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Collection House Limited ABN 74 010 230 716
ASX preliminary final report for the year ended 30 June 2016
Lodged with the ASX under listing Rule 4.3A

Contents

Collection House Limited

Appendix 4E

		%		$'000
Revenue from continuing operations	up	5.3	to	132,694
Profit / (loss) from continuing operations after tax attributable to members	down	17.4	to	18,562
Net profit / (loss) for the period attributable to members *(Appendix 4E item 2.3)*	down	17.4	to	18,562
Dividends / distributions *(Appendix 4E item 2.4)*	Amount per security		Franked amount per security	
Current period				
Final dividend (year ended 30 June 2016 - to be paid 21 October 2016)		3.9		3.9
Interim dividend (year ended 30 June 2016 - paid 1 April 2016)		3.9		3.9
Previous corresponding period				
Final dividend (year ended 30 June 2015 - paid 16 October 2015)		4.7		4.7
Interim dividend (year ended 30 June 2015 - paid 27 March 2015)		4.4		4.4

Key Ratios	**2016**	2015
	June	June
Basic earnings per share (cents)	**14.0**	17.2
Net tangible assets per share (cents)	**106.3**	104.3

Record date for determining entitlements to the final dividend	29 September 2016
Payment date for final dividend *(Appendix 4E item 2.5)*	21 October 2016

Explanation of Results *(Appendix 4E item 2.6)*
Refer to Directors' Report - Review of operations.

Explanation of Dividends *(Appendix 4E item 2.6)*
Refer to Directors' Report - Dividends.

Dividend Reinvestment Plans *(Appendix 4E item 8)*
During the period, $3.08m was raised under the Collection House Limited Dividend Reinvestment Plan (DRP). The DRP remains active in respect to the final dividend for the period to 30 June 2016. The last date for receipt of applications to participate in the 2016 final year DRP is 30 September 2016. The Payment Date is 21 October 2016.

The issue price offered to the eligible shareholders will be an amount equal to the volume weighted average price of the Company's shares sold during the 10 trading days on and from the ex-dividend date (namely, Wednesday 28 September 2016), less an attractive 5% discount.

The DRP offer will be made to all Australian and New Zealand Resident shareholders who hold ordinary shares in the Group on the record date.

Status of Audit *(Appendix 4E 15)*
The 30 June 2016 financial report and accompanying notes for Collection House Limited have been audited and are not subject to any disputes or qualifications.

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Place of business	Level 12, 100 Skyring Terrace Newstead QLD 4006 PO Box 2247 Fortitude Valley BC QLD 4006
Principal registered office in Australia	Level 12, 100 Skyring Terrace Newstead QLD 4006
Share register	Computershare Investor Services Pty Ltd GPO Box 2975 Melbourne VIC 3000 Telephone: 1300 850 505 Facsimile: +61 7 3237 2152 www.computershare.com.au
Auditor	KPMG 71 Eagle Street Brisbane QLD 4000
Stock exchange listings	Collection House Limited shares are listed on the Australian Securities Exchange (ASX). The home exchange is Sydney. ASX Code: CLH

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 Punches (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 8 to 10 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.

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

	Collection services		Purchased Debt Ledgers (PDLs)		Consolidated	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '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.

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 Mangement Committee and the Board.

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

Dividends

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

Declared and paid during the year 2016	Cents per share	Total amount $'000	Date of payment
Final 2015 ordinary	4.7	6,214	16 October 2015
Interim 2016 ordinary	3.9	5,190	1 April 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 October 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:

(a) 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:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Information on directors

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.

Kerry Daly	**Independent, Non-executive Director.**
Qualifications	BBus (Acc).
Experience	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. Mr Daly is currently a Non-executive Director of Trustees Australia Limited. During the period 1987 to December 2000, Mr Daly was MD and CEO of The Rock Building Society Limited where he initiated its demutualisation and was responsible for its ASX listing. From January 2001, he served as Executive Director of the fixed interest brokerage and investment banking business Grange Securities Limited.
Special responsibilities	Chair of the Audit and Risk Management Committee.
Interest in shares	394,607 ordinary shares in CLH.
David Gray	**Independent, Non-executive Director.**
Qualifications	BSc (UK), Honorary Doctorate.
Experience	Mr Gray has more than 21 years of experience in senior executive positions with large national and international companies. He is currently the Chair of Queensland Cyber Infrastructure, a position he has held since March 2008, Chair of Australian Urban Infrastructure Network, a position he has held since 2010 and is an adjunct professor at QUT and Chairman of Zuuse, a position he has held since March 2015. Previously, Mr Gray was Deputy Chair of the Civil Aviation Safety Authority (CASA) from 2009 to 2014, a Director of Brisbane Airport Corporation from 2010 to 2014, Chair of Queensland Motorways from 2006 to 2010, Chair of WaterSecure from 2008 to 2011, MD of Boeing Australia from 1995 to 2006, MD of GEC Marconi (Australia) from 1990 to 1995 and Divisional Chief Executive of GEC (Australia) Heavy Engineering from 1984 to 1990. Mr Gray was appointed to Collection House Limited's Board on 28 June 2011 and elected a Director on 28 October 2011.
Special responsibilities	Chair of the Remuneration Committee from 5 December 2013. Chair of the Remuneration and Nomination Committee from 10 July 2014. Member of the Audit and Risk Management Committee to 5 December 2013.
Interest in shares	183,098 ordinary shares in CLH.
Philip Hennessy	**Independent, Non-executive Director.**
Experience	Mr Hennessy was, until February 2013, Queensland Chair of KPMG, Chartered Accountants. After 12 years in that role and some 30 years being involved in all aspects of corporate insolvency and reconstruction, he retired from KPMG in July 2013. As Queensland Chair of KPMG, he was responsible for the leadership of KPMG in the Queensland market. This role included operational efficiency, strategic direction, go to market strategy, engagement of KPMG's people, engagement with its clients and KPMG's connection to the community. Mr Hennessy is currently a 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. Mr Hennessy was appointed to the Board of Collection House Limited on 22 August 2013 and elected a Director on 25 October 2013.
Special responsibilities	Member of the Audit and Risk Management Committee from 5 December 2013. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	50,000 ordinary shares in CLH.

Julie-Anne Schafer	**Independent, Non-executive Director.**
Qualifications	LLB (Hons), FAICD
Experience	Ms Schafer is an accomplished Director with experience across a broad range of industries. She has worked in a number of Non-executive Director roles with a focus on business outcomes, customers, risk management and governance. She is 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. 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. 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. Ms Schafer was appointed to the Board of Collection House Limited on 28 January 2014.
Special responsibilities	Member of the Remuneration Committee from 28 January 2014. Member of the Remuneration and Nomination Committee from 10 July 2014.
Interest in shares	66,500 ordinary shares in CLH.
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	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'. 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. 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. Mr Berkley was appointed to the Board of Collection House Limited on 1 July 2016.
Special responsibilities	Member of the Remuneration and Nomination Committee from 27 July 2016.
Interest in shares	No ordinary shares in CLH.
Lev Mizikovsky	**Non-executive Director.**
Qualifications	FAICD
Experience	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. Mr Mizikovsky is currently Non-executive Chairman of AstiVita Limited (AIR) and has been a Director of AstiVista 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. 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. Mr Mizikovsky was appointed to the Board of Collection House Limited on 1 July 2016.
Special responsibilities	Member of the Remuneration Committee from 27 July 2016. Member of the Remuneration and Nomination Committee from 27 July 2016
Interest in shares	15,627,008 ordinary shares in CLH.

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 Punches*	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 Punches retired at the 23 October 2015 AGM

** Not a member of the relevant Board Committee.

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)
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 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.

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.

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.

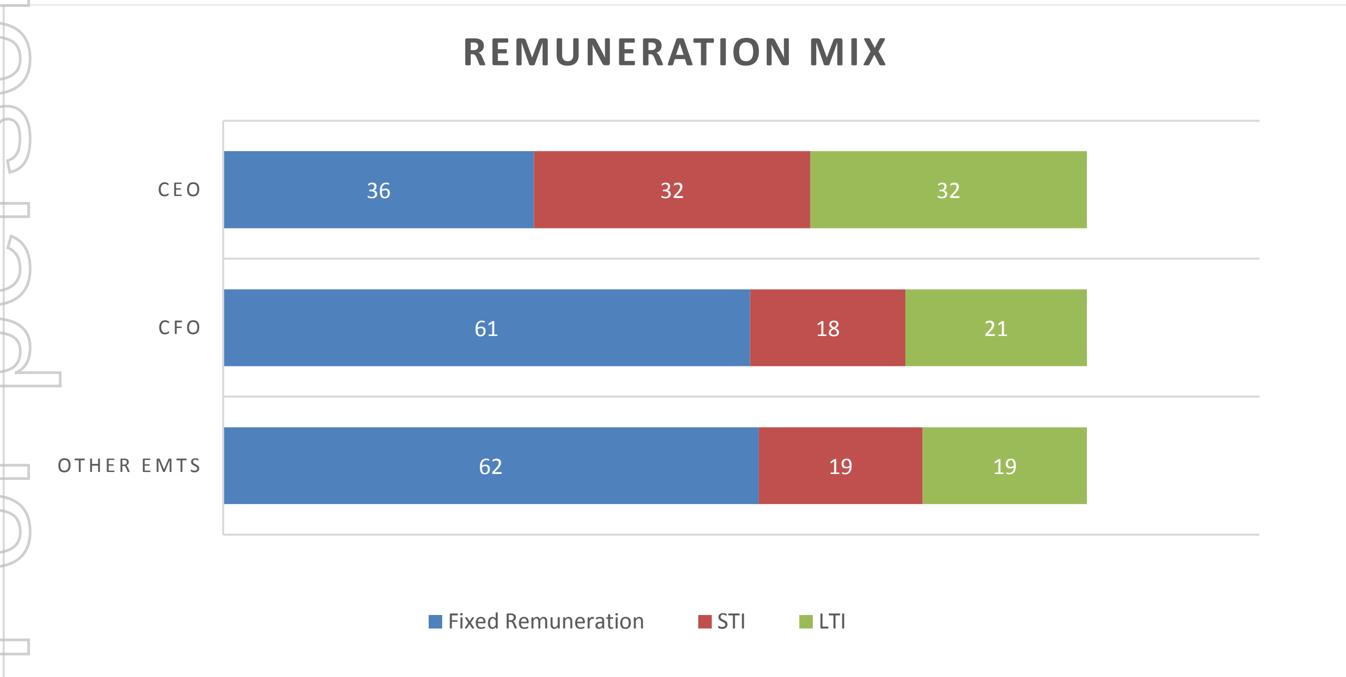
The Group aims to reward members of the EMT with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

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 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.

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.

<u>MD and CEO STI targets for FY16</u>

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. 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

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.

Not withstanding 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**

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.

Details of remuneration: cash bonuses and performance rights

For each cash bonus and grant of performance rights included in the table on page 23 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					
	Awarded %	Forfeited %	Financial year granted	Vested %	Forfeited %	Lapsed %	Financial years in which performance rights may be issued (subject to certain qualifying hurdles)	Maximum total value of performance rights yet to be expensed
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

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.

<u>Retirement allowances for Directors</u>

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

F Details of remuneration of Directors and key management personnel

Amounts of remuneration

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

		Short-term				Post-employment	Other long term		Share-based payments		
									Rights		
In Dollars		Salary and fees	STI Cash bonus	Non-monetary benefits	Total	Superannuation benefits		Termination benefits		Total	Proportion of remuneration performance related
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	

		Short-term				Post-employment	Other long term		Share-based payments		
						Superannuation benefits	Annual and long service leave	Termination benefits	Rights		
In Dollars		Salary and fees	STI Cash bonus	Non-monetary benefits	Total					Total	Proportion of remuneration performance related
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 4/12/2105)**	**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 24/12/2105)**	**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 Name	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 Non-Executive Directors	Balance at start of the year	Other changes during the year	Balance at the end of the year
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.

2016 Executive Director and other key management personnel	Balance at start of the year	Received during the year on the exercise of options	Received on vesting of performance rights	Other changes during the year	Balance at the end of the year
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	No of shares issued 2016	No 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.

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 Processional 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.

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

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 28.

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

KPMG

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

KPMG

Scott Guse

Scott Guse
Partner

Brisbane
18 August 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
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
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.

	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			
Items that may be reclassified subsequently to profit or loss			
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.

	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.

Consolidated	Notes	Attributable to owners of Collection House Limited: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'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.

	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.

1 Summary of significant accounting policies (continued)

(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.

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.

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.

1 Summary of significant accounting policies (continued)

(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.

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

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

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

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

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

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

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

(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.

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.

1 Summary of significant accounting policies (continued)

(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.

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.

1 Summary of significant accounting policies (continued)

(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 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.

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iv) Share-based payments (continued)
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.

(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.

1 Summary of significant accounting policies (continued)

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of amounts

The Company is of a kind referred to in 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:

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

(ii) AASB 15 *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018)

(iii) AASB 16 *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019)

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.

1 Summary of significant accounting policies (continued)

(ab) Parent entity financial information (continued)

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.

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.

2 Financial risk management (continued)

(a) Market risk (continued)

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

Consolidated	**30 June 2016** Weighted average interest rate %	**30 June 2016** Balance $'000	30 June 2015 Weighted average interest rate %	30 June 2015 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.

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

Consolidated		Interest rate risk			
		-25 bps		+25 bps	
30 June 2016	Carrying amount $'000	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		Interest rate risk			
		-25 bps		+25 bps	
30 June 2015	Carrying amount $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
Financial liabilities	931	2	2	(2)	(2)
Borrowings	10,900	19	19	(19)	(19)
Total increase / (decrease) in financial liabilities		21	21	(21)	(21)
Total increase / (decrease)		21	21	(21)	(21)

2 Financial risk management (continued)

(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.

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. 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	**Less than 6 months**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**
At 30 June 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
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.

(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

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

(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.

4 Segment information (continued)

(c) Geographical information (continued)

(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.

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**	-
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

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

	Consolidated 30 June 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

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.

9 Trade and other receivables (continued)

(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

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

	Plant and equipment $'000	Leasehold improvements $'000	Leased plant and equipment $'000	Work-in-progress $'000	Total $'000
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.

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

	Goodwill $'000	Computer software $'000	Customer contracts $'000	Other intangible assets $'000	Work-in-progress – cost * $'000	Total $'000
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	Consolidated 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

(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** Carrying amount $'000	Fair value $'000	30 June 2015 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	Consolidated 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

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

18 Deferred tax balances (continued)

(b) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
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

	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
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

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

	Company		Company	
	2016 Shares	2015 Shares	**2016 $'000**	2015 $'000
(a) Share capital				
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

(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.

19 Contributed equity (continued)

(d) Dividend reinvestment plan

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

(e) Employee share scheme

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

(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

(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

	Consolidated 30 June 2016 $'000	Consolidated 30 June 2015 $'000
(a) Ordinary shares		
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

(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	Consolidated 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:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

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

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

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

(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 12 to 26.

(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

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

	Consolidated	
	30 June 2016 $'000	30 June 2015 $'000
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

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

	Consolidated	
	30 June 2016 Number	30 June 2015 Number
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

(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.

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	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. 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 2018 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 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)

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: (d) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; (e) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and (f) 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: (e) where Performance Hurdles have not been satisfied as at the relevant Test Date; (f) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; (g) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and (h) 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.

<table>
<tr><td></td><td colspan="2">PR2014</td></tr>
<tr><td>Effective date</td><td colspan="2">1 July 2013</td></tr>
<tr><td>Earliest possible Vesting date</td><td colspan="2">The performance rights cannot vest earlier than the Test Date[2]</td></tr>
<tr><td rowspan="6">Performance hurdles based on the satisfactory achievement of confidential performance conditions approved by the Board</td><td>Performance Conditions</td><td>% off Pool</td></tr>
<tr><td>Average ROE</td><td>25%</td></tr>
<tr><td>Debt/Debt + Equity</td><td>15%</td></tr>
<tr><td>EPS Base</td><td>30%</td></tr>
<tr><td>EPS Stretch</td><td>30%</td></tr>
<tr><td>Total</td><td>100%</td></tr>
<tr><td>Exercise conditions and Vesting Date</td><td colspan="2">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:
(g) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied;
(h) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and
(i) 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.</td></tr>
<tr><td>Exercise price</td><td colspan="2">Nil</td></tr>
<tr><td>Expiry date</td><td colspan="2">30 September 2016
A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of:
(i) where Performance Hurdles have not been satisfied as at the relevant Test Date;
(j) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date;
(k) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and
(l) 30 September 2016.</td></tr>
<tr><td>5 Day volume weighted average Share price</td><td colspan="2">$1.5479</td></tr>
</table>

[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 July 2012 [3]	
Earliest possible Vesting date	The performance rights cannot vest earlier than the Test Date[4]	
Performance hurdles based on the satisfactory achievement of confidential performance conditions approved by the Board	**Performance Conditions**	**% off Pool**
	Average ROE	25%
	Debt/Debt + Equity	25%
	EPS Base	25%
	EPS Stretch	25%
	Total	100%
Exercise conditions and Vesting Date	The Performance Rights Test Date will be 30 June 2015 (Test Date) after which, the Board will determine whether or not the Performance Hurdles have been achieved. As soon as reasonably practicable after each Test Date applicable to any Performance Period, the Board shall determine in respect of each eligible employee, as at that Test Date: (j) whether, and to what extent, the Performance Hurdles applicable as at the Test Date have been satisfied; (k) the number of Performance Rights (if any) that will become Vested Performance Rights as at the Test Date; and (l) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of Performance Hurdles as at the Test Date, and shall provide written notification to each eligible employee as to that determination.	
Exercise price	Nil	
Expiry date	30 September 2015 A Performance Right lapses, to the extent it has not been exercised, on the earlier to occur of: (m) where Performance Hurdles have not been satisfied as at the relevant Test Date; (n) if an eligible employee's employment with the Company or Related Body Corporate ceases before the Vesting Date; (o) the day the Board makes a determination that the Performance Rights lapses because of breach, fraud or dishonesty; and (p) 30 September 2015.	
5 Day volume weighted average Share price [3]	$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.

(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	**2,871)**	(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.

In the directors' opinion:

(a) the financial statements and notes set out on pages 29 to 81 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 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:

(i) 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

(ii) 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 12 to 26 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

KPMG

Scott Guse

Scott Guse
Partner

Brisbane
18 August 2016