COLLECTION HOUSE LIMITED

annual report 2011

Collection House Limited
Leading the way

{ TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Collection House Limited will be held on 28 October 2011 at 11.00am at the Emporium Hotel, 1000 Ann Street, Fortitude Valley, Brisbane, QLD.

The business of the meeting is outlined in the formal Notice and Proxy Form that are enclosed with this report.

{ ASPIRATIONAL GOALS *our commitment to stakeholders is:*

OUR CLIENTS

TO HAVE STRONG RELATIONSHIPS WITH KEY ORGANISATIONS IN SELECTED MARKET SEGMENTS.

TO BE PROVEN BY OUR CLIENTS AS THE AGENCY OF CHOICE IN TERMS OF DELIVERING VALUE AND OUTSTANDING RESULTS.

OUR CUSTOMERS

TO BE REGARDED BY REGULATORS AND CONSUMER REPRESENTATIVES AS LEADING THE WAY IN ETHICAL DEBT COLLECTION AND COMPLIANCE.

OUR STAFF

TO BE VIEWED BY OUR STAFF AS A FIRST CLASS WORKING ENVIRONMENT BUILT ON VALUES OF ACCOUNTABILITY, RESPECT, CLEAR COMMUNICATION, TEAMWORK, PROFESSIONALISM AND INNOVATION.

OUR SHAREHOLDERS

OVER TIME, TO BE ACHIEVING MARKET SECTOR LEADING INCREASES IN PROFITABILITY AND DIVIDENDS.

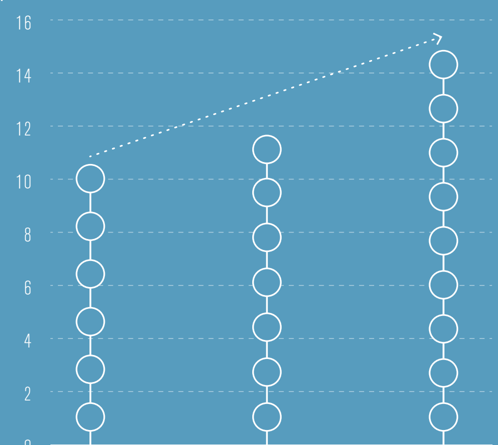
TO ACHIEVE A SHARE PRICE MORE REFLECTIVE OF FINANCIAL PERFORMANCE.

2011

building relationships to last

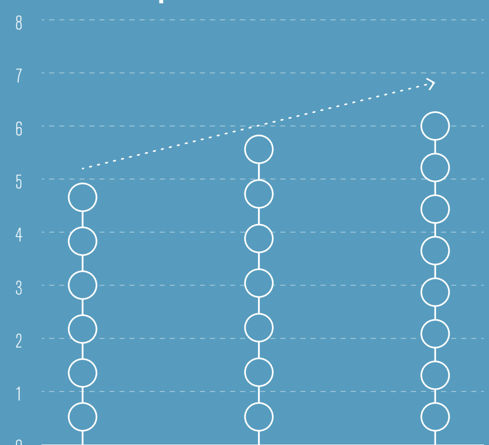
{ GROUP OVERVIEW *2011 our performance*

$M Profit before tax



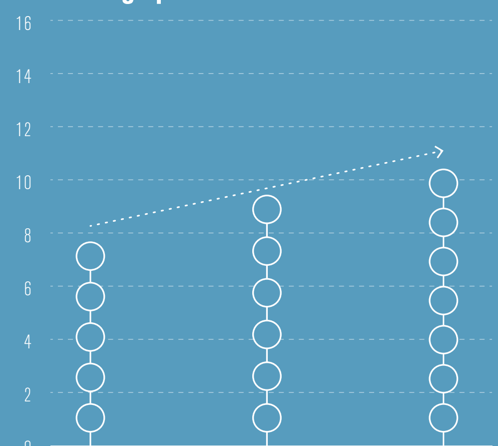
FY09	FY10	FY11
10.5	11.8	14.7
	12%	25%

Cents Dividends per share



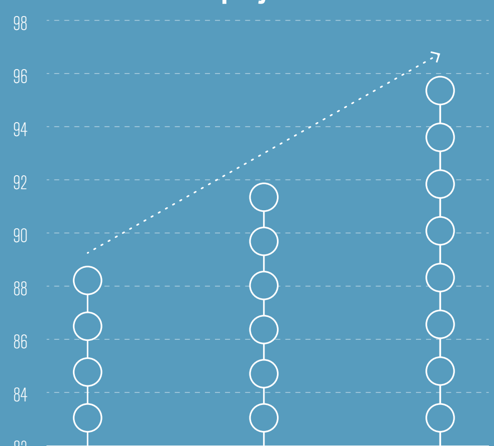
FY09	FY10	FY11
4.9	5.8	6.2
	18%	7%

Cents Earnings per share



FY09	FY10	FY11
7.6	9.2	10.4
	21%	13%

$M Shareholders equity



FY09	FY10	FY11
88.0	91.9	95.9
	4%	4%

{ our profile

FINANCIAL

up 25%

Profit before tax UP
25% to $14.7 million

up 13%

Earnings per share UP
13% to 10.4 cents

up 7%

Dividends per share UP
7% to 6.2 cents

OPERATIONAL

up 8.4%

Average length of service UP
8.4% to 31 months

up 12.3%

Purchased debt collections UP
12.3% to $78 million

up 19%

Repayment arrangement book UP
19% to $152 million

OVER 30 YEARS INDUSTRY EXPERIENCE

+ MORE THAN 2000 SHAREHOLDERS

+ 500 STAFF IN 9 LOCATIONS

CORE BUSINESSES

Purchased Debt

We purchase portfolios of written down receivables with a wide geographic scope and segment range comprised largely of unsecured consumer loans

Commission Collections

Collection of outstanding debts on a 'fee for success' basis with the objective of maximum recovery of overdue amounts in the shortest possible timeframe

Cash Flow Management

Progressive companies outsourcing all or some of their receivables (minimum 1 day past due) for efficient and effective cash flow management

SPECIALIST SERVICES

Jones King Lawyers Pty Ltd

Our in-house legal Recovery and Insolvency Administration subsidiary provides clients with access to a cost effective and highly specialised legal recovery service

Midstate Credit Management Services Pty Ltd

This established agency offers a diverse range of collection and credit consulting services, specialising in the area of local Government

CashFlow Accelerator Pty Ltd

A consultancy service specialising in the analysis of credit functions and performance, identification of specific, relevant business opportunities internally or otherwise with an aim to foster positive growth, increase return and optimise cash flow for business

Collection Learning and Development Pty Ltd

Our Registered Training Organisation, specialising in Financial Services and Frontline Management since 2007, offers training services and development programmes to both the public and private sectors

See page 6 for a more comprehensive update regarding our core services

{ GROUP OVERVIEW *chairman's statement*

"this has been a year of excellent growth both in revenue and earnings"

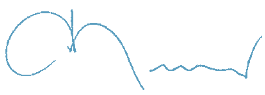
This has been a year of excellent growth both in revenue and earnings. Matt Thomas and his team have stamped their mark on the Company in a positive way and have set up a future that looks sound and likely to produce sustainable shareholder returns.

The Board's decision of four years ago to go forward with a core business focus is paying dividends. The outlook for our key divisions is sound and we are intensifying our marketing efforts to capture as much quality business in those areas as possible.

In February this year, we established a board sub-committee to focus on capital management, shareholder communication, board independence and other areas with the aim of boosting shareholder returns. The sub-committee has been active and recently the Board appointed a new Independent Non-executive Director in Mr David Gray to the Board as part of that program. We have also announced the release of new core services "Cashflow Accelerator" and "Collective Learning and Development." Work continues on all stated initiatives, particularly maximising the return on invested capital. Further announcements will be made as projects are finalised.

After 11 years as a public company we have reached a maturity level with our executive team and staff, compliance, systems and reputation with our clients and regulators that places us in an outstanding position to continue to allow growth and sustainable returns for our investors.

The Board will continue to focus on managing growth and maximising returns for investors.



John Pearce
Chairman

{ chief executive's report

"a year on, I would also observe that even more momentum has been established with clear goals and strategies to drive the business forward in FY12 and beyond"

The 2010/2011 has been a memorable one – my first as CEO and the first during which our Head Office was forced to temporarily close due to a natural disaster, being the Brisbane floods in January 2011.

Those unanticipated challenges are the events which challenge us personally, but also test the tenacity and commitment of our people, and on that count, the Company has been most fortunate with another year of positive results to prove the point.

HIGHLIGHTS

Profitability increased for the fourth consecutive year, with NPAT up 13% to $A10.1m, and pre-tax profit up 25% to $A14.6m. The lower NPAT growth is due to a once off tax credit in the first half of FY10, hence underlying earnings increased at a higher rate than the headline result.

The "arrangement book" (being purchased debts which are subject to repayment arrangements) grew 19% to $152m, which strongly underpins both future recoveries from the purchase debt ledgers and in turn the carrying value of those assets.

Strong cash flow of $A48m (up 21%) funded a 65% increase in the amount invested in purchasing fresh debts by Lion Finance during the year, further enhancing the prospects of strong future growth in performance.

Some of these positive factors were considerations of our bankers in their decision to increase credit facilities from $85m to $100m during the year, and allow an increase in the Loan-Valuation Ratio from 50% to 55%. This facility extension was sought for the purpose of ensuring we have funding available to capitalise on any extra debt purchasing opportunities that arise other than those already factored into operating cash flow plans.

As reported during the year, our commission based collection business had a tougher year but consolidated well in the second half with new contracts contributing revenue more significantly in the last quarter. With the progress so far achieved through a sales focus on quality clientele at a fair price, and the release of new product offerings in late June, we are confident of growth in this segment during the year ahead.

I spoke last year about momentum that had been achieved, and would observe that results from this have been delivered despite some setbacks along the way.

A year on, I would also observe that even more momentum has been established with clear goals and strategies to drive the business forward in FY12 and beyond, now agreed between the Board and Management.

The technology refresh project (C5) was implemented into one business unit in October 2010 and optimisation of the live platform as well as software development of the next phase is continuing, with the next round of live operations anticipated at the end of the current financial year.

During the year, we also commenced outsourced operations in Manilla through two business partners with positive results starting to become apparent, and plans to further expand this capacity are being implemented.

OUTLOOK

In simple terms, our strategy for the mid term (FY12) is to do more of the things that have succeeded and less of those which have underperformed. Therefore, we expect to:

- again increase investment in purchased debt portfolios
- build and leverage strategic relationships to secure more profitable commission collections and legal services business
- further promote our new products, being credit risk consulting (CashFlow Accelerator) and credit management training services (Collective Learning and Development)
- continue to evaluate returns on assets within business segments and pursue opportunities to maximise shareholder returns at every opportunity
- leverage technology, analytics and new ideas to find and implement further ways of 'working smarter' and enhancing competitive edge
- maintain and enhance our core value proposition: to offer quality collections and cash flow management services at reasonable rates while protecting the brand of the Collection House Group and our clients through market leadership in compliance and ethical conduct.

I sincerely look forward to reporting to all shareholders again on our progress in pursuing the strategies above, which aim to achieve optimum returns with a minimised exposure to risk.

Matt Thomas
Chief Executive Officer

{ BUSINESS PERFORMANCE *divisional performance*

PURCHASED DEBT

Our wholly owned debt purchase subsidiary, Lion Finance Pty Ltd (Lion), remains the largest division of Collection House. Lion contributed 71% of the Group's revenue in 2010/11. Investment in debt purchased over the past 12 months was expected to be in the range of $37-$47m. However, the investment in new debt purchases reached a total of $49m. Investments for 2011/12 are expected to be between $60m and $70m for which necessary funding arrangements are in place.

The Purchased Debt Arrangement Book (Book) is an important aspect of the Lion portfolio. This Book holds a large volume of accounts for customers who have entered into regular repayment arrangements. In 2010/11, the face value of the Book grew from $128m to $152m. Over the past 3 years, the value of the Book has continued to grow at a steady 20% per annum. Revenue recovered from arrangements over the past 12 months has increased on previous years, totalling a record $33m.

We continued our strong relationships with key debt sellers and have secured valuable components of our debt buying programme for the coming year through forward flow agreements with major banks and second tier lenders.

Positive financial outcomes were achieved within this segment not only through the traditional letter and telephone campaigns, but with innovative approaches to debt collection. This was facilitated through the initiation of a Centre of Excellence and strategic key projects with a range of external parties. Staff training and development remains a strong focus and is a driving force behind our success. Combined with our incentive and benefit programmes, we have seen further improvement in retaining our staff, with the average length of service for our Lion Finance Customer Service Officers increasing to 21 months.

With a planned increase to debt investment volumes in 2011/12, along with continued innovation, process improvement, an emphasis on training and development, growth in staffing and the continual exploration of new opportunities, Lion is well positioned to maintain quality outcomes.

COMMISSION COLLECTIONS

Commission Collections remained a profitable business division even though revenue from this segment declined from the prior year. The reduction in revenue was primarily due to a number of contracts not being renewed where market pricing hit unsustainable lows. In addition, changes in credit consumption and lending practices, and a shortage of major new outsource contracts over the year also contributed to a more difficult period.

Targeted and tactical relationship building initiatives form part of the 2012 strategy and are key to driving growth in 2011/12.

Our staff retention is excellent and the experienced team will remain consistent throughout the coming year with a strong focus on performance and productivity.

CASH FLOW MANAGEMENT

Previously known as 'Receivables Management', this Business Division focuses on the prevention of accounts from becoming more outstanding, or "rolling" into later delinquency stages. Accordingly, it now known by the more descriptive name of 'Cash Flow Management'.

The business is in its eleventh year of successful operation and continues to refine and mature processes to deliver market leading results. Cash Flow Management is suited to clients who are looking for more sophisticated receivables management which goes beyond total gross recoveries as being the sole success factor.

This year has seen a year of positive change with the launch of our new collections platform; C5. The successful implementation of this technology was evidenced in this business unit with an observable increase in efficiencies and collection metrics. 2011/12 will see us put in place other planned system enhancements and resources to continue to manage accounts in alignment with our clients expectations.

A key strategy is growth through exceptional results and focused sales and marketing initiatives.

{ *Purchased Debt* } { *Commission Collections* } { *Cash Flow Management* }

{ OUR BOARD AND EXECUTIVE TEAM

DIRECTORS

01 John Pearce
Non-executive Chairman

02 Dennis Punches
Non-executive Deputy Chairman

03 Tony Coutts
Non-executive Director

04 Bill Kagel
Non-executive Director

05 Kerry Daly
Non-executive Director

06 David Gray
Non-executive Director

Mr Tony Aveling, former Managing Director and Chief Executive Officer retired on 31 July 2010

EXECUTIVE TEAM

07 Matthew Thomas
Chief Executive Officer (appointed 1 August 2010) previously Chief Operating Officer

08 Adrian Ralston
Chief Financial Officer

09 Michael Watkins
General Counsel and Company Secretary

10 Kylie Lynam
General Manager – Human Resources and Corporate Services

{ OUR RESPONSIBILITIES *corporate social responsibility*

SUPPORTING THE ENVIRONMENT

At Collection House, one of our primary business objectives is attracting and retaining quality employees. In line with this key objective in 2008/09 we relocated our Brisbane Head Office to premises which offers our people a significantly enhanced working environment.

Located in the heart of the vibrant urban renewal precinct of Fortitude Valley, Green Square North Tower occupies a prominent site, just 250 metres from Brunswick Street Railway Station – one of only three major railway stations in Brisbane which are serviced by all trains. Brisbane City Council buses servicing most Brisbane suburbs can also be accessed directly in front of the site, offering our employees an unparalleled range of convenient public transport options.

Green Square has achieved a coveted ***6 star Green Star rating*** under the Green Building Council of Australia Scheme – an environmental rating tool which evaluates the environmental performance of buildings based on extensive criteria.

In keeping with the 6 star Green Star rating, our Head Office has been fitted out with as many environmentally friendly facilities as possible, which provides benefits to both our people and the wider community.

Collection House is committed to ***fostering the sustainable use of the earth's resources*** and has implemented an Environmental Management Policy (EVP) which is compliant with all relevant environmental legislation, regulations, and other initiatives to which is subscribes.

Key focus areas include:

- Integrating environmental management into business decision making at all levels
- Reducing cost through better resource procurement, usage and waste management
- Setting objectives and targets for continuous improvement
- Monitoring, reporting and reviewing achievements
- Exploring best practice and innovative environmental management approaches to the use of technology, property and related resources
- Building an environmentally aware business culture.

Our EVP is available to view on our website.

FINANCIAL BASICS FOUNDATION

The Financial Basics Foundation was established in 2002 by Collection House in response to the need for greater financial literacy amongst young Australians.

The Foundation's initiatives have had ongoing and lasting positive benefits for young Australians. National personal debt levels and youth debt are major social issues for our country. Financial literacy is a life skill that can have far reaching positive social implications. Partnering with the Financial Basics Foundation has enabled Collection House to take a proactive approach to addressing these issues by supporting financial education and fostering financial capacity building programs in a very practical way.

Operation Financial Literacy is a hard copy teaching resource that has now been distributed free of charge to 1677 secondary schools across Australia.

ESSI Money (Earning Saving Spending and Investing) is the Foundation's online e-learning resource. As at June 2011, 1412 schools, an increase of 512 schools from the previous financial year, have registered to play ESSI Money. Over 10,451 students completed the game in 2010.

In September 2010 the Foundation hosted the inaugural ESSI Money Challenge in which students from across the country competed for their chance to win a $1000 cash prize for themselves and $4000 for their school. Over 2,500 students competed in the financial literacy competition.

"My class have really enjoyed your program. They have immersed themselves into making money and competing against each other. Thank you for the opportunity to use this resource in our curriculum".
Tracey (Victoria)

"I have used your site with yr9 and yr11 maths classes and they all loved it. My yr9 which I now have as yr 10 have asked if they can do it again. This is a fantastic real life simulation game where the kids learn a lot!"
Meagan (NSW)

"Dear ESSI Money

Ok listen up,

I'm not being rude here – but my teacher said we can access our game when we get home but it's not even coming up and I'm already finished but I want to do it again because it's FUN yet EDUCATIONAL. Can you please tell me how I can play at home".
Holly (aged 13 QLD)

The appointment of two new staff to the Foundation will enable further development of the partnership with Collection House to include:

- Teacher Forums (professional development and networking for secondary school teachers)
- E-newsletter (regular and current online financial literacy materials and resources)
- Collection House Financial Education Program(staff education opportunities)

Operation Financial Literacy and ESSI Money are provided by the Foundation at no cost to schools and charities throughout Australia. This strategy, to educate young Australians about sound financial management would not be possible without the generous and continuing support of our founding corporate partner, Collection House Limited. Our partnership is established with an understanding and acknowledgement that financial literacy is an important life skill for all young Australians.

For more information about the Financial Basics Foundation, Operation Financial Literacy or ESSI Money, go to www.financialbasics.org.au

{ OUR RESPONSIBILITIES *corporate social responsibility*

COMMUNITY ENGAGEMENT PROGRAM

While Collection House has worked with various community groups, charities, financial counsellors and other organisations (collectively “agencies”) on a case by case basis for a number of years, since late October 2010, Collection House has been investigating ways it can work more effectively with agencies that are likely to interact with some of our customers.

The result

In March 2011, Collection House introduced the Community Engagement Program or CEP, which is designed to facilitate a better understanding of how the various agencies operate and to change the traditional perception of a “debt collector” to that which reflects Collection House’s strong compliance credentials and ethical approach to what we do.

In this respect, Collection House shares a common goal with these agencies, namely working cooperatively with our mutual customers and assisting them in solving their financial problems.

We believe that by focusing on this common goal, we can make not only our work easier and more efficient, but also that of the agencies involved.

How will we achieve this?

Collection House offers a dedicated line of communication between it and agencies acting on behalf of customers who are disadvantaged.

This communication line is facilitated by Collection House’s Compliance Department. The customer’s authorised representative may contact the Compliance Manager or the Compliance Officers directly to discuss their concerns, any sensitive or complex matters, or just to have a general discussion regarding Collection House/Lion Finance policy and procedure in relation to hardship, complaints and disputes.

Collection House also welcomes opportunities to become involved in community based financial counselling and consumer advocate organisational training programs, seminars and conferences and invites these organisations to provide information about their operations which can be used in training our staff.

In addition, Collection House offers such organisations the opportunity to discuss how we may be able to assist in training and development of their people through our own registered training organisation, Collective Learning and Development Pty Ltd.

Another key initiative of the CEP is the introduction of a Corporate Giving program which enables staff to make regular pre-tax donations to a selected charity organisation and Community Volunteering programs, which allows staff to take one day’s paid leave per year for the purpose of engaging in community volunteer work. CEP participants are welcome to be nominated for these programs.

{ OUR RESPONSIBILITIES *corporate governance statement*

1. INTRODUCTION

This statement relates to the year under review.

(a) Date of statement

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

(b) Access to information on the website

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

2. OUR APPROACH TO CORPORATE GOVERNANCE

(a) Framework and approach to corporate governance

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

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

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

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

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

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

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

ASXCGC's Recommendations 2.1, 2.2 and 2.6

3. THE BOARD OF DIRECTORS

(a) Membership and expertise of the Board

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

ASXCGC's Recommendations 2.6

(b) Board role and responsibility

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

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

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

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

{ OUR RESPONSIBILITIES *corporate governance statement*

The Board has delegated to Executive Management, responsibility for:

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

ASXCGC's Recommendation 1.1

(c) Board size and composition

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

From 30 October 2009, the Board assessed its composition and size, and from time to time recommended changes to the Board's composition together with the skills required to discharge the Board's duties, having regard to our business mix, financial position and strategic direction, including specific qualities or skills that the Board believes are necessary for one or more of the Directors to possess.

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

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

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

ASXCGC's Recommendation 2.1

(d) The Chairman

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

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

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

ASXCGC's Recommendation 2.2

(e) Director independence

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

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

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

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

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

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

{ OUR RESPONSIBILITIES *corporate governance statement*

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

Exceptions to ASXCGC's Recommendations

2.1 A majority of the Board should be Independent Directors

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

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

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

2.2 and 2.4 The Chairperson should be an Independent Director

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

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

ASXCGC's Recommendations 2.1, 2.4 and 2.6

(f) Avoidance of conflicts of interest by a Director

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

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

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

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

ASXCGC's Recommendation 3.1

(g) Meetings of the Board and their conduct

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

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

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

(h) Succession planning

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

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

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

ASXCGC's Recommendation 1.2

{ OUR RESPONSIBILITIES *corporate governance statement*

(i) Review of Board and Committee performance

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

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

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

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

ASXCGC's Recommendations 2.5, 2.6 and 8.1

(i) Nomination and appointment of new Directors

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

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

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

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

ASXCGC's Recommendation 2.4

(k) Board access to information and advice

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

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

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

ASXCGC's Recommendation 2.1 and 2.6

(l) Company Secretary

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

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

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

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

(m) Diversity

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

Recommendations 3.2, 3.3, 3.4 and 3.5.

{ OUR RESPONSIBILITIES *corporate governance statement*

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

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

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

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

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

4. BOARD COMMITTEES

(a) Board Committees and membership

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

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

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

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

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

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

Exceptions to the ASXCGC's Recommendations

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

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

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

ASXCGC's Recommendation 2.4.

The Directors, taking into consideration the revised nature, size and composition of the Board, and that the Company is not an entity that trades in the top 300 of the S&P All Ordinaries Index, have resolved, in regards to the Audit and Risk Management Committee (the ARMC), that the membership of the Committee should be two Independent Non-executive Directors with sufficient industry experience, knowledge and technical expertise to discharge the ARMC's mandate effectively.

{ OUR RESPONSIBILITIES *corporate governance statement*

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

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

ASXCGC's Recommendation 4.2.

(b) Committee procedures

Composition and independence of the Committees

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

Operation of the Committees and reporting to the Board

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

How the Committees report to the Board

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

How Committees' performance is evaluated

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

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

(c) Audit and Risk Management Committee

Role of the Committee

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

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

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

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

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

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

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

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

{ OUR RESPONSIBILITIES *corporate governance statement*

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

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

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

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

(d) Remuneration Committee

Role of the Committee

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

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

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

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

The Committee meets at least annually with additional meetings being convened as required. The Committee has access to Executive Management of the Company and may consult independent remuneration consultants to benchmark our reward practices and levels against market practice, where it considers this necessary in order to effectively discharge its responsibilities.

ASXCGC's Recommendations 1.2, 1.3 and 8.1

(e) Board Sub-Committee

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

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

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

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

5. CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER ASSURANCE

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

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

ASXCGC's Recommendation 4.4 and 7.3

{ OUR RESPONSIBILITIES *corporate governance statement*

6. PROMOTING ETHICAL AND RESPONSIBLE BEHAVIOUR

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

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

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

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

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

ASXCGC's Recommendations 3.1 and 3.3

(b) Internal policies and procedures

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

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

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

- Professional Practices Management System which was developed by ACA International (formerly the American Collectors Association) and which is specifically tailored for the collection industry. Collection House has been accredited for seven (7) years.
- Brisbane Head Office of the Company became ISO 9001 accredited on 24 June 2011 demonstrating our commitment to quality management systems that support our internal policies and procedures.

ASXCGC's Recommendations 3.1

(c) Concern reporting and whistleblowing

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

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

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

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

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

ASXCGC's Recommendations 3.1 and 3.3

(d) Securities trading policy

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

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

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

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

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

{ OUR RESPONSIBILITIES *corporate governance statement*

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

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

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

ASXCGC's Recommendations 3.2 and 3.3

7. REMUNERATION FRAMEWORK

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

The expected outcomes of this remuneration philosophy are:

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

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

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

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

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

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

In December 2010, the Board approved a new Employee Share Option Plan (2010 ESOP), in similar terms to the 2007 ESOP. Under the 2010 ESOP, certain eligible senior employees were granted share options in March 2011. The 2010 ESOP will be presented to shareholders for approval at the 2011 Annual General Meeting. Details of the share options are set out in the Remuneration Report on page 35.

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

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

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

ASXCGC's Recommendations 8.1, 8.2 and 8.3

8. MARKET DISCLOSURE

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

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

The Board is primarily responsible for:

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

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

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

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

ASXCGC's Recommendations 5.1, 5.2 and 6.1

{ OUR RESPONSIBILITIES *corporate governance statement*

9. SHAREHOLDER COMMUNICATIONS AND PARTICIPATION

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

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

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

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

ASXCGC's Recommendations 6.1 and 6.2

10. HEALTH AND SAFETY

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

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

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

ASXCGC's Recommendations 3.1 and 3.3

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

ASXCGC's Recommendations 3.1 and 3.3

12. CARBON EMISSIONS TRADING

Collection House is committed to reducing its energy consumption and carbon emissions. In this regard, Collection House has reviewed its business operations and obligations under the prevailing Environmental legislation to determine whether it is required to establish a Carbon Emissions Trading Scheme.

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

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

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

The directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Collection House Limited and the entities it controlled for the financial year ended 30 June, 2011.

DIRECTORS

The following persons were directors of Collection House Limited during the whole of the financial period and up to the date of this report, unless stated otherwise:

John Pearce

Dennis Punches

Tony Coutts

Bill Kagel

Kerry Daly

David Gray (appointed 28 June 2011)

Tony Aveling (retired as Managing Director and Chief Executive Officer 31 July 2010)

See pages 27 to 28 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.

DIVIDENDS PAID TO MEMBERS DURING THE FINANCIAL YEAR

	30 June 2011 $'000	30 June 2010 $'000
Final ordinary dividend for the year ended 30 June, 2010 of 3 cents fully franked (2009 – 2.6 cents fully franked) per fully paid share paid on 26 November 2010.	2,920	2,530
Interim ordinary dividend for the year ended 30 June, 2011 of 3.1 cents fully franked (2010 – 2.8 cents fully franked) per fully paid share paid on 25 March, 2011.	3,017	2,725

In addition to the above dividends, since the end of the financial year, the directors have recommended the payment of a final fully franked ordinary dividend of $3,017 million (3.1 cents per fully paid share) to be paid on 25 November 2011 out of retained profits and a positive net asset balance as at 30 June 2011.

FY2011 HIGHLIGHTS

- Profit before tax for the year was $14.6 million (2010: $11.8 million)
- Earnings per share (EPS) were 10.4 cents (2010: 9.2 cents)
- Shareholder equity was $96 million (2010: $92 million)
- Total dividends for the year of 6.2 cents (interim 3.1 cents paid March 2011, final 3.1 cents to be paid November 2011), fully franked, up 7% from FY10

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

REVIEW OF OPERATIONS

The strong earnings result was due to a range of factors including:

- A continued disciplined approach to debt purchases while growing the Purchased Debt Ledger (PDL) book;
- Maintaining revenue growth despite increasing interest rates and inflationary pressures on household budgets;
- Successfully encouraging customers to enter into regular repayments which resulted in a 19 per cent increase in the value of repayment arrangements in place; and
- Disciplined management of operation costs including the reduction of total Executive Management costs over the period.

	Commission collections		Account asset management		Consolidated	
Key Financial Results - by Segment - Audited ($'000)	**30 June 2011**	**30 June 2010**	**30 June 2011**	**30 June 2010**	**30 June 2011**	**30 June 2010**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Revenue						
Sales	32,173	34,280			32,173	34,280
Collections from Purchased Debt Ledgers			78,042	69,467	78,042	69,467
Fair Value Movement in Purchased Debt Ledgers			(33,073)	(29,879)	(33,073)	(29,879)
Total segment revenue	32,173	34,280	44,969	39,588	77,142	73,868
Intersegment elimination					(364)	(22)
Consolidated revenue	32,173	34,280	44,969	39,588	76,778	73,846
Results						
Segment result	5,393	5,873	18,885	15,579	24,278	21,452
Interest expense & borrowing costs					(5,645)	(4,771)
Unallocated revenue less unallocated expenses					(4,050)	(4,859)
Profit before Tax					14,583	11,822
Taxation					(4,466)	(2,899)
Net Profit After Tax					10,117	8,923

Lion Finance (Account asset management segment)

Total PDL purchases increased 65% year on year resulting in a 12% increase in collections. This increase was achieved with no increase in Full Time Equivalent staff numbers (FTE).

The repayment arrangement book grew 19% year on year to $152m and now provides up to 47% of total collections monthly.

Commission Collections (including non-Lion Finance subsidiaries and other business revenue)

The Commission Collections market continues to be very competitive with commission rates at fine margins. Revenue declined by 6% year on year. In response, the company has moved to improve marketing capabilities during the year and developed new service offerings which will both capitalise on and reinforce our organisational strengths of people and culture, ethics and compliance, diversity and technology.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Assets and liabilities

Consolidated net assets have increased from $91.9 million to $95.9 million, primarily due to the higher level of debt purchases during the year.

During the reporting period new debt portfolios were purchased for A$48.3 million, and NZ$0.9 million in the Australian and New Zealand markets respectively, which were funded from operating cash flow and an increase in long term bank debt.

Cash flow

The consolidated cash flow from operating activities increased by 20.1% to $47.9 million (2010: $39.8 million) primarily due to increased collections flowing from the higher levels of debt purchased and worked by the Group during the year.

The Board has confirmed its confidence in the Group's current and future trading position. The directors have recommended the payment of a final fully franked dividend as stated on page 20.

OUTLOOK

Near term

The Company expects to benefit from a number of favourable factors during the coming year including improved collectability of debt as a result of a higher savings rate and a propensity to pay down debt.

Nevertheless, a degree of caution remains appropriate because of the lagging effects of natural disasters, increases in household expenses such as interest rates, home rentals, petrol prices and utilities, all of which put pressure on more vulnerable customers.

Based on past experience, the company will focus strongly on maintaining its current businesses during 2012, with the strong levels of debt purchases and successful execution of strategic priorities during 2011 leaving the Company well placed to deliver further positive outcomes in FY 2012.

Lion Finance

PDL purchases at disciplined prices are expected to continue in 2012, towards a target of $60m to $70m of acquisitions for the year. The increased investment in purchased debt ledgers will drive revenue growth and continue the upward trend in repayment arrangements.

To date, the majority of our PDL purchases are funded from operating cash flow, minimising pressure on the Company's debt facility. However further external funding is required to continue to build the PDL book. The company has recently extended its borrowing facility to allow the forecast higher levels of debt acquisition to be achieved.

Commission Collections

The Commission Collections business remains challenging, but 2011 investments made in sales and marketing are starting to provide returns which should continue into FY2012.

Long term

Collection House has established a sustained track record of increasing profitability and dividends for shareholders over recent years.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

STRATEGIC INITIATIVES

During the period, the Company has:

- Focused on increasing the number of repayment arrangements with customers. Debts under repayment arrangements are more profitable than those which are not
- Focused on maximising productivity of staff across the Company
- Increased revenue from the PDL portfolio. Set against a relatively stable cost base, this has the effect of increasing profitability
- Developed new service offerings with a focus on "leading the way". One of the new offerings "Collective Learning and Development" is currently operational and the other "Cashflow Accelerator" is expected to be formally launched during 1H12
- Continued the renewal of its proprietary IT based collections platform. The next generation "C5" will take advantage of new technology and provide better information and support to both operational and support staff, and better meet the needs of our clients
- Developed and implemented a new marketing plan
- Continued to invest in staff development and incentives
- Invested in new tools which allow better portfolio analytics and segmentation to improve collection strategies and profitability

Looking forward, the Company will continue to focus on these initiatives in the short term.

In the longer term, there are other opportunities to explore including:

- Secure predictable future revenue streams and enhance ledger values by continuing to grow the repayment arrangement book
- Alternative capital management strategies as a means of funding future growth and maximising shareholder returns
- New and innovative use of analytics and technology to drive competitiveness
- Identify and develop new products and services to meet the needs of future markets
- Restore long term growth to the Commission Collections segment
- Expand and strengthen strategic relationships

COLLECTION HOUSE LIMITED - OVERVIEW

Who we are

Collection House Limited is a public Company which listed on the Australian Securities Exchange on 4 October 2000. The Collection House Group of Companies employs over 560 trained personnel in 9 Australasian locations.

The Group focuses on providing receivables management, debt purchasing and debt collection services in all Australian states and territories and throughout New Zealand. The Company aims to position itself as a significant player in large corporate debt collection and purchasing markets in Australia and New Zealand, with a reputation for reliability, integrity, high quality services, and as an ethical and compassionate collector of debts, a good employer and corporate citizen.

The Company has two operating divisions, Commission collections conducted in the name of Collection House and our subsidiary Midstate Credit Management Services Pty Ltd, and Account asset management conducted by our specialist subsidiary Lion Finance Pty Ltd. The Company operates in New Zealand through our wholly owned subsidiary Collection House (NZ) Limited, collecting debt both on commission and referred purchased debt.

Included in the Commission collection services division is the wholly owned incorporated legal practice Jones King Lawyers Pty Ltd, which provides in-house legal services to both the Commission collections and Account asset management businesses and acts for third party clients.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Our markets

The Collection House Group operates in the Australian and New Zealand debt collection markets.

The Commission collections business collects debts on a commission basis for large corporate customers. Our market segments for this business are large financial institutions, both bank and non-bank, and a range of corporate customers, including telecommunications, and insurance. This business also provides a full receivables management service to customers on a fee for service basis if required. The Commission collections business does not operate in the small end of this market place, as this segment can be better served by others.

The Account asset management division specialises in purchasing distressed and overdue debts from a range of debt issuers who are no longer willing or able to collect them. Our market segments for this business are large banks, financial institutions and telecommunications companies.

The Company is the second largest operator in its chosen markets in both Australia and New Zealand.

Our strengths

The Company has a number of strengths which support its operations:

- Many years of experience in our chosen markets. The Company has been operating in its chosen markets as an ASX-listed entity since 2000, and as a private organisation for a number of years before that. Over that time, the Company has gained significant experience and knowledge of the businesses which it currently operates.
- Experience across the full debt collection spectrum in both Australia and New Zealand. An experienced, professional and stable board of directors and executive team. The board of directors and senior management of the Company are all experienced professionals with a strong knowledge of debt collection. Both the board and senior management have remained stable over many years, providing strength and continuity to the Company.
- An experienced, professional and stable employee team. The Company focuses on and commits significant resources to training and looking after its employee team because we believe that the employees are the most important asset that it has. Stability within the employee team is as important, as it is within the executive team, in order to maintain and take advantage of employee experience and knowledge in the Company.
- A strong corporate and compliance culture which promotes professionalism, ethical collections and employee ownership in everything we do.
- A sophisticated proprietary technology platform which is evolving in line with our chosen markets and customer needs.
- A database of over 7 million accounts.

Our drivers of financial success:

There are a number of critical factors which drive the success of the Company.

Critical factors which are common across the Company:

Good information sources

The key to successful debt collection is accurate and reliable information. Accurate information facilitates everything which the Company does. The Company has invested significant resources into developing a strong and usable proprietary IT based collections platform which underpins all activity across the Company.

The collections platform is under continuous development which allows the Company to take advantage of technology advances as they occur, and to meet the needs of external clients on a timely basis.

Productive employees

Productive employees are a critical factor in the Company's success. With constant pressure on costs, and employee costs being a significant item for the Company, ensuring that all employees, both operational and support, are productive is critical to our success.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

A strong understanding of all aspects of the debt collection process

The Company considers that it is critical that all aspects of the debt collection process are understood in detail.

For operational staff, this means understanding how to collect debts in a professional, ethical, compliant but cost effective manner.

For support staff, this means understanding the dynamics of the debt collection process as it relates to their work, and providing effective and meaningful support to operational staff.

Reliable, timely and accurate internal and external reporting systems

All activities of the Company need to be monitored and controlled on a timely basis. At Collection House this is facilitated by the provision of reporting on a continuous basis to all levels of management.

Our collections platform is the centrepiece of the Company's reporting systems, feeding statistical data to operational managers, financial data to the finance team for financial reporting, and other relevant data to the other support teams.

Critical factors related to Commission collections

The ability to service the needs of clients in a manner that generate profits for the Company

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

Critical factors related to Account asset management

The ability to accurately determine the price which the Company will pay for debts

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

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

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

The ability to accurately determine the value of the purchased debt portfolio as any point in time

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

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

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

Having a plan in place increases the recoverability of a debt, which increases the profitability of the portfolio and the Company. The Company puts significant resources into putting as many purchased debts as possible onto arrangement as soon as possible.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

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) Matthew Thomas was appointed CEO designate on 1 July 2010 and sole CEO on 1 August 2010. Tony Aveling, former Managing Director and CEO, retired 31 July 2010;

b) a $15m extension to the existing funding facility was negotiated with the Company's bankers, along with an increase in the Loan Valuation Ratio to 55%;

c) in Australia, the Group purchased new debt portfolios for A$48.3 million; and

d) in New Zealand, the Group purchased new debt portfolios for NZ$0.9 million.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

1. Dividend

The directors have recommended the payment of a final fully franked ordinary dividend of $3.017 million (3.1 cents per fully paid share) to be paid on 25 November 2011 out of retained profits and a positive net asset balance as at 30 June 2011.

2. Varied Multiple Option Facility

On 14 June 2011, the Company's Multiple Option Facility (MOF) with Westpac Banking Corporation (Westpac) was varied by an increase in the facility limit from $85m to $100m in support of additional growth, with the Loan Valuation Ratio (LVR) increased to 55% reflecting a lower risk profile.

On 5 August 2011, the Company confirmed an interest rate swap transaction for an amount of $26m at a fixed rate of 4.50% per annum effective as at 11 August 2011 and continuing until 12 August 2013. As the swap involves exchanging a variable interest borrowing for a fixed rate borrowing it is not possible to quantify the potential financial impact of this transaction.

Other than the matters discussed above, no matter or circumstance has arisen since 30 June 2011 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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

For details on likely developments across the Group, refer to review of operations.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

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

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

INFORMATION ON DIRECTORS as at 30 JUNE 2011

John Pearce	**Non-executive Chairman. Age 66**
Experience	Co-founder of Collection House Limited. Appointed to the Board in April 1993. In April 2003 returned to former position of Managing Director and Chief Executive Officer which had been held from mid 1998 until December 2002. Stepped down as Chief Executive Officer effective 30 June 2005 and was appointed Managing Director and Deputy Chairman effective 1 July 2005. Resigned as Managing Director on 26 October 2006. Re-elected Director on 26 October 2007 and for a further three year term on 29 October 2010 by shareholders. Appointed Chairman of the Board effective 25 June 2009. Member of the International Fellowship of Certified Collectors. Chairman of Financial Basics Foundation 2002 to 2007. A Board Member of The Rutherglen Cemetery Foundation. Director, Brisbane Lions Foundation.
Special Responsibilities	Mr Pearce is Chair of the Board Sub-Committee established on 24 February 2011
Interest in shares and options (direct & indirect)	11,765,538 ordinary shares in Collection House Limited
Dennis Punches	**Non-executive Deputy Chairman. Age 75**
Qualifications	BSC
Experience	Appointed to the Board in July 1998, and in 2000 was appointed as Chairman of Collection House Limited. Re-elected Director 29 October 2010. Stepped down as Chairman to become Deputy Chairman effective 25 June 2009. Former director of Attention LLC Inc, Analysis and Technology Inc, and co-founder and former Chairman of Payco American Corporation. Co-Chairman of the International Collectors Group and a Trustee for Wisconsin's Carroll College.
Special responsibilities	Mr Punches is a Member of the Remuneration Committee.
Interest in shares and options (direct & indirect)	19,101,266 ordinary shares in Collection House Limited
Tony Coutts	**Non-executive director. Age 52**
Experience	General Manager of Collection House Limited from 1995 to 1998. Appointed an Executive Director in September 1998 with executive responsibilities as Director of Sales. Non-Executive Director from 1 July 2006. Re-elected 29 October 2010. 18 years in the finance and insurance industry (Australian Guarantee Corporation Ltd). 15 years in the debt collection industry, the last 13 of which were spent at Collection House.
Special responsibilities	Mr Coutts is a Member of the Audit and Risk Management Committee, Chair of the Remuneration Committee and a Member of the Board Sub-Committee established on 24 February 2011.
Interest in shares and options (direct & indirect)	4,464,600 ordinary shares in Collection House Limited
Bill Kagel	**Non-executive Director. Age 74**
Experience	Appointed to the Board in February 2000. Over 40 years debt collection industry experience. Co-founder and Senior Vice President of Payco American Corporation, USA and former Director of Outsourcing Solutions Inc. Re-elected Director 31 October 2008.
Special responsibilities	Mr Kagel is a member of the Remuneration Committee.
Interest in shares and options (direct & indirect)	1,551,269 ordinary shares in Collection House Limited

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Kerry Daly	**Non-executive Director. Age 53**
Qualifications	BBus (Acc), QUT
Experience	Mr Daly has over 30 years experience in the financial services sector. Mr Daly was elected a Director of Collection House Limited on 30 October 2009. During the period 1987 to December 2000, Mr Daly was Managing Director and Chief Executive Officer of The Rock Building Society Limited where he initiated its demutualisation and was responsible for its ASX listing. From January 2001, he was appointed an Executive Director of fixed interest brokerage and investment banking business Grange Securities Limited. Mr Daly is currently a non-executive Director of AstiVita Renewables Limited, Tamawood Limited and Trustees Australia Limited.
Special responsibilities	Mr Daly is Chair of the Audit and Risk Management Committee and a Member of the Board Sub-Committee established on 24 February 2011.
Interest in shares and options (direct & indirect)	200,000 ordinary shares in Collection House Limited
David Gray	**Non-executive Director. Age 64**
Qualifications	BSc (UK), Honorary Doctorate, QUT
Experience	Mr Gray has more than 20 years experience in senior executive positions with large national and international companies. Mr Gray is currently the Chairman of Queensland Cyber Infrastructure (March 2008), Chairman of Australia Research Council for Aviation Automation (August 2007), Deputy Chairman of Civil Aviation Safety Authority (CASA) (July 2009) and a Director of the Brisbane Airport Corporation (April 2010). Previously, Mr Gray was Chairman of Queensland Motorways (2006-2010), Chairman of WaterSecure (2008-2011), Managing Director of Boeing Australia (1995-2006), Managing Director of GEC Marconi (Australia)(1990-1995), Divisional Chief Executive of GEC (Australia) Heavy Engineering (1984-1990) and Operations Manager of Teltech in South Africa (1981-1984). Mr Gray was appointed a Director of the Board on 28 June 2011.
Interest in shares and options (direct & indirect)	Nil
Tony Aveling	**Managing Director and Chief Executive Officer. Age 67 (retired on 31 July 2010)**
Qualifications	SFFin, FAIM, FAICD
Experience	47 years in the financial services industry including 35 years at Westpac Banking Corporation. Senior positions included Chief Executive Business and Private Banking, Managing Director and Chief Executive Officer Australian Guarantee Corporation Limited, and General Manager Europe. 3 years as Chief Executive Officer Australian Bankers' Association. Is a Senior Fellow of the Financial Services Institute of Australasia (SFFin), a Fellow of the Australian Institute of Management (FAIM), a Fellow of the Australian Institute of Company Directors (FAICD), and a graduate of the Advanced Management Program of the Harvard Business School. Honorary Governor Science Foundation for Physics within the University of Sydney. Resigned as Director of Global MoneyLine Limited (March 2008). Mr Aveling retired as Managing Director and Chief Executive Officer on 31 July 2010.
Interest in shares and options (direct & indirect)	505,000 ordinary shares in Collection House Limited at the time of Mr Aveling's retirement. 2,000,000 options (Original Options) were issued to Mr Aveling in accordance with this Employment Agreement in February 2007. While 400,000 of the Original Options had no price qualifying hurdles, all the Original Options expired on 28 February 2011. None of the Original Options were exercised before expiry or during the Relevant Period. A further 2,000,000 CLH options were issued to Mr Aveling in accordance with his varied Employment Agreement and approved by Shareholders on 31 October 2008. The terms of Mr Aveling's Employment Agreement as varied provided that Mr Aveling may exercise those options when and if certain qualifying price hurdles were achieved before the expiry date namely, 25 June 2013 and the options had vested (the Vesting Date was 25 June 2011). We confirm that 60% of the 2,000,000 options (1,200,000 options) became exercisable on 25 June 2011. None of the qualified options were exercised during FY11.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

COMPANY SECRETARY

The Company Secretary to 30 June, 2011 was Michael Watkins. Mr Watkins was appointed to the position of Company Secretary on 21 December 2006. Before joining Collection House Limited, Michael Watkins was in practice as a commercial lawyer from 1978 and as a partner in his own Brisbane CBD law firm from 1980, until accepting the appointment as General Counsel of the Group in 2000. Mr Watkins undertakes the combined roles of General Counsel and Company Secretary for the Group.

MEETINGS OF DIRECTORS

The numbers of meetings of the Group's board of directors and of each board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

			Meetings of committees					
	Directors		Audit and Risk Management		Remuneration		Sub-Committee*	
2011	A	B	A	B	A	B	A	B
Dennis Punches	8	8	**	**	1	1	**	**
John Pearce	8	8	**	**	**	**	2	2
Tony Coutts	8	8	6	6	1	1	1	2
Bill Kagel	8	8	**	**	1	1	**	**
Kerry Daly	8	8	6	6	**	**	2	2
David Gray (Appointed 28/6/11)	0	0	**	**	**	**	**	**
Tony Aveling (Retired 31/7/10)	0	0	**	**	**	**	**	**

A Number of meetings attended

B Number of meetings held during the time the director held office or was a member of the committee during the year

* The CLH Board Sub-Committee was established on 24 February 2011 to undertake a strategic review process to assess and develop initiatives to increase shareholder value and returns in the short to medium term including Board succession planning and future composition, Shareholder communication, capital optimisation and segmental performance review. The Board Sub-Committee comprises John Pearce as Chairman, Tony Coutts and Kerry Daly both being Independent Non-Executive Directors.

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

** Not a member of the relevant committee

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Sharebased compensation

E Additional information

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

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

A PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

In consultation with key members of the Board who have many years industry operational experience and the General Manager – Human Resources and Corporate Services, the Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of ''at risk" rewards.

Directors Fees

The current base fees were last reviewed with effect 25 August 2009. The Chairman continues to receive a non-executives director's fee of $50,000 per annum plus superannuation and is not drawing any additional fees for being Chairman of the Group. The Chairman intends to use his director's fees to purchase shares in Collection House Limited.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Non-Executive Directors

Non-executive directors' 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.

Payments are allowed for additional responsibilities for Board Chairmanship, Deputy Chairmanship, the Lead Independent Director role, for membership of Board Committees and for Board Committee Chairmanship. Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

The following fees have applied:

FEES	From 1 July 2010 to 30 June 2011	From 25 August 2009 to 30 June 2010
Base fees		
Chair	$50,000	$50,000
Other non-executive directors	$50,000	$50,000
Additional fees		
Audit and Risk Management Committee Chair	$30,000	$30,000
Audit and Risk Management Committee Member	$15,000	$15,000
Lead Independent Director	$ 5,000	$ 5,000

For further information in relation to Directors remuneration, refer to page 33.

Executive Director

On 31 July 2010, Tony Aveling, Managing Director and Chief Executive Officer retired and ceased being an employee and Director of Collection House Limited. Matt Thomas, previously Chief Operating Officer, commenced as CEO designate on 1 July 2010 and sole CEO on 1 August 2010. A summary of Mr Aveling's and Mr Thomas' remuneration packages are set out in Section C of the Remuneration Report on page 34.

Executive pay

The executive pay and reward framework has three components:

- base pay and short term incentive (STI);
- long term incentives through participation in the Executive Share Option Plan, and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed nonfinancial benefits at the executives' discretion. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants, as required, provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

Short Term Incentive

A portion of an executive's pay is by way of an "at risk" bonus. This is subject to satisfactory completion of set objectives and payable at the discretion of the CEO in consultation with the Board.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Long Term Incentive

Certain eligible employees are offered long term incentives via the Executive Share Option Plan. See section D of the remuneration report for details.

Benefits

The major benefit provided to executives and eligible employees is the ability to participate in the Executive Share Option Plan.

Retirement allowances for Directors

There are no retirement allowances paid to non-executive directors, in line with recent guidance on non-executive directors' remuneration.

Retirement Benefits for Executives

There are no retirement benefits made available to executives, other than as are required by statute or by law.

B DETAILS OF REMUNERATION (AUDITED)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Collection House Group are set out in the following tables.

The key management personnel of the Group, who have the authority and responsibility for planning, directing and controlling the activities of the entity, are as follows:

- T. Aveling – MD/CEO (retired as Managing Director and Chief Executive Officer on 31 July 2010)
- M. Thomas – Chief Executive Officer (previously Chief Operating Officer, commenced as CEO designate on 1 July 2010 and sole CEO on 1 August 2010)
- A. Ralston – Chief Financial Officer
- M. Watkins – General Counsel and Company Secretary
- K. Lynam – General Manager – Human Resources and Corporate Services
- M. Voysey – Chief Marketing Officer (left the Company on 16 July 2010)

In addition, the following persons must be disclosed under the *Corporations Act 2001* as they are among the highest remunerated Group executives:

- T. Aveling – MD/CEO (retired as Managing Director and Chief Executive Officer on 31 July 2010)
- M. Thomas – Chief Operating Officer (appointed Chief Executive Officer designate on 1 July 2010 and became sole CEO on 1 August 2010)
- A. Ralston – Chief Financial Officer
- M. Watkins – General Counsel and Company Secretary
- M. Jones – Head of Contingent Collections
- U. Danielian – Solicitor Director of Jones King Lawyers Pty Ltd (a subsidiary of the Group) retired from the Company on 31 October 2010.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Key management and highest paid personnel of the Group for the year ended 30 June 2011 is as follows:

Name		Short Term Benefits: Salary & Fees $	Short Term Benefits: Cash Bonus $	Short Term Benefits: Non-Monetary Benefits $	Short Term Benefits: Other $	Post Employment Benefits Super [1] $	Share Based Payments Options $	Total $
DIRECTORS								
J.Pearce	2011	50,000	-	-	-	4,500	-	54,500
Chairman	2010	50,000	-	-	-	4,500	-	54,500
D.Punches	2011	50,000	-	-	-	-	-	50,000
Deputy Chairman	2010	50,000	-	-	-	-	-	50,000
T. Coutts	2011	65,000	-	-	-	5,850	-	70,850
Independent Director	2010	65,981	-	-	-	5,938	-	71,919
B. Kagel	2011	50,000	-	-	-	-	-	50,000
Independent Director	2010	50,000	-	-	-	-	-	50,000
K. Daly	2011	80,000	-	-	-	7,200	-	87,200
Independent Director	2010	52,615	-	-	-	4,735	-	57,350
D. Gray [2]	2011	-	-	-	-	-	-	-
Independent Director	2010	-	-	-	-	-	-	-
T. Aveling [3]	2011	159,392	41,666	270	-	18,095	99,267	318,690
Managing Director	2010	519,231	500,000	3,950	3,949	91,731	100,364	1,219,225
B. Adams [4]	2011	-	-	-	-	-	-	-
Lead Independent Director	2010	35,635	-	-	-	3,207	-	38,842
B. Connelly [4]	2011	-	-	-	-	-	-	-
Independent Director	2010	29,167	-	-	-	-	-	29,167
B. Hiller [4]	2011	-	-	-	-	-	-	-
Independent Director	2010	25,981	-	-	-	2,338	-	28,319
GROUP EXECUTIVES								
M. Thomas	2011	400,369	300,000	3,245	-	47,478	37,511	788,603
Chief Executive Officer	2010	260,890	55,000	3,950	-	28,430	12,564	360,834
A. Ralston	2011	240,873	50,503	3,245	-	22,812	19,958	337,391
Chief Financial Officer	2010	230,515	49,000	3,950	-	25,084	10,037	318,586
M. Watkins	2011	250,280	51,833	3,245	-	27,190	17,446	349,994
General Counsel and Company Secretary	2010	253,610	48,000	3,950	-	27,073	10,037	342,670
K. Lynam	2011	105,788	31,683	3,245	-	12,372	13,723	166,811
General Manager - Human Resources and Corporate Services	2010	131,027	26,000	3,950	-	14,132	6,273	181,382
M. Jones	2011	143,011	28,725	-	30,000	18,156	3,722	223,614
Head of Contingent Collections	2010	125,443	26,213	-	32,400	14,252	3,764	202,072
M. Voysey [5]	2011	79,256	-	811	-	6,093	-	86,160
Chief Marketing Officer	2010	171,783	25,000	2,375	-	17,710	-	216,868
U. Danielian [6]	2011	231,937	-	-	-	5,840	-	237,777
Solicitor Director (Jones King Lawyers Pty Ltd)	2010	192,240	-	7,512	-	17,230	-	216,982

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

(1) Superannuation of 9% was paid on cash bonuses. The superannuation on the bonuses has been included in the superannuation figure in the table on page 33.

(2) David Gray was appointed a Non-Executive Director of the CLH Board on 28 June 2011.

(3) Tony Aveling retired as Managing Director and Chief Executive Officer on 31 July 2010.

(4) Barrie Adams, Bill Hiller and Barry Connelly did not stand for re-election on 30 October 2009.

(5) Michael Voysey, Chief Marketing Officer, left the Company on 16 July 2010.

(6) Ulysses Danielian, Solicitor Director, left the Company on 31 October 2010.

The relative proportions of remuneration referred to in the table on page 33 that are fixed and linked to performance and share based options are as follows:

	% Performance based		% Fixed	
Name	**2011**	**2010**	**2011**	**2010**
1. T. Aveling (retired 31 July 2010)	45	53	55	47
2 M. Thomas	46	20	54	80
3. A. Ralston	22	20	78	80
4. M. Watkins	21	18	79	82
5. K. Lynam	29	19	71	81
6. M. Jones	16	16	84	84
7. M. Voysey (left the Company 16 July 2010)	-	13	-	87

C Service Agreements (audited)

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

T. Aveling MD/CEO (retired 31 July 2010)	Deed of Variation of Employment Agreement	On 26 June 2008, the Collection House Board agreed to vary the MD/CEO's remuneration package, subject to shareholder approval. Shareholder approval was given at the AGM on 31 October 2008. Mr Aveling retired from this position on 31 July 2010.
	Annual base salary	$500,000 plus superannuation
	Performance cash bonus pro-rata to 31 July 2011	Maximum level of $500,000 plus superannuation. $45,416 inclusive of superannuation was paid.
	(Objectives as agreed by the Board)	At FY11 year end, the Board was provided with the financial and non-financial information relating to the MD/CEO's performance to 31 July 2011 (pro-rata). The key objective related to Collection House profitability. Supporting objectives covered leadership, sales, stakeholder relationships, recruitment, trade debtors, organisational structure, succession planning, funding, premises, book quality, compliance and regulatory obligations. Based on this information, the Board determined the level of STI to be made to the MD/CEO. The payment was calculated based on performance against objectives and the Board's exercise of discretion.
	Options	2,000,000 options granted in 2007 were not exercised and lapsed on the Expiry Date (28 February 2011). 2,000,000 options were granted in 2008. See note 31 for further details.
M. Thomas	Annual Base Salary	$436,000 inclusive of superannuation for the year ended 30 June 2011
Chief Executive Officer (appointed CEO designate on 1 July 2010 and became sole CEO on 1 August 2010)	Performance cash bonus	$327,000 inclusive of superannuation was paid for the year ended 30 June 2011
	Options	250,000 options granted in 2007 were not exercised and lapsed on the Expiry Date (28 February 2011). 250,000 options were granted in 2008. 1,479,000 options were granted in 2011. See note 31 for further details.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

A. Ralston Chief Financial Officer	Annual Base Salary	$265,805 inclusive of superannuation for the year ended 30 June 2011
	Performance cash bonus	$55,048 inclusive of superannuation was paid for the year ended 30 June 2011
	Options	200,000 options granted in 2007 were not exercised and lapsed on the Expiry Date (28 February 2011). 200,000 options were granted in 2008. 591,000 options were granted in 2011. See note 31 or further details.
M. Watkins General Counsel and Company Secretary	Annual Base Salary	$272,805 inclusive of superannuation for the year ended 30 June 2011
	Performance cash bonus	$56,498 inclusive of superannuation was paid for the year ended 30 June 2011
	Options	200,000 options granted in 2007 were not exercised and lapsed on the Expiry Date (28 February 2011). 225,000 options were granted in 2008. 443,000 options were granted in 2011. See note 31 for further details.
K. Lynam General Manager – Human Resources and Corporate Services	Annual Base Salary	$166,755 inclusive of superannuation for the year ended 30 June 2011
	Performance cash bonus	$34,534 inclusive of superannuation was paid for the year ended 30 June 2011
	Options	125,000 options granted in 2007 were not exercised and lapsed on the Expiry Date (28 February 2011). 150,000 options were granted in 2008. 443,000 options were granted in 2011. See note 31 for further details.
M. Voysey Chief Marketing Officer (left the Company on 31 October 2010)	Annual Base Salary	$86,160 inclusive of superannuation for the year ended 30 June 2011. Mr Voysey left the company on 16 July 2010.
	Performance cash bonus	Nil
	Options	Nil options granted

D Share based compensation (audited)

Options

Options have been granted to certain eligible employees under the Collection House Executive Share Option Plan.

The terms and conditions of all options mentioned above affecting remuneration in the previous, this or future reporting periods are set out in note 31 of the financial statements.

Options granted under the Executive Share Option Plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of Collection House Limited.

Details of options over ordinary shares in Collection House Limited provided as remuneration to each director of Collection House Limited and Group Executives are set out below. Further information on the options is set out in note 31 of the financial statements.

	Number of options granted during the year		Number of options vested during the year	
Name	**2011**	**2010**	**2011**	**2010**
1. M. Thomas	1,479,000	-	150,000	-
2. A. Ralston	591,000	-	120,000	-
3. M. Watkins	443,000	-	135,000	-
4. K. Lynam	443,000	-	90,000	-

The assessed fair value at grant date of options granted to the individuals is allocated over the period from grant date to vesting date, and the amount is included in the remuneration table in this report. Fair values at grant date are independently determined using a modified binomial pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Shares provided on exercise of remuneration options

Details of ordinary shares in Collection House Limited provided as a result of the exercise of remuneration options to each director of Collection House Limited and Group Executives are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year		Amounts paid per ordinary share	
Name		**2011**	**2010**	**2011**	**2010**
Directors of Collection House Limited	-	-	-	-	-
Group Executives	-	-	-	-	-

No shares issued on the exercise of options during the period.

E ADDITIONAL INFORMATION (AUDITED)

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

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. Details of the relationship between the remuneration policy and Group's performance over the last 5 years is detailed below.

	2007	2008	2009	2010	2011
Net profit after tax ($m's)	$3.81	$12.39	$7.85	$8.92	$10.11
Dividends Declared	2 cents franked	4.7 cents franked	4.9 cents franked	5.8 cents franked	6.2 cents franked
Share price commenced	$1.03	$0.78	$0.465	$0.47	$0.76
Share price ended	$0.75	$0.46	$0.49	$0.75	$0.65
Basic Earnings per share (including discontinued operations)	3.9 cents	12.7 cents	8.1 cents	9.2 cents	10.4 cents

Details of remuneration: cash bonuses and options

For each cash bonus and grant of options included in the tables on page 33, 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 on page 37. No part of the bonuses is payable in future years. No options will vest unless the vesting conditions are met (see note 31 for details), hence the minimum value of the options yet to vest is nil. The maximum value of the options yet to be expensed has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

{ **DIRECTORS' REPORT** *for the year ended 30 june 2011*

	Cash bonus 2011		Options						
Name	Paid	Forfeited %	Year granted	Vested %	Forfeited %	Lapsed $	Financial years in which options may vest (subject to certain qualifying hurdles). Refer to note 31	Minimum total value of options yet to be expensed	Maximum total value of options yet to be expensed
1. M.Thomas	100	-	2007	-	-	100%	2009 - 2011	0	0
			2008	60%	-	-	2011 - 2013	0	0
			2011	-	-	-	2012 - 2013	0	200,001
2. A. Ralston	95	5	2007	-	-	100%	2009 - 2011	0	0
			2008	60%	-	-	2011 - 2013	0	0
			2011	-	-	-	2012 - 2013	0	79,919
3. M. Watkins	95	5	2007	-	-	100%	2009 - 2011	0	0
			2008	60%	-	-	2011 - 2013	0	0
			2011	-	-	-	2012 - 2013	0	59,906
4. K. Lynam	95	5	2007	-	-	100%	2009 - 2011	0	0
			2008	60%	-	-	2011 - 2013	0	0
			2011	-	-	-	2012 - 2013	0	59,906
5. T. Aveling	8.3	91.7	2007	-	-	100%	2009 - 2011	0	0
(retired on 31 July 2010)			2008	60%	-	-	2011 - 2013	0	0

Loans to directors and executives

Information on loans to Directors and Group Executives, including amounts, interest rates and repayment terms are set out in note 24 to the financial statements.

Shares under option

Long term incentives are provided to certain eligible employees via the Executive Share Option Plan, see note 31 for further information. Unissued ordinary shares of Collection House Limited under option at the date of this report are as follows:

	Date options granted	Number under option	Issue price of shares	No of shares issued 2011	Expiry date
MD/CEO Options	31 October 2008	2,000,000	$0.4927	nil	25 June 2013
Executive Share Option Plan	18 July 2008	1,437,500	$0.4927	nil	25 June 2013
	1 March 2011	2,956,000	$0.6938	nil	20 December 2013

F. ADDITIONAL INFORMATION (UNAUDITED)

Insurance of officers

During the financial year, the Group paid a premium of $30,766 to insure the directors and secretaries of the Group and the executives of each of the divisions of the Group.

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

{ DIRECTORS' REPORT *for the year ended 30 june 2011*

Proceedings on behalf of the Group

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

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. During the year, the Group's auditors have performed no other non-audit services in addition to their assurance duties. All other assurance services are subject to the corporate governance procedures adopted by the Group.

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

	Consolidated	
DESCRIPTION	**30 June 2011 $**	**30 June 2010 $**
1. Audit services, Lawler Hacketts Audit Audit and review of the financial reports and other audit work under the *Corporations Act 2001*.	148,000	137,000
Total remuneration for audit services	148,000	137,000
2. Other assurance services, Lawler Hacketts Audit	82,500	82,000
Total remuneration for audit-related services	82,500	82,000
TOTAL REMUNERATION	230,500	219,000

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

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

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

COLLECTION HOUSE LIMITED

John Pearce
Chairman
25 August 2011

lawler hacketts chartered accountants

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2011 there have been:

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

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

LAWLER HACKETTS AUDIT

Liam Murphy
Partner

Brisbane, 25 August 2011

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{ FINANCIAL STATEMENTS CONTENTS

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2011

{ INCOME STATEMENT *for the year ended 30 june 2011*

	Notes	Consolidated 30 June 2011 $'000	Consolidated 30 June 2010 $'000
Commission		31,431	33,919
Other revenue		378	339
Collections of purchased debt ledgers		78,042	69,467
Change in Fair Value of purchased debt ledgers		(33,073)	(29,879)
Net gain on financial assets - purchased debt ledgers		44,969	39,588
Revenue from continuing operations		76,778	73,846
Depreciation and amortisation expense	5	(2,901)	(2,618)
Other expenses		(4,632)	(4,551)
Employee expenses		(34,547)	(34,873)
Direct collection costs		(11,017)	(11,930)
Operating lease rental expense		(3,453)	(3,280)
Finance costs	5	(5,645)	(4,772)
Profit before income tax		14,583	11,822
Income tax expense	6	(4,466)	(2,899)
Profit from continuing operations		10,117	8,923
Profit for the year		10,117	8,923
Profit is attributable to:			
Owners of Collection House Limited		10,117	8,923
		10,117	8,923
		Cents	**Cents**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	10.4	9.2
Diluted earnings per share	30	10.3	9.1
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	30	10.4	9.2
Diluted earnings per share	30	10.3	9.1

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

{ STATEMENT OF COMPREHENSIVE INCOME *for the year ended 30 june 2011*

	Notes	Consolidated 30 June 2011 $'000	Consolidated 30 June 2010 $'000
Profit for the year		**10,117**	8,923
Other comprehensive income			
Exchange differences on translation of foreign operations	22(a)	**(409)**	(50)
Total comprehensive income for the year		**9,708**	8,873
Total comprehensive income for the year is attributable to:			
Owners of Collection House Limited		**9,708**	8,873
		9,708	8,873

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

{ BALANCE SHEET *as at 30 june 2011*

		Consolidated	
	Notes	30 June 2011 $'000	30 June 2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	7	283	459
Receivables	8	6,692	5,459
Other financial assets at fair value through profit or loss	9	44,598	35,234
Other current assets		17	16
Total current assets		51,590	41,168
Non-current assets			
Other financial assets at fair value through profit or loss	9	117,439	111,251
Property, plant and equipment	10	6,221	6,572
Intangible assets	12	22,813	21,786
Other non-current assets	13	414	177
Total non-current assets		146,887	139,786
Total assets		198,477	180,954
LIABILITIES			
Current liabilities			
Payables	14	6,948	4,088
Borrowings	15	2,744	601
Current tax liabilities		5,772	842
Provisions	16	2,072	2,095
Total current liabilities		17,536	7,626
Non-current liabilities			
Borrowings	17	73,900	66,900
Provisions	19	360	337
Deferred tax liabilities	18	10,817	14,219
Total non-current liabilities		85,077	81,456
Total liabilities		102,613	89,082
Net assets		95,864	91,872
EQUITY			
Contributed equity	21	67,256	67,256
Reserves	22(a)	106	294
Retained profits	22(b)	28,502	24,322
		95,864	91,872
Total equity		95,864	91,872

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

{ STATEMENT OF CHANGES IN EQUITY *for the year ended 30 june 2011*

		Attributable to members of Collection House Limited			
Consolidated	**Notes**	**Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2009		67,256	171	20,533	87,960
Opening balance adjustment	22	-	-	121	121
Restated total equity at the beginning of the financial year		67,256	171	20,654	88,081
Profit for the year		-	-	8,923	8,923
Exchange differences on translation of foreign operations	22	-	(50)	-	(50)
Total comprehensive income for the year		-	(50)	8,923	8,873
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	22	-	-	(5,255)	(5,255)
Employee share options - value of employee services	22	-	173	-	173
Total transactions with owners		-	173	(5,255)	(5,082)
Balance at 30 June 2010		67,256	294	24,322	91,872
Balance at 1 July 2010		67,256	294	24,322	91,872
Opening balance adjustment		-	-	-	-
Profit for the year		-	-	10,117	10,117
Exchange differences on translation of foreign operations	22	-	(409)	-	(409)
Total comprehensive income for the year		-	(409)	10,117	9,708
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	22	-	-	(5,937)	(5,937)
Employee share options - value of employee services		-	221	-	221
Total transactions with owners		-	221	(5,937)	(5,716)
Balance at 30 June 2011		67,256	106	28,502	95,864

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

{ CASH FLOW STATEMENT *for the year ended 30 june 2011*

	Notes	Consolidated 30 June 2011 $'000	30 June 2010 $'000
Cash flows from operating activities			
Receipts from customers and debtors (inclusive of goods and services tax)		114,486	109,947
Payments to suppliers and employees (inclusive of goods and services tax)		(58,009)	(61,272)
		56,477	48,675
Interest paid		(5,607)	(4,771)
Income taxes refunded / (paid)		(2,938)	(4,151)
Net cash (outflow) inflow from operating activities	33	47,932	39,753
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment	10	1	-
Payments for property, plant and equipment		(976)	(862)
Payments for leasehold improvements		(5)	(31)
Payments for other financial assets at fair value through profit or loss		(48,626)	(29,448)
Payments for intangible assets		(1,695)	(2,083)
Net cash (outflow) inflow from investing activities		(51,301)	(32,424)
Cash flows from financing activities			
Proceeds from borrowings	17	7,008	-
Repayment of borrowings		-	(2,800)
Dividends paid to company's shareholders	23	(5,937)	(5,255)
Net cash inflow (outflow) from financing activities		1,071	(8,055)
Net increase (decrease) in cash and cash equivalents		(2,298)	(726)
Cash and cash equivalents at the beginning of the financial year		(142)	584
Effects of exchange rate changes on cash and cash equivalents		(16)	-
Cash and cash equivalents at end of year	7	(2,456)	(142)

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

(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) Early adoption of standards

The Group has elected to apply the following pronouncements to the annual reporting period beginning 1 July 2010:

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013).

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 the result of applying these standards.

(iii) Historical cost convention

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

(iv) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Collection House Limited (''company" or ''parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Collection House Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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 minority interests in the group.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(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 operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group'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 the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

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

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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

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. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Gains and losses on financial assets

Net gains on financial assets are disclosed in the income statement as collections of Purchased Debt ledgers net of any change in fair value of the ledgers. The company classifies purchased debt ledgers as financial assets at fair value through profit or loss.

The net gain on these assets is disclosed as revenue in the income statement.

Net gains or losses on financial assets are recognised as they accrue.

(ii) Rendering of services

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

(iii) Sale of non-current assets

The net gain or loss on disposal is included as either a revenue or an expense at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(iv) Dividends

Revenue from dividends and distributions from controlled entities is recognised by the Parent Entity when they are declared by the controlled entities.

Revenue from dividends from other investments is recognised when received.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

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

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

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

Taxation of Financial Arrangements legislation

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 (TOFA legislation) was passed in 2009. The TOFA legislation provides a framework for the taxation of financial arrangements, potentially providing closer alignment between tax and accounting requirements. The regime also includes comprehensive tax hedging rules that would allow the tax recognition of gains and losses on many hedging instruments to be matched to the accounting recognition of gains and losses of the underlying hedged items. At 30 June 2011, the company does not have any hedged instruments and has never used them up to this date.

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

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

(g) Leases

Leases 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 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interests's proportionate share of the acquiree's net identifiable assets.

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

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

(j) Cash and cash equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

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

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

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(l) Other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss - Purchased debt ledgers (PDL's)

Purchased debt ledgers have been included in this category of financial assets as it is managed and its performance is evaluated on a fair value basis.

Purchased debt ledgers are initially recorded at cost (including incidental costs of acquisition) and thereafter at fair value in the balance sheet. In the absence of an active market the fair value of a particular ledger is determined based on a valuation technique. The valuation is based on the present value of expected future cash flows.

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

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

Purchased debt ledgers are included as non-current assets, except for the amount of the ledger that is expected to be realised within 12 months of the balance sheet date, which is classified as a current asset.

(ii) Loans and receivables

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

Recognition and derecognition

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

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

Measurement

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

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

(m) Fair value estimation of financial assets and liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses estimated discounted cash flows to determine fair value.

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(n) Property, plant and equipment

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

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

The costs of assets constructed or internally generated by the Group, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets as set out in note 1(r).

Expenditure, including that on internally generated assets, is only recognised as an asset when the Group controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

All assets, including intangibles other than goodwill, are depreciated / amortised using the straight-line method over their estimated useful lives taking into account estimated residual values with the exception of purchased debt which subject to fair value adjustments based upon the benefits to be derived from the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(o) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) IT development and software

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

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) Other intangible assets

Licences and intellectual property are considered to have an 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.

(p) 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.

(q) Borrowings

All borrowings are recognised at their principal amounts subject to setoff 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, is recorded at the contracted rate as part of "Other creditors and accruals".

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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(r) 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.

(s) 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.

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 the 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.

(t) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation Plans

The Company and other controlled entities make statutory contibutions to several superannuation funds in accordance with the directions of its employees. Contributions are expensed in the period to which they relate.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iv) Share-based payments

Share-based compensation benefits are provided to the Chief Executive Officer via the the employment agreement between the Company and the Chief Executive Officer.

Share-based compensation benefits are provided to employees other than the Chief Executive Officer via the Collection House Limited Executive Share Option Plan. Further details are set out in note 31.

The fair value of options granted under the Executive Share Option Plan and the CEO employment agreement is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(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.

(u) 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. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(v) 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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(w) 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 21).

(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.

(x) 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.

(y) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group, however they may have impacted the disclosures presented in the financial statements.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(z) New accounting standards and interpretations (continued)

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

(i) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

(ii) AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective 1 July 2010)

(iii) AASB 2009-14 Amendments to Australian Interpretation - *Prepayments of a Minimum Funding Requirement* (effective 1 January 2011)

(iv) AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt the amendments to AASB 9.

(v) AASB 2010-6 Amendments to Australian Accounting Standards - *Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

(vi) AASB 2010-8 Amendments to Australian Accounting Standards - *Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

(vii) AASB 2010-9 Amendments to Australian Accounting Standards - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective from 1 July 2011) and AASB 2010-10 Further Amendments to Australian Accounting Standards - *Removal of Fixed Dates for First-time Adopters* (effective from 1 July 2013)

(viii) IFRS 10 *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after 1 January 2013)

(ix) IFRS 11 *Joint Arrangements* (effective for annual reporting periods beginning on or after 1 January 2013)

(x) IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual reporting periods beginning on or after 1 January 2013)

(xi) IFRS 13 *Fair Value Measurement* (effective for annual reporting periods beginning on or after 1 January 2013)

The Group will apply the amendment from the date of mandatory adoption in Australia. It is currently evaluating the impact of the new standard.

Other than as noted above, the directors anticipate that the adoption of these standards and Interpretations in future period will have no material impact on the financial statements of the Group.

(aa) Parent Entity financial information

The financial information for the Parent Entity, Collection House Limited, disclosed in note 34 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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

1 Summary of significant accounting policies (continued)

(aa) Parent Entity financial information (continued)

(ii) Tax consolidation legislation

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

The head entity, Collection House Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Collection House Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(iii) Financial guarantees

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

2 Financial risk management

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

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

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

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

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 2011, had the Australian Dollar weakened/strengthened by 10% against the NZ Dollar with all other variables held constant, the impact for the year would have been immaterial to both profit for the year and equity.

(ii) Price risk

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

(iii) Cash flow and fair value interest rate risk

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

Trade interest rate risk

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

The Group's main trade interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group currently has no fixed rate borrowings. During 2011 and 2010, the Group borrowings at variable rate were denominated in Australian Dollars only.

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

Interest rate hedges and swaps are an available tool for managing interest rate risk within the group. If it is determined that it would be profitable and / or advantageous to the group, these tools will be used. Interest rate hedges or swaps have not been used by the Group during the year ended 30 June 2011 (2010: $Nil).

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	30 June 2011		30 June 2010	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank overdrafts and bank loans	5.8%	76,639	4.8%	67,501
Net exposure to cash flow interest rate risk		76,639		67,501

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(a) Market risk (continued)

Investment interest rate risk

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

Interest rate risk

Group sensitivity

At 30 June 2011, 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 $134,000 lower/higher (2010 - change of 25 bps: $118,000 lower/higher), mainly as a result of higher/lower interest expense from net borrowings. Other components of equity would have been $134,000 lower/higher (2010 - $118,000 lower/higher) mainly as a result of an increase/decrease in cash not required for interest payments. Other financial assets and liabilities are not interest bearing and therefore are not subject to interest rate risk.

(iv) Summarised sensitivity analysis

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

		Interest rate risk			
		-25 bps		+25 bps	
Consolidated 30 June 2011	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial liabilities	-	-	-	-	-
Borrowings	76,639	134	134	(134)	(134)
Total increase/ (decrease) in financial assets		134	134	(134)	(134)
Total increase/ (decrease)		134	134	(134)	(134)

		Interest rate risk			
		-25 bps		+25 bps	
Consolidated 30 June 2010	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial liabilities	-	-	-	-	-
Borrowings	67,501	118	118	(118)	(118)
Total increase/(decrease) in financial assets		118	118	(118)	(118)
Total increase/ (decrease)		118	118	(118)	(118)

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(b) Credit risk

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

Trade credit risk

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

The Group has no significant concentrations of trade credit risk. The Group has policies in place to ensure that the sales of products and services are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one financial institution.

Investment credit risk

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Finance Team aims at maintaining flexibility in funding by keeping committed credit lines available.

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

Financing arrangements

The Group had access to a $85,000,000 Multiple Option Facility throughout the year (2010: $75,000,000 with a temporary extension to $85,000,000 throughout the year). The facility, which was replaced in June 2011, was subject to meeting a number of financial undertakings. The undertakings were materially met at all times during both the current and prior years. The facility was replaced with a $100,000,000 Multiple Option Facility which expires on 1 July 2013. The new facility is subject to the same undertakings as the old facility was, and is subject to review at the end of its term.

The facility is made up of a Cash Advance option, a Commercial Bill option, an Overdraft option, and a Set-off option. The cash advance option or the commercial bill option can be drawn upon with 2 days notice to the finance provider, and the overdraft option or the set-off option may be drawn upon at any time. The allocation between the various options is at the discretion of the Group subject to the total not exceeding the $100,000,000 commitment from the finance provider. The overdraft and set-off options are repayable on demand, and the Commercial Bill and cash advance options are repayable at the end of the term.

The undertakings are reviewed by the Audit and Risk Management Committee each month, and are reported on to the finance provider quarterly. 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.

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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities At 30 June 2011	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives							
Non-interest bearing	6,238	-	-	-	-	6,238	-
Variable rate	2,638	-	73,900	-	-	76,538	-
Total non-derivatives	8,876	-	73,900	-	-	82,776	-

At 30 June 2010	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying Amount (assets)/ liabilities $'000
Non-derivatives							
Non-interest bearing	4,088	-	-	-	-	4,088	4,088
Variable rate	479	-	-	66,900	-	67,379	67,379
Total non-derivatives	4,567	-	-	66,900	-	71,467	71,467

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, purchased debt portfolios in the group) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are also used to determine fair value for the financial instruments.

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

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

Purchased Debt Ledgers

Other Financial Assets at Fair Value through the Profit and Loss as disclosed in the group entity represent investments in debt ledgers. To manage the interest rate and credit risks arising from investments in debt portfolios, the Group analyses the price to be paid for each tranche before it is purchased. Debt prices paid are determined by a bidding process in the market place, with each bidder determining the prices which they are prepared to pay based on their own analysis.

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

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(d) Fair value measurements (continued)

Initial recognition value

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

1. The Face Value of the debt being purchased

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

2. The expected Recovery Rate of the debt being purchased

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

3. The Price Multiple which can be obtained

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

Subsequent measurement of carrying value

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

AASB7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

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

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

The purchased debt ledger assets of the group are classified as Level 3 in the fair value measurement hierarchy. Details of the group's assets and liabilities measured and recognised at fair value are set out in Note 9.

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

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

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

The changes in level 3 instruments for the year ended 30 June 2011 are set out in note 9.

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets at Fair Value through the Profit & Loss to the achieved recovery rate.

As a result of the recent Global Financial crisis, and recent experience, the reasonably likely range of the sensitivity analysis has stabilised from the prior year and has been set at 3.34% (2010: 4.08%).

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

2 Financial risk management (continued)

(d) Fair value measurements (continued)

		Recoverability			
		-3.34%		+3.34%	
Consolidated 30 June 2011	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets					
Financial assets at FVTPL	162,037	(747)	(747)	747	747
Total increase/(decrease) in financial assets		(747)	(747)	747	747
Total increase/ (decrease)		(747)	(747)	747	747

		Recoverability			
		-4.08%		+4.08%	
Consolidated 30 June 2010	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Financial assets					
Financial assets at FVTPL	146,485	(911)	(911)	911	911
Total increase/(decrease) in financial assets		(911)	(911)	911	911
Total increase/ (decrease)		(911)	(911)	911	911

(e) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Group finance facilities are a combination of overdraft and short term commercial bill facilities, all of which are on a variable interest rate basis. In the current interest rate environment, this approach maximises available cash with minimal exposure to interest rate movements. All aspects of the financing arrangements, including interest rate structuring can be reviewed as required during the life of the facility. The Board of Directors has authorised the use of interest rate swaps as a tool to manage interest rate risk. At 30 June 2011, the group had not entered into any such arrangements.

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(o). 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 12 for details of these assumptions and the potential impact of changes to the assumptions.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

3 Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

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

Each six months the Group tests whether the non-financial assets or intangible assets of the Group (other than goodwill) have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

(iii) Estimated fair value of other financial assets

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

(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

• 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(n) 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: Commission Collections, and Account Asset Management. 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.

Commission Collection Services

The earning of commissions on the collection of debts for clients;

Account Asset Management

The collection of debts from client ledgers acquired by the Company;

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

4 Segment information (continued)

(b) Segment information provided to the Board

2011	Commission Collection Services $'000	Account Asset Management $'000	Intersegment eliminations/ unallocated $'000	Total continuing operations $'000	Discontinued operations $'000	Consolidated $'000
Segment revenue						
Sales to external customers	31,327	-	-	31,327	-	31,327
Intersegment sales	846	-	-	846	-	846
Total sales revenue	32,173	-	-	32,173	-	32,173
Collections of Purchased Debt Ledgers	-	78,042	-	78,042	-	78,042
Fair Value movement on Purchased Debt ledgers	-	(33,073)	-	(33,073)	-	(33,073)
Net gain on financial assets	-	44,969	-	44,969	-	44,969
Total segment revenue	**32,173**	**44,969**	**-**	**77,142**	**-**	**77,142**
Intersegment elimination				(364)	-	(364)
Consolidated revenue				**76,778**	**-**	**76,778**
Segment result						
Segment result (notes (ii))	**5,393**	**18,885**	**-**	**24,278**	**-**	**24,278**
Interest expense and borrowing costs				(5,645)	-	(5,645)
Unallocated revenue less unallocated expenses				(4,050)	-	(4,050)
Profit before income tax				14,583	-	14,583
Income tax expense				(4,466)	-	(4,466)
Profit for the year				**10,117**	**-**	**10,117**
Segment assets and liabilities						
Segment assets	**133,290**	**163,640**	**(98,237)**	**198,693**	**(216)**	**198,477**
Unallocated assets				-	-	-
Total assets				**198,693**	**(216)**	**198,477**
Segment liabilities	**10,878**	**100,789**	**(102,287)**	**9,380**	**-**	**9,380**
Unallocated liabilities				93,233	-	93,233
Total liabilities				**102,613**	**-**	**102,613**
Other segment information						
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,695	49,277	-	51,972	-	51,972
Total acquisitions				51,972	-	51,972
Depreciation and amortisation expense	1,281	421	248	1,950	-	1,950
Total depreciation and amortisation				1,950	-	1,950
Other non-cash expenses	131	33,250	289	33,670	-	33,670

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

4 Segment information (continued)

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

2010	Commission Collection Services $'000	Account Asset Management $'000	Intersegment eliminations/ unallocated $'000	Total continuing operations $'000	Discontinued operations $'000	Consolidated $'000
Segment revenue						
Sales to external customers	33,432	-	-	33,432	-	33,432
Intersegment sales	848	-	-	848	-	848
Total sales revenue	34,280	-	-	34,280	-	34,280
Collections of Purchased Debt Ledgers	-	69,467	-	69,467	-	69,467
Fair Value movement on Purchased Debt ledgers	-	(29,879)	-	(29,879)	-	(29,879)
Net gain on financial assets	-	39,588	-	39,588	-	39,588
Change in Fair Value of Purchased Debt Ledgers	34,280	39,588	-	73,868	-	73,868
Intersegment elimination				(22)	-	(22)
Consolidated revenue				73,846	-	73,846
Segment result						
Segment result (notes (ii))	5,873	15,579	-	21,452	-	21,452
Interest expense and borrowing costs				(4,771)	-	(4,771)
Unallocated revenue less unallocated expenses				(4,859)	-	(4,859)
Profit before income tax				11,822	-	11,822
Income tax expense				(2,899)	-	(2,899)
Profit for the year				8,923	-	8,923
Segment assets and liabilities						
Segment assets	134,654	146,920	(100,406)	181,168	(214)	180,954
Intersegment elimination				-	-	-
Unallocated assets				-	-	-
Total assets				181,168	(214)	180,954
Segment liabilities	12,779	98,904	(104,562)	7,121	-	7,121
Intersegment elimination				-	-	-
Unallocated liabilities				81,961	-	81,961
Total liabilities				89,082	-	89,082
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,988	30,142	-	33,130	-	33,130
Total acquisitions				33,130	-	33,130
Depreciation and amortisation expense	418	418	1,150	1,986	-	1,986
Total depreciation and amortisation				1,986	-	1,986
Impairment of trade receivables (note 8)	-	-	-	-	-	-
Other non-cash expenses	(217)	30,157	114	30,054	-	30,054

Changes to the segment note and comparatives

Due to the changing nature of the Collection House businesses, the Group has revised the segment note to better reflect the way in which the two segments of the business operate and the relationship between them. This change, which consistent with the internal reporting to the Chief Operating Decision Maker, is reflected in the 30 June 2011 segment note and the 30 June 2010 comparative disclosure in the segment note has also been restated. The same adjustments were reflected in the half year report.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

4 Segment information (continued)

(c) Geographical information

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

	Segment revenues from sales to external customers		Segment assets		Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	
	30 June 2011 $'000	30 June 2010 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2011 $'000	30 June 2010 $'000
Australia	71,283	66,067	187,278	169,377	51,449	33,093
New Zealand	5,012	6,953	11,199	11,577	523	37
	76,295	73,020	198,477	180,954	51,972	33,130
Total assets			198,477	180,954		

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located.

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard 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, inventories, 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 creditors, 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

	Commission Collection Services		Account Asset Management	
	30 June 2011 %	30 June 2010 %	30 June 2011 %	30 June 2010 %
Margin on sales revenue	17	17	42	39

(d) Other segment information

Sales between segments are carried out at arms length and are eliminated on consolidation. The revenue from external parties reported to the Chief Operating Decision Maker is consistent with that in the income statement.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

5 Expenses

	Consolidated 30 June 2011 $'000	Consolidated 30 June 2010 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements, plant and equipment	1,950	1,986
	-	-
Total depreciation	1,950	1,986
Amortisation		
Legal and court cost capitalised	951	632
Total amortisation	951	632
Total depreciation and amortisation	2,901	2,618
Finance expenses		
Interest and finance charges paid/payable	5,786	4,817
Amount capitalised (a)	(141)	(45)
Finance costs expensed	5,645	4,772
Fair Value losses on other financial assets	33,100	29,879
	33,100	29,879
Rental expense relating to operating leases		
Minimum lease payments	3,450	3,272
Total rental expense relating to operating leases	3,450	3,272

(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 7.02% (2010 - 7.45%).

6 Income tax expense

	Consolidated 30 June 2011 $'000	Consolidated 30 June 2010 $'000
(a) Income tax expense		
Income tax expense - Profit from continuing operations	4,466	2,899
Income tax expense is attributable to:		
Current tax	7,995	4,253
Deferred tax	(3,405)	(495)
Under (over) provided in previous years	(124)	(859)
	4,466	2,899
Deferred income tax (revenue) expense included in income tax expense comprises:		
Decrease (increase) in deferred tax assets (note 11)	224	376
(Decrease) increase in deferred tax liabilities (note 18)	(3,629)	(871)
	(3,405)	(495)

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

6 Income tax expense (continued)

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

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Profit from continuing operations before income tax expense	14,583	11,822
Profit from discontinuing operations before income tax expense	-	-
Tax at the Australian tax rate of 30% (2010 - 30%)	4,375	3,547
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses	99	84
	4,474	3,631
Adjustments for current tax of prior periods	(8)	(732)
	(8)	(732)
Income tax expense	4,466	2,899

7 Current assets - Cash and cash equivalents

	Consolidated	
	2011 $'000	2010 $'000
Cash at bank and in hand	283	459
	283	459

(a) Reconciliation to 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 cash flow statement as follows:

	Consolidated	
	2011 $'000	2010 $'000
Bank overdraft right of set-off		
Balances as above	283	459
Bank overdrafts (note 15)	(2,739)	(601)
Balances per cash flow statement	(2,456)	(142)

(b) Risk exposure

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

(c) Bank overdraft right of set-off

With effect from 1 July 2004, the company holds a contractual right of set-off between the current overdraft balance and the cash-at-bank balances.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

8 Current assets - Trade and other receivables

	Consolidated	
	2011 $'000	2010 $'000
Net trade receivables		
Trade receivables	2,939	1,833
Provision for impairment of receivables ((a))	(172)	(319)
	2,767	1,514
Other receivables((c))	2,793	2,603
Prepaid expenses	1,132	1,342
	6,692	5,459

(a) Impaired trade receivables

As at 30 June 2011 current trade receivables of the Group with a nominal value of $269,000 (2010 - $323,000) were impaired. The amount of the provision was $172,000 (2010 - $319,000). 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	
	2011 $'000	2010 $'000
1 to 3 months	-	-
3 to 6 months	269	323
	269	323

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

	Consolidated	
	2011 $'000	2010 $'000
At 1 July	319	318
Provision for impairment recognised during the year	46	13
Receivables written off during the year as uncollectible	(92)	(15)
Bad debts recovered	-	45
Unused amount reversed	(101)	(42)
	172	319

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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

8 Current assets - Trade and other receivables (continued)

(b) Past due but not impaired

As of 30 June 2011, trade receivables of the Group of $1,299,000 (2010 - $620,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The past due trade debtors relate to regular customers of the group with no history of default. The majority of the 2011 past due amount was collected within 30 days of the end of the financial year.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Up to 3 months	860	218
3 to 6 months	-	-
	860	218

(c) Other receivables

These amounts relate to accrued revenue and rental bonds.

(d) Foreign exchange and interest rate risk

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

(e) Fair value and credit risk

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

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

9 Other financial assets at fair value through profit or loss

The following table presents the group's assets which are measured and recognised at fair value at 30 June 2011. The assets below are financial instruments which are classified as level 3 under the hierarchy set out in AASB 7 - Financial Instruments: Disclosures. Further details are set out in Note 2.

	Consolidated	
	2011 $'000	2010 $'000
Current and Non-Current		
At beginning of year	146,485	146,916
Additions	48,625	29,448
Collections disclosed in profit	(75,268)	(67,137)
Fair value gain / (loss) disclosed in profit	42,195	37,258
At end of year	162,037	146,485

	Consolidated	
	2011 $'000	2010 $'000
Other Financial Assets at fair value through profit and loss	162,037	146,485
	162,037	146,485

The amount of the above financial assets are classified as follows:

	Consolidated	
	2011 $'000	2010 $'000
Current	44,598	35,234
Non Current	117,439	111,251
	162,037	146,485

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

(a) Risk exposure

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

10 Non-current assets - Property, plant and equipment

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Work-in-progress $'000	Total $'000
At 1 July 2009						
Cost or fair value	7,399	9	2,815	2	25	10,250
Accumulated depreciation	(3,045)	(2)	(284)	(2)	-	(3,333)
Net book amount	4,354	7	2,531	-	25	6,917
Year 30 June 2010						
Opening net book amount	4,354	7	2,531	2	25	6,919
Additions	876	-	35	-	618	1,529
Disposals	(81)	(5)	(3)	(2)	-	(91)
Impairment charge recognised in profit and loss	-	-	-	-	-	-
Depreciation charge	(943)	(2)	(266)	-	-	(1,211)
Transfers	-	-	-	-	(574)	(574)
Closing net book amount	4,206	-	2,297	-	69	6,572
At 30 June 2010						
Cost or fair value	7,902	-	2,844	2	69	10,817
Accumulated depreciation	(3,696)	-	(547)	(2)	-	(4,245)
Net book amount	4,206	-	2,297	-	69	6,572

	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Work-in-progress $'000	Total $'000
Year 30 June 2011						
Opening net book amount	4,206	-	2,297	-	69	6,572
Additions	231	-	5	-	747	983
Disposals	(46)	-	(2)	-	-	(48)
Depreciation charge	(977)	-	(309)	-	-	(1,286)
Transfers	29	-	692	-	(721)	-
Closing net book amount	3,443	-	2,683	-	95	6,221
At 30 June 2011						
Cost or fair value	7,823	-	3,534	2	95	11,454
Accumulated depreciation	(4,380)	-	(851)	(2)	-	(5,233)
Net book amount	3,443	-	2,683	-	95	6,221

(a) Non-current assets pledged as security

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

11 Non-current assets - Deferred tax assets

	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Tax losses	196	152
Accruals	300	262
Future deductible windup costs	24	343
Doubtful debts	52	97
Provisions and employee benefits	885	813
Fixed assets	-	-
Sundry	41	55
	1,498	1,722
Set-off of deferred tax liabilities pursuant to set-off provisions (note 18)	(1,498)	(1,722)
Net deferred tax assets	-	-
Movements:		
Opening balance at 1 July	1,722	2,096
Credited/(charged) to the preliminary consolidated income statement (note 6)	(224)	(374)
Closing balance at 30 June	1,498	1,722

Movements - Consolidated	Tax losses $'000	Employee benefits $'000	Doubtful Debts $'000	Fixed Assets $'000	Receivables impairment & accruals $'000	Future deductible windup costs $'000
At 1 July 2009	-	710	95	43	194	623
(Charged)/credited						
- to profit or loss	152	103	2	(43)	68	(280)
At 30 June 2010	152	813	97	-	262	343

Movements - Consolidated	Sundry $'000	Total $'000
At 1 July 2009	431	2,096
(Charged)/credited		
- to profit or loss	(376)	(374)
At 30 June 2010	55	1,722

Movements - Consolidated	Tax losses $'000	Employee benefits $'000	Doubtful Debts $'000	Fixed assets $'000	Receivables impairment & accruals $'000	Future deductible windup costs $'000
At 30 June 2010	152	813	97	-	262	343
- to profit or loss	44	72	(45)	-	38	(319)
At 30 June 2011	196	885	52	-	300	24

Movements - Consolidated	Sundry $'000	Total $'000
At 30 June 2010	55	1,722
- to profit or loss	(14)	(224)
At 30 June 2011	41	1,498

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

12 Non-current assets - Intangible assets

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Work-in-progress - Cost * $'000	Total $'000
At 1 July 2009					
Cost	28,027	7,138	1,039	41	36,245
Accumulated amortisation and impairment	(9,737)	(5,002)	(970)	-	(15,709)
Net book amount	18,290	2,136	69	41	20,536
Year ended 30 June 2010					
Opening net book amount	18,290	2,136	69	41	20,536
Additions - acquisition	-	170	-	1,883	2,053
Impairment charge	-	-	-	-	-
Amortisation charge	-	(785)	-	-	(785)
Disposals	-	-	-	-	-
Transfers	-	-	-	(19)	(19)
Closing net book amount	18,290	1,521	69	1,905	21,785
At 30 June 2010					
Cost	28,030	7,308	519	1,905	37,762
Accumulated amortisation and impairment	(9,739)	(5,787)	(450)	-	(15,976)
Net book amount	18,291	1,521	69	1,905	21,786

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Work-in-progress - Cost * $'000	Total $'000
Year ended 30 June 2011					
Opening net book amount	18,291	1,521	69	1,905	21,786
Additions - internal development	-	81	-	1,632	1,713
Amortisation charge	-	(665)	-	-	(665)
Disposals	(6)	(15)	-	-	(21)
Transfers	-	808	-	(808)	-
Closing net book amount *	18,285	1,730	69	2,729	22,813
At 30 June 2011					
Cost	22,048	8,179	69	2,729	33,025
Accumulated amortisation and impairment	(3,763)	(6,449)	-	-	(10,212)
Net book amount	18,285	1,730	69	2,729	22,813

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

12 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

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

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

2011	Commission collections $'000	Account asset management $'000	Total $'000
Goodwill	18,285	-	18,285
	18,285	-	18,285

2010	Commission collections $'000	Account asset management $'000	Total $'000
Goodwill	18,291	-	18,291
	18,291	-	18,291

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

There is no goodwill associated with the Account asset management CGU.

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

	Growth rate (revenue)*		Growth rate (expenses) **		Discount rate ***	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
CGU	%	%	%	%	%	%
Collection services	0.00	0.00	2.80	2.90	6.17	5.08
Account asset management	0.00	0.00	2.80	2.90	6.17	5.08

* Revenue growth has been set at Nil for the period of the calculation to minimise the risk of overstating the Value-in-use.

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

*** In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows.

These assumptions have been used for the analysis of each CGU within the business segment. Management determined the operational budget based on past performance and its expectations for the future. The growth rates used reflect management expectations and are consistent with forecast inflation as published by the Australian Bureau of Statistics. The discount rates used is based upon the risk-free rate adjusted to reflect specific risks relating to the relevant segments in which they operate.

Considering the current uncertainties surrounding the Government's proposed emissions trading scheme, the entity has not made any adjustments to their future estimated cash outflows for any possible impact from the introduction of such a scheme.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

12 Non-current assets - Intangible assets (continued)

(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 (2010: Nil).

(d) Impact of possible changes in key assumptions

Commission collections

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 10% at 30 June 2011 rather than 6.17%, there would have been no impact on the resulting impairment evaluation. Because of the large excess of fair value over carrying value, at no reasonable risk free rate is there a impairment issue for the CGU.

If the estimated revenue growth is increased to 4.00% and expenses growth held at 2.80%, 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 2.00%, 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.

13 Non-current assets - Other non-current assets

	Consolidated	
	2011 $'000	2010 $'000
Legal and court costs capitalised	5,694	4,509
Legal & Court costs - accumulated amortisation	(5,280)	(4,332)
	414	177

14 Current liabilities - Trade and other payables

	Consolidated	
	2011 $'000	2010 $'000
Trade payables	1,582	1,564
Other payables	5,366	2,524
	6,948	4,088

(a) Risk exposure

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

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

15 Current liabilities - Borrowings

	Consolidated	
	2011 $'000	2010 $'000
Secured		
Bank overdraft	2,739	601
Total secured current borrowings	2,739	601
Unsecured		
Unsecured - Other loans	5	-
Total unsecured current borrowings	5	-
Total current borrowings	2,744	601

Further information relating to Borrowings is set out in note 17.

16 Current liabilities - Provisions

	Consolidated	
	2011 $'000	2010 $'000
Employee benefits	2,044	2,054
Other	28	41
	2,072	2,095

(a) Movements in provisions

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

2011	Other $'000
Current	
Carrying amount at start of year	41
- additional provisions recognised	98
- payments/other sacrifices of economic benefits	(111)
Carrying amount at end of year	28

2010	Restructuring 2009 $'000	Other $'000
Current		
Carrying amount at start of year	50	-
- additional provisions recognised	-	41
- amounts incurred and charged	(50)	-
Carrying amount at end of year	-	41

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

17 Non-current liabilities - Borrowings

	Consolidated	
	2011 $'000	2010 $'000
Secured		
Secured - Bank loans	73,900	66,900
Total secured non-current borrowings	73,900	66,900
Unsecured		
Total unsecured non-current borrowings	-	-
Total non-current borrowings	73,900	66,900

(a) Secured liabilities and assets pledged as security

	Consolidated	
	2011 $'000	2010 $'000
The total secured liabilities (current and non-current) are as follows:		
Bank overdrafts and bank loans	76,639	67,501
Total secured liabilities	76,639	67,501

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

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

		Consolidated	
	Notes	2011 $'000	2010 $'000
Current			
Floating charge			
Cash and cash equivalents	7	283	459
Receivables	8	5,560	4,117
Financial assets at fair value through profit or loss	9	44,598	35,234
Total current assets pledged as security		50,441	39,810
Non-current			
Floating charge			
Financial assets at fair value through profit or loss	9	117,439	111,251
Plant and equipment	10	6,221	6,572
		123,660	117,823
Total non-current assets pledged as security		123,660	117,823
Total assets pledged as security		174,101	157,633

{ **NOTES TO THE FINANCIAL STATEMENTS** *for the year ended 30 june 2011*

17 Non-current liabilities - Borrowings (continued)

(b) Fair value

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

	At 30 June 2011		At 30 June 2010	
Group	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
On-balance sheet (i)				
Non-traded financial liabilities				
Bank overdrafts	2,739	2,739	601	601
Bank loans	73,900	73,900	66,900	66,900
	76,639	76,639	67,501	67,501
	76,639	76,639	67,501	67,501

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 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2011 $'000	**2010 $'000**
The balance comprises temporary differences attributable to:		
Prepayments	7	7
Purchased debt	12,093	15,836
Fixed Assets	157	92
Sundry	58	6
	12,315	15,941
Total deferred tax liabilities	12,315	15,941
Set-off of deferred tax liabilities pursuant to set-off provisions (note 11)	(1,498)	(1,722)
Net deferred tax liabilities	10,817	14,219

{ **NOTES TO THE FINANCIAL STATEMENTS** *for the year ended 30 june 2011*

18 Non-current liabilities - Deferred tax liabilities (continued)

	Consolidated	
	2011 $'000	2010 $'000
Movements:		
Opening balance at 1 July	15,944	16,815
Charged/(credited) to the preliminary consolidated income statement (note 6)	(3,629)	(871)
Closing balance at 30 June	12,315	15,944

Movements - Consolidated	Property, plant and equipment $'000	Prepayments $'000	Purchased debt $'000	Other $'000	Total $'000
At 1 July 2009	-	4	16,384	427	16,815
Charged/(credited)					
- to profit or loss	92	3	(548)	(418)	(871)
At 30 June 2010	92	7	15,836	9	15,944

Movements - Consolidated	Property, plant and equipment $'000	Prepayments $'000	Purchased debt $'000	Other $'000	Total $'000
At 30 June 2010	92	7	15,836	9	15,944
Charged/(credited)					
- to profit or loss	65	-	(3,743)	49	(3,629)
At 30 June 2011	157	7	12,093	58	12,315

19 Non-current liabilities - Provisions

	Consolidated	
	2011 $'000	2010 $'000
Provisions - Employee benefits	360	337
	360	337

20 Employee benefits

(a) Superannuation plans

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Where there is a legal requirement the Company contributes the appropriate statutory percentage of employees salaries and wages.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

21 Contributed equity

	Company		Company	
	2011 Shares	2010 Shares	2011 $'000	2010 $'000
(a) Share capital				
Ordinary shares				
Fully paid	97,321,881	97,321,881	67,256	67,256
	97,321,881	97,321,881	67,256	67,256
Total contributed equity			67,256	67,256

(b) Movements in ordinary share capital:

Issues of ordinary shares during the year

Date	Details	Number of shares	$'000
1 July 2009	Opening balance	97,321,881	67,256
30 June 2010	Closing balance	97,321,881	67,256
1 July 2010	Opening balance	97,321,881	67,256
30 June 2011	Closing balance	97,321,881	67,256

(c) Ordinary shares

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

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

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

(d) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the scheme, is set out in note 31.

(e) Options

Information relating to options provided as part of the the MD/CEO remuneration package and options provided under the Collection House Executive Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 31.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

21 Contributed equity (continued)

(f) 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 financier 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 company's projected growth plus a buffer. As far as possible, asset purchases are funded from operational cashflow, allowing undrawn balances to be maintained. Cash is monitored on a daily basis to ensure that immediate and short term requirements can be met. By maintaining a buffer of undrawn funds, the company reduces the risk of liquidity and going concern issues.

Management of mix between debt and equity impacts the company's Cost of Capital and hence ability to provide returns to stakeholders, primarily the funding institutions and shareholders. The company 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 banker. 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(c).

As part of the financing facility, the company is required to monitor a number of financial indicators as specified by the financier. The group monitors the indicators on a monthly basis and reports to the funding provider every six months. The company has materially met these covenant at all times during the year.

This strategy was followed during both the 2011 and 2010 financial years.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

22 Reserves and retained earnings

	Consolidated	
	2011 $'000	**2010 $'000**
(a) Reserves		
Share-based payments reserve	1,271	1,050
Foreign currency translation reserve	(1,165)	(756)
	106	294

	Consolidated	
	2011 $'000	**2010 $'000**
Movements:		
Share-based payments reserve		
Balance 1 July	1,050	878
Option expense	221	172
Balance 30 June	1,271	1,050

	Consolidated	
	2011 $'000	**2010 $'000**
Movements:		
Foreign currency translation reserve		
Balance 1 July	(756)	(707)
Currency translation differences arising during the year	(409)	(49)
Balance 30 June	(1,165)	(756)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Balance 1 July	24,322	20,533
Net profit for the year	10,117	8,923
Opening balance adjustment	-	121
Items of other comprehensive income recognised directly in retained earnings		
Dividends	(5,937)	(5,255)
	-	-
Balance 30 June	28,502	24,322

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

22 Reserves and retained earnings (continued)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

(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.

23 Dividends

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
(a) Ordinary shares		
Fully franked final dividend for the year ended 30 June 2010 - 3.0 cents per share (2009 - 2.6 cents)	2,920	2,530
Fully franked interim dividend for the year ended 30 June 2011 - 3.1 cents per share (2010: 2.8 cents)	3,017	2,725
	5,937	5,255

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Dividends paid in cash during the years ended 30 June 2011 and 2010 were as follows:		
Paid in cash	5,937	5,255
	5,937	5,255

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since year end the directors have recommended the payment of a fully franked final dividend of 3.1 cents per fully paid ordinary share (2010 - 3.0 cents, fully franked). The aggregate amount of the proposed dividend expected to be paid on 25 November 2011 out of retained profits and a positive net balance sheet at 30 June 2011, but not recognised as a liability at year end, is	3,017	2,920
	3,017	2,920

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

23 Dividends (continued)

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 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 2012.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognised in subsequent financial reports.

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	6,750	47
	6,750	47

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.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $1,293,000 (2010: $1,251,000).

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

24 Key management personnel disclosures

(a) Directors

The following persons were directors of Collection House Limited during the financial year:

(i) Chairman - Non-executive director

J.M. Pearce

(ii) Executive director

A.R. Aveling – Managing Director and Chief Executive Officer (retired 31 July 2010)

(iii) Non-executive directors

D. G. Punches

A. F. Coutts

W. W. Kagel

K. J. Daly

D.M. Gray (appointed 28 June 2011)

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

24 Key management personnel disclosures (continued)

(b) Key management personnel

The following persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Tony Aveling	Managing Director and Chief Executive Officer (retired 31 July 2010)	Collection House Limited
Matthew Thomas	Previously Chief Operating Officer, commenced as CEO designate on 1 July 2010 and sole CEO on 1 August 2010.	Collection House Limited
Adrian Ralston	Chief Financial Officer	Collection House Limited
Michael Watkins	General Counsel and Company Secretary	Collection House Limited
Kylie Lynam	General Manager - Human Resources and Corporate Services	Collection House Limited
Michael Voysey	Chief Marketing Officer (left the company 16 July 2010)	Collection House Limited

All of the above persons were also key management persons during the year ended 30 June 2010.

(c) Key management personnel compensation

	Consolidated	
	30 June 2011 $	30 June 2010 $
Short-term employee benefits	2,020,704	2,655,509
Post-employment benefits	152,590	224,878
Share-based payments	187,905	139,275
	2,361,199	3,019,662

Detailed remuneration disclosures are provided in sections A-D of the remuneration report on pages 30 to 36.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

24 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each director of Collection House Limited and each of the four specified executives of the Company are set out below. When exercisable, each option is convertible into one ordinary share of Collection House Limited. Further information on the options is set out in note 31.

(ii) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report.

(iii) Option holdings

The numbers of options over ordinary shares in the Group 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.

2011 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes *	Balance at start of the year	Vested and exercisable	Unvested
Directors of Collection House Limited							
A. Aveling	4,000,000	-	-	(2,000,000)	2,000,000	1,200,000	800,000
Other key management personnel of the Group							
M. Thomas	500,000	1,479,000	-	(250,000)	1,729,000	150,000	1,579,000
A. Ralston	400,000	591,000	-	(200,000)	791,000	120,000	671,000
M. Watkins	425,000	443,000	-	(200,000)	668,000	135,000	533,000
K. Lynam	275,000	443,000	-	(125,000)	593,000	90,000	503,000

* "Other changes" represent options which have expired. For further information regarding the expiry of options see note 31

2010 Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at start of the year	Vested and exercisable	Unvested
Directors of Collection House Limited							
A. Aveling	4,000,000	-	-	-	4,000,000	400,000	3,600,000
Other key management personnel of the Group							
M. Thomas	500,000	-	-	-	500,000	50,000	450,000
A. Ralston	400,000	-	-	-	400,000	40,000	360,000
M. Watkins	425,000	-	-	-	425,000	40,000	385,000
K. Lynam	275,000	-	-	-	275,000	25,000	250,000

(iv) Share holdings

The numbers 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 on page 91. There were no shares issued under the terms of the Employee Share Plan during the reporting period as compensation.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

24 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

2011 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year *
Directors of Collection House Limited				
Ordinary shares				
John Pearce	11,461,015	-	304,523	11,765,538
Dennis Punches	17,907,384	-	1,193,882	19,101,266
Tony Coutts	4,464,600	-	-	4,464,600
Bill Kagel	951,269	-	600,000	1,551,269
Kerry Daly	140,000	-	60,000	200,000
David Gray (appointed 28 June 2011)	-	-	-	-
Tony Aveling (retired 31 July 2010)	505,000	-	-	505,000
* for Tony Aveling, balance at date of retirement, 31 July 2010.	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
M. Thomas	102,000	-	28,000	130,000
A. Ralston	-	-	-	-
M. Watkins	25,000	-	-	25,000
K. Lynam	11,000	-	(5,000)	6,000

2010 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Collection House Limited				
Ordinary shares				
John Pearce	11,416,130	-	44,885	11,461,015
Dennis Punches	17,857,384	-	50,000	17,907,384
Tony Coutts	4,464,600	-	-	4,464,600
Bill Kagel	951,269	-	-	951,269
Kerry Daly (as at date of appointment, 30 October 2009)	90,000	-	50,000	140,000
Tony Aveling (retired 31 July 2010)	449,400	-	55,600	505,000
Barrie Adams (resigned 30 October 2009)	-	-	-	-
Barry Connelly (resigned 30 October 2009)	77,143	-	-	77,143
Bill Hiller (resigned 30 October 2009)	93,000	-	(43,000)	50,000
Other key management personnel of the Group				
Ordinary shares				
M. Thomas	102,000	-	-	102,000
A. Ralston	-	-	-	-
M. Watkins	25,000	-	-	25,000
K. Lynam	11,000	-	-	11,000

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

24 Key management personnel disclosures (continued)

(e) Loans to key management personnel

Details of loans made to directors of Collection House Limited and other key management personnel of the Group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2011	-	-	-	-	-
2010	-	-	-	-	-

(ii) Individuals with loans above $100,000 during the financial year

No individual's aggregate loan balance exceeded $100,000 at any time during the financial year.

In 2010, there were no loans to individuals that exceeded $100,000 at any time.

(f) Other transactions with key management personnel

No payments were made to directors or other key management personnel other than as appropriate payments for performance of their duties as directors or as employees.

25 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 2011 $	30 June 2010 $
Audit services		
Audit and review of financial reports	148,000	137,000
Audit-related services	82,500	82,000
Total auditors' remuneration	230,500	219,000

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

26 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2011 in respect of:

Claims

There were no claims of a material nature during this period.

Guarantees

(a) Bank guarantees (secured) exist in respect of satisfactory contract performance in the normal course of business for the Group amounting to $1,783,803.76 (2010: $1,449,478). The increase in the bank guarantee liabilities related to the Company entering into a Lease Agreement for new business premises at 525 Flinders Street, Melbourne. The Lease Agreement for the new Melbourne Premises, while not commencing until 1 November 2011, required the delivery of a Bank Guarantee in the amount of $328,945 to initially secure the Company's fitout obligations prior to relocation in November 2011 and subsequently, the Company's performance obligations during the Lease term. The bank guarantee for the Company's existing premises at 477 Collins Street, Melbourne in an amount of $254,712 is required to remain in place until 28 February 2012 under the existing Lease Agreement notwithstanding that the existing Lease expires on 30 November 2011.

(b) On 29 October 2002, the parent entity and certain of its subsidiaries entered into an Interlocking Debt and Interest Guarantee which is supported by a Fixed and Floating charge over all of the assets and uncalled capital of those entities.

These guarantees may give rise to liabilities in the Group if the associates do not meet their 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.

27 Commitments

(a) Capital commitments

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

	Consolidated	
	2011 $'000	**2010 $'000**
Other financial assets at fair value through the Profit and Loss		
Payable:		
Within one year	29,441	30,000
Later than one year but not later than five years	-	-
Later than five years	-	-
	29,441	30,000

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

27 Commitments (continued)

(b) Non-cancellable operating leases

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

	Consolidated	
	2011 $'000	**2010 $'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,484	3,679
Later than one year but not later than five years	10,899	10,601
Later than five years	642	2,474
	15,025	16,754

28 Related party transactions

(a) Group companies

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in note 29.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(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.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

29 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):

Name of entity	Equity holding of ordinary shares 2011	2010
Parent and Ultimate Parent company:		
Collection House Limited		
Controlled entities - incorporated in Australia		
ACN 007 279 129 Pty Ltd (formerly Countrywide Mercantile Credit Services Pty Ltd) **	100	100
ACN 010 920 411 Pty Ltd (formerly Australian Business Research Pty Ltd) **	100	100
Cashflow Accelerator Pty Ltd (formerly Collection House ALR Pty Ltd) ***	100	100
Collective Learning and Development Pty Ltd	100	100
Jones King Lawyers Pty Ltd	100	100
Lion Finance Pty Ltd	100	100
Midstate Credit Management Services Pty Ltd	100	100
Controlled entities - incorporated in New Zealand		
Collection House (NZ) Limited	100	100
Lion Finance Limited	100	100
1071066 Limited (formerly abr.nz Limited) **	100	100

** These controlled entities have not traded during the financial year

*** Cashflow Accelerator Pty Ltd, formerly Collection House ALR Pty Ltd commenced trading on 14 December 2010.

30 Earnings per share

	Consolidated 30 June 2011 $'000	30 June 2010 $'000
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	10.4	9.2
From discontinued operation	-	-
Total basic earnings per share attributable to the ordinary equity holders of the company	10.4	9.2
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	10.3	9.1
From discontinued operation	-	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	10.3	9.1

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

30 Earnings per share (continued)

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

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share		
From continuing operations	10,117	8,923
	10,117	8,923
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company:		
From continuing operations	10,117	8,923
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	10,117	8,923

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

	Consolidated	
	30 June 2011 Number	30 June 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	97,321,881	97,321,881
Adjustments for calculation of diluted earnings per share:		
Options	990,650	946,286
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	98,312,531	98,268,167

(e) Information concerning the classification of securities

(i) Options

Options granted to employees under the Collection House Ltd Executive Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 31.

31 Sharebased payments

Share options for MD/CEO

For the purposes of this note to the financial statements, we advise that Mr Tony Aveling, MD/CEO retired on 31 July 2010. Mr Matthew Thomas was appointed CEO designate on 1 July 2010 and sole CEO on 1 August 2010.

In February 2007, the Shareholders approved the issue of 2,000,000 share options in favour of the then MD/CEO as part of his Employment Agreement. The full terms of the options were contained in the Notice of General Meeting announced to Shareholders on 12 January 2007. While 400,000 of these options had no price qualifying hurdles, all the share options expired on 28 February 2011. None of these options were exercised before expiry or during the Relevant Period. A summary of these options is identified in this note as MD/CEO 1.

In October 2008, the Shareholders approved the issue of a further 2,000,000 share options in favour of the then MD/CEO as part of his varied Employment Agreement. The full terms of the options were contained in the Notice of General Meeting announced to Shareholders on 19 September 2008. The terms of Mr Aveling's Employment Agreement as varied provided that Mr Aveling may exercise those options when and if certain qualifying price hurdles were achieved before the expiry date namely, 25 June 2013 and the options had vested (the Vesting Date was 25 June 2011). 60% of the 2,000,000 options (1,200,000 options) became exercisable on 25 June 2011. None of the qualified options were exercised during the Relevant Period. A summary of these options is identified in this note as MD/CEO 2.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

31 Sharebased payments (continued)

	MD/CEO 1 options			MD/CEO 2 options		
Grant date	22 February 2007			31 October 2008		
Earliest possible vesting date	28 February 2009			25 June 2011		
Performance hurdles	Tranche	# of options	Qualifying Price	Tranche	# of options	Qualifying Price
	1	400,000	0.00	1	400,000	0.60
	2	400,000	1.25	2	400,000	0.70
	3	400,000	1.50	3	400,000	0.80
	4	400,000	1.75	4	400,000	0.90
	5	400,000	2.00	5	400,000	1.00
Expiry date	The options expired on 28 February 2011.			25 June 2013, subject to the following, in the event that: (a) the MD/CEO's employment ceased due to genuine retirement, death, disablement, sickness or if the employment was terminated without cause, then the MD/CEO would be entitled to options granted prior to the date of cessation and for which the vesting date had occurred or which subsequently occurred, prior to the expiry date. (b) the Company terminated the MD/CEO's employment for poor performance (in the reasonable opinion of the Company), the MD/CEO may only exercise within 12 months after the date of termination. All other options immediately lapsed. (c) the MD/CEO resigned or had his employment terminated for cause, the MD/CEO may only exercise within 1 month of the date of termination those options which have vested prior to the date of termination or resignation. All other options immediately lapsed.		
Exercise conditions and Vesting Date	The options would vest on the later of: (a) 28 February 2009; and (b) in respect of 400,000 options, the options will be exercisable with no qualifying price applying; and (c) in respect of the remaining 1,600,000 options, the options will only be exercisable, pro-rata, if and when the company's share price reached certain qualifying prices between $1.25 and $2.00. No options were exercised in respect of the MD/CEO1 options.			The options vest on the later of: (a) 25 June 2011; and (b) for each tranche of options, as follows: A. In respect of the first tranche options, the date that the weighted average closing price shares over a 10 business day period (Qualifying Price) for the first tranche options (namely $0.60) was satisfied; B. In respect of the second tranche options, the Qualifying Price for the second tranche options (namely $0.70) was satisfied; C. In respect of the third tranche options, the Qualifying Price for the third tranche options (namely $0.80) was satisfied; D. In respect of the fourth tranche options, the Qualifying Price for the fourth tranche options (namely $0.90) is satisfied; and E. In respect of the fifth tranche options, the Qualifying Price for the fifth tranche options (namely $1.00) is satisfied.		
Exercise price	$1.0327 per option			$0.4927 per option		
Share price at grant date	$0.91			$0.48		
Expected price volatility	43.8%			55.6%		
Expected dividend yield	3.29%			9%		
Risk free interest rate	5.99%			6.64%		

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

31 Sharebased payments (continued)

The expected price volatility was usually based on the historic volatility (on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

The resulting valuation per option is as follows:

Tranche	MD/CEO 1 options (expired 28 February 2011)	MD/CEO 2 options
1	$0.26881	$0.153
2	$0.23054	$0.152
3	$0.19578	$0.151
4	$0.16085	$0.148
5	$0.12945	$0.146

(b) Executive Share Option Plan

Participation in the Executive Share Option Plan (ESOP1) to 31 July 2010 was determined by the then MD/CEO. Participation for the remainder of the relevant period to 30 June 2011 was determined by the Board.

On 15 June 2007, 1,250,000 options were issued to a number of eligible employees pursuant to ESOP1. A summary of these options is identified in this note as EXEC1. On 26 October 2007, at an Annual General Meeting, the shareholders approved ESOP1 and ratified the prior issue of options.

On 26 June 2008, the Board resolved that the then MD/CEO be authorised, at his discretion, to offer certain options on suitable terms and conditions to eligible employees under ESOP1.

On 18 July 2008, the MD/CEO issued a further 1,437,500 options to a number of eligible employees pursuant to ESOP1. A summary of these options is identified in this note as EXEC2.

On 2 December 2010, the Board approved a new Executive Share Option Plan (ESOP2). The Board also authorised that its Chairman be authorised to offer certain options in the case of the CEO and/or Matt Thomas, CEO in the case of the other eligible employees, to offer Options to eligible employees under ESOP2, at his/their discretion respectively.

On 1 March 2011, the Chairman issued or caused to be issued 2,956,000 options to a number of eligible employees pursuant to ESOP2. A summary of these options is identified in this note as EXEC3.

Future options may be issued pursuant to ESOP2 subject to not only individual performance being considered, but also Company performance hurdles being achieved before options may be exercised.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

31 Sharebased payments (continued)

(b) Executive Share Option Plan (continued)

	EXEC1 options			EXEC2 options			EXEC3 options		
Grant date	15 June 2007			18 July 2008			1 March 2011		
Earliest possible vesting date	28 February 2009			25 June 2011			20 December 2012		
Performance hurdles	Tranche	# of options	Hurdle Price	Tranche	# of options	Hurdle Price	Tranche	# of options	Hurdle Price
	1	250,000	0.00	1	287,500	0.60	1	591,200	1.00
	2	250,000	1.25	2	287,500	0.70	2	591,200	1.25
	3	250,000	1.50	3	287,500	0.80	3	1,182,400	1.50
	4	250,000	1.75	4	287,500	0.90	4	591,200	1.75
	5	250,000	2.00	5	287,500	1.00			

	EXEC1 options	EXEC2 options	EXEC3 options
Exercise conditions and Vesting Date	The options vested on the later of: (a) 28 February 2009; and (b) in respect of 250,000 options, the options were exercisable, pro rata to each eligible employee respectively, with no qualifying price applying; and (c) in respect of the remaining 1,000,000 options, the options were only exercisable, pro-rata, if and when the Company's share price reaches certain qualifying prices between $1.25 and $2.00.	The options vest on the later of: (a) 25 June 2011; and (b) for each tranche of options, as follows: A. In respect of the first tranche options, the date that the weighted average closing price shares over a 10 business day period (Qualifying Price) for the first tranche options (namely $0.60) was satisfied; B. In respect of the second tranche options, the Qualifying Price for the second tranche options (namely $0.70) was satisfied; C. In respect of the third tranche options, the Qualifying Price for the third tranche options (namely $0.80) was satisfied; D. In respect of the fourth tranche options, the Qualifying Price for the fourth tranche options (namely $0.90) is satisfied; and E. in respect of the fifth tranche options, the Qualifying Price for the fifth tranche options (namely $1.00) is satisfied.	The options will vest on the later of: (a) 20 December 2012; and (b) for each tranche of options, as follows: A. In respect of the first tranche options, the date that the weighted average closing price shares over a 10 business day period (Qualifying Price) for the first tranche options (namely $1.00) is satisfied; B. In respect of the second tranche options, the Qualifying Price for the second tranche options (namely $1.25) is satisfied; C. In respect of the third tranche options, the Qualifying Price for the third tranche options (namely $1.50) is satisfied; and D. In respect of the fourth tranche options, the Qualifying Price for the fourth tranche options (namely $1.75) is satisfied.
Exercise price	$1.0327 per option	$0.4927 per option	$0.6938 per option

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

31 Sharebased payments (continued)

(b) Executive Share Option Plan (continued)

	EXEC1 options	EXEC2 options	EXEC3 options
Expiry date	The options will expired on 28 February 2011	25 June 2013, subject to the following, in the event that: (a) the eligible employee's employment ceases due to death, disablement, sickness or if the employment is terminated without cause, then the eligible employee shall be entitled to options granted prior to the date of cessation and for which the vesting date has occurred or which subsequently occurs, prior to the expiry date. (b) the Company terminates the eligible employee's employment for poor performance (in the reasonable opinion of the Company), the eligible employee may only exercise within 12 months after the date of termination those options which have vested prior to the date of termination. All other options shall immediately lapse. (c) the eligible employee resigns or has employment terminated for cause, the eligible employee may only exercise within 1 month of the date of termination those options which have vested prior to the date of termination or resignation. All other options shall immediately lapse.	The options will expire on: (a) the business day after the expiration of three (3) months, or any longer period determined by the Company after the eligible employee ceases to be employed by the Company or an associated body corporate of the Company; or (b) the eligible employee ceasing to be employed by the Company or an associated body corporate of the Company due to fraud or dishonesty; or (c) 20 December 2013.
Share price at grant date	$0.89	$0.48	$0.72
Expected price volatility	48.5%	55.6%	50.0%
Expected dividend yield	2.91%	9%	8.29%
Risk free interest rate	6.14%	6.64%	5.198%

The expected price volatility is usually based on the historic volatility (for the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The resulting valuation per option is as follows:

Tranche	Exec 1 options	Exec 2 options	Exec 3 options
1	$0.2688	$0.1530	$0.1522
2	$0.2305	$0.1520	$0.1522
3	$0.1958	$0.1510	$0.1522
4	$0.1609	$0.1480	$0.1522
5	$0.1295	$0.1460	$0.1522

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

31 Sharebased payments (continued)

(b) Executive Share Option Plan (continued)

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated 2011								
1 March 2011	As stated above	$0.69	-	2,956,000	-	-	2,956,000	-
31 October 2008	As stated above	$0.49	2,000,000	-	-	-	2,000,000	1,200,000
18 July 2008	As stated above	$0.49	1,275,000	-	-	-	1,275,000	765,000
12 March 2007	As stated above	$1.03	2,000,000	-	-	2,000,000	-	-
15 June 2007	As stated above	$1.03	1,037,500	-	-	1,037,500	-	-
Total			6,312,500	2,956,000	-	3,037,500	6,231,000	1,965,000

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated 2010								
31 October 2008	As stated above	$0.49	2,000,000	-	-	-	2,000,000	-
18 July 2008	As stated above	$0.49	1,312,500	-	-	37,500	1,275,000	-
12 March 2007	As stated above	$1.03	2,000,000	-	-	-	2,000,000	400,000
15 June 2007	As stated above	$1.03	1,100,000	-	-	62,500	1,037,500	250,000
Total			6,412,500	-	-	100,000	6,312,500	650,000

Fair value of options granted

The assessed fair value at grant date of all options granted is set out above. The fair value at grant date is independently determined using a Monte Carlo option pricing model in relation to MD/CEO 1, EXEC1 and EXEC3 options and a combination of Bermudan and Barrier - style option pricing model in relation to MD/CEO 2 and EXEC2 options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the respective options.

32 Events occurring after the reporting period

(a) Dividend

A fully franked final dividend of 3.1 cents, totalling $3.0 million, has been declared, payable on 25th November, 2011. No provision has been raised in these accounts.

(b) Varied Multiple Option Facility

On 14 June 2011, the Company's Multiple Option Facility (MOF) with Westpac Banking Corporation (Westpac) was varied by an increase in the facility limit from $85m to $100m in support of additional growth, with the Loan Valuation Ratio (LVR) increased to 55 per cent reflecting a lower risk profile.

On 5 August 2011, the Company confirmed an interest rate swap transaction for an amount of $26m at a fixed rate of 4.50% per annum effective as at 11 August 2011 and continuing until 12 August 2013. As the swap involves exchanging a variable interest borrowing for a fixed rate borrowing it is not possible to quantify the potential financial impact of this transaction.

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

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

	Consolidated	
	30 June 2011 $'000	30 June 2010 $'000
Profit for the year	10,117	8,923
Depreciation, amortisation and impairment	2,902	2,619
Fair value losses on other financial assets	33,073	29,879
Non-cash employee benefits expense - share-based payments	221	173
Provision for doubtful debts	(57)	(3)
Assets written off	42	61
Other non-cash expenses	433	321
Change in operating assets and liabilities		
(Increase) in trade debtors and bills of exchange	(1,198)	241
(Increase) decrease in sundry debtors	(641)	300
(Increase) decrease in other non-current assets	(1,185)	(580)
(Increase) decrease in other assets	-	(362)
Increase (decrease) in trade creditors	18	(415)
Increase (decrease) in sundry creditors and accruals	2,679	(152)
Increase (decrease) in current tax liability	4,930	(752)
Increase (decrease) in deferred tax liabilities	(3,402)	(500)
Net cash inflow (outflow) from operating activities	47,932	39,753

34 Parent entity financial information

(a) Summary financial information

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

	Company	
	2011 $'000	2010 $'000
Balance sheet		
Current assets	3,839	3,789
Non-current assets	175,630	170,004
Total assets	179,469	173,793
Current liabilities	(20,167)	(13,367)
Non-current liabilities	(90,896)	(86,753)
Total liabilities	(111,063)	(100,120)
Shareholders' equity		
Contributed equity	67,256	67,256
Reserves	1,271	1,050
Retained earnings	(121)	5,367
Capital and reserves attributable to owners of Collection House Limited	68,406	73,673
Profit or loss for the year	449	(5,813)
Total comprehensive income	449	(5,813)

{ NOTES TO THE FINANCIAL STATEMENTS *for the year ended 30 june 2011*

34 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

The parent entity has entered into a deed of cross guarantee with certain of its subsidiaries as set out in Note 26(b).

No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee, as the fair value is immaterial.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010. For information about guarantees given by the parent entity, please see above.

{ DIRECTORS' DECLARATION - *30 june 2011*

In the directors' opinion:

(a) the financial statements and notes set out on pages 42 to 103 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 2011 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.

John Pearce

Chairman

Brisbane

25 August 2011

lawler hacketts chartered accountants

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") and its controlled entities ("the consolidated entity"), which comprises the balance sheet as at 30 June 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Lawler Hacketts Audit
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lawler hacketts chartered accountants

Opinion

In our opinion:

a) the financial report of Collection House Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
   ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 17 to 24 of the Directors' Report for the year ended 30 June 2011. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Collection House Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001.*

Matters Relating to the Electronic Presentation of the Financial Report

This auditor's report relates to the financial report of the consolidated entity for the year ended 30 June 2011 included on the website of the Collection House Limited. The directors of the Company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This audit report refers only to the financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Company's website.

Lawler Hacketts

LAWLER HACKETTS AUDIT

Liam Murphy
Partner
Brisbane, 25 August 2011

{ SHAREHOLDER INFORMATION *for the year ended 30 june 2011*

The shareholder information set out below was applicable as at 12 August 2011.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Class of equity security Ordinary shares	
	Holders	**Shares**
1-1000	497	320,400
1,001-5000	949	2,626,593
5,001-10,000	317	2,549,453
10,001-100,000	452	13,870,988
100,001 and over	72	77,969,447
Total	2,287	97,336,881

There were 256 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	**Units**	**% of issued capital**
Mr Dennis George Punches	18,101,266	18.60
Trans Tasman Collections Investments Pty Ltd	9,997,798	10.27
George Laurens (Qld) Pty Ltd (Pearce Family A/C)	6,987,925	7.18
HSBC Custody Nominees (Australia) Limited	5,178,054	5.32
Ankla Pty Ltd	4,725,569	4.85
Mr John Marshall Pearce and Mrs Sandra Anne Pearce (Collection House S/Fund Account)	4,335,905	4.45
Mr Anthony Francis Coutts and Mrs Jennifer Elsie Coutts (Coutts S/Fund A/C)	4,037,000	4.15
Citicorp Nominees Pty Limited	2,257,333	2.32
Merrill Lynch (Australia) Nominees Pty Limited	1,875,444	1.93
Mr William Walter Kagel	1,551,269	1.59
J P Morgan Nominees Australia Limited	1,441,777	1.48
Mr Dennis George Punches (Grantor Ret Annuity No.1 A/C)	1,000,000	1.03
Garrett Smythe Limited	906,183	0.93
Mr Stephen Walker + Mrs Susan Walker (Walker Super Fund Account)	778,000	0.80
Mr Lev Mizikovsky and Mrs Emily Dorothy Mizikovsky (Superfun Superfund A/C)	684,363	0.70
Sunstar Australia Pty Ltd	657,895	0.68
Mooloolaba Consulting Pty Ltd (Super Fund A/C)	620,000	0.64
Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	579,526	0.60
TBIC Pty Ltd (Crommelin Family Super A/C)	516,705	0.53
George Laurens (WA) Pty Ltd (Laurens Super Fund A/C)	500,000	0.51
Total	66,732,012	68.56

{ SHAREHOLDER INFORMATION *for the year ended 30 june 2011*

B. EQUITY SECURITY HOLDERS (continued)

Unquoted equity securities

Details of these options are set out at note 31 of the financial statements.

Grant date	Balance at 1 July 2010	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year
MD/CEO OPTIONS					
31 October 2008	2,000,000				2,000,000
EXECUTIVE OPTIONS*					
1 March 2011		2,956,000			2,956,000
18 July 2008	1,275,000				1,275,000

*No executive holds 20% or more of these securities.

Restricted securities

All issued shares in Collection House Limited are quoted on the ASX and there are no shares subject to escrow or other regulated restrictions other than as follows:

Voluntary restrictions on securities

Employees who participate in the Collection House Employee Share Plan are required to enter into voluntary escrow arrangements with the Company, undertaking not to dispose of any of these shares for 12 months from the date of issue of the relevant shares.

Under the Collection House Employee Share Plan and Collection House Executive Share Option Plan, employees may be entitled to acquire shares under an employee loan facility. Employee shares that are subject to an employee loan at the time that the voluntary escrow period expires remain restricted until the relevant employee loan is discharged. As at 12 August 2011, no shares are restricted on this basis. Shares restricted under voluntary arrangements rank pari passu with all fully paid ordinary shares in all other respects.

C. SUBSTANTIAL HOLDERS

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

Holder	Units	% of issued capital
Dennis George Punches (combined shareholdings)	19,101,266	19.62
John Marshall Pearce and Sandra Anne Pearce/George Laurens (Qld) Pty Ltd (combined shareholdings)	11,765,538	12.09
Trans Tasman Collections Investments Pty Limited	9,997,798	10.27
Mr Lev Mizikovsky, Ankla Pty Ltd and Sunstar Australia Pty Ltd (combined shareholdings)	6,067,827	6.23
HSBC Custody Nominees (Australia) Limited	5,178,054	5.32

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

No voting rights.

CORPORATE DIRECTORY

HEAD OFFICE

Collection House Limited
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Level 7
515 St Paul's Terrace
Fortitude Valley Qld 4006
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Fortitude Valley BC Qld 4006

Telephone: +61 7 3292 1000
Facsimile: +61 7 3832 0222
Website: www.collectionhouse.com.au

LOCATIONS

Australia

Brisbane	Ballarat
Sydney	Bendigo
Melbourne	Newcastle
Adelaide	Shepparton

New Zealand

Auckland

STOCK EXCHANGE LISTINGS

Collection House Limited shares are listed on the Australian Stock Exchange. The home exchange is Brisbane.

ASX Code: CLH

COMPANY SECRETARY

Michael Watkins
Phone: +61 7 3100 1229
Facsimile: +61 3414 7525

AUDITORS

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Level 3
549 Queen Street
Brisbane Qld 4000

SHARE REGISTRY

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To access your account or change your details, please visit the Computershare website at www.computershare.com

Collection House Limited
Leading the way