the recruitment process accordingly to capture ideal applicants. The success of this approach was evidenced in the increase in tenure of Lion Finance staff over the second half.
- The Group's first Leadership Academy designed and launched.** To better meet the needs of our business, and help Collection House Group on our journey to be industry best practice in learning and organisational development, an in-house Leadership Academy was developed and launched during the year. The Academy is made up of four levels to cover all employees, and is designed to provide development to leaders at all levels to effectively fulfil the requirements of their role. It also serves as a succession planning tool to provide high performers with the ability to step up to the next level when roles become available.

- Continued commitment to valuing and promoting diversity.** Collection House Group updates its Diversity Policy annually, setting measurable objectives each year to ensure that our commitment to diversity becomes embedded in our operations. In FY16 our objectives were targeted at gender diversity, specifically around the inclusion of female candidates in senior management and Board recruitment processes and increasing the number of women in management positions. Further information is available in our Corporate Governance statement.

Proportion of female employees across the Group	61%
Proportion of female employees in Senior Manager positions	34%
Proportion of female employees in Senior Executive positions	40%
Proportion of women on the Board	17%



COMPLIANCE & RISK MANAGEMENT

The Group Risk team perform a critical compliance and oversight role of all areas within the Group, including Internal Audit, Compliance and Corporate Governance. The team also includes Corporate Legal services for the Group; and interacts with customers in need through the Resolutions and the Hardship teams.

FY16 OUTCOMES

- Improved risk management processes.** A complete review of the Group's risk management and incident response processes was undertaken during the year, integrating the 'three lines of defence' model into our Risk Management framework to align with APRA guidelines and ISO 31000. As part of the three lines of defence, the Risk team have set a robust governance structure to provide clear accountability and responsibility for ownership and management of risks incorporating the front line, risk and compliance functions and Internal Audit, with consistent and continuous oversight from the Board and Executive Management.
- Continued track record of ethical collection practice.** We are proud of our track record of ethical collection practice, as evidenced by the ACCC's 2015 research showing CLH had the lowest number of complaints in the industry with 0.05 complaints per collection staff¹. Further independent evidence of our ethical approach is demonstrated through data released annually by our industry Ombudsman, with the most recent results showing the Group had just under 40 External Dispute Resolution (EDR) complaints per 100,000 active accounts². Furthermore, a new Queensland State Government client obtained this year advised they chose Collection House due to our sensitive collection practices and trusted collection approach.

- Ongoing commitment to supporting customers in financial hardship.** The Resolution and Hardship Team have continued to work closely throughout FY16 with customers experiencing hardship and their representatives, to understand customers' individual financial situations and provide appropriate resolutions that are beneficial for both parties. Resolution and Hardship Team representatives attended a number of state and national Financial Counsellors' conferences throughout the year, to ensure we remain informed of contemporary issues affecting financially vulnerable customers, such as domestic violence.



¹ <https://www.accc.gov.au/publications/research-into-the-australian-debt-collection-industry>

² <http://www.cio.org.au/publications/annual-report-on-operations/annual-report-on-operations-2015/>

Corporate Social Responsibility

As part of our ongoing commitment to ethical, lawful and respectful business conduct, Collection House Group commits to and delivers a dedicated Corporate Social Responsibility (CSR) program each year. Our ethos is to achieve profitability in a socially and environmentally responsible manner.

The CSR program focuses on four key areas:

- 1 Supporting the community**
– we give back to our communities and contribute to the social good
- 2 Protecting the environment**
– we maintain sustainable business practices and environmentally responsible conduct
- 3 Respect for the law**
– we commit to the spirit and intent of the law, including the protection of the financially vulnerable
- 4 Engaging stakeholders**
– we preserve our constructive engagement with stakeholders, consistent with our commitment to open and transparent business practices.

This program is based on the international standard ISO 26000 Guidance on Social Responsibility, to ensure our activity in this space is informed by international best practice.

FY16 OUTCOMES

In FY16 we:

- Continued our support of St Vincent de Paul's Clemente Program, which assists people to re-engage with their communities through free education programs. Collection House Group staff volunteer as learning partners with Clemente students.
- Continued our support of financial literacy education for young Australians through our partnership with the Financial Basics Foundation. Our partnership this year resulted in the production of a new 'Financial Literacy in Practice' classroom resource for secondary school teachers called Slaying the Debt Dragon; and the successful piloting of having a Collection House staff member help present this information in the classroom.
- Commenced a pilot program with WEstjustice, a community legal centre in Melbourne's west, on 'Restoring Financial Safety': a family violence and financial security project. The project connects the community sector with industry through direct contact points for community workers to reach trained staff within institutions like Collection House, and a checklist of agreed financial security protocols.
- Continued our support and advocacy of the National Hardship Register, which was officially launched in February 2016. Collection House played a key role in the establishment of this Register, which is a joint initiative between the Australian Collectors and Debt Buyers Association (ACDBA) and the financial counselling sector to help address the issue of long-term and severe financial hardship faced by a number of vulnerable customers.
- Continued our support of financial counsellors nationally, through sponsorship of attendance at professional development conferences.

The 2016 CSR Outcomes Report is available at www.collectionhouse.com.au.

Corporate Governance

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, and fostering a culture that values ethical behaviour and integrity.

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

Board Composition

As at 30 June 2016 (noting the retirement of the Managing Director's position effective from this day), the Board comprised six Directors (including the Chair), five of whom are Non-executive Directors. During the year, Dennis Panches announced his retirement as a Director effective from 23 October 2015.

On 1 July 2016, the Board comprised of seven Directors (including the Chair), all of whom are Non-executive Directors - including Leigh Berkley and Lev Mizikovsky (a substantial shareholder) who were appointed to the Board on 1 July 2016. As at the date of this report, the Board comprises six Directors, with David Gray retiring from the Board effective 5 August 2016.

The Board considers its current members to have an appropriate mix of skills that 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:

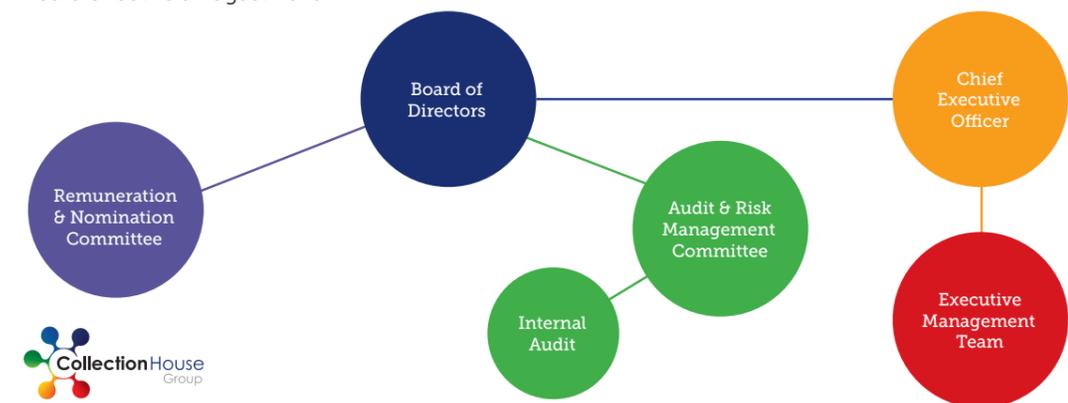
- Audit and Risk Management Committee
- Remuneration and Nomination Committee

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 available 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 2016, 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, 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*.

Our Purpose Statement

To strengthen clients', customers' and shareholders' financial situation through our exceptional people – offering education, innovative products and services to all.





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 2016.

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 AM
- Dennis Panches (retired 23 October 2015)
- Matthew Thomas (retired as Managing Director 30 June 2016)
- Kerry Daly
- David Gray (retired 5 August 2016)
- Philip Hennessy
- Julie-Anne Schafer
- Leigh Berkley (appointed 1 July 2016)
- Lev Mizikovsky (appointed 1 July 2016)

See pages 31 to 34 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.

FY2016 highlights

- Net profit after tax for the year was **\$18.6 million** (2015: \$22.5 million)
- Earnings per share (EPS) were **14.0 cents** (2015: 17.2 cents)
- Shareholder equity was **\$180.3 million** (2015: \$170.7 million)
- Total dividends for the year of **7.8 cents** (interim 3.9 cents paid 1 April 2016, final 3.9 cents to be paid 21 October 2016), fully franked.

Overview of Group operations and financial results

The consolidated Net Profit After Tax (NPAT) of \$18.6 million for the year ended 30 June 2016 decreased 17.4 percent from \$22.5 million in the previous year. Total revenue for the Group was \$132.7 million, an increase of 5.3 percent. Basic earnings per share decreased 18.6 percent to 14.0 cents per share.

Directors' Report

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

	Collection services		Purchased Debt Ledgers (PDLs)		Consolidated	
	30 June 2016 \$ '000	30 June 2015 \$ '000	30 June 2016 \$ '000	30 June 2015 \$ '000	30 June 2016 \$ '000	30 June 2015 \$ '000
Revenue						
Sales	57,909	48,751			57,909	48,751
Interest income			74,639	77,552	74,639	77,552
Total segment revenue	57,909	48,751	74,639	77,552	132,548	126,303
Intersegment elimination					146	(260)
Consolidated revenue	57,909	48,751	74,639	77,552	132,694	126,043
Results						
Segment result	9,001	9,373	29,297	31,898	38,298	41,271
Interest expense and borrowing costs					(6,147)	(5,915)
Unallocated revenue less unallocated expenses					(6,167)	(3,464)
Profit before tax					25,984	31,892
Taxation					(7,422)	(9,409)
NPAT					18,562	22,483

Collection Services business

Consolidated Collection Services (third party servicing) revenue increased year on year by 18.8 percent. The segment result for the year of \$9.0 million decreased 4.0 percent from the previous year result of \$9.4 million.

Growth was achieved in FY16 across this sector through:

- New Government Services division and dedicated call centre established, which includes the new ATO contract.
- The finance brokerage Cashflow Financial Advantage rebranded as ThinkMe – a full service broker matching reputable credit providers with our customers.
- Collection House (NZ) won a number of new contracts, and now participates in either exclusive or panel agreements for more than 80 percent of the general insurance market in NZ.

- CLH Legal Group launched a new client-facing website and several marketing initiatives and secured a number of new clients.

PDL business

Total PDL collections decreased 3.4 percent to \$123.3 million for the year ended 30 June 2016. The segment result for the year was \$29.3 million, a decrease of 8.2 percent. This result included \$4.1 million profit on the sale of PDLs during the period. PDL acquisitions at cost were \$61.9 million compared to \$71.4 million in 2015.

62 percent of PDL recoveries in FY16 were from PDLs purchased over two years ago, while recoveries from PDLs of more than three years age was over 40 percent – demonstrating ability to liquidate older assets.

The repayment arrangements and litigated accounts portfolio had a face value of \$357 million as at 30 June 2016, from which \$247 million is expected to be recovered.

Directors' Report

Review of financial position

The Group's net assets increased 5.9 percent to \$180.3 million. Total net borrowings decreased to \$109.3 million in 2016, down from \$111.8 million in 2015.

The Group's net cash flow from operating activities was \$84.3 million, an increase of 8.5 percent.

Net debt decreased by \$2.5 million over the year, and net debt/net debt plus equity closed at 37.7 percent at 30 June 2016.

Investment for future performance

During the year, the Group continued its investments in future growth drivers, including:

- Relocating the Group's headquarters which brings all Brisbane staff into the same location for the first time in several years and accommodates capacity for future growth
- Continued investment in technology initiatives, including ongoing enhancement of the Group's proprietary collections platform C5; improved analytical capabilities through the data warehouse 'Data Vault' project; improvements to the Group's campaigns functionality; and the delivery of an industry-first smartphone app which enables offers to be sent to customers and claimed via mobile
- A new Chief People & Culture Officer was appointed during the year, who has since realigned the HR function and made improvements to recruitment, staff engagement and training – as evidenced in the increase in tenure of Lion Finance staff over the second half.

The Group continues to develop and implement its Corporate Social Responsibility programs; and demonstrate its commitment to ethical debt collection practices through its dedicated Hardship Assistance team.

Business strategies and prospects for future financial years

Four key focus areas have been identified to improve operational effectiveness in future years. These include:

- Trialling new contact centre technology, which will increase the number of dialer seats available six-fold, provide workforce management tools, and allow real-time speech analytics for the first time
- Introducing new skip tracing tools
- New brand positioning
- Reviewing vendor relationships and renegotiating agreements.

The Group's growth will be driven by:

- Productivity improvements delivered by the above initiatives
- New business divisions, including CLH Business Services and Safe Horizons
- Reviewing and enhancing the Manila operations
- Ongoing investment in innovation, technology and analytics.

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 generates 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 Management 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.

Directors' Report

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 2016	Cents per share	Total amount \$'000	Date of payment
Final 2015 ordinary	4.7	6,214	16 Oct 2015
Interim 2016 ordinary	3.9	5,190	1 Apr 2016

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 2016 ordinary	3.9	5,245	21 Oct 2016

Significant changes in the state of affairs

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

- The Group raised capital of \$3.1 million from a Dividend Reinvestment Plan.

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 3.9 cents per fully paid share to be paid on 21 October 2016 out of retained profits and a positive net asset balance as at 30 June 2016.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- 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

Information on directors

David Liddy AM	Independent, Non-executive Chair.
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 and Emerchants Limited. Previously, he was MD and CEO of Bank of Queensland Limited from 2001-2011 and Chair of Financial Basics Foundation and Financial Basics Community Foundation from 2011-2014. Mr Liddy was appointed as a Member of the Order of Australia in the 2016 Australia Day honours. Mr Liddy holds an MBA, is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.
Special responsibilities	Chair of the Board. Member of the Remuneration Committee from 5 December 2013. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	150,000 ordinary shares in CLH.
Dennis Punches	Non-executive Deputy Chairman.
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.
Experience	Mr Thomas has over 24 years of experience in the finance and collections industry and has been with Collection House Limited for the past 17 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 and Managing Director in March 2013. Mr Thomas is currently a Director of the Australian Collectors and Debt Buyers Association and a Fellow of the Australian Institute of Company Directors.
Special responsibilities	Managing Director and Chief Executive Officer.
Interest in shares and performance rights	502,495 ordinary shares in CLH. 1,067,776 performance rights over ordinary shares in CLH.

Directors' Report

Kerry Daly	Independent, Non-executive Director.
Qualifications	BBus (Acc).
Experience	<p>Mr Daly has over 31 years of experience in the financial services sector. Mr Daly was elected a Director of Collection House Limited on 30 October 2009.</p> <p>Mr Daly is currently a Non-executive Director of Trustees Australia Limited. During the period 1987 to December 2000, Mr Daly was MD and CEO of The Rock Building Society Limited where he initiated its demutualisation and was responsible for its ASX listing. From January 2001, he served as Executive Director of the fixed interest brokerage and investment banking business Grange Securities Limited.</p>
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.
Qualifications	BSc (UK), Honorary Doctorate.
Experience	<p>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 and Chairman of Zuuse, a position he has held since March 2015.</p> <p>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.</p> <p>Mr Gray was appointed to Collection House Limited's Board on 28 June 2011 and elected a Director on 28 October 2011.</p>
Special responsibilities	<p>Chair of the Remuneration Committee from 5 December 2013.</p> <p>Chair of the Remuneration and Nomination Committee from 10 July 2014.</p> <p>Member of the Audit and Risk Management Committee from 1 July 2015.</p>
Interest in shares	183,098 ordinary shares in CLH.

Directors' Report

Philip Hennessy	Independent, Non-executive Director.
Experience	<p>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.</p> <p>As Queensland Chair of KPMG, he was responsible for the leadership of KPMG in the Queensland market. This role included operational efficiency, strategic direction, go to market strategy, engagement of KPMG's people, engagement with its clients and KPMG's connection to the community.</p> <p>Mr Hennessy is currently a Director of Metro Mining Limited and a Director of Blue Sky Alternatives Access Fund Limited. He is also on a number of not-for-profit organisations Board of Directors and advises a number of private companies.</p> <p>Mr Hennessy was appointed to the Board of Collection House Limited on 22 August 2013 and elected a Director on 25 October 2013.</p>
Special responsibilities	<p>Member of the Audit and Risk Management Committee from 5 December 2013.</p> <p>Member of the Remuneration and Nomination Committee from 10 July 2014.</p>
Interest in shares	50,000 ordinary shares in CLH.
Julie-Anne Schafer	Independent, Non-executive Director.
Qualifications	LLB (Hons), FAICD
Experience	<p>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.</p> <p>She is President of the National Competition Council and is a Non-executive Director of CS Energy, Av Super, Catholic Church Insurance Ltd and Aviation Australia Pty Ltd.</p> <p>Ms Schafer was previously the Chair of RACQ and RACQ Insurance, 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.</p> <p>Ms Schafer is a facilitator for the Australian Institute of Company Directors in Strategy and Risk Management. She is also a member of the Australian and New Zealand Institute of Insurance and Finance.</p> <p>Ms Schafer was appointed to the Board of Collection House Limited on 28 January 2014.</p>
Special responsibilities	<p>Member of the Remuneration Committee from 28 January 2014.</p> <p>Member of the Remuneration and Nomination Committee from 10 July 2014.</p>
Interest in shares	66,500 ordinary shares in CLH.

Directors' Report

Leigh Berkley	Independent, Non-executive Director.
Qualifications	BA (Hons) in Accounting and Business Finance (Manchester University), Chartered Accountant (ICAEW), Member of the Chartered Institute of Credit Management UK
Experience	<p>Mr Berkley has more than 25 years' experience in the collections and debt purchase industry, and is currently the President of the Credit Services Association (CSA) in the UK. He is a regular visitor to Australia, and assisted the Australian Collectors & Debt Buyers Association (ACDBA) develop the recently launched 'Code of Practice'.</p> <p>Mr Berkley is currently the Director of External Affairs and Development of Arrow Global Group Plc, one of the UK's largest consumer debt purchasers and providers of receivables management solutions. Prior to this, he was the CEO and main shareholder of Tessera Credit Group, a debt purchaser and collection agency, which he led for over 16 years before successfully negotiating a sale of its assets to Arrow Global in December 2014.</p> <p>Mr Berkley is currently in his third year as President of the Credit Services Association (CSA), he sits on a number of Government and industry advisory bodies, and regularly presents at conferences and trade body forums around the world.</p> <p>Mr Berkley was appointed to the Board of Collection House Limited on 1 July 2016.</p>
Special responsibilities	Member of the Audit and Risk Management Committee from 27 July 2016.
Interest in shares	No ordinary shares in CLH.
Lev Mizikovsky	Non-executive Director.
Qualifications	FAICD
Experience	<p>Mr Mizikovsky founded Tamawood Limited in July 1989 and served as its Managing Director from 1989 to 1997 and then from 2003 to 2010. The Company listed on the ASX in August 2000 and in December 2000, Tamawood Limited acquired Dixon Homes. He is currently serving as a Non-executive Director of the Company.</p> <p>Mr Mizikovsky is currently Non-executive Chairman of AstiVita Limited (AIR) and has been a Director of AstiVita Limited since October 2009. Since 2015 Mr Mizikovsky has been a director of Advanced Nano Technologies LTD (ANO) and is also a Non-executive Chairman of unlisted public software development company Resiweb LTD.</p> <p>Mr Mizikovsky has been a Fellow of the Australia Institute of Company Directors (AICD) since 1997 and is a major shareholder in a number of Queensland-based public companies including Collection House Limited and Lindsay Australia Limited.</p> <p>Mr Mizikovsky was appointed to the Board of Collection House Limited on 1 July 2016.</p>
Special responsibilities	<p>Member of the Audit and Risk Management Committee from 27 July 2016.</p> <p>Member of the Remuneration and Nomination Committee from 27 July 2016.</p>
Interest in shares	15,627,008 ordinary shares in CLH.

Directors' Report

Company Secretary

The Company Secretary is Julie Tealby.

Mrs Tealby holds a Graduate Diploma in Corporate Governance, Bachelor of Business (Accountancy) and a Graduate Certificate in Internal Audit. Mrs Tealby is a Fellow of the Governance Institute of Australia and Chartered Secretaries, a member of the Australian Institute of Company Directors, a member of CPA Australia (for 17 years), a member of the CEO Institute and is completing their Future CEO program, and is a professional member of the Institute of Internal Auditors. Since August 2014, Mrs Tealby has been the Group's Chief Risk Officer. From 2005-2014, Mrs Tealby had also been the Group's Internal Auditor. 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.

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 2016, and the number of meetings attended by each Director were:

2016	Meetings of committees					
	Directors		Audit and Risk Management		Remuneration and Nomination	
	A	B	A	B	A	B
David Liddy	9	9	**	**	4	4
Dennis Panches*	3	3	**	**	**	**
Matthew Thomas	9	9	**	**	**	**
Kerry Daly	9	9	9	9	**	**
David Gray	9	9	9	9	4	4
Philip Hennessy	9	9	9	9	4	4
Julie-Anne Schafer	9	9	**	**	4	4

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.

* Dennis Panches retired at the 23 October 2015 AGM

** Not a member of the relevant Board Committee.

Directors' Report

Remuneration Report – AUDITED

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for FY16 for Non-executive Directors (NEDs), the Managing Director and Chief Executive Officer and other Key Management Personnel (KMP). 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 FY16

Board of Directors

David Liddy AM	Chair (Non-Executive)
Dennis Punches	Deputy Chair (Non-Executive) (retired 23/10/2015)
Matthew Thomas	Managing Director (MD) and Chief Executive Officer (CEO) (Executive)(retired as MD 30 June 2016)
Kerry Daly	Director (Non-Executive)

The Group's Directors and key management personnel for FY16 (continued)

Board of Directors (continued)

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 (retired MD 30/6/2016)
Adrian Ralston	Chief Financial Officer (CFO)
Paul Freer	Chief Operating Officer (COO) (ceased 4/12/2015)
Kylie Lynam	General Manager – Human Resources and Corporate Services (ceased 24/12/2015)
Michelle Cummins	Chief People and Culture Officer (CPCO) (appointed 30/11/2015)
Marcus Barron	Chief Information Officer (CIO)
Julie Tealby	Company Secretary and Chief Risk Officer (CRO)

The following changes occurred after the reporting date and before the date the financial report was authorised for issue:

- Leigh Berkley and Lev Mizikovsky were appointed as Non-executive Directors on 1 July 2016 subject to confirmation by shareholders' resolution at the Company's next Annual General Meeting.
- Matthew Thomas retired as CEO on 5 July 2016.
- Anthony Rivas was appointed as Chief Executive Officer on 6 July 2016.
- David Gray retired as Non-executive Director on 5 August 2016.
- Adrian Ralston resigned as Chief Financial Officer effective 18 August 2016.
- George Wilson was appointed Chief Financial Officer, commencing 1 September 2016.

Directors' Report

B Remuneration governance

The Remuneration and Nomination Committee (the Committee) comprised four independent NEDs during the reporting period.

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; and
- The appropriate fees for NEDs.

The MD and CEO attended certain Committee meetings by invitation, where management input is required. The MD and CEO was 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
- Have 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 the later half of 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 for the FY16 period.

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 Nil for the FY16 period (FY15 \$40,000). No other advisory services were provided by Mercer during FY16 (FY15 \$16,000).

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.

Directors' Report

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.

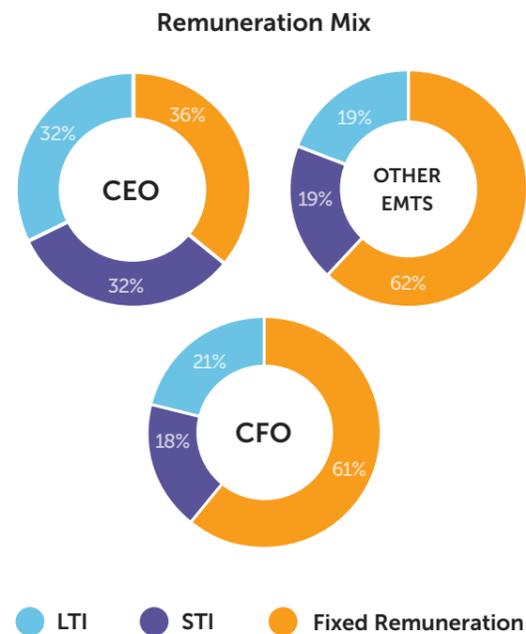
The Group aims to reward members of the EMT with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

The EMT pay and reward framework has three components:

- Total fixed remuneration 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.

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 total remuneration increases of between 1 and 8 percent for the majority of the EMT members, with the exception of the CIO whose remuneration increased by 21 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 and under the shareholder approved performance rights plans.

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 had a target STI opportunity of 87 percent of TFR. Other EMT personnel each have a STI opportunity of 30 percent of TFR.

STIs for the EMT in FY16 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

Directors' Report

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 (ceased 4/12/2015)	60%	40%
GM HR and Corporate Services (ceased 24/12/2015)	20%	80%
Chief People and Culture Officer (appointed 30 November 2015)	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 (weighting are different as highlighted above).

The non-financial EMTs have a high degree of variability between technology projects, people and culture, and processes that reflect the individual roles, and include measures such as achieving strategic outcomes, developing people and culture, growth, business development, differentiation, innovation, digital development 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.

Directors' Report

Objectives, once agreed, are identified as strategic projects or initiatives. These are tracked via the Strategic Project Team, who provide updates to the EMT on a monthly basis and the Board at each reporting period. 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 FY16

Performance category	Metrics	Weighting (%)
Financial	Net profit after tax, debt and debt plus equity and earnings per share (EPS)	60
Technology (Internal Capability)	Key strategic technology initiatives annually agreed by the Board Digital Development Innovation	15
People and Culture (Intangibles)	Employee engagement Progress towards diversity objectives Succession planning for all EMTs and senior leaders Development of Leadership talent	15
Customers, clients, regulators, investor (external Stakeholders)	Consumer product through ThinkMe (Brokerage business) Investor Engagement Business Development with gains in target market sectors	10

A summary of the actual STI Financial outcomes achieved is included in Section 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 number of performance rights granted is calculated based on the 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 pursuant to the PRP, at a nil exercise price and subject to a three-year tenure hurdle. This is contingent on the achievement of certain financial performance hurdles, which are approved by the Board each financial period.

The performance rights will not vest unless the Group's financial performance meet these hurdles. The Board set these 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.

FY16 Performance Rights Awarded

The MD and CEO was granted performance rights in FY16 representing 87 percent of TFR. Other EMT personnel were granted performance rights in FY16 representing 30 percent of TFR with the exception of the CFO who was granted performance rights representing 35 percent of TFR.

For the FY16 performance rights the Board chose Earnings Per Share (EPS) as the key financial measurement as EPS growth will ensure that long-term shareholder value is achieved.

Up to 50 percent of awarded performance rights will be capable of vesting where average compound EPS growth over the Performance Period (1 July 2015 to 30 June 2018) is at least 5 percent. Up to an additional 50 percent of awarded performance rights will be capable of vesting on a sliding scale capped at 10 percent average compound EPS growth (hence 1 percent per 0.1 percent of additional EPS growth).

For the period 1 July 2015 to 30 June 2018, 467,365 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 2018 as highlighted above.

FY15 Performance Rights Awarded

For FY15 the performance hurdles were based on the satisfactory achievement of performance conditions approved by the Board. The hurdles and the proportion of performance rights that will vest as a percentage if the target is achieved, are outlined below:

Performance Conditions	% of Pool
Average ROE	10%
Debt/Debt + Equity	10%
EPS Base	30%
EPS Stretch	50%
Total	100%

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 prior 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.

FY14 Performance Rights Awarded

For FY14 the performance hurdles were based on the satisfactory achievement of performance conditions approved by the Board. The hurdles and the proportion of performance rights that will vest as a percentage if the target is achieved, is outlined below:

Performance Conditions	% of Pool
Average ROE	25%
Debt/Debt + Equity	15%
EPS Base	30%
EPS Stretch	30%
Total	100%

For the period 1 July 2013 to 30 June 2016, 839,830 unlisted performance rights over ordinary shares in the Company were granted under the PRP to the EMT and other eligible employees.

Directors' Report

The performance rights will vest (and therefore be capable of being exercised) depending on the Group achieving certain performance hurdles as at 30 June 2016.

A summary of the actual LTI Financial outcomes achieved is included in Section D.

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.

Discretion

The Board have absolute discretion in relation to payments under both the STI and LTI schemes.

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 not achieved the key financial performance targets.

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

- Net Profit after tax reduced from \$22.5 million to \$18.6 million
- Net debt/Net debt plus equity was in excess of 40% for the majority of the year
- EPS decreased from 17.2 cents to 14.0 cents

Directors' Report

The table below shows the actual STI Financial outcomes achieved for FY16.

Financial Performance Measure	Maximum Potential %	Actual Achieved %
Net profit after tax	10	Nil
Debt and debt plus equity	10	Nil
EPS	40	Nil

The Committee also considered the following non-financial factors including the achievement of progress towards non-financial supporting objectives under technology, people and culture and external stakeholders such as:

- Technology - these included enhancements to the proprietary collections platform C5; improved analytical capabilities and campaigns functionality; improvements to the customer portal (which has enabled an increase in the number of customers using this self-service channel and therefore reducing physical mail); and the delivery of an industry-first smartphone app.
- People and Culture – improvements in recruitment, staff engagement and training as evidenced in increased tenure of staff for our biggest segment over the second half; development of the 'Leadership Academy' (a 12 month leadership development course in-house for all levels of employees); successful succession plan for key management; and the achievement of Diversity objectives.
- External stakeholders – growing and rebranding of the consumer business ThinkMe ahead of its next phase of expansion; and the formation of a Government Services collection centre, including the on-boarding of a significant Federal government client.

Notwithstanding that progress was made against certain non-financial objectives, the Committee considered that the overall financial performance of the Group was unsatisfactory and took the view that a number of the EMT had not met their performance objectives.

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.

	2012	2013	2014	2015	2016
Net profit after tax (\$m)	\$12.6	\$15.6	\$18.7	\$22.5	\$18.6
Dividends declared (franked)	6.4 cents	7.2 cents	8.0 cents	9.1 cents	7.8 cents
Share price commenced	\$0.69	\$0.80	\$1.65	\$1.88	\$2.23
Share price ended	\$0.79	\$1.65	\$1.88	\$2.23	\$1.10
Basic EPS (including discontinued operations)	12.1 cents	13.6 cents	14.7 cents	17.2 cents	14.0 cents

The vesting of LTI awards for the year ended 30 June 2016 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 2016 the Committee determined that the EMT had not achieved its performance hurdles.

The table below outlines the Group's performance measures for the three-year performance period ended 30 June 2016 and the actual percentage achieved to these targets.

Performance Measure	Maximum Potential %	Actual achieved %
EPS	60	Nil
Average ROE	25	Nil
Net Debt/Net Debt plus Equity	15	Nil

Based on the above performance, the Board has determined that the performance rights granted for the performance period ended 30 June 2016 (the FY14 grant) will lapse with no vesting.

Upon Paul Freer (former COO) leaving the Group, he was issued 56,268 shares on 11 December 2015 in accordance with the performance right plan.

Directors' Report

Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 47 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 STI is payable in future years. No performance rights will vest unless the vesting conditions are met, 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 2016		Performance rights					Maximum total value of performance rights yet to be expensed
	Awarded %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed %	Financial years in which performance rights may be issued (subject to certain qualifying hurdles)	
Matthew Thomas	-	100%	2014	-	-	100	2017	-
			2015	-	-	-	2018	730,573
			2016	-	-	-	2019	561,073
Adrian Ralston	-	100%	2014	-	-	100	2017	-
			2015	-	-	-	2018	129,949
			2016	-	-	-	2019	130,318
Paul Freer	75%	25%	2014	100	-	-	2017	-
			2015	-	100	-	2018	-
			2016	-	100	-	2019	-
Kylie Lynam	-	100%	2014	-	100	-	2017	-
			2015	-	100	-	2018	-
			2016	-	100	-	2019	-
Michelle Cummins	89%	11%	2016	-	-	-	-	-
Marcus Barron	74%	26%	2014	-	-	100	2017	-
			2015	-	-	-	2018	82,192
			2016	-	-	-	2019	79,924
Julie Tealby	46%	54%	2014	-	-	100	2017	-
			2015	-	-	-	2018	86,765
			2016	-	-	-	2019	71,462

Directors' Report

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 FY16 aggregate total Non-executive Director fees distribution is \$634,022 (including superannuation). The Board will not seek any increase to the annual aggregate NED fee pool limit at the 2016 AGM.

Payments are allowed for additional responsibilities 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 FY16 (exclusive of superannuation):

FEES	FY16	FY15
Base fees		
Chair	\$165,000*	\$158,000*
Other Non-executive Directors	\$90,000	70,000
Additional fees		
Audit and Risk Management Committee Chair	\$15,000	\$25,000
Audit and Risk Management Committee Member	\$Nil	\$10,000
Remuneration and Nomination Committee Chair	\$15,000	\$10,000
Remuneration and Nomination Committee Member	\$Nil	\$5,000

* The Chair's fee covers 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.

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.

Directors' Report

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.

In Dollars	Short-term benefits				Post-employment	Other long term	Termination benefits	Share-based payments	Total	
	Salary and fees	STI Cash bonus	Non-monetary benefits	Total	Super-annuation benefits	Annual and long service leave		Rights		
Non-executive Directors										
David Liddy AM Chair	2016	164,811	-	-	164,811	15,657	-	-	-	180,468
	2015	158,000	-	-	158,000	15,010	-	-	-	173,010
Dennis Punches Deputy Chair	2016	28,125	-	-	28,125	-	-	-	-	28,125
	2015	70,000	-	-	70,000	-	-	-	-	70,000
Kerry Daly Non-executive Director	2016	104,731	-	-	104,731	9,949	-	-	-	114,680
	2015	95,000	-	-	95,000	9,025	-	-	-	104,025
David Gray Non-executive Director	2016	104,327	-	-	104,327	9,911	-	-	-	114,238
	2015	80,000	-	-	80,000	7,600	-	-	-	87,600
Philip Hennessy Non-executive Director	2016	89,865	-	-	89,865	8,537	-	-	-	98,403
	2015	84,442	-	-	84,442	8,022	-	-	-	92,464
Julie-Anne Schafer Non-executive Director	2016	89,596	-	-	89,596	8,512	-	-	-	98,108
	2015	75,000	-	-	75,000	7,125	-	-	-	82,125

Directors' Report

Directors' Report

In Dollars	Short-term benefits				Post employment	Other long term		Share-based payments		Proportion of remuneration performance related	
	Salary and fees	STI Cash bonus	Non-monetary benefits	Total							Superannuation benefits
Executive Director and other Key Management Personnel											
Matthew Thomas MD/CEO	2016	593,708	-	3,910	597,618	29,978	23,452	-	(495,204)	155,844	(318%)
	2015	527,479	498,096	3,747	1,029,322	50,110	-	-	483,283	1,562,715	63%
Adrian Ralston Chief Financial Officer	2016	333,875	-	3,910	337,785	31,681	5,260	-	(72,767)	301,959	(24%)
	2015	311,413	94,096	3,747	409,256	29,688	-	-	66,336	505,280	32%
Paul Freer Chief Operating Officer (ceased 4/12/2015)	2016	233,119	35,189	1,649	269,958	27,980	3,145	45,775	(12,981)	333,877	7%
	2015	327,754	97,822	3,747	429,323	31,215	-	-	110,003	570,541	36%
Kylie Lynam General Manager – Human Resources (ceased 24/12/2015)	2016	193,841	-	1,855	195,696	13,032	(1,489)	-	(65,420)	141,819	(46%)
	2015	219,446	64,096	3,747	287,289	20,952	-	-	58,990	367,231	34%
Michelle Cummins Chief People and Culture Officer (appointed 30/11/2015)	2016	105,961	33,000	2,304	141,265	10,066	8,266	-	-	159,597	21%
	2015	-	-	-	-	-	-	-	-	-	-
Marcus Barron Chief Information Officer	2016	232,800	59,000	3,910	295,710	22,116	6,793	-	(52,742)	271,877	2%
	2015	187,237	56,096	3,747	247,080	21,739	-	-	45,738	314,557	32%
Julie Tealby Chief Risk Officer + Company Secretary	2016	213,040	33,200	3,910	250,150	20,239	5,613	-	(34,458)	241,544	(1%)
	2015	202,808	63,096	3,747	269,651	21,271	-	-	26,418	317,340	28%

-For recently appointed EMT, the remuneration information provided in the table below relates to the period from the date of appointment as EMT to FY16, unless otherwise stated.

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	\$642,541 inclusive of superannuation and non-monetary benefits for FY16. \$561,079 was the maximum STI opportunity in relation to FY16. 419,919 at risk performance rights were issued FY14. 394,574 at risk performance rights were granted during FY15. 253,283 at risk performance rights were granted during FY16.
Adrian Ralston CFO	Annual fixed remuneration Performance cash bonus Performance rights	\$372,344 inclusive of superannuation and non-monetary benefits for FY16. \$111,703 was the maximum STI opportunity in relation to FY16. 56,269 at risk performance rights were issued in FY14. 70,184 at risk performance rights were issued during FY15. 58,829 at risk performance rights were granted during FY16.
Paul Freer COO (ceased 4 December 2015)	Annual fixed remuneration Performance cash bonus Performance rights	\$375,354 inclusive of superannuation and non-monetary benefits for FY16. \$112,606 was the maximum STI opportunity in relation to FY16. 56,269 at risk performance rights were issued in FY14. 73,829 at risk performance rights were issued during FY15. 50,833 at risk performance rights were granted during FY16.
Kylie Lynam General Manager – Human Resources and Corporate Services (Resigned 24 December 2015)	Annual fixed remuneration Performance cash bonus Performance rights	\$266,414 inclusive of superannuation and non-monetary benefits for FY16. \$79,924 was the maximum STI opportunity in relation to FY16. 56,269 at risk performance rights were issued in FY14. 50,345 at risk performance rights were issued during FY15. 36,080 at risk performance rights were granted during FY16.
Michelle Cummins Chief People and Culture officer (appointed 30 November 2015)	Annual fixed remuneration Performance cash bonus Performance rights	\$210,714 inclusive of superannuation and non-monetary benefits for FY16. \$63,214 was the maximum STI opportunity in relation to FY16. Nil
Marcus Barron CIO	Annual fixed remuneration Performance cash bonus Performance rights	\$266,414 inclusive of superannuation and non-monetary benefits for FY16. \$79,924 was the maximum STI opportunity in relation to FY16. 43,671 at risk performance rights were issued in FY14. 44,391 at risk performance rights were issued during FY15. 36,080 at risk performance rights were granted during FY16.
Julie Tealby Company Secretary and Chief Operating Officer	Annual fixed remuneration Performance cash bonus Performance rights	\$238,207 inclusive of superannuation and non-monetary benefits for FY16. \$71,462 was the maximum STI opportunity in relation to FY16. 46,861 at risk performance rights were issued during FY15. 32,260 at risk performance rights were granted during FY16.

H Share-based compensation

Performance rights

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

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 performance rights over ordinary shares in the Group provided as remuneration to members of the EMT are set out below.

Name	Number of performance rights granted/issued during the year		Number of performance rights vested/ issuable during the year	
	2016	2015	2016	2015
1. Matthew Thomas	253,283	394,574	-	502,495
2. Adrian Ralston	58,829	70,184	-	50,250
3. Paul Freer	50,833	73,829	56,269	80,000
4. Kylie Lynam	36,080	50,345	-	50,250
5. Marcus Barron	36,080	44,391	-	20,100
6. Julie Tealby	32,260	46,861	-	10,050

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) of one ordinary share over the five days preceding the grant. 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.

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.

2016	Balance at start of the year	Granted as compensation	Vested	Lapsed	Balance at end of the year	Vested and issuable	Un-vested
Matthew Thomas	814,493	253,283	-	(419,919)	647,857	-	647,857
Adrian Ralston	126,453	58,829	-	(56,269)	129,013	-	129,013
Paul Freer	130,098	50,833	(56,269)	(124,662)	-	-	-
Kylie Lynam	106,614	36,080	-	(142,694)	-	-	-
Marcus Barron	88,062	36,080	-	(43,671)	80,471	-	80,471
Julie Tealby	67,437	32,260	-	(20,576)	79,121	-	79,121

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.

2016	Balance at start of the year	Other changes during the year	Balance at the end of the year
Non-executive Directors			
David Liddy AM	150,000	-	150,000
Dennis Punches*	3,502,535	(3,502,535)	-
Kerry Daly	394,607	-	394,607
David Gray	195,999	-	195,999
Philip Hennessy	50,000	-	50,000
Julie-Anne Schafer	62,500	4,000	66,500

* Retired from Board 23 October 2015. Shares held upon retirement are included in other changes.

Directors' Report

2016	Balance at start of the year	Received during the year on the exercise of options	Received on vesting of performance rights	Other changes during the year	Balance at the end of the year
Executive Director and other key management personnel					
Matthew Thomas	447,137	-	502,495	(447,137)	502,495
Adrian Ralston	25,000	-	50,250	-	75,250
Paul Freer*	7,000	-	136,269	(143,269)	-
Kylie Lynam*	168,777	-	50,250	(219,027)	-
Michelle Cummins	-	-	-	-	-
Marcus Barron	1,000	-	20,100	(11,000)	10,100
Julie Tealby	6,196	-	10,050	(8,305)	7,941

* Shares held upon cessation of employment are included in other changes

J Additional information

Loans to Directors and Executives

There were no loans to Directors or members of the EMT during FY16.

Shares under performance rights

LTIs are provided to certain eligible employees via the PRP. Total un-issued ordinary shares of the Group under option 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	Number of shares issued 2016	Number of unvested shares and vested but not yet issued shares under rights	Expiry date
PRP	1/7/13	839,830	Nil	64,666	Nil	30 September 2016
PRP	1/7/14	680,184	Nil	Nil	680,184	30 September 2017
PRP	1/7/15	467,365	Nil	Nil	467,365	30 September 2018

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

Details of the amounts paid and payable to the auditors of the Group, KPMG, are set out below.

Services other than audit and review of financial statements:	2016
Other regulatory audit services	\$
Trust account audits	36,500
Loan covenant compliance	6,250
Other assurance services	
Review of CreditCollect acquisition earn out calculation	3,500
Other services	
Taxation compliance services	52,000
R&D Tax Incentive	60,000
IT Disaster Recovery Plan	24,457
Consultancy services in relation to ATO on-boarding project	25,010
	207,717
Audit and review of financial statements	166,989
Total paid or payable to KPMG	374,706

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

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of financial statements.

The Board has considered the non-audit services provided during the year by the auditor, and the Audit and Risk Management Committee is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Directors' Report

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 53.

Rounding of amounts

The Group is of a kind referred to in Corporations Instrument 2016/191, 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 Corporations Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Collection House Limited



David Liddy AM
Chairman

Auditor's Independence Declaration



Lead 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, in relation to the audit for the financial year ended 30 June 2016 there have been:

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



KPMG



Scott Guse
Partner

Brisbane
18 August 2016



Financial Statements

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Income Statement

For the Year Ended 30 June 2016

	Notes	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Revenue	5	132,694	126,043
Revenue from continuing operations		132,694	126,043
Direct collection costs		(22,250)	(16,515)
Employee expenses		(57,667)	(56,551)
Depreciation and amortisation expense	6	(3,948)	(2,445)
Operating lease rental expense	6	(6,420)	(6,087)
Restructuring expenses	6	(1,222)	-
Other expenses		(9,056)	(6,638)
Finance costs	6	(6,147)	(5,915)
Profit before income tax		25,984	31,892
Income tax expense	7	(7,422)	(9,409)
Profit from continuing operations		18,562	22,483
Profit for the year attributable to equity holders of Collection House Limited		18,562	22,483
Earnings per share for profit attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	28	14.0	17.2
Diluted earnings per share	28	13.9	17.1

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

Statement of Comprehensive Income

For the Year Ended 30 June 2016

	Notes	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Profit for the year		18,562	22,483
Other comprehensive income, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	20(a)	21	(684)
Other comprehensive income for the year, net of income tax		21	(684)
Total comprehensive income for the year attributable to equity holders of Collection House Limited		18,583	21,799

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

Financial Statements:
Balance Sheet
As at 30 June 2016

	Notes	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	8,938	7,222
Receivables	9	9,969	10,265
Purchased debt ledgers	10	61,071	57,167
Other current assets	11	1,108	1,089
Total current assets		81,086	75,743
Non-current assets			
Purchased debt ledgers	10	204,241	198,822
Property, plant and equipment	12	4,277	5,475
Intangible assets	13	37,364	35,614
Total non-current assets		245,882	239,911
Total assets		326,968	315,654
LIABILITIES			
Current liabilities			
Payables	14	15,085	16,013
Current tax liabilities		3,337	2,027
Provisions	15	4,454	3,067
Other financial liabilities	16	1,032	2,149
Total current liabilities		23,908	23,256
Non-current liabilities			
Borrowings	17	118,200	119,000
Deferred tax liabilities	18	378	1,854
Provisions	15	366	402
Other financial liabilities	16	3,811	477
Total non-current liabilities		122,755	121,733
Total liabilities		146,663	144,989
Net assets		180,305	170,665
EQUITY			
Contributed equity	19	111,006	105,307
Reserves	20(a)	(1,029)	2,188
Retained profits	20(b)	70,328	63,170
Total equity		180,305	170,665

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

Financial Statements:
Statement of Changes in Equity
For the Year Ended 30 June 2016

Consolidated	Notes	Attributable to owners of Collection House Limited			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
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	19	3,022	-	-	3,022
Employee share rights - value of employee services	20	-	913	-	913
Dividends provided for or paid	21	-	-	(11,058)	(11,058)
		3,022	913	(11,058)	(7,123)
Balance at 30 June 2015		105,307	2,188	63,170	170,665
Balance at 1 July 2015		105,307	2,188	63,170	170,665
Profit for the year		-	-	18,562	18,562
Other comprehensive income		-	21	-	21
Total comprehensive income for the year		-	21	18,562	18,583
Transactions with owners in their capacity as owners:					
Contributions of equity net of transaction costs	19	3,053	-	-	3,053
Employee share rights - value of employee services	20	2,646	(3,238)	-	(592)
Dividends provided for or paid	21	-	-	(11,404)	(11,404)
		5,699	(3,238)	(11,404)	(8,943)
Balance at 30 June 2016		111,006	(1,029)	70,328	180,305

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 2016

Financial Statements:
Notes to the financial statements
 For the Year Ended 30 June 2016

	Notes	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		192,273	180,702
Payments to suppliers and employees (inclusive of goods and services tax)		(100,402)	(89,103)
		91,871	91,599
Income taxes paid		(7,588)	(13,930)
Net cash inflow (outflow) from operating activities	30	84,283	77,669
Cash flows from investing activities			
Payments for property, plant and equipment		(422)	(540)
Payments for leasehold improvements		(240)	(297)
Payments for purchased debt ledgers		(61,862)	(71,396)
Payments for intangible assets		(4,633)	(3,093)
Net cash (outflow) inflow from investing activities		(67,157)	(75,326)
Cash flows from financing activities			
Proceeds from borrowings		1,900	19,700
Repayment of borrowings		(3,203)	(1,364)
Borrowing costs		(1,445)	(1,439)
Interest paid		(4,384)	(4,224)
Dividends paid to Company's shareholders	21	(11,404)	(11,058)
Proceeds from issues of shares and other equity securities		3,053	3,022
Net cash (outflow) inflow from financing activities		(15,483)	4,637
Net increase (decrease) in cash and cash equivalents		1,643	6,980
Cash and cash equivalents at the beginning of the financial year		7,222	381
Effects of exchange rate changes on cash and cash equivalents		73	(139)
Cash and cash equivalents at end of year	8	8,938	7,222

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

These financial statements are for the consolidated entity consisting of Collection House Limited (the Company) and its subsidiaries (the Group).

Collection House Limited is a public company incorporated and domiciled in Australia.

The financial statements were authorised for issue on 18 August 2016 by the directors of the Company.

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.

(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 2015:

- AASB 2014-1 *Amendments to Australian Accounting Standards* (including Part A: *Annual Improvements 2010-2012 and 2011-2013 Cycles*)

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 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.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all 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.

Notes to the financial statements

For the Year Ended 30 June 2016

1 Summary of significant accounting policies (continued)**(b) Principles of consolidation (continued)****(i) Subsidiaries (continued)**

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.

(iii) Group companies

The results and financial position of foreign operations 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.

Notes to the financial statements

For the Year Ended 30 June 2016

1 Summary of significant accounting policies (continued)**(d) Foreign currency translation (continued)****(iii) Group companies (continued)**

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.

Revenue is recognised for the major business activities as follows:

(i) Interest income – Purchased Debt Ledgers (PDL's)

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

(ii) Rendering of services – commission revenue

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

(iii) Sale of non-current assets

The net gain or loss on disposal of non-current assets is included as either income 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.

1 Summary of significant accounting policies (continued)**(f) Income tax (continued)**

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.

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.

(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 (note 16). 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 24). 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 measured initially at their fair values at the acquisition date.

1 Summary of significant accounting policies (continued)**(h) Business combinations (continued)**

The excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If this amount is 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 is not subject to amortisation and is tested semi-annually for impairment, or more frequently if events or changes in circumstances indicate that it 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 (refer to Note 13). 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 where applicable bank overdrafts. Where applicable, 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 estimated future cash flows. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

(l) Other financial assets**Classification**

The Group classifies financial assets as subsequently measured at either amortised cost 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.

1 Summary of significant accounting policies (continued)**(l) Other financial assets (continued)**

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 - 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.

(ii) Trade receivables

Trade receivables 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.

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.

(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.

1 Summary of significant accounting policies (continued)**(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.

(n) Other current assets**(i) Legal and court costs capitalised**

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

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

(o) Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs are included in the assets carrying amount, or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

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 are depreciated using the straight line method over their estimated useful lives taking into account estimated residual values, with the exception of leased assets, which are depreciated over the shorter of the lease term and their useful lives.

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.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. When changes are made, adjustments are reflected prospectively in current and future periods only.

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.

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 commences from the point at which the asset is ready for use, and is calculated on a straight line basis over periods generally ranging from 2 to 15 years. Useful lives are reviewed at each reporting date and adjusted if appropriate.

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 27 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over periods ranging from 2 to 10 years.

(iv) Other intangible assets

Licences and intellectual property are considered to have a definite useful life and are carried at cost less accumulated amortisation. All costs associated with the maintenance and protection of these assets are expensed in the period consumed.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(r) Borrowings

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

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

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

1 Summary of significant accounting policies (continued)**(r) Borrowings (continued)**

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**(i) Make good**

The Group is required to restore the leased premises for a number of its premises to their original condition at the end of the respective lease terms. A provision has been recognised for the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

(ii) Legal 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.

(iii) Recognition and measurement

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

(u) Employee benefits**(i) Short term obligations**

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

(ii) 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

Summary of significant accounting policies (continued)**(u) Employee benefits (continued)****(ii) Long term employee benefit obligations (continued)**

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 Performance Rights Plan. Further details are set out in note 29.

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 29.

(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.

1 Summary of significant accounting policies (continued)**(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 28).

(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 ASIC Corporations Instrument 2016/191, 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 Corporations Instrument 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 2016 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:

- AASB 9 *Financial Instruments* (December 2014) and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)
- AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018)
- AASB 16 *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019)

1 Summary of significant accounting policies (continued)**(aa) New accounting standards and interpretations (continued)**

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 AASB 9 and AASB 15 are not expected to have a material impact on the Group.

Under AASB 16, the Group will be required to recognise all leases on balance sheet, except for short term leases, and leases of low value assets. This change may have a material impact on the Group, however the extent of the impact is unable to be reliably determined until closer to application date, once the mix and maturity of leases held by the Group at that point is able to be determined.

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

(ab) Parent entity financial information

The financial information for the parent entity, Collection House Limited, disclosed in note 26 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.

2 Financial risk management

The Group's financial assets and liabilities consist mainly of PDLs, deposits with banks, trade and other receivables, payables and borrowings.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate 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 and foreign exchange risks, and aging analysis for credit risk.

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

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Group's income.

(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 New Zealand (NZ) Dollar and the Philippine Peso. Fluctuations in either of these currencies may impact the Group's results.

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 2016, 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) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2016 and 2015, the Group borrowings at variable rates were denominated in Australian Dollars only.

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 Group analyses interest rate exposure in the context of current economic conditions. Management monitors 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)

The Board of Directors have authorised the use of interest rate swaps as a tool for managing interest rate risk within the Group. At 30 June 2016, the Group has entered into four interest rate swaps, as outlined below.

On 16 May 2014, the Company confirmed an interest rate swap transaction for a notional 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 21 July 2014, the Company confirmed an interest rate swap transaction for a notional amount of \$14.5m at a fixed rate of 2.92% per annum effective as at 21 September 2015 and continuing until 27 January 2017. On 21 July 2014, the Company confirmed an interest rate swap transaction for a notional amount of \$15m at a fixed rate of 2.91% per annum effective as at 7 September 2015 and continuing until 27 January 2017. On 9 February 2015, the Company confirmed an interest rate swap transaction for a notional 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:

Consolidated	30 June 2016		30 June 2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank overdrafts and bank loans	3.0%	118,200	3.5%	119,000
Interest rate swaps (notional principal amount)	3.6%	(95,500)	3.7%	(108,100)
Net exposure to cash flow interest rate risk		22,700		10,900

Sensitivity

At 30 June 2016, 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 \$41,000 lower/higher (2015 - change of 25 bps: \$21,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been \$41,000 lower/higher (2015 - \$21,000 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.

2 Financial risk management (continued)

(a) Market risk (continued)

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

Consolidated 30 June 2016	Carrying amount \$'000	Interest rate risk			
		-25 bps		+25 bps	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial liabilities	429	1	1	(1)	(1)
Borrowings	22,700	40	40	(40)	(40)
Total increase / (decrease) in financial liabilities		41	41	(41)	(41)
Total increase / (decrease)		41	41	(41)	(41)

Consolidated 30 June 2015	Carrying amount \$'000	Interest rate risk			
		-25 bps		+25 bps	
		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)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, as well as credit exposures to clients, including outstanding receivables and committed transactions.

The carrying amount of financial assets represents the maximum credit exposure.

	30 June 2016 \$'000	30 June 2015 \$'000
Cash and cash equivalents	8,938	7,222
Receivables	9,969	10,265
Purchased debt ledgers	265,312	255,989
Other current assets	1,108	1,089
Total financial assets	285,327	274,565

Credit risk in relation to PDLs is managed via managements' approach in determining the initial purchase price to pay for a portfolio of debt. At acquisition, the PDL is initially recognised at fair value at a portfolio level, being the transaction price and thereafter at amortised cost, less any impairment losses. Most PDLs, by their nature are impaired on acquisition which is reflected in the fair value at acquisition. Amortised cost is measured as the present value of forecast future of cash flows using the effective interest rate method.

2 Financial risk management (continued)

(b) Credit risk (continued)

The effective interest rate is calculated on initial recognition and reflects a constant periodic return on the carrying value of the loans.

Management continuously monitor cash flows and the carrying value of the PDLs. An impairment is assessed on a regular basis by management and is identified on a portfolio basis following evidence that the PDL is impaired. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate. During the year ended 30 June 2016, no impairment charge was recognised (30 June 2015: nil) as future cash flows remain at a rate above the initial effective interest rate. All income from the recovery of PDLs has been recognised as interest.

Ongoing credit risk is managed through the application of a valuation model, which forecasts recoverability based on the historical experience of the company based on metrics such as debt type, age, and customer status.

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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Refer to Note 9 for further details.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. 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 (comprising the undrawn borrowing facilities below) and cash and cash equivalents 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. 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 undrawn borrowing facilities at the end of the reporting period:

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Term debt facility	6,800	6,000
Group set off	12,500	7,500

2 Financial risk management (continued)

(c) Liquidity risk (continued)

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 are set out in note 17.

Maturities of financial liabilities

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 At 30 June 2016	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives						
Non-interest bearing	15,085	-	-	-	-	15,085
Variable rate	-	-	429	118,200	-	118,629
Total non-derivatives	15,085	-	429	118,200	-	133,714
At 30 June 2015	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'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

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 13 for details of these assumptions and the potential impact of changes to the assumptions.

(ii) PDLs

PDLs are initially recognised at fair value plus any directly attributable acquisition costs. Subsequent to initial recognition, PDLs are measured at amortised cost using the effective interest method, less any impairment losses. Management continue to monitor the performance and key estimates used in determining whether any objective evidence exists that a PDL may be impaired. This includes:

- re-forecasting expected future cash flows every six months. An impairment is recognised where actual performance and re-forecast future cash flows deviate to below the initial effective interest rate. Refer to note 10 for further details.
- regular assessment of the estimated forecast amortisation rate applied to PDLs. For the year ended 30 June 2016, the company has estimated that PDLs amortise at a rate of 43 percent per annum (30 June 2015: 43%).

(iii) 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.

(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

(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.

All other segments

All other segments includes unallocated revenue and expenses, intersegment eliminations, interest, borrowings, and income tax expenses.

Notes to the financial statements

For the Year Ended 30 June 2016

4 Segment information (continued)

(b) Segment information provided to the Board

2016	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	57,459	-	-	57,459
Intersegment sales	450	-	146	596
Total sales revenue	57,909	-	146	58,055
Interest income	-	74,639	-	74,639
Total segment revenue	57,909	74,639	146	132,694
Segment result				
Segment result	9,001	29,297	(6,167)	32,131
Interest expense and borrowing costs			(6,147)	(6,147)
Profit before income tax				25,984
Income tax expense			(7,422)	(7,422)
Profit for the year				18,562
Segment assets and liabilities				
Segment assets	164,050	267,518	(107,673)	323,895
Segment liabilities	22,830	107,049	18,683	148,562
Other segment information				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	13,182	64,166	-	77,348
Total acquisitions				77,348
Depreciation and amortisation expense	1,806	901	1,241	3,948
Total depreciation and amortisation				3,948
Other non-cash expenses	346	48,751	1,427	50,524

Notes to the financial statements

For the Year Ended 30 June 2016

4 Segment information (continued)

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

2015	Collection services \$'000	Purchased debt ledgers \$'000	All other segments \$'000	Consolidated \$'000
Segment revenue				
Sales to external customers	47,848	-	-	47,848
Intersegment sales	903	-	(260)	643
Total sales revenue	48,751	-	(260)	48,491
Interest income	-	77,552	-	77,552
Total segment revenue	48,751	77,552	(260)	126,043
Segment result				
Segment result	9,373	31,898	(3,464)	37,807
Interest expense and borrowing costs			(5,915)	(5,915)
Profit before income tax				31,892
Income tax expense			(9,409)	(9,409)
Profit for the year				22,483
Segment assets and liabilities				
Segment assets	182,145	259,515	(126,006)	315,654
Segment liabilities	19,766	131,564	(6,341)	144,989
Other segment information				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,475	73,819	-	77,294
Total acquisitions				77,294
Depreciation and amortisation expense	1,148	886	411	2,445
Total depreciation and amortisation				2,445
Other non-cash expenses	245	50,247	1,226	51,718

Notes to the financial statements

For the Year Ended 30 June 2016

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 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2016 \$'000	30 June 2015 \$'000
Australia	127,456	121,001	312,330	304,526	77,341	77,288
New Zealand	4,642	4,399	9,657	9,893	3	3
Philippines	-	-	1,908	1,236	3	3
	132,098	125,400	323,895	315,654	77,348	77,294

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 2016 %	30 June 2015 %	30 June 2016 %	30 June 2015 %
Margin on segment revenue	16	19	39	41

(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.

Notes to the financial statements

For the Year Ended 30 June 2016

5 Revenue

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Interest income	70,564	76,704
Commission	57,571	47,970
Gain on sale of PDLs	4,075	848
Other revenue	484	521
Revenue from continuing operations	132,694	126,043

6 Expenses

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	2,000	1,116
Total depreciation	2,000	1,116
Amortisation		
Computer software	1,109	535
Customer contracts	364	330
Business formation costs	38	38
Stamp Duty	437	426
Total amortisation	1,948	1,329
Total depreciation and amortisation	3,948	2,445
Write off of assets (included in other expenses)		
Plant and equipment	778	-
Leasehold improvements	942	-
Total write off of assets	1,720	-

6 Expenses (continued)

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Finance expenses		
Interest and finance charges paid/payable	6,378	6,357
Amount capitalised (a)	(231)	(442)
Finance costs expensed	6,147	5,915
Rental expense relating to operating leases		
Minimum lease payments	6,420	6,087
Total rental expense relating to operating leases	6,420	6,087
Restructuring expenses		
Restructure costs	1,222	-
Total restructuring expenses	1,222	-

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 4.9% (2015 – 5.1%).

7 Income tax expense

(a) Income tax expense

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Income tax expense - Profit from continuing operations	7,422	9,409
Income tax expense is attributable to:		
Current tax	9,337	9,708
Deferred tax	(1,476)	523
Under (over) provided in previous years	(439)	(822)
Aggregate income tax expense	7,422	9,409
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 18)	(1,596)	125
(Decrease) increase in deferred tax liabilities (note 18)	120	398
	1,476	523

7 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Profit from continuing operations before income tax expense	25,984	31,892
Tax at the Australian tax rate of 30% (2015 - 30%)	7,795	9,568
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	(176)	231
Effect of tax rates in foreign jurisdictions	21	25
Tax exempt (income) / loss	(196)	(201)
	7,444	9,623
Adjustments for current tax of prior periods	(22)	(214)
	(22)	(214)
Income tax expense	7,422	9,409

8 Cash and cash equivalents

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

The below 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 2016 \$'000	30 June 2015 \$'000
Cash at bank and on hand	8,938	7,222
Balances per statement of cash flows	8,938	7,222

(b) 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 Trade and other receivables

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Net trade receivables		
Trade receivables	6,043	5,302
Provision for impairment of receivables (a)	(93)	(96)
	5,950	5,205
Accrued revenue	2,339	3,383
Other assets	194	(22)
Prepaid expenses	1,486	1,699
	9,969	10,265

(a) Impaired trade receivables

As at 30 June 2016 current trade receivables of the Group with a value of \$164,000 (2015 - \$426,000) were assessed as potentially impaired. The amount of the provision was \$93,000 (2015 - \$96,000). 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 2016 \$'000	30 June 2015 \$'000
Over 3 months	164	426
	164	426

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

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
At 1 July	96	49
Provision for impairment recognised during the year	98	81
Receivables written off during the year as uncollectible	(3)	(1)
Unused amount reversed	(98)	(33)
	93	96

9 Trade and other receivables (continued)

(a) Impaired trade receivables (continued)

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

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

(b) Past due but not impaired

As at 30 June 2016, trade receivables of the Group of \$709,000 (2015 - \$1,056,000) 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 2016 \$'000	30 June 2015 \$'000
Up to 3 months	675	1,052
Over 3 months	34	4
	709	1,056

10 Purchased debt ledgers

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Current	61,071	57,167
Non-current	204,241	198,822
	265,312	255,989

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.

11 Other current assets

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Other deposits	21	120
Legal and court costs capitalised - net	1,087	969
	1,108	1,089

Notes to the financial statements

For the Year Ended 30 June 2016

12 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 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
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
Year ended 30 June 2016					
Opening net book amount	2,486	2,436	-	553	5,475
Additions	122	1,109	-	783	2,014
Disposals	(68)	(1,085)	-	-	(1,153)
Depreciation charge	(655)	(1,404)	-	-	(2,059)
Transfers	444	331	-	(775)	-
Closing net book amount	2,329	1,387	-	561	4,277
At 30 June 2016					
Cost or fair value	9,450	5,161	-	561	15,172
Accumulated depreciation	(7,121)	(3,774)	-	-	(10,895)
Net book amount	2,329	1,387	-	561	4,277

(a) Non current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

Notes to the financial statements

For the Year Ended 30 June 2016

13 Intangible assets

	Goodwill \$'000	Computer software \$'000	Customer contracts \$'000	Other intangible assets \$'000	Work-in-progress – cost * \$'000	Total \$'000
At 1 July 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)
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
Year ended 30 June 2016						
Opening net book amount	19,719	3,363	2,009	127	10,396	35,614
Exchange differences	8	-	-	-	-	8
Additions - internal development	-	41	-	-	3,214	3,255
Amortisation charge	-	(1,111)	(364)	(38)	-	(1,513)
Disposals	-	-	-	-	-	-
Transfers	-	11,132	-	-	(11,132)	-
Closing net book amount	19,727	13,425	1,645	89	2,478	37,364
At 30 June 2016						
Cost	23,490	22,060	2,487	184	2,478	50,699
Accumulated amortisation and impairment	(3,763)	(8,635)	(842)	(95)	-	(13,335)
Net book amount	19,727	13,425	1,645	89	2,478	37,364

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

13 Intangible assets (continued)**(a) Impairment tests for goodwill**

All goodwill is allocated to the Company's Collection Services cash-generating unit (CGU).

The recoverable amount of the 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.

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

CGU	Growth rate (revenue)*		Growth rate (expenses)**		Discount rate ***	
	30 June 2016 %	30 June 2015 %	30 June 2016 %	30 June 2015 %	30 June 2016 %	30 June 2015 %
Collection services	5.00	5.00	3.00	3.00	12.70	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 (2015:Nil).

(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 (2015: Nil).

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.

14 Trade and other payables

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Trade payables	7,054	4,790
Accrued expenses	5,788	9,626
Other payables	2,243	1,597
	15,085	16,013

15 Provisions

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Current		
Employee benefits	3,283	3,039
Make good	1,105	-
Fringe benefits tax	66	28
	4,454	3,067
Non-current		
Employee benefits	366	402
	366	402

15 Provisions (continued)**(a) Movements in provisions**

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

	Make good \$'000	Fringe benefits tax \$'000
2016		
Current		
Carrying amount at start of year	-	28
- additional provisions recognised	1,105	269
- payments / other sacrifices of economic benefits	-	(231)
Carrying amount at end of year	1,105	66
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

(b) 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.

16 Other financial liabilities

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Current		
Contingent consideration (note 27 (a))	250	1,545
Finance lease liabilities	249	454
Lease incentive liabilities	415	-
Other current financial liabilities	118	150
	1,032	2,149
Non-current		
Finance lease liabilities	180	477
Lease incentive liabilities	3,631	-
	3,811	477

17 Borrowings

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Secured		
Bank loans	118,200	119,000
Total secured non-current borrowings	118,200	119,000

(a) Secured liabilities and assets pledged as security

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
The total secured liabilities are as follows:		
Bank loans	118,200	119,000
Total secured liabilities	118,200	119,000

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

17 Borrowings (continued)

The carrying amounts of assets pledged as security for borrowings are:

	Notes	Consolidated	
		30 June 2016 \$'000	30 June 2015 \$'000
Current			
Floating charge			
Cash and cash equivalents	8	8,938	7,222
Receivables	9	9,969	10,265
Purchased debt ledgers	10	61,071	57,167
Total current assets pledged as security		79,978	74,654
Non-current			
Floating charge			
Purchased debt ledgers	10	204,241	198,822
Plant and equipment	12	4,277	5,475
Total non-current assets pledged as security		208,518	204,297
Total assets pledged as security		288,496	278,951

(b) Fair value

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

Group	30 June 2016		30 June 2015	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
On-balance sheet (i)				
Non-traded financial liabilities				
Bank loans	118,200	118,200	119,000	119,000
	118,200	118,200	119,000	119,000

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

(i) On-balance sheet

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

(c) Risk exposures

Information about the Group's exposure to interest rate and foreign currency changes is provided in note 2. For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 2.

18 Deferred tax balances**(a) Deferred tax assets**

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
The balance comprises temporary differences attributable to:		
Tax losses	506	238
Provisions and employee benefits	1,403	1,356
Lease incentives	1,214	-
Accruals	88	53
Unearned revenue	29	-
Doubtful debts	28	29
Future deductible windup costs	3	6
Other	19	12
	3,290	1,694
Set-off of deferred tax liabilities pursuant to set-off provisions (b)	(3,290)	(1,694)
Net deferred tax assets	-	-
Movements:		
Opening balance at 1 July	1,694	1,819
Credited / (charged) to the income statement (note 7)	1,596	(125)
Closing balance at 30 June	3,290	1,694

18 Deferred tax balances (continued)

Movements – Consolidated	Tax losses \$'000	Provisions and employee benefits \$'000	Lease incentive \$'000	Accruals \$'000	Unearned revenue \$'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

Movements – Consolidated	Tax losses \$'000	Provisions and employee benefits \$'000	Lease incentive \$'000	Accruals \$'000	Unearned revenue \$'000	Doubtful debts \$'000	Future deductible windup costs \$'000	Other \$'000	Total \$'000
At 30 June 2015	238	1,356	-	53	-	29	6	12	1,694
- to profit or loss	268	47	1,214	35	29	(1)	(3)	7	1,596
At 30 June 2016	506	1,403	1,214	88	29	28	3	19	3,290

(b) Deferred tax liabilities

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	3,044	2,956
Purchased debt	605	577
Prepayments	6	4
Other	13	11
	3,668	3,548
Total deferred tax liabilities	3,668	3,548
Set-off of deferred tax liabilities pursuant to set-off provisions (a)	(3,290)	(1,694)
Net deferred tax liabilities	378	1,854
Movements:		
Opening balance at 1 July	3,548	3,150
Charged / (credited) to the income statement (note 7)	120	398
Closing balance at 30 June	3,668	3,548

18 Deferred tax balances (continued)

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

Movements - Consolidated	Property, plant and equipment \$'000	Purchased debt \$'000	Prepayments \$'000	Other \$'000	Total \$'000
At 30 June 2015	2,956	577	4	11	3,548
- to profit or loss	88	28	2	2	120
At 30 June 2016	3,044	605	6	13	3,668

19 Contributed equity

(a) Share capital

	Company		Company	
	2016 Shares	2015 Shares	2016 \$'000	2015 \$'000
Ordinary shares				
Fully paid	134,489,172	131,199,651	111,006	105,307
	134,489,172	131,199,651	111,006	105,307
Total contributed equity			111,006	105,307

19 Contributed equity (continued)**(b) Movements in ordinary share capital**

Issues of ordinary shares during the year

Date	Details	Number of shares	\$'000
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
1 July 2015	Opening balance	131,199,651	105,307
1 September 2015	Performance Rights Plan	1,019,670	2,546
16 October 2015	Dividend reinvestment plan issues	789,260	1,729
11 December 2015	Performance Rights Plan	64,666	100
1 April 2016	Dividend reinvestment plan issues	1,415,925	1,349
	Less: Transaction costs arising on share issues	-	(25)
30 June 2016	Closing balance	134,489,172	111,006

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

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

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

(d) Dividend reinvestment plan

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

(e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 29.

(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 29.

19 Contributed equity (continued)**(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.

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 2016 and 2015 financial years.

20 Reserves and retained earnings

(a) Reserves

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Share-based payments reserve	191	3,429
Foreign currency translation reserve	(1,220)	(1,241)
	(1,029)	2,188

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Movements:		
Share-based payments reserve		
Balance 1 July	3,429	2,516
Rights expense	(3,238)	913
Balance 30 June	191	3,429

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	(1,241)	(557)
Currency translation differences arising during the year	21	(684)
Balance 30 June	(1,220)	(1,241)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Balance 1 July	63,170	51,745
Net profit for the year	18,562	22,483
Dividends	(11,404)	(11,058)
Balance 30 June	70,328	63,170

20 Reserves and retained earnings (continued)

(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.

21 Dividends

(a) Ordinary shares

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Fully franked final dividend for the year ended 30 June 2015 – 4.7 cents per share (2014 – 4.1 cents)	6,214	5,318
Fully franked interim dividend for the year ended 30 June 2016 – 3.9 cents per share (2015 – 4.4 cents)	5,190	5,740
	11,404	11,058
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 30 June 2016 and 2015 were as follows:		
Paid in cash	8,326	8,017
Satisfied under the Dividend Reinvestment Plan	3,078	3,041
	11,404	11,058

(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 3.9 cents per fully paid ordinary share (2015 – 4.7 cents, fully franked). The aggregate amount of the proposed dividend expected to be paid on 21 October 2016 out of retained profits and a positive net balance sheet at 30 June 2016, but not recognised as a liability at year end, is	5,245	6,166
	5,245	6,166

21 Dividends (continued)**(c) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2016 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 2017.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2016 and will be recognised in subsequent financial reports.

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015 – 30%)	34,404	30,397
	34,404	30,397

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

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- 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.

22 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 2016 \$	30 June 2015 \$
Audit and review services		
(a) Auditors of the Company – KPMG		
Audit and review of the financial statements	166,989	-
Other regulatory audit services	42,750	-
Total auditors' remuneration	209,739	-
(b) Auditors of the Company - PKF Hacketts Audit		
Audit and review of the financial statements	-	148,900
Other regulatory audit services	-	88,000
Total auditors' remuneration	-	236,900
(c) Other auditors		
Audit and review of the financial statements	3,729	4,143
Other regulatory audit services	27,100	-
Total auditors' remuneration	30,829	4,143
Other services		
Auditors of the Company – KPMG		
Review of CreditCollect acquisition earn out calculation	3,500	-
In relation to taxation services	112,000	-
In relation to information technology services	49,467	-
	164,967	-

23 Contingencies**(a) Contingent liabilities**

The Group had contingent liabilities at 30 June 2016 in respect of:

Claims

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

Guarantees

- (a) Bank Guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to \$8,076,875 (2015: \$7,293,344). During the period, the Group replaced Bank Guarantees and obtained additional Bank Guarantees to secure our continued performance in the normal course of business resulting in the increase. It is expected that some Bank Guarantees will be returned in the coming year, reducing the liability.
- (b) Guarantees and Indemnities (secured) given by the Company and certain of its subsidiaries in support of the existing Syndicated Loan 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.

24 Commitments**(a) Capital commitments**

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

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Purchased debt ledgers	16,525	41,372
	16,525	41,372

24 Commitments (continued)**(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 2016 \$'000	30 June 2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,608	5,626
Later than one year but not later than five years	25,098	23,532
Later than five years	31,220	36,771
	62,926	65,929

(c) Non-cancellable finance leases

The Group leases items of plant and equipment and intangibles under finance leases expiring within three years.

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows:		
Within one year	310	572
Later than one year but not later than five years	185	495
Later than five years	-	-
Minimum lease payments	495	1,067
Less: Future finance charges	(19)	(54)
Recognised as a liability	476	1,013

25 Related party transactions**(a) Group companies**

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in note 27.

(b) Key management personnel compensation

	Consolidated	
	30 June 2016 \$	30 June 2015 \$
Short-term employee benefits	2,669,637	3,316,517
Post-employment benefits	207,658	229,562
Other long-term benefits	51,042	-
Termination benefits	45,775	-
Share-based payments	(733,572)	790,768
	2,240,540	4,336,847

Detailed remuneration disclosures are provided in sections A-J of the remuneration report on pages 36 to 50.

(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.

26 Parent entity financial information**(a) Summary financial information**

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

	Company	
	30 June 2016 \$'000	30 June 2015 \$'000
Balance sheet		
Current assets	12,320	6,375
Non-current assets	288,689	276,474
Total assets	301,009	282,849
Current liabilities	22,790	17,061
Non-current liabilities	148,236	141,345
Total liabilities	171,026	158,406
Shareholders' equity		
Contributed equity	111,006	105,309
Reserves	191	3,430
Retained earnings	18,786	15,704
Capital and reserves attributable to owners of Collection House Limited	129,983	124,443
Profit or loss for the year	14,487	15,311
Total comprehensive income	14,487	15,311

(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 23.

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 23 for contingent liabilities entered into by the parent entity. For information about guarantees given by the parent entity, please see above.

27 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):

	2016 %	2015 %
Parent and Ultimate Parent company:		
Collection House Limited		
Controlled entities - incorporated in Australia		
Cashflow Accelerator Pty Ltd	100	100
ThinkMe Pty Ltd (formerly 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		
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 \$3,095,014 has been paid at 30 June 2016. A final payment of \$250,000 was made on 1 July 2016 in order to finalise the acquisition. This amount was recorded as a liability at 30 June 2016, as outlined in Note 16, with the excess of \$21,514 paid over and above that calculated as contingent consideration expensed to the Income Statement at 30 June 2016. 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 13.

28 Earnings per share

	Consolidated	
	30 June 2016 Cents	30 June 2015 Cents
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	14.0	17.2
Total basic earnings per share attributable to the ordinary equity holders of the Company	14.0	17.2
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the Company	13.9	17.1
Total diluted earnings per share attributable to the ordinary equity holders of the Company	13.9	17.1
	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	18,562	22,483
	18,562	22,483
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	18,562	22,483
	18,562	22,483
	Consolidated	
	30 June 2016 Number	30 June 2015 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	133,024,624	130,500,443
Adjustments for calculation of diluted earnings per share:		
Performance Rights	232,363	884,800
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	133,256,987	131,385,243

28 Earnings per share (continued)**(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 30% 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 29.

29 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), and to eligible employees.

Future performance rights may be issued by the Board pursuant to the PRP. The board determines the value of shares granted based on the individual's performance. Future performance rights may vest at the discretion of the Board, subject to not only individual service conditions being met, but also, Company performance hurdles being achieved.

29 Share-based payments (continued)**(a) Performance Rights Plan (continued)**

During the reporting period ending 30 June 2016, 467,365 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 PR2016.

	PR2016	
Effective date	1 July 2015	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date ⁽¹⁾	
Performance hurdles based on the satisfactory achievement of performance conditions approved by the Board	Performance Conditions	% off Pool
	Average compound EPS growth over performance period of at least 5%	50%
	Additional amount capable of vesting on a sliding scale capped at 10% average compound EPS growth	50%
	Total	100%
Exercise conditions and Vesting Date	<p>The Performance Rights Test Date will be 30 June 2018 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved.</p> <p>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:</p> <ol style="list-style-type: none"> whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and 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 2018	
	A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:	
	<ol style="list-style-type: none"> where Performance Hurdles have not been satisfied as at the relevant Test Date; if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and 30 September 2018. 	
5 Day volume weighted average Share price	\$2.2152	

⁽¹⁾ Test Date: the date at which assessment against the Performance Conditions are made by the Board. For PR2016, the Test Date will be 30 June 2018.

29 Share-based payments (continued)

(a) Performance Rights Plan (continued)

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.

29 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.

29 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 Jul 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	<table border="1"> <thead> <tr> <th>Performance Conditions</th> <th>% off Pool</th> </tr> </thead> <tbody> <tr> <td>Average ROE</td> <td>25%</td> </tr> <tr> <td>Debt/Debt + Equity</td> <td>25%</td> </tr> <tr> <td>EPS Base</td> <td>25%</td> </tr> <tr> <td>EPS Stretch</td> <td>25%</td> </tr> <tr> <td>Total</td> <td>100%</td> </tr> </tbody> </table>	Performance Conditions	% off Pool	Average ROE	25%	Debt/Debt + Equity	25%	EPS Base	25%	EPS Stretch	25%	Total	100%
Performance Conditions	% off Pool												
Average ROE	25%												
Debt/Debt + Equity	25%												
EPS Base	25%												
EPS Stretch	25%												
Total	100%												
Exercise conditions and Vesting Date	<p>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.</p> <p>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:</p> <ol style="list-style-type: none"> whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and 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												
	<p>A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:</p> <ol style="list-style-type: none"> where Performance Hurdles have not been satisfied as at the relevant Test Date; if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and 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.

29 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 - 2016								
1 July 2013	30 September 2016	Nil	816,733	-	64,666	752,067	-	-
1 July 2014	30 September 2017	Nil	680,184	-	-	124,174	556,010	-
1 July 2015	30 September 2018	Nil	-	467,365	-	86,913	380,452	-
Total			1,496,917	467,365	64,666	963,154	936,462	-

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	326,114	1,496,917	1,019,667

* Vested performance rights were issued on 1 September 2015.

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.

29 Share-based payments (continued)**(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 2016 \$'000	30 June 2015 \$'000
Employee share options	-	-
Employee performance rights	850	913
Total expenses arising from share-based payment transactions	850	913

30 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	30 June 2016 \$'000	30 June 2015 \$'000
Profit for the year	18,562	22,483
Depreciation and amortisation	6,135	4,839
Amortisation of purchased debt ledgers	48,629	50,090
Asset write offs	1,740	-
Non-cash employee benefits expense - share based payments	(593)	913
Provision for doubtful debts	(3)	47
Other non-cash expenses	541	524
Borrowing costs	1,445	1,439
Interest paid	4,702	4,480
Change in operating assets and liabilities		
(Increase) / decrease in trade debtors and bills of exchange	(57)	(126)
(Increase) / decrease in sundry debtors	417	(1,287)
(Increase) / decrease in other non-current assets	(2,206)	(2,440)
Increase / (decrease) in trade creditors	2,264	1,581
Increase / (decrease) in sundry creditors and accruals	2,872	(353)
Increase / (decrease) in current tax liability	1,311	(5,044)
Increase / (decrease) in deferred tax liabilities	(1,476)	523
Net cash inflow (outflow) from operating activities	84,283	77,669

31 Events occurring after the reporting period**(a) Dividend**

A fully franked final dividend of 3.9 cents, totalling \$5.2 million, has been declared, payable on 21 October 2016. No provision has been raised in these accounts for this amount.

Directors' declaration

For the Year Ended 30 June 2016

In the directors' opinion:

- a. the financial statements and notes set out on pages 56 to 117 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 2016 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
18 August 2016

Independent auditor's report to the members

For the Year Ended 30 June 2016

**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 (the company), which comprises the consolidated Balance sheet as at 30 June 2016, and consolidated Income statement, consolidated Statement of comprehensive income, consolidated Statement of changes in equity and consolidated Statement of cash flows for the year ended on that date, notes 1 to 31 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group 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 is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
- giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (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 in pages 36 to 50 of the Directors' Report for the year ended 30 June 2016. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Collection House Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Scott Guse
Partner

Brisbane
18 August 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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The shareholder information set out below was applicable as at 18 August 2016.

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	3,379
1,001-5,000	6,620	18,590,682
5,001-10,000	2,250	17,152,740
10,001-100,000	1,682	40,295,491
100,001 and over	70	56,443,420
Total	14,001	134,489,172

There were 926 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. Ankla Pty Ltd	12,295,529	9.14
2. HSBC Custody Nominees (Australia) Limited	10,109,352	7.52
3. JP Morgan Nominees Australia Limited	8,758,250	6.51
4. Citicorp Nominees Pty Limited	5,925,775	4.41
5. Poltick Pty Ltd	1,538,684	1.14
6. Rollee Pty Ltd	1,053,839	0.78
7. Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	929,184	0.69
8. Durbin Superannuation Pty Ltd (Durbin Family S Fund A/C)	830,000	0.62
9. Newcastle Pty Ltd	740,366	0.55
10. Skylevi Pty Ltd (Superfun Super Fund A/C)	623,944	0.46
11. Garrett Smythe Limited	564,430	0.42
12. BNP Paribas Noms Pty Ltd (DRP)	557,090	0.41
13. Navigator Australia Ltd (MLC Investment Sett A/C)	554,737	0.41
14. National Nominees Limited	467,740	0.35
15. ABN AMRO Clearing Sydney Nominees Pty Ltd (Custodian A/C)	462,731	0.34
16. Mr Haiying Wu	456,789	0.34
17. Mrs Li Fan	448,800	0.33
18. HSBC Custody Nominees (Australia) Limited – A/C 2	438,389	0.33
19. Sunstar Australia Pty Ltd	418,485	0.31
20. Mr Kerry Daly	394,607	0.29
Total	47,568,721	35.37

Shareholder Information

Unquoted equity securities

Details of these Performance Rights are set out at note 29 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 2016								
1 July 2013	30 September 2016	Nil	816,733	-	64,666	752,067	-	-
1 July 2014	30 September 2017	Nil	680,184	-	-	124,174	556,010	-
1 July 2015	30 September 2018	Nil	-	467,365	-	86,913	380,452	-
Total			1,496,917	467,365	64,666	963,154	936,462	-

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.

C. SUBSTANTIAL HOLDERS

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

Holder	Units	% of issued capital
Ankla Pty Ltd, Poltick Pty Ltd, Newcastle Pty Ltd, Skylevi Pty Ltd (Superfun Superfund) and Sunstar Australia Pty Ltd (combined shareholdings)	15,627,008	11.61
HSBC Custody Nominees (Australia) Limited	10,547,741	7.84
JP Morgan Nominees Australia Limited	8,758,250	6.51

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)

Kerry Daly

Director (Non-Executive)

Philip Hennessy

Director (Non-Executive)

Julie-Anne Schafer

Director (Non-Executive)

Leigh Berkley

Director (Non-Executive)
(appointed 1 July 2016)

Lev Mizikovskiy

Director (Non-Executive)
(appointed 1 July 2016)

Executive Management Team

Anthony Rivas

Chief Executive Officer
(appointed 6 July 2016)

George Wilson

Chief Financial Officer
(appointed 1 September 2016)

Michelle Cummins

Chief People and Culture Officer
(appointed 30 November 2015)

Marcus Barron

Chief Information Officer

Julie Tealby

Chief Risk Officer and Company Secretary

Main contact

Julie Tealby

Company Secretary

T: +61 7 3100 3418

E: Julie.Tealby@collectionhouse.com.au

Principal registered office in Australia

Level 12, 100 Skyring Terrace
Newstead Qld 4006

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F: +61 7 3832 0222

W: www.collectionhouse.com.au

Postal address

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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

KPMG

71 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 4 November 2016 at 11:00am at the Emporium Hotel, 1000 Ann Street, Fortitude Valley, Brisbane, Queensland



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