Credit Corp Group

WORKING WITH YOU

Annual Report 2014

CREDIT CORP UNDERSTANDS OUR NEEDS

Credit Corp Group Limited is Australia's largest financial services operator in the credit impaired consumer segment.

Highlights

26% ↑

26 per cent growth in underlying revenue to $174.0 million

16% ↑

16 per cent growth in underlying Net Profit after Tax (NPAT) to $34.8 million

8% ↑

8 per cent increase in dividends for the year to 40 cents per share

$145.2m

Record Purchased Debt Ledger (PDL) acquisitions of $145.2 million

$63m

Continued growth in the consumer lending book to $63 million

FY15

Expected transition of consumer lending to profitability in FY15

Chairman's Report

Credit Corp's performance in 2014 is the product of an ongoing commitment to operational excellence combined with a unifying ethical approach to doing business and a positive culture.

26% ↑

26 per cent growth in underlying revenue to $174.0 million

16% ↑

16 per cent growth in underlying Net Profit after Tax (NPAT) to $34.8 million

In 2014 Credit Corp maintained its record of strong earnings growth and solid returns established over the past six years. At the same time it demonstrated the potential for sustained and accelerated growth from the organic transformation of the company from a mono-line Australian debt buyer into a diversified financial services operator with international growth potential.

The commitment to operational excellence established by the current Board and Management has created a robust business capable of sustained performance. In 2014 the company continued to devote resources to strong management through refined accountability and measurement systems, a heavy focus on technical skill development and improved tools. Additional investments were made in analytics to direct operations more effectively and improve the accuracy of decisions. The disciplined pursuit of these ongoing improvements has delivered the business results we see today.

In 2014 these improvements produced impressive earnings growth and solid financial returns. Underlying Net Profit after Tax (NPAT) grew by 16 per cent to a record $34.8 million. The company maintained its Return on Equity (ROE) at a level above its required rate of return. This was achieved with a low level of bank debt and minimal financial risk for shareholders. At the same time Credit Corp demonstrated the sizeable potential of its strategic agenda with growth in revenue of 26 per cent to $174.0 million.

Credit Corp's Australian consumer lending business delivered 40 per cent of the company's total revenue growth. This business is focused on consumers with impaired credit records and has significant growth potential because it operates in a market segment that is not serviced by mainstream lenders. Despite just three years of operation, Credit Corp has been able to expand its consumer lending confidently because it leverages excellence established in the company's core operations.

Throughout the year additional lending products were introduced and improvements were made to marketing, distribution and underwriting systems. These enhancements facilitated accelerated growth, bringing the loan book to $63.0 million. Credit Corp's lending business is now poised to contribute to the company's earnings growth in 2015.

The United States of America (US) debt purchasing business delivered 19 per cent of the company's total revenue growth. The US represents a very large opportunity for Credit Corp and the Board and Management are excited by the company's progress in this market. During the year a 100 person facility was established in Salt Lake City, Utah. This facility has delivered impressive operational results and has the capacity to expand significantly. Notwithstanding this opportunity, regulatory change in the US has resulted in a temporary reduction in supply which has increased prices of Purchased Debt Ledgers (PDLs) to levels beyond those at which Credit Corp's return criteria can be achieved. While the US operation is not expected to deliver growth and profits in 2015 it has the potential for significant upside as market conditions improve.

Credit Corp has a strong commitment to ethical behaviour and values in all its activities. The Board and Management believe that an ethical approach builds the positive stakeholder relationships required for a business to deliver long-term sustainable growth.

Our ethical approach is the foundation of the strong client relationships we enjoy across Australia, New Zealand and the US. We invest heavily in compliance initiatives to ensure that our conduct enhances the positive reputations of our valued clients. Our track record for compliance and fair dealing in our core market is very strong and we are confident that our ethical approach to collection activity will assist in expanding our client base in the US.

In our collection activity we work with customers to understand their financial situation and agree flexible repayment solutions. We appreciate the personal stress associated with financial difficulty and are respectful in our conversations. In our lending business we also devote considerable resources to understanding each customer in order to provide responsible and affordable products with interest and fee rates set well below legislated caps. Across all our businesses it is our objective to work with customers to deliver sustainable solutions.

The Board and Management of Credit Corp is committed to a high standard of corporate governance. We provide regular and detailed performance updates on all aspects of the company and we are hopeful that shareholders will appreciate the clarity and level of disclosure in this year's financial report.

Our positive culture is the vital factor that has enabled us to successfully execute our plans and maintain our ethical approach. Credit Corp's culture reflects a commitment to discipline, accountability and transparency at all levels of the company. We operate with the discipline to follow through with our actions. We take accountability for performance and regularly measure ourselves against objective standards. We are open and transparent in all our dealings.

I thank my fellow directors, our CEO Thomas Beregi and his management team for their stewardship of the company as it delivers sustained growth in shareholder value. We celebrate the diversity of our staff and benefit from the energy that they bring to the business. On behalf of the Board and shareholders I also wish to thank all our employees for their continued contribution to the success of the company.

Donald McLay
Chairman

Chief Executive Officer's Report

By consistently delivering positive outcomes for all stakeholders we have developed a business which will generate and realise opportunities for longer-term growth. Our approach is encapsulated in the theme 'working with you'. 2014 was another year which demonstrated the merits of this sustainable approach.

Shareholders
Credit Corp's shareholders are one of the company's most important stakeholder groups. As a whole, Credit Corp's shareholders are looking for the company to grow earnings by investing capital at an acceptable rate of return for a given level of operational and financial risk. The Board has determined that an acceptable return for a business operating in our sector represents an annual Return on Equity (ROE) in the range of 15 to 18 per cent at a modest level of gearing.

In 2014 Credit Corp performed strongly for its shareholders. Underlying Net Profit after Tax (NPAT) grew by 16 per cent over the prior year to $34.8 million. At the same time there was substantial investment in future growth with a record outlay of $145.2 million for Purchased Debt Ledgers (PDLs) and $49.1 million in net funding of consumer loan receivables. Our required rate of return was met for the year and despite this record investment the company's level of gearing remained modest.

Customers
Our customers are the consumers we interact with each day. In our core debt buying business we look to provide our customers with a solution to their financial difficulties. Credit Corp values its customer relationships and has invested heavily in ensuring that all its consumer interactions are respectful and ethical.

We continually monitor customer interactions with a view to improving customer experience. We also seek feedback from customers, consumer groups and regulators with a view to identifying further opportunities for improvement.

By being flexible and understanding Credit Corp works with its customers to agree suitable repayments. At the end of 2014 Credit Corp had more than 120,000 customers making regular payments pursuant to mutually-agreed repayment plans and we were receiving more than 70 per cent of our collections from such arrangements. These industry-leading statistics bear testament to the ethical nature of our approach.

Credit Corp's customer focus is also demonstrated in our fast-growing Australian consumer lending business. In 2014 we applied our understanding of customers who have experienced financial difficulty to expand our consumer lending business. We service customers with impaired credit records who are unable to access mainstream credit from banks and major finance companies. Credit Corp's commitment to its lending customers is to provide fair and affordable products delivered responsibly.

We believe that by adopting a responsible and sustainable approach to lending we can deliver a superior alternative in a market segment where choice is limited. All of Credit Corp's lending products are structured to meet, rather than exceed, Credit Corp's required rate of return. Our products are priced with competitive fee and interest rates, many of which are set at levels significantly lower than any applicable legislated caps.

Federal legislative reform over the past few years has provided an environment for ethical and compliant operators to compete with increased certainty and provide credit impaired consumers with more sustainable products. Credit Corp supports these reforms and looks forward to competing in this segment to deliver a better deal for consumers.

Credit Corp's approach is proving popular with consumers. Over the course of the year our lending book grew strongly, reaching $63 million gross of provisions by the end of 2014.

Our major product is an instalment loan branded as 'MoneyStart' and is for a maximum loan amount of $5,000 with a term of up to three years. During the year additional products were offered to consumers. One such product is a secured automobile loan product branded as 'CarStart' with a balance of up to $20,000 and a term of up to four years. Another product is a small instalment loan branded as 'ClearCash', averaging $1,000 over a period of up to 12 months.

The lending business is now well-positioned to produce a profit for the 2015 year. Overall, arrears and losses are in line with expectations and are on track to meet Credit Corp's required rate of return. The loan book is now large enough to produce monthly interest and fee income sufficient to offset the up-front provision on new loans issued. The achievement of this milestone supports the expected transition to profitability in 2015.

Clients
In our core Australian and New Zealand debt buying business our clients are the major banks, finance companies, telecommunication and utility providers. These blue chip organisations are looking to maximise returns from their charged-off receivables and minimise overheads while preserving their strong brand reputations.

In 2014 Credit Corp delivered superior outcomes for its clients. The Australian debt buying market is highly competitive, comprising a number of very capable operators. Credit Corp has maintained an effective program of continuous improvement over several years. Improvements over this period have included disciplined measurement systems to promote performance through individual accountability, enhanced technology to improve effectiveness and efficiency, superior analysis to support accurate pricing and improved collection performance, together with the successful implementation of a low-cost offshoring initiative to enhance competitiveness in the telecommunications and utilities sectors. Despite intensified competition Credit Corp was able to leverage these improvements to secure record purchases in 2014.

Credit Corp recognises that it must meet the needs of its stakeholders. We are constantly improving our understanding of stakeholders by working with them to find ways to meet their individual objectives.

$34.8m

Underlying Net Profit after Tax (NPAT) of $34.8 million

$49.1m

Net funding of consumer loan receivables of $49.1 million

Credit Corp's commitment to its lending customers is to provide fair and affordable products delivered responsibly.

100

100 staff at US operations site in Salt Lake City, Utah

120k

120k customers making regular repayments

2009 – OPERATIONAL FOCUS

Critical operating metrics improved to the point where Credit Corp became one of the most efficient and effective collection operators of its type and size in the Australian market.

2010 – PROFITABLE GROWTH

Collection capacity expanded significantly while efficiency was maintained and clients enjoyed superior pricing outcomes.

2011 – ANALYTICS AND FLEXIBILITY

Innovative in-house systems were combined with an offshore collection capability to transition Credit Corp to a more analytically-driven and flexible operating model.

2012 – STRATEGIC EXPANSION

Operational excellence in the core Australian debt purchasing business was applied to expansion through global debt buying and Australian consumer lending.

2013 – ORGANIC TRANSFORMATION

Transformation from a mono-line Australian debt buyer into a diversified financial services operator with international growth potential.

2014 – GROWTH PLATFORM

Achievement of critical mass in consumer lending and sustained focus on the core business provides a platform for accelerated revenue growth.

Credit Corp's blue chip clients are increasingly concerned with maintaining their favourable reputations. We invest heavily in systems and controls to ensure compliance with all applicable laws and standards. We adopt a flexible collection process, where we endeavour to understand the financial position of our customers so that we can mutually agree suitable repayment plans. While it is possible that increased short-term financial outcomes could be realised from a more aggressive collection approach with less investment in compliance, this would not be sustainable in the long term and would not meet the objectives of all our stakeholders, including our clients. Our commitment to compliance and fair dealing is one of the essential elements of our business model.

We have exported Credit Corp's sustainable approach to collection activity to our debt purchasing business in the United States of America (US). The US is undergoing a rapid regulatory transition involving an intensive focus on compliance and our approach should prove to be a future source of competitive advantage. Credit issuers in this market are attracted to our flexible collection approach, our limited use of litigation, our ability to control compliance through in-house collection and our strongly entrenched culture of compliance across the company.

During 2014 we consolidated our US operations into a new site in Salt Lake City, Utah. This new site comprises 100 staff and has the capacity to grow significantly. Our US collection operation is performing strongly, with the achievement of pro-forma collection results on purchases and the successful transfer of our compliance culture and systems from Australia.

The impact of the regulatory transition has adversely affected our ability to make profitable purchases in the US in the short term. Several large and some smaller US issuers have temporarily withdrawn from debt sale as they await clarity on regulatory expectations and implement systems to address anticipated changes. This has caused prices to increase sharply to levels which will not enable Credit Corp to achieve its required rate of return.

We remain confident in the long-term outlook for our US business. Market participants and commentators expect that supply will resume and that industry consolidation will continue, with many operators withdrawing from the industry and others merging. While prices remain unsustainably high, recent evidence suggests that they are no longer increasing. It is anticipated that over time credit issuers will return to the market and that it will be possible to secure purchases at prices which will enable Credit Corp to achieve its required rate of return. Unfavourable purchasing conditions, however, are likely to remain over 2015 and we will use the coming year to establish additional client relationships and improve operational performance in anticipation of more favourable conditions in the future.

People

Our people are critical to delivering stakeholder outcomes. They appreciate clear expectations, reward for results and diverse career opportunities. In return, Credit Corp teams operate with the discipline to follow through with actions and diligently adhere to proper procedure. They embrace accountability and take responsibility for measuring and improving their performance. Our people are transparent and open in all their dealings, whether these are with colleagues, clients or customers. It is Credit Corp's culture of discipline, accountability and transparency which has put the company in a position to grow into the future.

Growth has delivered opportunity. As part of working with our people we have a strong commitment to internal promotion. High achievers from our core Australian debt buying business have been given opportunities to develop in the lending business, the Philippines and the US, in addition to leadership and functional roles within the core business.

Credit Corp is an energetic company and thanks must go to all the dedicated management and staff for their contribution to the achievements of the past year and the ongoing success of the company.

Outlook

Competition has continued to intensify over the course of 2014, with strong equity and debt markets supporting an increased flow of capital into our core Australian and New Zealand debt purchasing markets. While we continue to find opportunities which meet our required rate of return, the outlook for 2015 is for reduced purchasing. Notwithstanding this, strong purchasing in 2014 together with the projected transition of the lending business to profitability should produce another year of earnings growth in 2015.

We will continue to work hard on optimising our core debt purchasing business. At the same time the lending business will continue to grow and we will work on improving our position in the US to ensure that we are able to participate in the upside available when market conditions improve.

Thomas Beregi
Chief Executive Officer

REVIEW OF OPERATIONS

FINANCIAL RESULTS

Record levels of core Australian and New Zealand debt purchasing over consecutive years combined with expansion of the consumer lending business to deliver 26 per cent underlying revenue growth.

Underlying Net Profit after Tax (NPAT) grew by 16 per cent to $34.8 million. This growth in earnings was due to another year of improved performance in the core Australian and New Zealand debt purchasing business.

	FY14	FY13 Underlying [1]	% Change
Revenue	$174.0m	$138.3m	26%
NPAT	$34.8m	$29.9m	16%
EPS (basic)	75.4 cps	65.2 cps	16%
Dividend per share	40.0 cps	37.0 cps [2]	8%

1) FY13 results are underlying and exclude a one-off item with a positive impact of Revenue: $4m; NPAT: $2m; EPS: 4.6 cps.

2) The FY13 dividend included a 4 cps payout of the one-off item; excluding this, the FY13 dividend was 33 cps.

CAPITAL AND CASH FLOW

In 2014 Credit Corp invested all of its operating cash flow in making a record level of Purchased Debt Ledger (PDL) acquisitions and originating consumer loans. The company increased its net bank debt to $35.7 million over the year. This level remains a modest 17.5 per cent of the carrying value of its PDL and consumer loan assets.

Credit Corp maintains a banking facility of $75 million, which provides it with flexibility to fund short-term fluctuations in purchasing volumes without the need to dilute returns by holding large amounts of cash. The facility may also be applied to growth in consumer lending. In 2014 the company produced a Return on Equity (ROE) of over 20 per cent, which exceeded its required rate of return. This return was achieved with modest levels of gearing, representing a low level of financial risk for investors.

$ million	FY14	FY13	FY12
Operating cash flow	184.3	158.2	136.5
PDL acquisitions, lending and capex	(197.3)	(148.5)	(99.6)
Net operating (free) cash flow	**(13.0)**	**9.7**	**36.9**
PDL and consumer loan carrying value	203.7	161.1	132.7
Net bank debt	35.7	4.9	–
Net debt / carrying value (%)	**17.5%**	**3.0%**	**–**

Record levels of core Australian and New Zealand debt purchasing over consecutive years combined with expansion of the consumer lending business to deliver 26 per cent underlying revenue growth.

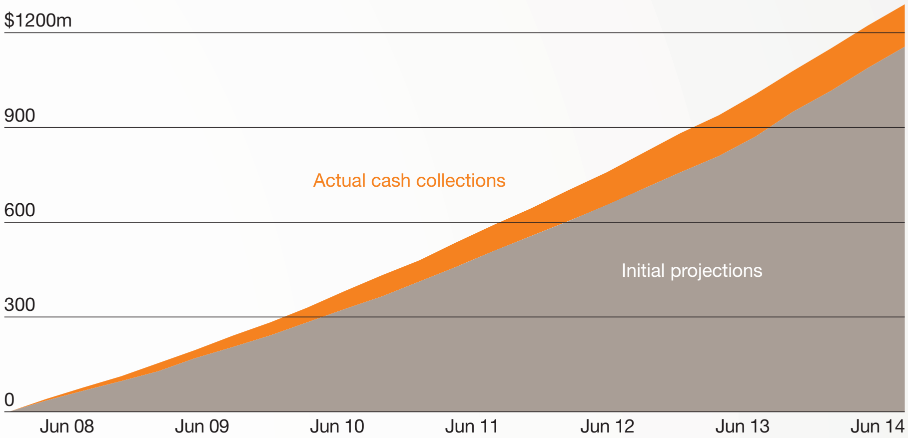
DISCIPLINED PURCHASING

2014 was a record year of purchasing with a total outlay of $145.2 million to acquire PDLs. On average, purchases made in 2014 are meeting ingoing projections and are on track to achieve the company's required rate of return.

Purchasing conditions remain challenging with limited market growth and increased demand from competitors. Credit Corp benefited from a number of unexpected one-off opportunities in the first half.

Adherence to return disciplines in the face of strong pricing competition for PDLs resulted in a reduction in Credit Corp's share of major ongoing forward flows. Based on this experience it is likely that purchasing will be lower in 2015.

Cumulative Collections $m



Note: For all PDLs held at June 2008, initial projections represent the forecast at June 2008.

AUSTRALIAN CONSUMER LENDING

The consumer lending business grew strongly with the gross loan book increasing from $19 million to $63 million over the year. Volumes from the 'MoneyStart' instalment loan were supplemented with a secured automobile loan branded as 'CarStart' and a small instalment loan product for amounts up to $2,000 with durations up to 12 months branded as 'ClearCash'. All products are priced well below applicable legislated interest and fee caps and represent ethical and sustainable alternatives for credit impaired consumers while achieving required returns for the company.

Credit Corp's lending business targets the same rate of return as its PDL acquisitions. Lending volumes are now offsetting any reduction in PDL purchasing.

The lending business is on track for profitability in 2015 as fee and interest income from the existing loan book now exceeds the up-front life-of-loan loss provisioning on new loans written.

US OPERATIONS

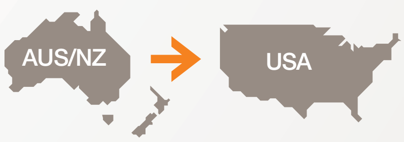
Operational performance of the Salt Lake City site has been strong and collection outcomes are in line with pro-forma expectations. While recent evidence suggests that US PDL prices have stabilised, the reduction in supply as credit issuers adjust to the new regulatory regime is yet to reverse. Prices are not expected to fall to levels at which Credit Corp's return targets can be achieved until supply resumes.

Credit Corp will continue to make selective purchases at compromised returns while positioning the US business for upside when prices moderate by gaining admission to further issuer panels and diversifying purchasing.

MoneyStart Loan WE'RE ON YOUR SIDE

CARSTART FINANCE

CLEARCASH



Review of Operations

$909m

The face value of accounts under arrangement increased by 23 per cent in 2014 to $909 million

5% ↑

Australian-based collection staff productivity improved by 5 per cent to $286 per hour

CORE BUSINESS PERFORMANCE

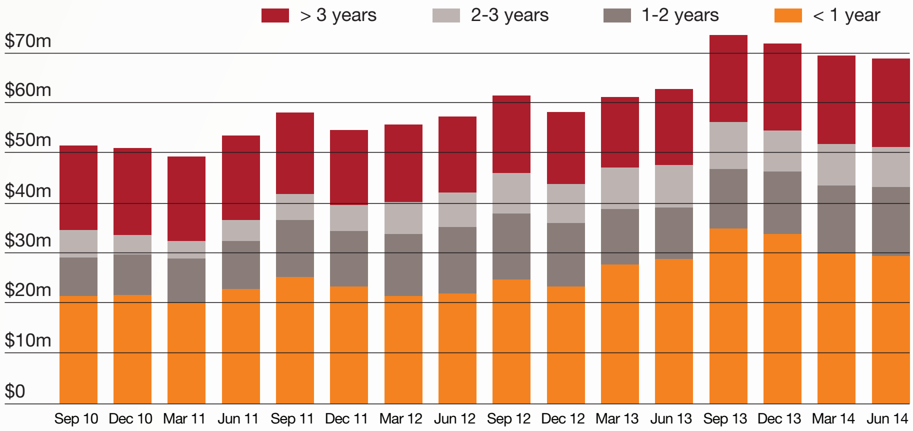
The performance of the core Australian and New Zealand debt purchasing business in 2014 was underpinned by continued strength in key operational metrics.

Collection effectiveness is achieved when economic collections are maximised on each PDL. While the majority of collections are derived within the first two years subsequent to acquisition of a PDL, effectiveness is maximised when collections are sustained over the entire assumed six year collection life. In 2014 collections from PDLs held for more than two years increased over the prior year, demonstrating strong collection effectiveness.

Effectiveness is supported by the creation and maintenance of recurring payment arrangements. Many customers are unable to make lump sum repayments of their outstanding debt. Credit Corp works with customers to agree regular payments to repay outstanding amounts over time. Once in place these arrangements require ongoing maintenance to minimise delinquency. The likelihood of complete repayment is significantly increased once an arrangement is in place. The face value of accounts under arrangement increased by 23 per cent in 2014 to $909 million.

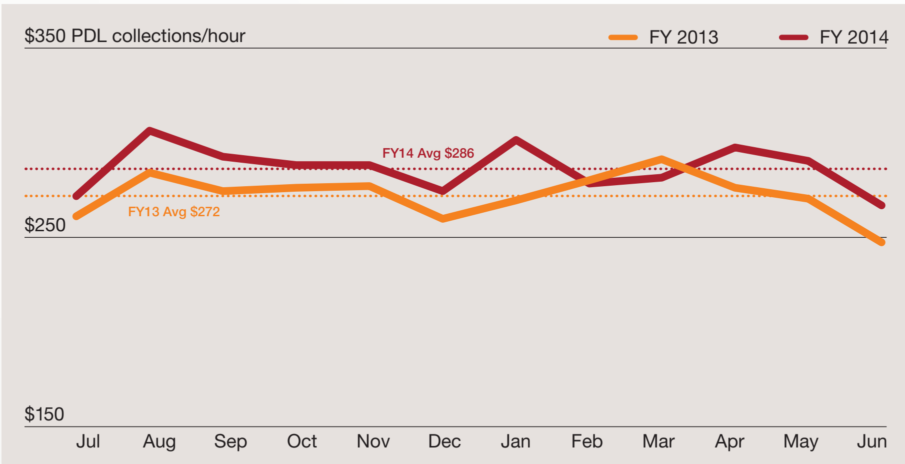
To derive an appropriate return Credit Corp must also be efficient. Collection efficiency or productivity is measured in dollars collected per direct collection staff member hour. In 2014 Australian-based collection staff productivity improved by 5 per cent to $286 per hour.

PDL collections by date of purchase

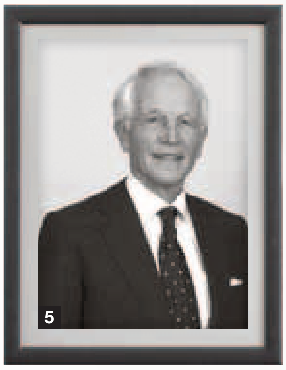


Total Portfolio	Jun 14	Jun 13	Jun 12
Face value	$4.7bn	$4.0bn	$3.6bn
Number of accounts	744,000	711,000	598,000
Payment arrangements			
Face value	$909m	$742m	$639m
Number of accounts	120,000	106,000	90,000
% of PDL collections	73%	72%	71%

Debt purchase productivity (Australian-based direct collection staff)



Board of Directors



DONALD MCLAY 1

Chairman

BCom, CA (NZ), ACIS, Ffin

Appointed as a Non-Executive Director in March 2008 and Chairman on 30 June 2008, Don has more than 35 years' experience within financial markets, investment banking and broad business services.

He has previously held executive roles at a number of local and overseas investment management and investment banking organisations, working in London, Singapore, Auckland and Sydney.

Currently Don is Chairman of Torres Industries Pty Limited, an unlisted group of companies engaged in transport, energy and non-bank financial services and infrastructure activities across eight countries.

Don holds a Bachelor of Commerce degree, is a Chartered Accountant, a Chartered Secretary and a Senior Fellow of the Financial Services Institute of Australasia.

SIMON CALLEIA 2

Non-Executive Director

BCom, AASIA, SA Fin, MAICD

Appointed as a Non-Executive Director in April 2005 after stepping down from his executive role.

At the time of listing in 2000 and for the five years following Simon held the position of Managing Director and oversaw the transition of Credit Corp from private ownership to a public company. Simon continues to make a valuable contribution to the company's development.

Simon is a successful active entrepreneur with businesses in both Australia and Europe.

Simon holds a Bachelor of Commerce degree, a Postgraduate Diploma in Applied Finance and Investment, is an Associate of the Securities Institute of Australia and a Member of the Australian Institute of Banking and Finance and the Australian Institute of Company Directors.

ERIC DODD 3

Non-Executive Director

BEc, FCA, FAICD

Appointed as a Non-Executive Director in July 2009, Eric has extensive experience in the insurance, finance and banking sectors. Eric previously held the position of Managing Director and CEO of MBF Australia Limited for a six year period and was appointed as Managing Director of the combined organisation when MBF merged with BUPA Australia in June 2008.

Eric is also a past Managing Director and CEO of NRMA Insurance Limited and held numerous senior positions within the financial services industry.

Currently Eric is Chairman of First American Title Insurance Company of Australia Pty Limited, Chairman of Firstfolio Limited and Chairman of ICON Cancer Care Australia.

Eric holds a Bachelor of Economics degree, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Company Directors.

LESLIE MARTIN 4

Non-Executive Director

BA, MBA, MAICD

Appointed as a Non-Executive Director in March 2014, Leslie brings 30 years' experience in commercial banking in a number of countries and is a specialist in payments and corporate cash management. She has been in the start-up phase of businesses with Chase Manhattan (now JP Morgan Chase) in New York and Hong Kong, arriving in Australia to establish the Chase presence when new bank licences were granted as part of de-regulation in the mid-80s. She joined Westpac in 1994 as a General Manager to establish its Transaction Banking capability and later led the Working Capital Services business at the Commonwealth Bank.

Currently Leslie is an independent Director of EFTPOS Payments Australia and a Director of IMA Asia, an independent economics advisory firm. She has held Board positions with subsidiaries of the Commonwealth Bank and a variety of payment industry bodies.

Leslie holds dual Australian / US citizenship and has a Bachelor of Arts degree, a Master of Business Administration degree and is a Member of the Australian Institute of Company Directors.

ROBERT SHAW 5

Non-Executive Director

BE, MBA, MPA, FAICD, JP

Appointed as a Non-Executive Director in March 2008, Rob has extensive experience in business management in both an executive and non-executive capacity. Rob has specialist skills in financial analysis, audit committees and corporate governance.

Currently Rob is a Non-Executive Director of Magontec Limited where he chairs the Finance, Audit & Compliance Committee and is a member of the Remuneration and Appointments Committee. Former Board roles include Insearch Limited, The Rugby Club Limited, the CityPrint Group of Companies and The Kwik Kopy Owners Association Limited.

Rob holds a Bachelor of Industrial Engineering degree, a Master of Business Administration degree, a Master of Professional Accounting degree and is a Fellow of the Australian Institute of Company Directors as well as a Justice of the Peace.

RICHARD THOMAS 6

Non-Executive Director

FAICD

Appointed as a Non-Executive Director in September 2006, Richard brings over 40 years of management experience in banking, finance and related industry sectors to Credit Corp's Board.

Richard is a professional Company Director and has previously held senior executive roles including Group Executive, Australian Banking Services with Westpac Banking Corporation, Managing Director of AGC Limited and Executive Vice President of US-based Avco Financial Services.

Richard was Acting Chairman between 11 February and 30 June 2008 and is a Fellow of the Australian Institute of Company Directors.

WORKING WITH YOU

Credit Corp Group Limited is Australia's largest financial services operator in the credit impaired consumer segment.

$4.7bn

in outstanding consumer receivables

$145m

outlaid to acquire charged-off debts in 2014

768k

active customer accounts

OUR BUSINESS

Our core business is debt buying, where we have in excess of $4.7 billion in outstanding consumer receivables. We purchase unsecured past due receivables including credit cards, personal loans, telecommunications and utility accounts. The debts acquired by Credit Corp are generally at least 180 days in arrears by the time they are purchased. This means that a customer has fallen behind their minimum payment requirement and the lender has attempted to obtain payments to bring the customer back to a current status or repay the balance outstanding without success. Most lenders work through a collection process using both their own resources and those of third party service providers over a period of at least six months and then consider selling the unpaid amounts to a debt buyer to realise an immediate return.

In our consumer lending business we provide affordable finance to people who have previously been in financial difficulty and have an impaired credit record. These consumers are unable to access finance from mainstream lenders. Credit Corp entered this market during 2012 and our market-leading products have grown rapidly to the point where our gross lending book now stands at $63 million.

WORKING WITH OUR CLIENTS TO DRIVE THE ECONOMY

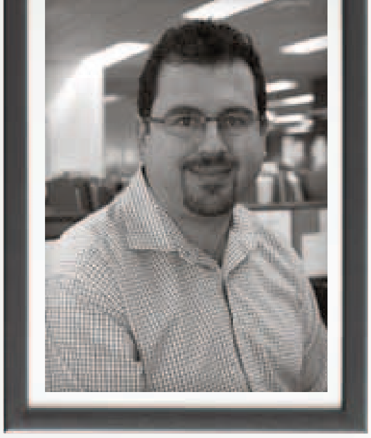
Debt buying plays an important role in the economy. Debt sale is one of the most efficient means for dealing with credit arrears and serves to reduce the price of credit and promote its availability to a wide group of people.

Debt sale is a very cost-effective solution to credit arrears, relieving lenders of the time and expenses associated with the collection process. Credit Corp is a limited purpose business with low overheads. By focusing on lean operational execution we are able to achieve strong collection outcomes at low cost-to-income ratios.

Credit Corp passes these savings on to lenders in the form of the superior prices paid for debts, providing lenders with higher and more timely returns on credit arrears. These savings flow through to consumers in the form of lower lending charges, which increases lending volume and helps to maintain consumer demand and economic growth.

Credit Corp plays an important role in delivering certainty to its clients. The majority of debt sale is conducted through forward flow agreements where the buyer agrees to acquire all debts which reach a specified stage of delinquency at a fixed percentage of the amount outstanding for periods up to 24 months ahead. These arrangements require a close working relationship between debt sellers and buyers, but can be beneficial to both parties. A forward flow agreement effectively provides a lender with a form of insurance over future credit losses, while providing the buyer with a guaranteed purchasing volume. This insurance enables the seller to continue to lend with enhanced confidence, even in times of economic uncertainty.

Credit Corp has exported its success in Australia to new clients in the United States of America (US). While our business in the US is relatively small we have formed some good client relationships. Our approach is producing solid operational results despite adverse market conditions as a consequence of regulatory change and uncertainty. Our sustainable and ethical approach to collection activity is well suited to the transition taking place in the US and puts us in a strong position to work with more US clients when purchasing conditions improve.



Michael Mifsud
Head of Analytics

Michael Eadie
Chief Financial Officer

Matthew Angell
Chief Operating Officer

120k

customer accounts on mutually agreed payment arrangements

73%

of total collections received pursuant to a payment arrangement

24k

lending customers in just over 30 months of operation

WORKING WITH OUR CUSTOMERS

Credit Corp works constructively with hundreds of thousands of Australians experiencing financial hardship.

Our aim is to structure repayment plans which allow our customers to remain active in the community, while continuing to recognise their credit obligations.

Credit Corp works constructively with hundreds of thousands of Australians experiencing financial hardship. The fact that we acquire debts permanently at a discount to the amount outstanding allows us to take a long-term and flexible approach to dealing with each customer's financial situation.

Our aim is to structure repayment plans which allow our customers to remain active in the community, while continuing to recognise their credit obligations. Once we establish contact with a new customer, we commit ourselves to working with them to understand their financial situation. Currently Credit Corp has 120,000 customers in various forms of hardship making regular payments on a weekly or fortnightly basis with an average projected repayment duration of more than three years. More than two-thirds of Credit Corp's collections are received pursuant to these long-term payment arrangements.

It is our experience that people in financial difficulty can be assisted most effectively through an open dialogue and a flexible repayment approach. Credit Corp only pursues remedies such as legal enforcement when a customer fails to enter into a constructive dialogue. We encourage our customers to reach a negotiated resolution and demonstrate an ability to comply with any resulting agreement. It is our view that this constructive approach supports customers in resolving their financial difficulties.

In our lending business we apply our unique knowledge of working with consumers with an impaired credit record. We have proven that many people can overcome their difficulties and comply with their credit obligations when they work with an understanding and flexible creditor. Despite this, such consumers are excluded from mainstream lenders and the alternatives available are often unaffordable and inappropriate. Credit Corp is now applying its knowledge and responsible approach to provide affordable financial products to these customers.

By adopting a responsible and sustainable approach to lending Credit Corp is delivering a superior alternative to a market segment where choice is limited. All of Credit Corp's lending products are structured to meet, rather than exceed, Credit Corp's required rate of return. Our products are priced with market-leading fee and interest rates, which are often set at levels significantly lower than any applicable legislated caps which may apply. Our fair and responsible approach is being embraced by consumers and in just over 30 months of operation we have already assisted more than 24,000 customers.

We maintain a strong commitment to compliance and fair dealing with our customers. The consumer finance industry is heavily regulated and Credit Corp maintains an extensive compliance regime which conforms to all applicable laws and standards.

Tegan Pearson
Head of Human Resources

Matthew Stokes
Head of Collections

$63m

consumer loan book at June 2014

49

internal promotions during 2014

56

transfers between business units

WORKING WITH OUR PEOPLE

Our compliance record is strong and we maintain some of the latest technology in call recording and contact logging to monitor adherence. Credit Corp maintains a responsible lending policy and thorough credit underwriting processes to ensure that loans meet consumer needs and repayments are affordable.

Customer grievances are resolved through our internal dispute resolution function and any customers who remain dissatisfied may escalate their dispute to an external dispute resolution scheme. We regularly review complaint statistics and use these to drive continuous improvement in our processes.

Credit Corp seeks to maintain positive relationships with regulators and consumer advocates by engaging openly and directly. Our principal regulator is the Australian Securities and Investments Commission (ASIC). We have regular meetings with ASIC where we discuss our compliance regime, complaint statistics and lending products. These sessions are a great opportunity for feedback and input to our program of continuous improvement in our processes.

We maintain programs of positive interaction with consumer advocacy groups. Credit Corp regularly speaks at forums and conferences organised by such groups and has worked directly with these groups to improve our interaction with consumers. We also maintain a single point of contact for all customers represented by recognised financial counsellors.

The success of our business is determined by the quality of the conversations between our staff and our customers each day. Our approach is to provide our people with appropriate training, technology and support while recognising personal engagement as the key element which will ensure consistently high-quality interactions.

Credit Corp believes that people are most engaged and will perform best when they are given responsibility for achieving measurable outcomes. We assign customer accounts to each of our team members and assess their performance against targets calculated with regard to the accounts assigned to create a sense of ownership.

This ownership is tempered with accountability. Staff can track their progress against targets for amounts collected, milestones in the collection process and activity levels on a real-time basis. Our leaders regularly review the performance of their team members and are constantly providing feedback and assistance to give every person the opportunity to succeed.

Most people joining Credit Corp are in the early stages of developing a career in the services sector. We provide extensive training and supervision, both as part of the induction process and throughout each team member's career. Our approach delivers recognised qualifications and rapidly builds the personal confidence and attributes which lay the foundation for a continuing career in the services sector.

As part of working with our people Credit Corp is committed to ongoing staff development and internal promotion. All of our operations management positions are filled internally. As our business expands we are able to provide opportunities for our staff to work in leadership positions overseas in our operations in the US and the Philippines. Our consumer lending business has provided the opportunity for many staff to increase their exposure to the credit industry.

The leadership team of Credit Corp is an important element of the company's success. Our leaders are motivated to meet the expectations of all of our stakeholders and are committed to maintaining a positive culture of discipline, accountability and transparency. Each leader works to promote this culture through their own behaviours and through the expectations they set for their team.

The success of our business is determined by the quality of the conversations between our staff and our customers each day.

715

staff undertook our award-winning accredited training program in FY14

47k

customers have finalised their accounts by completing a mutually agreed repayment

FINANCIAL REPORT

Corporate governance statement

This statement relates to the year under review.

Credit Corp Group Limited (the Company) maintains policies and practices to comply closely with the Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX).

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of the Company is responsible for the corporate governance of the Consolidated Group. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Credit Corp Group Limited Corporate Governance Statement is structured with reference to the ASX Corporate Governance Principles and Recommendations, which are summarised below.

Principle one: Lay solid foundations for management and oversight

The Board has adopted a formal charter and has provided management with a statement of delegated authority. The Company's Board Charter and Delegation of Authority Policy detailing functions delegated to management are published on the Company's website.

The Board reserves to itself all functions that are likely to have a material impact on the performance and reputation of the Company.

The following functions are reserved to the Board:

- overseeing the Company, ensuring that appropriate standards of control and accountability are in place;
- appointing and removing of the Chief Executive Officer;
- approving the appointment and removal of the Chief Financial Officer or equivalent and the Company Secretary;
- participating in, and approval of, strategic plans, operating budgets and performance objectives recommended by management;
- monitoring senior management's performance, implementation of strategy and allocation of resources;
- approving and monitoring major capital expenditure, capital management, acquisitions and divestments;
- approving and monitoring the corporate governance of the Company;
- reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance; and
- approving and monitoring financial and other reporting.

All matters not specifically reserved to the Board and necessary for the day-to-day operation of the Company are delegated to management.

The following functions are delegated to management:

- managing the Company's human, physical and financial resources to achieve the Company's objectives;
- performing against established Key Performance Indicators (KPIs) to deliver the objectives of the Company;
- formulating and recommending the strategic direction of the Company;
- translating the approved strategic plan into operating budgets and performance objectives;
- operating within delegated authority limits set by the Board;
- developing, implementing and managing the Company's risk management and internal compliance and control systems;
- assuming the day-to-day responsibility for the Company's conformance with relevant laws and regulations and its compliance framework;
- developing, implementing and updating policies and procedures;
- advising the Board promptly of any material matters impacting or potentially impacting the Company's operations;
- providing regular monthly reports to the Board on the Company's operations and its performance against agreed criteria; and
- keeping abreast of industry and economic trends in the Company's operating environment.

The Board requires management to report monthly on a range of matters, including financial and operational performance and matters of risk and compliance. Senior management performance evaluations were undertaken during the reporting period in accordance with the Company's Performance Evaluation Policy. This policy is published on the Company's website.

Principle two: Structure the Board to add value

The skills and experience of each director in office at the date of the annual report are detailed in the Directors' report. The majority of the Board of Credit Corp Group Limited is considered to be independent and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the unfettered exercise of their independent judgement.

The Company's Materiality Policy sets both quantitative and qualitative thresholds for determining the materiality of a transaction or relationship that may diminish the independence of a director. This policy is published on the Company's website.

The Board regularly reviews the independence of each director and requires directors to promptly advise of any change in circumstances that may affect their independence as a director. Any change in circumstances that materially affects their independence as a director will be disclosed promptly.

There are procedures in place, agreed by the Board, to enable directors to seek independent professional advice, in the furtherance of their duties, at the Company's expense.

The full Board performs the role of Nomination Committee as, in its opinion, only minimal benefit will accrue to the Company from a separate committee.

The Board has the responsibility for the selection and nomination to shareholders of new or retiring directors. The Company's Appointment of Directors Policy is published on its website and sets out the Company's policy for the selection, appointment and re-election of directors.

The Credit Corp Group Limited Board performs regular reviews, facilitated by the Chairman, of its own performance and that of individual directors.

The term held by each director in office at the date of this report is as follows:

Name	Term in office	Independent
Mr Donald McLay (Chairman)	6.5 years	Independent
Mr Simon Calleia	14.5 years	Not independent
Mr Eric Dodd	5 years	Independent
Ms Leslie Martin	0.5 years	Independent
Mr Robert Shaw	6.5 years	Independent
Mr Richard Thomas	8 years	Independent

The Chair of the Board is Mr Donald McLay, an independent director.

The Chief Executive Officer of the Company, Mr Thomas Beregi, is not a director of the Company.

Principle three: Promote ethical and responsible decision-making

The Code of Conduct adopted by the Company is a key element of the Company's corporate governance framework and its purpose is to guide directors, executives and employees on the minimum standards of conduct expected of them in the performance of their duties, including their dealings with customers, clients, shareholders, employees and other stakeholders.

Compliance with the Code of Conduct is a condition of appointment as a director of, an employee of, or a contractor to, the Company.

The Company's policy on trading in its securities by directors and employees is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the relevant security's price.

The Company's Code of Conduct and Securities Trading Policy are published on its website.

Diversity report

The Company recognises the important contribution that people of various cultural backgrounds, ethnicity, experience, gender and age make to the Company. Diversity includes all characteristics that make individuals different from each other including characteristics such as religion, race, ethnicity, language, gender, sexual orientation, disability, age or any other area of potential difference.

The Company's diverse workforce is in fact a key to continued growth and improved operating performance. In particular, employees of diverse backgrounds and experience are able to provide exceptional customer service to our equally diverse customer base.

In order to attract and retain a diverse workforce to service our diverse customer base, the Company is committed to providing an environment where employees are treated with fairness and respect, and have equal access to development and promotion opportunities within the Company.

The Company has established a Diversity Policy, which outlines the Board's measurable objectives to achieve diversity. A summary of the policy is available on the Company's website.

Measurement of progress against these diversity objectives occurs annually by the Board.

The table below sets out these diversity objectives and the progress made towards achieving them in 2014. The Board will review these objectives in the 2015 year and report on progress being made towards their achievement.

Objectives	Progress in achieving objectives
Retain and encourage a diverse workforce at all levels of the Company.	– The Company continues to reflect significant gender diversity including within management levels. The percentage of females in the Company is as follows: – Board 17% – Executive management 40% – Senior management 51% – Company workforce 56% – Over the year a number of employees worked under flexible work arrangements to balance family and other commitments with their employment.
Provide development opportunities for employees regardless of cultural, gender or any other differences.	– The Company provides accredited training to all eligible employees. – Leadership training was provided to all employees newly appointed to supervisory positions during the year. – Documented career pathways for supervisory roles are in the process of being implemented to maximise the objectivity of promotion decisions.
Promote an inclusive culture where all employees are treated with respect and fairness.	– Each year the Company reiterates its zero tolerance policy towards any discrimination, bullying or victimisation of employees with clear escalation channels through which any concerns can be raised. – All staff in supervisory roles are trained in coaching their direct reports for performance.
Ensure internal promotion decisions within the Company are merit-based in relation to each role.	– A system of review of promotion decisions by senior management is in place to maximise the objectivity of promotion decision-making.

Principle four: Safeguard integrity in financial reporting
The Board has established an Audit and Risk Committee and has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to this committee as outlined in the Audit and Risk Committee Charter.

The Audit and Risk Committee operates under its charter to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the mitigation of business risks, the maintenance of proper accounting records and the reliability of financial and operational information.

The Audit and Risk Committee also provides the Board with additional assurance regarding the reliability of financial information included in the financial reports. All members of the Audit and Risk Committee are independent Non-Executive Directors.

The members of the Audit and Risk Committee during the year were:

- Mr Robert Shaw
- Mr Richard Thomas
- Mr Donald McLay

The qualifications of the members of the Audit and Risk Committee and their attendance at meetings of the committee are included in the Directors' report. The Audit and Risk Committee Charter is published on the Company's website.

The procedures for the selection, appointment and rotation of the Company's external auditors are detailed in the External Auditor Policy published on the Company's website.

Principle five: Make timely and balanced disclosure
The Company ensures that shareholders and the market are fully informed of its strategy, performance and details of any information or events that could have a material impact on the value of the Company's securities.

The Chief Executive Officer and the Company Secretary, in consultation with the Board, are responsible for the review, authorisation and disclosure of information to the ASX and for overseeing and co-ordinating information disclosure to the ASX, shareholders, brokers, analysts, the media and the public.

The Company has established a Continuous Disclosure Policy, which is published on its website. This policy is designed to ensure compliance with disclosure obligations under the ASX Listing Rules and to ensure accountability at senior executive level for that compliance.

Principle six: Respect the rights of shareholders
The Company recognises the rights of its shareholders and other interested stakeholders to have access to balanced, understandable and timely information concerning the operations of the Company. The Chief Executive Officer and the Company Secretary are primarily responsible for ensuring communications with shareholders are delivered in accordance with the rights of shareholders and the Company's policy of continuous disclosure.

The communication strategy addresses these rights through:

– Electronic facilities

The Company maintains a website that provides information on its services and its business in general as well as an investor relations section that contains information for shareholders of the Company. Company announcements are made on the website as well as the ASX website and there is a facility to lodge questions through the website.

– Formal reporting to shareholders

Formal communications with shareholders are conducted through the interim report for the six months ended 31 December and the annual report for the full year ended 30 June. The Company also releases market updates summarising the Company's performance during each quarter of the financial year.

– Annual General Meetings

The Company invites and encourages shareholders to attend and participate in these meetings.

– Continuous Disclosure Policy

The Company's Continuous Disclosure Policy outlines the way in which the Company communicates with investors and the market. The Continuous Disclosure Policy is published on the Company's website.

Principle seven: Recognise and manage risk

The Company has established a risk management framework to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals.

The Board has delegated to the Chief Executive Officer and the Company Secretary responsibility for the establishment, implementation and maintenance of the system of risk management including measures of its effectiveness.

The Board has received a report from management that confirms the Company's risk management framework is effective for the Company's purposes and has also received the report required under section 295A of the *Corporations Act 2001*.

The Risk Management Policy is published on the Company's website.

Principle eight: Remunerate fairly and responsibly

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating the directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of directors' and key executives' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

– retention and motivation of key executives;

– attraction of high quality personnel to the Company; and

– performance incentives that allow executives to share in the success of the Company.

The Remuneration Policy and the Remuneration Committee Charter are published on the Company's website.

The amount of remuneration for all directors and key executives is disclosed in the remuneration section of the Directors' report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors or any employees.

The Board is responsible for determining and reviewing compensation arrangements for the directors and the executive team. The Board has established a Remuneration Committee comprising Non-Executive Directors. Members of the Remuneration Committee throughout the year were:

– Mr Simon Calleia
– Mr Eric Dodd
– Mr Donald McLay

Details of the number of meetings of the Remuneration Committee and the attendance of members of the committee at these meetings are included in the Directors' report.

Non-conformance

All the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2014, except for the following:

A. Principle two

a. Recommendation 2.4

The Board assumes the role of a Nomination Committee as it believes minimal benefit will accrue to the Company through a separate committee.

B. Principle eight

a. Recommendation 8.2

Recommendation 8.2 states that the Remuneration Committee should be chaired by an independent director. The Company's Remuneration Committee is chaired by Mr Simon Calleia. Mr Simon Calleia's independence is affected by his role as a former executive of the Company. It is not considered that his ability to perform the role of Remuneration Committee Chair is adversely affected by these circumstances because Mr Simon Calleia ceased to hold an executive position in April 2005, and the executives in place at that time are no longer employed by the Company.

Website disclosure

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's website at www.creditcorp.com.au/corporate.

Directors' report

The directors present their report together with the financial report of the Company and its subsidiaries for the financial year ended 30 June 2014.

DIRECTORS

The directors of the Company at any time during the whole of the financial year and up to the date of this report are:

Mr Donald McLay	**Chairman, Director (Non-Executive) Age 64**
Qualifications	Bachelor of Commerce, Chartered Accountant, Chartered Secretary and senior member of Financial Services Institute of Australasia (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008 and has been Chairman since 30 June 2008. Mr McLay has more than 35 years' experience in financial markets, investment banking and broad business services.
Special responsibilities	Mr McLay is Chairman of the Board and is a member of the Remuneration and Audit and Risk committees.
Interest in shares and options	2,207,308 ordinary shares in Credit Corp Group Limited.

Mr Simon Calleia	**Director (Non-Executive) Age 46**
Qualifications	Bachelor of Commerce, Postgraduate Diploma in Applied Finance and Investment, Associate of the Securities Institute of Australia, member of Australian Institute of Banking and Finance and Australian Institute of Company Directors.
Experience and expertise	Appointed as Managing Director in March 2000 and became a Non-Executive Director after he stepped down from his executive role in April 2005. Mr Calleia has extensive knowledge of the credit management industry. He also held various roles in the banking, finance and insurance sectors.
Special responsibilities	Mr Calleia is Chairman of the Remuneration Committee.
Interest in shares and options	612,152 ordinary shares of Credit Corp Group Limited.

Mr Eric Dodd	**Director (Non-Executive) Age 62**
Qualifications	Bachelor of Economics, member of Institute of Chartered Accountants (Fellow) and Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 1 July 2009. Mr Dodd has extensive experience in insurance, finance and banking.
Directorships of listed entities	Healthscope Limited from 15 May 2009 to 11 October 2010, Ambition Group Limited from 18 March 2013 to 20 January 2014, SFG Australia Limited (previously named Snowball Group Limited) since 2 July 2010 and Firstfolio Limited since 2 April 2012.
Special responsibilities	Mr Dodd is a member of the Remuneration Committee.
Interest in shares and options	5,000 ordinary shares of Credit Corp Group Limited.

Ms Leslie Martin	**Director (Non-Executive) Age 59**
Qualifications	Bachelor of Arts, Master of Business Administration and member of Australian Institute of Company Directors.
Experience and expertise	Appointed as a Non-Executive Director on 20 March 2014. Ms Martin has 30 years' experience in commercial banking in a number of countries and is a specialist in payments and corporate cash management.

Mr Robert Shaw	**Director (Non-Executive) Age 72**
Qualifications	Bachelor of Industrial Engineering, Master of Business Administration, Master of Professional Accounting, Justice of the Peace and member of Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008. Mr Shaw has extensive knowledge in finance and financial analysis, audit committees and corporate governance.
Directorship of listed entity	Magontec Limited (previously named Advanced Magnesium Limited) since 4 March 2011.
Special responsibilities	Mr Shaw is Chairman of the Audit and Risk Committee.
Interest in shares and options	5,000 ordinary shares of Credit Corp Group Limited.

Mr Richard Thomas	**Director (Non-Executive) Age 69**
Qualifications	Member of Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 22 September 2006. He was Acting Chairman between 11 February 2008 and 30 June 2008. Mr Thomas has more than 40 years' experience in the banking and finance industry in Australia, New Zealand and the USA.
Special responsibilities	Mr Thomas is a member of the Audit and Risk Committee.
Interest in shares and options	9,984 ordinary shares of Credit Corp Group Limited.

COMPANY SECRETARIES

The following persons held the position of Company Secretary during or since the end of the financial year:

Mr Thomas Beregi	**Company Secretary**
Qualifications	Bachelor of Economics, Bachelor of Laws (Hons) and Certified Practising Accountant.
Experience and expertise	Mr Beregi joined the Company on 3 September 2007 in the role of Chief Financial Officer. He was subsequently appointed to his current position of Chief Executive Officer on 1 October 2008. Prior to joining the Company, he was the Chief Operating Officer of Jones Lang LaSalle Australia. Mr Beregi was appointed as a Company Secretary on 21 September 2007.

Mr Michael Eadie	**Company Secretary**
Qualifications	Bachelor of Accounting, Master of Applied Finance, Certified Practising Accountant and fellow of the Financial Services Institute of Australasia.
Experience and expertise	Mr Eadie joined the Company on 4 May 2009 as Finance Manager and was subsequently appointed Chief Financial Officer on 19 November 2010. He has previously held senior finance roles within major financial services organisations, including Macquarie Bank Limited. Mr Eadie was appointed as a Company Secretary on 17 March 2011.

Mr Geoffrey Templeton	**Company Secretary**
Qualifications	Member of Australian Institute of Credit Management, Australian Institute of Mercantile Agents, Australian Institute of Human Resources and Governance Institute of Australia.
Experience and expertise	Mr Templeton joined the Company in 1987 and has held roles in operations, administration, accounting, payroll and human resources. He is currently the Compliance Manager for the Company. Mr Templeton was appointed as a Company Secretary on 5 May 2000.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' meetings		Audit and Risk Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Donald McLay	12	12	3	3	5	5
Mr Simon Calleia	12	12	—	—	5	5
Mr Eric Dodd	12	12	—	—	5	5
Ms Leslie Martin (appointed 20 March 14)	3	3	—	—	—	—
Mr Robert Shaw	12	12	3	3	—	—
Mr Richard Thomas	12	12	3	3	—	—

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were debt purchase and collection as well as Consumer Lending.

There were no significant changes in the nature of the Company's activities during the financial year.

OPERATING RESULTS

Overview

Record levels of core domestic debt purchasing over consecutive years combined with expansion of the Consumer Lending business to deliver 26 per cent revenue growth.

The result was supported by strong core operating metrics. Collection efficiency remained unchanged from the prior year despite an 11 per cent increase in operational headcount. New purchases are on track to meet ingoing projections and past purchases continue to perform with the total amount collected from Purchased debt ledgers (PDLs) acquired more than 2 years ago increasing over the prior year.

Ongoing collection results will be underpinned by recurring payment arrangements. The face value of accounts on recurring payment arrangements increased by 23 per cent over the year to $909 million.

Purchasing

Record purchasing of $145 million was produced by a strong pipeline of forward flow commitments established in the prior year together with a number of unexpected one-off opportunities in the first half.

Adherence to return disciplines in the face of strong pricing competition for PDLs resulted in a reduction in the Company's share of major forward flows. This combined with a reduction in one-off opportunities to produce second half purchases $28 million lower than the first half.

Consumer Lending

The consumer lending business grew strongly with the gross loan book increasing from $19 million to $63 million over the year. Volumes from the 'MoneyStart' instalment loan were supplemented with a secured auto loan branded as 'CarStart' and a small instalment loan product for amounts up to $2,000 with durations up to 12 months branded as 'ClearCash'. All products are priced well below applicable legislated interest and fee caps and represent ethical and sustainable alternatives for credit-impaired consumers while achieving targeted returns for the Company.

Credit Corp's lending targets the same rate of return as its PDL acquisitions. Lending volumes are now offsetting any reduction in PDL purchasing.

The lending business is on track for profitability in 2015 as monthly lending revenues now exceed the up-front life-of-loan loss provisioning on new loans written.

US operations

Operational performance of the Salt Lake City site has been strong and collection outcomes are in line with pro-forma expectations. While recent evidence suggests that US PDL prices have stabilised, the reduction in supply as credit issuers adjust to the new regulatory environment is yet to reverse. Prices are not expected to fall to levels at which the Company's return targets can be achieved until supply resumes.

Credit Corp will continue to make selective purchases at compromised returns while positioning the US business for upside when prices moderate by gaining admission to further issuer panels and diversifying purchasing.

2015 outlook

While PDL purchases are not expected to reach the record levels achieved in 2014, the core domestic debt buying business will produce solid earnings growth in 2015. The transition of the consumer lending business to profitability will make a significant contribution to the Company's earnings growth. The US debt purchasing business remains a strategic opportunity with significant potential.

Changes in state of affairs

During the financial year there were no significant changes in the state of affairs of the Company other than those referred to in the financial statements or notes thereto.

Dividends paid or recommended

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

Declared and paid during the year 2014	Cents per share	Total amount $'000	Date of payment
Interim 2014 ordinary	**20.00**	**9,226**	**21 Mar 14**
Final 2013 ordinary	**17.00**	**7,841**	**4 Oct 13**
Total		**17,067**	

Declared after end of year

After the balance date the following dividend was proposed by the directors:

Final 2014 ordinary	20.00	9,226	3 Oct 14

The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2014 and will be recognised in the 2015 financial report.

Events subsequent to reporting date
In the interval between the end of the financial year and the date of this report there has not been any item, transaction or event of a material and unusual nature that is likely, in the opinion of the directors of the Company, to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Environmental regulations
The Consolidated Group's operations are minimally affected by environmental regulations.

Indemnifying officers or auditor
The Company has provided indemnities to the current directors (as named above), the Company Secretaries (Mr Thomas Beregi, Mr Michael Eadie and Mr Geoffrey Templeton) and all executives of the Company against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Consolidated Group against a liability incurred by an officer or auditor.

These indemnities were in place both during and after the end of the financial year.

These potential liabilities are insured with the premiums paid by the Company. The insurance contract prohibits disclosure of any details of the policy and the premium paid.

Non-audit services
The Company may decide to employ the auditor on assignments additional to their statutory audit duties.

Details of the amounts paid or payable to the auditor (Hall Chadwick) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Committee, is satisfied that the provision of non-audit services is compatible with the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board. The directors are satisfied that the provision of non-audit services disclosed below did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee prior to commencement to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid to Hall Chadwick for non-audit services provided during the year are set out below:

	$
Services other than statutory audit:	
Other services	
Taxation compliance services	16,434
Other services	22,000
Total	**38,434**

Proceedings on behalf of the Company
No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Auditor's independence declaration
The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 34 of the financial statements.

Rounding off
The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars.

Directors' report – audited remuneration report

This remuneration report sets out remuneration information for key management personnel (KMP), which includes directors and senior executives, for the year ended 30 June 2014 and is prepared in accordance with section 300A of the *Corporations Act 2001*.

A. THE BOARD'S AND THE REMUNERATION COMMITTEE'S ROLES IN REMUNERATION

The Board is responsible for the structure of directors' and senior executives' remuneration and maximising the effectiveness of remuneration in the creation of long-term shareholder value.

The Remuneration Committee is responsible for reviewing and developing remuneration policies and practices on behalf of the Board.

The Remuneration Committee makes recommendations to the Board in respect of:

- Recruitment, retention and termination policies and procedures for senior executives;
- Senior executive remuneration packages, including annual incentive and long-term incentive plans; and
- Director remuneration levels and framework.

The performance review of the Chief Executive Officer (CEO) is undertaken by the Chairman of the Board, reviewed by the Remuneration Committee and approved by the Board. The performance reviews of other executives are undertaken by the CEO and approved by the Remuneration Committee.

B. KMP

The remuneration report sets out the remuneration details for the Company's KMP who are listed below:

Directors

- Mr Donald McLay (Chairman)
- Mr Simon Calleia
- Mr Eric Dodd
- Ms Leslie Martin (appointed 20 March 2014)
- Mr Robert Shaw
- Mr Richard Thomas

Senior executives

- Mr Thomas Beregi (Chief Executive Officer)
- Mr Matthew Angell (Chief Operating Officer)
- Mr Michael Eadie (Chief Financial Officer)
- Ms Kristina White (Head of Business Services)

C. SENIOR EXECUTIVE REMUNERATION

a) Remuneration Policy

The Company's Remuneration Policy is designed to ensure that remuneration is aligned with the long-term success of the Company. Key elements of the remuneration structure that achieve this policy are:

- Senior executive fixed remuneration levels are moderate when compared to listed company benchmarks;
- No termination benefits are payable under employment contracts;
- A relatively high proportion of remuneration consists of a Short-Term Incentive (STI) and a Long-Term Incentive (LTI), which are both at risk. For the Chief Executive Officer this represents 75 per cent and for other senior executives 66 per cent of maximum total potential remuneration; and
- Deferred vesting of LTI shares for sustained performance.

The remuneration structure is designed so that if the Company falls short of earnings and return targets in a given year, senior executives will receive only their fixed remuneration.

b) Contract details

All contracts with executives may be terminated by either party with agreed notice periods. Remuneration and other terms of employment are formalised in employment contracts. Details of these contracts are:

Name	Title	Term of agreement	Details
Mr Thomas Beregi	Chief Executive Officer (CEO)	Ongoing, 3 months' notice period	Annual base salary $450,000 plus superannuation reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Mr Matthew Angell	Chief Operating Officer (COO)	Ongoing, 1 month notice period	Annual base salary $250,000 plus superannuation reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Mr Michael Eadie	Chief Financial Officer (CFO)	Ongoing, 1 month notice period	Annual base salary $210,000 plus superannuation reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Ms Kristina White	Head of Business Services	Ongoing, 1 month notice period	Annual base salary $210,000 plus superannuation reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.

c) Remuneration structure

Fixed	Variable	
Fixed remuneration	**STI**	**LTI**
– Base salary including superannuation and car parking; – Set with reference to market relativities, qualifications, skills, performance and experience; and – Set at moderate levels compared to listed company benchmarks.	– Annual cash payment; and – Eligibility for payment depends on the Company achieving its budgeted NPAT as well as achievement against individual objectives or Key Performance Indicators (KPIs). These include strategic KPIs aligned to milestones in the three-year Strategic Plan.	– The LTI is a pool of deferred vesting shares accrued if the three-year Strategic Plan target NPAT is exceeded in a given year, subject to operation of a clawback mechanism.

The performance-based STI and LTI components are described in more detail below.

i) STI structure

The KPIs required to be achieved to be eligible for an STI award are annual operational and financial targets set before the start of each year. Targets are set at levels to achieve shorter-term financial and operational objectives and are aligned with the Company's longer-term strategic goals.

The following table outlines the major features of the 2014 STI plan:

Features	Description
Funding of STI pool	– The STI pool is funded if: – The Company achieves its budgeted NPAT after funding the STI; and – The Company complies with its banking covenants.
Minimum criteria required to be achieved before any payments are made	– If the STI pool is funded, the proportion of each individual's targeted STI which is paid depends on: – Satisfactory performance against individual KPIs; and – Satisfactory performance against individual job accountabilities.
Maximum STI that can be earned	– The maximum amount varies and the range is between 48 per cent and 100 per cent of base salary. The amount is set at the start of the year by the Remuneration Committee and is approved by the Board.
KPIs	– Individual KPIs are set annually; and – Subject to funding of the STI pool, the maximum STI is eligible to be paid when satisfactory performance against KPIs is achieved.
Role accountabilities	– Individual performance against role accountabilities is also assessed; and – Subject to funding of the STI pool and achievement of KPIs, the maximum STI is eligible to be paid when satisfactory performance against role accountabilities is achieved.
Performance period	– 1 July 2013 to 30 June 2014
Approval	– Post the completion of the annual financial statement audit and performance review process, the proportion of the targeted STI payable to each executive will be determined by the Remuneration Committee and approved by the Board in September 2014.
Payment timing	– September 2014
Form of payment	– Cash
Terminating executives	– There is no mandatory STI entitlement where an executive's employment terminates prior to the payment date for the STI.

Performance of the Company against the 2014 STI NPAT hurdle is summarised as follows:

	Budget $'000	Actual $'000	Change %
NPAT	$32,400	$34,765	7%

The STI hurdle of a budgeted NPAT for 2014 of $32.4 million represented an 11 per cent increase on the underlying NPAT achieved in 2013 of $29.9 million. The budget was exceeded by a further 7 per cent for an actual year-on-year increase in underlying NPAT of 16 per cent.

As financial performance exceeded budget and banking covenants were complied with during 2014, the STI in respect of the 2014 year is eligible to be funded.

The remuneration report discloses the maximum STIs payable in respect of 2014. The actual STI payable to each executive will be a maximum of this amount and can reduce subject to the performance review process to occur in the first quarter of 2015. Each executive will be assessed on their individual performance against their KPIs and role accountabilities.

CEO'S KPIs

A summary of the CEO's KPIs for 2014 is as follows:

KPIs	Weighting
Company NPAT	30%
PDL acquisition targets	20%
Consumer Lending business size and profitability metrics	20%
US debt buying operation size and profitability metrics	20%
Progress of other strategic expansion initiatives	10%

The 2013 STI was paid during the 2014 financial year. No 2013 STIs were forfeited.

ii) LTI structure

The LTI aligns the interests of shareholders and executives by remunerating the achievement of long-term sustained earnings growth. The current Strategic Plan is for the period 2013 to 2015. A summary of the LTI structure is as follows:

- No LTI pool is created unless a Compound Annual Growth Rate (CAGR) in earnings of 11 per cent is achieved;
- In any individual year, after funding the initial $1 million of out-performance, 25 per cent of further out-performance accrues to the pool over three years to a maximum of $7.5 million;
- Payment is in the form of deferred vesting shares. Vesting occurs over a three-year period and is subject to the operation of a clawback mechanism; and
- Under-performance to the targeted earnings is clawed back against all unvested shares in the LTI pool. The clawback mechanism means that the performance period of the LTI is the entire three-year period of the Strategic Plan.

The detailed features of the LTI are listed below:

Features	Description
Minimum criteria needs to be achieved before any payments are made	– Company NPAT needs to exceed the Strategic Plan target in a given year. This is subject to the clawback provision described below; – A minimum return on equity (ROE) of 15 per cent must be achieved; and – Satisfactory performance by an executive against their job accountabilities as assessed in the annual performance review process described in the STI section above.
Maximum LTI that can be earned	– The maximum LTI pool that can be created is $2.5 million per year on a cumulative basis such that the total cap over the 3 years is $7.5 million.
Calculation of LTI pool	– The first $1 million of any out-performance above the Strategic Plan hurdle expressed as Pre-LTI accrual Net Profit before Tax (PLNPBT) in a given year accrues to the LTI pool. Twenty-five per cent of subsequent out-performance accrues to the LTI pool. This is subject to the clawback provision described below.
Form of payment	– Once any funding of the LTI is approved by the Remuneration Committee and Board in the September following each year-end, the LTI pool is converted into deferred vesting shares.
Dividends	– Dividends are payable on unvested shares subject to continued participation by executives in the LTI.
Allocation of LTI pool	– The proportionate LTI pool allocation to individual executives is determined at the start of each year by the Remuneration Committee and approved by the Board. Allocations reflect the degree of 'line of sight' of the role in the achievement of Company earnings and strategic objectives; and – The 2014 pool allocations to the senior executives as set by the Remuneration Committee at the start of the year are: – CEO 40 per cent – COO 22 per cent – CFO 11 per cent – Head of Business Services 11 per cent The remaining 16 per cent of the pool is allocated to 5 other executives not considered KMP.
Clawback provision	– Under-performance in any year is clawed back on a dollar-for-dollar basis against any unvested LTI pool created in an earlier year or years. In addition, any under-performance against the benchmark PLNPBT in earlier years is carried forward and is deducted from any subsequent out-performance prior to the accrual of any LTI pool.
Vesting of shares	– The LTI pool created in each year vests evenly over a three-year period. For example, the 2014 LTI pool will vest with the following timing: – September 2014, 1/3 – September 2015, 1/3 – September 2016, 1/3 – Unvested shares may not vest due to the operation of the LTI clawback provision.
Performance period	– Assessed annually over a three-year period: – Year ended 30 June 2013 – Year ended 30 June 2014 – Year ended 30 June 2015
Terminating executives	– There is no mandatory LTI entitlement where an executive's employment terminates prior to the vesting date of an LTI benefit.

The PLNPBT benchmark established by the three-year Strategic Plan in respect of the 2014 financial year was $45.3 million, which represented NPAT of $31.7 million. This level of NPAT represented growth in earnings of 10 per cent on the 2013 underlying NPAT of $28.9 million.

Over the three years of the LTI, the benchmark earnings each year represent a compound average growth rate (CAGR) of 11 per cent in NPAT. This level of earnings growth needs to be exceeded for an LTI pool to be created.

To earn the maximum LTI over the three-year period of the scheme would be required a CAGR of earnings of approximately 20 per cent in NPAT after the accrual of the LTI pool.

It is the view of the Remuneration Committee and Board that an LTI hurdle based on exceeding a CAGR in NPAT of 11 per cent over a three-year period is a challenging objective for executives due to:

1) Constraints on the ability to grow the core Australian debt buying business of the Company.
   - The Company has the largest market share in its core business of domestic purchasing and collecting past due unsecured consumer receivables. Competition has intensified with recent equity raisings and favourable debt refinancings by competitors increasing the capital available to the sector and resulting in higher prices and lower returns.
   - There is no structural growth in the supply of PDLs as demonstrated by CPI growth in unsecured credit levels in Australia and static levels of delinquency over recent years.
   - A concentrated banking system results in only a few significant sellers of debt, which means that market share cannot be entrenched and which strongly encourages competition by sellers.
2) The need to invest in new strategic initiatives to drive growth, given the constrained prospects for growth in the core business.
   - The two main strategic growth initiatives the Company has pursued in recent years have been the development of a domestic consumer lending business focussed on providing lending products for credit-impaired consumers and geographic diversification with the development of a US debt buying and collection business.
   - The earnings targets of the three-year Strategic Plan need to be achieved while the Company continues to invest in these new initiatives. These businesses are being developed organically with minimal capitalised costs and both incurred operating losses during 2014.

The Remuneration Committee and Board consider that the 15 per cent ROE hurdle and the LTI pool cap of $2.5 million per annum under the 2013 to 2015 LTI is appropriate. Management is tasked to maximise earnings growth subject to achievement of this rate of return and the conservative risk appetite and financial structure set by the Board.

The Remuneration Committee and Board are of the view that the use of deferred vesting shares in the LTI is more appropriate than the use of a leveraged instrument such as options or performance rights because:

- The accrued cost disclosed in the remuneration report is aligned with the eventual economic cost to shareholders post vesting. Leveraged instruments are more likely to have a relatively low expense at issuance compared to the potential dilution and economic cost to shareholders upon vesting and subsequent exercise; and
- The focus of the LTI is growth in earnings, which should be the main driver of potential share price movements rather than the share price itself, which is the focus of leveraged instruments.

The calculation of the LTI pool eligible to be funded in respect of the 2014 year is summarised below:

	Benchmark $'000	Actual $'000	Variance $'000	LTI pool created $'000
NPAT	$31,673	$34,765		
PLNPBT	$45,279	$52,226	$6,947	
First $1 million of out-performance accrues to the LTI pool				$1,000
Out-performance over $1 million accrues 25 per cent to the LTI pool				$1,487
[25 per cent x ($6.95 million – $1 million)]				
Total				$2,487

The LTI pool of $2.49 million will be converted into deferred vesting shares in September 2014. These shares will vest one-third in each of the 2015, 2016 and 2017 financial years, subject to ongoing tenure as a Company executive, continued performance and potential clawback.

There was an LTI program in place in respect of the 2009 to 2012 financial years, the details of which were previously disclosed. There are unvested payments under this program in the form of cash and shares that have vested in 2014 and are expected to vest in 2015.

Details of the vesting profile of the LTI awarded as remuneration to the four senior executives are:

LTI accrual in respect of the 2012 financial year

	Proportion vesting during the 2015 financial year [A]		Current allocation (% of pool) [B]	Minimum value	Maximum value
Year accrued	2012	$	%	$	$
Senior executives					
Mr Thomas Beregi	1/3	578,181	43.7%	–	578,181
Mr Matthew Angell	1/3	321,211	24.3%	–	321,211
Mr Michael Eadie	1/3	79,869	6.0%	–	79,869
Ms Kristina White	1/3	176,834	13.4%	–	176,834

A. Represents each participant's allocated proportion of the maximum pool that may vest in the 2015 financial year.
B. Each participant's allocated percentage portion of the deferred pool.

LTI accrual in respect of the 2013 and 2014 financial years

	Proportion vesting during the 2015 financial year [A]			Proportion vesting in future financial years [A]			Current allocation (% of pool) [B]	Minimum value	Maximum value
Year accrued	2013	2014	$	2013	2014	$	%	$	$
Senior executives									
Mr Thomas Beregi	1/3	1/3	660,359	1/3	2/3	992,817	40.1%	–	1,653,176
Mr Matthew Angell	1/3	1/3	366,866	1/3	2/3	551,565	22.3%	–	918,431
Mr Michael Eadie	1/3	1/3	175,019	1/3	2/3	263,132	10.6%	–	438,151
Ms Kristina White	1/3	1/3	175,019	1/3	2/3	263,132	10.6%	–	438,151

A. The deferred vesting shares will vest equally in each of 2015, 2016 and 2017 financial years, subject to ongoing participation and the LTI clawback provisions.
B. Each participant's allocated percentage portion of the pool. The allocations are fixed and were determined by the Remuneration Committee as part of the approval of the LTI plan.

d) Remuneration outcomes

The Board believes the Company's remuneration structure, in particular the STI and LTI, have continued to ensure a large proportion of remuneration is only payable as a result of the achievement of sustained earnings growth.

Details of the Company's performance, share price and dividends over the past five years are summarised in the table below:

	2014	2013	2012	2011	2010
Earnings					
Total revenue ($m)	**173,998**	142,577	124,590	113,636	93,413
Adjusted EBITDA ($m)	**188,178**	166,885	149,693	129,809	117,204
NPAT ($m)	**34,765**	31,986	26,578	21,024	13,543
Change in NPAT (%) [A]	**16%**	12%	26%	55%	25%
5 year NPAT CAGR	**26%**				
Shareholder value					
Share price at the end of the year ($)	**8.70**	9.40	5.79	4.75	2.67
Change in share price ($)	**(0.70)**	3.61	1.04	2.08	1.47
Total dividends paid / declared per share (cents)	**40**	37	29	20	8
Return on Equity	**23.23%**	24.44%	23.49%	21.81%	16.63%

A. Change in NPAT (%) refers to the movement in underlying NPAT.

D. DIRECTOR REMUNERATION

a) Remuneration Policy

The Company's Director Remuneration Policy is to provide fair remuneration that is sufficient to attract and retain directors with the experience, knowledge and skills to ensure the long-term success of the Company. Fees for directors are fixed and are not linked to the performance of the Company. This is to ensure the independence of the directors.

Remuneration levels of comparable companies are reviewed annually for benchmarking purposes and allowance is made for various factors including demands on time, the level of commitment required and any special responsibilities. An annual aggregate cap of $0.9 million was approved by the shareholders at the 2012 Annual General Meeting of the Company.

b) Contract details

Directors' fees have increased relative to the prior reporting period. This is the first change in directors' fees since the 2012 financial year. This increase and the fee of an additional director, Ms Leslie Martin, who was appointed during the year, are able to be funded within the current aggregate fee cap of $0.9 million.

None of the directors are entitled to retirement benefits but are entitled to payment of statutory superannuation entitlements in addition to the directors' fees.

The remuneration structure is set out below:

	2014 $	2013 $
Chairman	**190,000**	170,000
Director and Committee Chairman	**105,000**	95,000
Director and Committee member	**95,000**	85,000
Director	**85,000**	75,000

The above remuneration does not include the 9.25 per cent (2013: 9 per cent) statutory superannuation entitlement.

E. REMUNERATION TABLES AND DATA

The remuneration for each KMP of the Company during the year was:

		Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payment			
		Salary and fees	Short-term incentive [A]	Non-monetary benefits	Total	Super-annuation	Long-term incentive [B]	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	$	%	%
Directors											
Mr Donald McLay											
Non-Executive Director	**2014**	**190,000**	**–**	**14,294**	**204,294**	**17,575**	**–**	**–**	**221,869**	**–**	**–**
Chairman	2013	170,000	–	12,464	182,464	15,300	–	–	197,764	–	–
Mr Simon Calleia	**2014**	**105,000**	**–**	**–**	**105,000**	**9,713**	**–**	**–**	**114,713**	**–**	**–**
Non-Executive Director	2013	95,000	–	–	95,000	8,550	–	–	103,550	–	–
Mr Eric Dodd	**2014**	**95,000**	**–**	**–**	**95,000**	**8,788**	**–**	**–**	**103,788**	**–**	**–**
Non-Executive Director	2013	85,000	–	–	85,000	7,650	–	–	92,650	–	–
Ms Leslie Martin											
Non-Executive Director	**2014**	**23,538**	**–**	**–**	**23,538**	**2,177**	**–**	**–**	**25,715**	**–**	**–**
(appointed 20 March 2014)	2013	–	–	–	–	–	–	–	–	–	–
Mr Robert Shaw	**2014**	**105,000**	**–**	**–**	**105,000**	**9,713**	**–**	**–**	**114,713**	**–**	**–**
Non-Executive Director	2013	95,000	–	–	95,000	8,550	–	–	103,550	–	–
Mr Richard Thomas	**2014**	**95,000**	**–**	**–**	**95,000**	**8,788**	**–**	**–**	**103,788**	**–**	**–**
Non-Executive Director	2013	85,000	–	–	85,000	7,650	–	–	92,650	–	–
Senior executives											
Mr Thomas Beregi											
Chief Executive Officer	**2014**	**468,325**	**490,500**	**14,294**	**973,119**	**23,300**	**997,379**	**–**	**1,993,798**	**75**	**–**
Company Secretary	2013	465,500	490,500	12,464	968,464	25,000	983,696	–	1,977,160	75	–
Mr Matthew Angell	**2014**	**250,000**	**272,500**	**14,294**	**536,794**	**23,125**	**554,099**	**–**	**1,114,018**	**74**	**–**
Chief Operating Officer	2013	250,000	272,500	12,464	534,964	22,500	546,498	–	1,103,962	74	–
Mr Michael Eadie											
Chief Financial Officer	**2014**	**210,000**	**100,000**	**14,294**	**324,294**	**19,425**	**264,341**	**–**	**608,060**	**60**	**–**
Company Secretary	2013	207,500	100,000	8,427	315,927	18,675	260,715	–	595,317	61	–
Ms Kristina White	**2014**	**210,000**	**150,000**	**14,294**	**374,294**	**19,425**	**264,341**	**–**	**658,060**	**63**	**–**
Head of Business Services	2013	210,000	150,000	12,464	372,464	18,900	260,715	–	652,079	63	–
Total remuneration	**2014**	**1,751,863**	**1,013,000**	**71,470**	**2,836,333**	**142,027**	**2,080,160**	**–**	**5,058,520**	**61**	**–**
	2013	1,663,000	1,013,000	58,283	2,734,283	132,775	2,051,624	–	4,918,682	62	–

A. The STI is prepared on an accrual basis and has been accrued at 100 per cent of the maximum potential payment. Individual performance reviews will be conducted after the finalisation of the 2014 audited consolidated financial statements.

B. The LTI is prepared on an accrual basis. It is payable in the form of deferred vesting shares, which may vest over a three-year period if the Company achieves or exceeds the Board-determined Strategic Plan targets.

The relative proportions of the elements of remuneration of KMP that are linked to performance:

	Fixed remuneration		Remuneration linked to performance	
	2014	2013	2014	2013
Directors				
Mr Donald McLay	**100%**	100%	**–**	–
Mr Simon Calleia	**100%**	100%	**–**	–
Mr Eric Dodd	**100%**	100%	**–**	–
Ms Leslie Martin	**100%**	–	**–**	–
Mr Robert Shaw	**100%**	100%	**–**	–
Mr Richard Thomas	**100%**	100%	**–**	–
Senior executives				
Mr Thomas Beregi	**25%**	25%	**75%**	75%
Mr Matthew Angell	**26%**	26%	**74%**	74%
Mr Michael Eadie	**40%**	39%	**60%**	61%
Ms Kristina White	**37%**	37%	**63%**	63%

No KMP appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

F. KMP EQUITY HOLDINGS

a) Fully paid ordinary shares of Credit Corp Group Limited

The movements during 2014 in the number of ordinary shares in Credit Corp Group Limited held directly, indirectly or beneficially by each KMP, including their related parties are:

	Opening balance at 1 July 2013 Number	Received on exercise of options Number	Changes during the year [A] Number	Closing balance at 30 June 2014 Number
Directors				
Mr Donald McLay	2,138,550	–	68,758	2,207,308
Mr Simon Calleia	1,112,152	–	(500,000)	612,152
Mr Eric Dodd	10,000	–	(5,000)	5,000
Mr Robert Shaw	14,000	–	(9,000)	5,000
Mr Richard Thomas	9,984	–	–	9,984
	3,284,686	–	(445,242)	2,839,444
Senior executives				
Mr Thomas Beregi	101,921	–	112,977	214,898
Mr Matthew Angell	–	–	10,000	10,000
Mr Michael Eadie	7,654	–	20,029	27,683
Ms Kristina White	24,214	–	37,725	61,939
	133,789	–	180,731	314,520
Total	3,418,475	–	(264,511)	3,153,964

A. Other changes include shares granted via participation in the Deferred Employee Share Plan (DESP) and LTI plan, and shares purchased or sold directly on the ASX.

b) Options and rights over equity instruments

No options were granted to KMP or the five highest paid officers as part of their remuneration during or since the end of the 2014 financial year.

No options were outstanding at the date of this report.

Signed in accordance with a resolution of the Board of Directors.

Donald McLay
Chairman

Robert Shaw
Director

Date: 5 August 2014

Auditor's independence declaration

HALL CHADWICK

Chartered Accountants and Business Advisers

CREDIT CORP GROUP LIMITED
ABN 33 092 697 151
AND CONTROLLED ENTITIES

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
ii. any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

David Kenney
Partner

Date: 5 August 2014

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BRISBANE

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GOLD COAST

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Consolidated statement of profit or loss

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Revenue	2	**173,998**	142,577
Finance costs	3	**(1,548)**	(754)
Employee benefits expense		**(75,313)**	(62,010)
Depreciation and amortisation expenses	3	**(730)**	(1,155)
Office facility expenses		**(12,395)**	(11,294)
Collection expenses		**(9,949)**	(9,676)
Other expenses		**(24,324)**	(11,960)
Profit before income tax expense		**49,739**	45,728
Income tax expense	4	**(14,974)**	(13,742)
Profit for the year		**34,765**	31,986
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (cents per share)	5	**75.4**	69.8
Diluted earnings per share (cents per share)	5	**75.4**	69.8

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Profit for the year		**34,765**	31,986
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedge	4	**24**	(24)
Income tax effect		**–**	–
Other comprehensive income for the year, net of income tax	4	**24**	(24)
Total comprehensive income for the year		**34,789**	31,962
Total comprehensive income attributable to owners of the Company		**34,789**	31,962

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2014

	Note	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	8	**2,782**	4,630
Trade and other receivables	9	**21,561**	8,056
Purchased debt ledgers	10	**51,063**	50,678
Other assets	11	**1,475**	696
Total current assets		**76,881**	64,060
Non-current assets			
Other receivables	9	**26,374**	7,696
Purchased debt ledgers	10	**106,169**	96,531
Property, plant and equipment	12	**1,997**	1,171
Deferred tax assets	13	**14,297**	10,770
Intangible assets	14	**800**	800
Total non-current assets		**149,637**	116,968
Total assets		**226,518**	181,028
Current liabilities			
Trade and other payables	15	**9,953**	10,700
Payables under contract of sale	15	**2,168**	3,574
Derivatives	16	**–**	24
Current tax liabilities	13	**8,211**	5,874
Provisions	17	**3,007**	5,057
Total current liabilities		**23,339**	25,229
Non-current liabilities			
Borrowings	18	**38,497**	9,537
Provisions	17	**5,127**	6,470
Total non-current liabilities		**43,624**	16,007
Total liabilities		**66,963**	41,236
Net assets		**159,555**	139,792
Equity			
Issued capital	20	**47,109**	45,068
Reserves		**–**	(24)
Retained earnings		**112,446**	94,748
Total equity		**159,555**	139,792

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2014

	Note	Issued capital $'000	Equity compensation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2013		**45,068**	**–**	**(24)**	**94,748**	**139,792**
Total comprehensive income for the year						
Profit for the year		**–**	**–**	**–**	**34,765**	**34,765**
Other comprehensive income						
Change in fair value of cash flow hedge, net of tax	4	**–**	**–**	**24**	**–**	**24**
Total comprehensive income for the year		**–**	**–**	**24**	**34,765**	**34,789**
Transactions with owners in their capacity as owners						
Shares issued net of transaction costs	20, 31B	**2,041**	**–**	**–**	**–**	**2,041**
Dividends paid or provided for	6	**–**	**–**	**–**	**(17,067)**	**(17,067)**
Transactions with owners in their capacity as owners		**2,041**	**–**	**–**	**(17,067)**	**(15,026)**
Balance at 30 June 2014		**47,109**	**–**	**–**	**112,446**	**159,555**
Balance at 1 July 2012		42,735	402	–	78,845	121,982
Total comprehensive income for the year						
Profit for the year		–	–	–	31,986	31,986
Other comprehensive income						
Change in fair value of cash flow hedge, net of tax	4	–	–	(24)	–	(24)
Total comprehensive income for the year		–	–	(24)	31,986	31,962
Transactions with owners in their capacity as owners						
Shares issued net of transaction costs	20, 31B	2,333	–	–	–	2,333
Lapsed options		–	(402)	–	402	–
Dividends paid or provided for	6	–	–	–	(16,485)	(16,485)
Transactions with owners in their capacity as owners		2,333	(402)	–	(16,083)	(14,152)
Balance at 30 June 2013		45,068	–	(24)	94,748	139,792

The above financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**310,465**	260,452
Payments to suppliers and employees		**(108,501)**	(86,337)
Interest received on bank deposits		**81**	203
Interest paid		**(1,548)**	(754)
Income tax paid		**(16,164)**	(15,407)
Cash flows from operating activities before changes in operating assets		**184,333**	158,157
Changes in operating assets arising from cash flow movements			
Net funding of other receivables		**(49,130)**	(13,951)
Acquisition of purchased debt ledgers		**(146,616)**	(133,786)
Changes in operating assets arising from cash flow movements		**(195,746)**	(147,737
Net cash (outflow) / inflow from operating activities	19	**(11,413)**	10,420
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,556)**	(726)
Net cash (outflow) from investing activities		**(1,556)**	(726)
Cash flows from financing activities			
Proceeds from borrowings		**49,578**	17,565
Repayment of borrowings		**(21,390)**	(8,975)
Dividends paid	6	**(17,067)**	(16,485)
Net cash inflow / (outflow) from financing activities		**11,121**	(7,895)
Net (decrease) / increase in cash and cash equivalents		**(1,848)**	1,799
Cash and cash equivalents at 1 July		**4,630**	2,831
Cash and cash equivalents at 30 June	8	**2,782**	4,630

The above financial statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

These financial statements include the consolidated financial statements and notes of Credit Corp Group Limited and subsidiaries (the Consolidated Group).

Credit Corp Group Limited is incorporated in Australia. The address of its registered office and principal places of business are disclosed in Note 35: Company details.

The Consolidated Group is a for-profit entity and is primarily involved in operations within Debt Ledger Purchasing, which includes Consumer Lending and Mercantile Collections.

The parent entity, Credit Corp Group Limited, has not prepared separate financial statements in this financial report as permitted by the *Corporations Act 2001*. The financial information for the parent entity is disclosed in Note 34 of the financial statements.

B. Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 5 August 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Consolidated Group's functional currency.

d) Rounding of amounts

The Consolidated Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

e) Use of estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Group.

Key estimates

The preparation of the consolidated financial statements in conformity with AASB and IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

i) Impairment of goodwill

The Consolidated Group performs an impairment test at least semi-annually in accordance with Significant Accounting Policy C(f)(ii). These calculations involve an estimation of the recoverable amount of the cash-generating units to which goodwill is allocated, incorporating a number of key estimates. Refer to Note 14 for more details.

ii) PDLs

PDLs are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, PDLs are measured at amortised cost using the effective interest method, less any impairment losses. Estimated remaining collections from PDLs are reforecast every six months and used in applying the effective interest method. Refer to Note 10 for more details.

iii) Provisions

The Consolidated Group utilises estimates of the probable outflow of economic benefits based on contractual or expected legal obligations as a result of past events in recognising restructuring and employee benefit provisions. Loan provisions are based on estimated life of loan loss rates derived from a static pool analysis of the performance of loan products. These estimates are updated at each reporting date. Refer to Note 9 and Note 17 for more details.

C. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Consolidated Group.

a) Basis of consolidation

The Consolidated Group has control over a subsidiary when the Consolidated Group is exposed to, or has a right to, variable returns from its involvement with a subsidiary, and has the ability to use its power to affect those returns. Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Group and are deconsolidated from the date that control ceases.

All inter-company balances and transactions, including unrealised income and expenses arising from intra-company transactions, are eliminated in preparing the consolidated financial statements.

A list of subsidiaries is contained in Note 23 to the financial statements.

b) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses, which results in consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination is accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain exceptions).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in recognition of goodwill or a gain from a bargain purchase.

Goodwill is recognised initially as the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in the profit or loss statement.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss statement.

c) Segment reporting

An operating segment is a component of the Consolidated Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions within the Consolidated Group. All operating segments and operating results are reviewed regularly by the Consolidated Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Consolidated Group's headquarters), head office expenses and income tax liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire tangible assets.

d) Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the profit or loss statement.

e) Property, plant and equipment

i) Property

Freehold land is currently measured at cost, less any recognised impairment loss. It is not depreciated.

ii) Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss statement during the financial period in which they are incurred.

iii) Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is recognised in the profit or loss statement and depreciated on a straight-line basis over the assets' estimated useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the lease terms and their estimated useful lives unless it is reasonably certain that the Consolidated Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Class of fixed asset	Years
Leasehold improvements	period of the lease
Plant and equipment	2 to 5 years
Computer software	2.5 to 4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

iv) Impairment

At each balance date, the Consolidated Group reviews the carrying values of its property, plant and equipment to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss statement.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets

i) Goodwill

Goodwill and goodwill on consolidation are initially recorded as the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition.

Goodwill is calculated as the excess of the fair value of net identifiable assets at acquisition date over the sum of:

– the consideration transferred;

– any non-controlling interest; and

– the acquisition date fair value of any previously held equity interest.

Goodwill is measured 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.

ii) Impairment

Impairment testing is performed semi-annually for goodwill and intangible assets with indefinite lives. The recoverable amount is re-measured in each impairment test and any impairment loss is recognised when the carrying amount of an asset, or its cash-generating unit (CGU), exceeds its recoverable amount. Impairment losses are recognised in the profit or loss statement.

The recoverable amount of an asset or CGU is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the profit or loss statement. Losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (or group of CGUs) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

g) Financial assets and liabilities

i) Non-derivative financial assets

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

1) PDLs

PDLs are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition:

– PDLs acquired prior to adoption of AASB 9: Financial Instruments on 30 June 2010 were classified as available-for-sale financial assets and measured at fair value; and

– Upon adoption of AASB 9: Financial Instruments on 30 June 2010, PDLs are measured at amortised cost using the effective interest method, less any impairment losses.

Under the transitional provisions of AASB 9: Financial Instruments on 30 June 2010, the fair values at the date of initial adoption are treated as the amortised cost amounts.

2) Other receivables

Other receivables are recognised initially at fair value, including direct and incremental transaction costs. Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method and are presented net of provisions for expected life of loan losses. Other receivables include consumer loans.

3) Impairment

At the end of each reporting period the Consolidated Group assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if objective evidence indicates that:

– a loss event has occurred after the initial recognition of the asset;

– the loss event had a negative effect on the estimated future cash flows of the asset; and

– the loss can be estimated reliably.

An impairment loss in respect of PDL financial assets measured at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the profit or loss statement. When a subsequent change in estimated future cash flows causes the amount of impairment loss to reverse, the reversal in impairment loss is taken through the profit or loss statement to the extent of the initial impairment loss.

As there are no individually significant PDLs within the portfolio held by the Consolidated Group and all PDLs have similar credit risk characteristics, PDLs are grouped and are collectively assessed for impairment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Non-derivative financial liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are recognised at amortised cost, comprising the original debt less principal payments and amortisation. Financial liabilities comprise loans and borrowings.

iii) Derivative financial instruments

The Consolidated Group designates certain derivatives as hedges of highly probable forecast transactions that could affect the profit or loss statement (cash flow hedge).

At the inception of the transaction, the relationship between hedging instruments and hedged items, as well as the Consolidated Group's risk management objective and strategy for undertaking various hedge transactions, is documented.

The Consolidated Group makes a documented assessment, both at the inception of the hedge relationship and on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 to 125 per cent.

Derivatives are recognised initially at fair value and any attributable transaction costs are recognised in the profit or loss statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, which represents the estimated amount that the Consolidated Group would pay or receive to terminate the derivative financial instruments at the balance date, taking into account current interest rates.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in a hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss statement.

Amounts accumulated in the hedge reserve in equity are reclassified to the profit or loss statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion of interest rate swaps and options that hedge variable rate borrowings is recognised in the profit or loss statement within finance costs.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

h) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with maturities of less than three months and cash on hand that are subject to an insignificant risk of change in their fair value, and are used by the Consolidated Group in the management of its short-term commitments.

i) Borrowing costs

All borrowing costs are recognised in the profit or loss statement in the period in which they are incurred.

j) Employee benefits

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of 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. These are measured at the amounts expected to be paid when the liabilities are settled, plus on-costs. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii) Long-term obligations

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

k) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Group are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the leases.

l) Provisions

A provision is recognised if, as a result of a past event, the Consolidated Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Revenue

The major components of revenue are recognised as follows:

i) Interest revenue

Revenue from PDLs represents the component designated as interest income through the application of the effective interest method under AASB 9: Financial Instruments.

ii) Other income

Revenue from services rendered is recognised upon delivery of the service to customers. In 2013 the Consolidated Group received a one-off litigation settlement with an impact on NPAT of $2.1 million.

All revenue is stated net of the amount of goods and services tax (GST).

n) Finance costs

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the profit or loss statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

o) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the profit or loss, except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

i) Current tax

Current tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

ii) Deferred tax

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Deferred tax is on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled, based on tax rates enacted or substantively enacted at balance date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related assets or liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current and deferred tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

p) Tax consolidation

Credit Corp Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation legislation. The head entity, Credit Corp Group Limited, and its subsidiaries in the tax consolidated group account for their own current and deferred tax accounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

The Consolidated Group has entered a tax funding arrangement whereby each company in the Consolidated Group contributes to the income tax payable in proportion to their contribution to the Company's taxable income. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement is recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

q) GST

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the Australian Taxation Office (ATO). 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 ATO is included with other receivables or payables in the statement of financial position.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Earnings per share (EPS)

The Consolidated Group presents basic and diluted earnings per share data for its ordinary shares.

i) Basic EPS

Basic EPS is calculated by dividing the net profit attributable to equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

ii) Diluted EPS

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

s) New and amended standards adopted by the Consolidated Group

The Consolidated Group has applied all new accounting standards and amendments mandatory for accounting periods commencing on or after 1 July 2013. The significant new standards adopted as of 1 July 2013 are detailed below:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- AASB 119: Employee Benefits (2011);
- AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities; and
- AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009 - 2011 Cycle.

The adoption of these standards has not had a material impact on the financial statements of the Consolidated Group. Where required, new disclosures introduced by these standards have been included.

The adoption of AASBs 10, 13 and 119 resulted in changes in accounting policies for the Consolidated Group. These are explained below:

- Adoption of AASB 10 resulted in a change in the definition of control. Under the new definition, the Consolidated Group controls an entity when the Consolidated Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

  The Consolidated Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 compared to AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.
- The adoption of AASB 13 has clarified that fair value is an exit price notion and, as such, the fair value of financial liabilities should be determined based on a transfer value to a third-party market participant. The fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty.

  The Consolidated Group has reviewed its Accounting Policy and there is no material effect on the financial statements.
- The adoption of the revised AASB 119 has not changed the accounting obligations for the Consolidated Group. The Consolidated Group continues to expect all annual leave will be taken within 12 months after the end of the reporting period and continues to classify annual leave as short-term employee benefits.

t) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Consolidated Group's assessment of the impact of these new standards and interpretations is set out below:

i) AASB 1031: Materiality

Revised AASB 1031 is an interim standard that cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality.

AASB 1031 will be withdrawn once all the references to AASB 1031 in all standards and interpretations are removed.

This standard is effective for year ending 30 June 2014 and will not have any impact on the financial statements.

ii) AASB 2012–3 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)

AASB 2012–3 addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132: Financial Instruments: Presentation.

It clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. This is effective for year ending 30 June 2014 and is not expected to have a material impact on the financial statements.

iii) AASB 2013–3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

Narrow-scope amendments to AASB 136: Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

It is applicable to the period ending 30 June 2014 and is not expected to have a material impact on the financial statements.

	2014 $'000	2013 $'000
NOTE 2: REVENUE		
Interest revenue	**170,968**	135,872
Other interest received	**81**	203
Other income	**2,949**	6,502
Total	**173,998**	142,577

NOTE 3: PROFIT FOR THE YEAR

Arrived at after deducting expenses including:

	2014 $'000	2013 $'000
Finance costs		
Interest expense	**(1,041)**	(209)
Other finance charges	**(507)**	(545)
Total	**(1,548)**	(754)
Depreciation and amortisation expenses		
Property, plant and equipment	**(580)**	(954)
Computer software	**(123)**	(104)
Leasehold improvements	**(27)**	(97)
Total	**(730)**	(1,155)
Rental expense on operating leases		
Operating lease rental	**(4,945)**	(4,332)

NOTE 4: INCOME TAX EXPENSE

The Consolidated Group calculates the income tax expense using the tax rate that would be applicable to expected total annual earnings.

The major components of income tax expense in the consolidated profit or loss statement at the end of the year are as follows:

	2014 $'000	2013 $'000
A. Income tax expense		
Current tax	**(18,503)**	(14,977)
Deferred tax	**3,527**	1,228
Overprovision in respect of prior years	**2**	7
Total	**(14,974)**	(13,742)

	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000
B. Income tax recognised in other comprehensive income			
Year ended 30 June 2014			
Cash flow hedge	**24**	**–**	**24**
Year ended 30 June 2013			
Cash flow hedge	(24)	–	(24)

	2014 $'000	2013 $'000
C. Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	**49,739**	45,728
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	**(14,922)**	(13,718)
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	**(54)**	(31)
	(14,976)	(13,749)
Overprovision in respect of prior years	**2**	7
Income tax expense	**(14,974)**	(13,742)
The applicable weighted average effective tax rates are:	**30%**	30%

NOTE 5: EARNINGS PER SHARE

A. Basic EPS

The calculation of basic EPS at 30 June 2014 was based on the profit attributable to ordinary shareholders of $34.77 million (2013: $31.99 million) and a weighted average number of ordinary shares outstanding of 46.09 million (2013: 45.85 million), calculated as follows:

	2014 $'000	2013 $'000
a) Profit attributable to ordinary shareholders (basic)		
Profit for the year	**34,765**	31,986

	2014 Number '000	2013 Number '000
b) Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**45,933**	45,571
Effect of shares issued in September 2013	**154**	–
Effect of shares issued in September 2012	**–**	278
Weighted average number of ordinary shares at 30 June (basic)	**46,087**	45,849

B. Diluted EPS

The calculation of diluted EPS at 30 June 2014 was based on the profit attributable to ordinary shareholders of $34.77 million (2013: $31.99 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential shares of 46.09 million (2013: 45.85 million).

There were no share options (2013: nil) at balance date, hence the basic and diluted EPS are equal.

NOTE 6: DIVIDENDS PAID AND PROPOSED

The following dividends were declared and paid by the Company:

	Cents per share $	Total amount $'000	Franked / unfranked	Date of payment
Year ended 30 June 2014				
Interim 2014 ordinary	**20.00**	**9,226**	**Franked**	**21 Mar 14**
Final 2013 ordinary	**17.00**	**7,841**	**Franked**	**4 Oct 13**
Total		**17,067**		
Year ended 30 June 2013				
Interim 2013 ordinary	20.00	9,188	Franked	22 Mar 13
Final 2012 ordinary	16.00	7,297	Franked	5 Oct 12
Total		16,485		

Franked dividends declared or paid during the period were franked at the tax rate of 30 per cent.

After 30 June 2014 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

Final 2014 ordinary	20.00	9,226	Franked	3 Oct 14

	2014 $'000	2013 $'000
Franking account		
Balance of franking account at year-end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of dividends	**67,446**	56,259
Subsequent to year-end, the franking account would be reduced by the proposed dividend	**(3,954)**	(3,347)
Total	**63,492**	52,912

	2014 $	2013 $
NOTE 7: AUDITOR'S REMUNERATION		
Audit services		
Audit and review of financial reports	**166,430**	170,920
Services other than statutory audit		
Other services		
Taxation compliance services	**16,434**	15,365
Other services	**22,000**	–
Total	**204,864**	186,285

	2014 $'000	2013 $'000
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**2,782**	4,630

The Consolidated Group's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities are disclosed in Note 32: Financial risk management.

	2014 $'000	2013 $'000
NOTE 9: TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	**1,044**	923
Less: Provision for impairment	**(42)**	(78)
	1,002	845
Other receivables	**27,820**	9,588
Less: Provision for expected loan losses	**(7,261)**	(2,377)
	20,559	7,211
Total	**21,561**	8,056
Non-current		
Other receivables	**35,800**	10,261
Less: Provision for expected loan losses	**(9,426)**	(2,565)
Total	**26,374**	7,696

A. Provision for impairment

A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expenses.

Movement in the provision for impairment		
Opening balance	**(78)**	–
Charge for the year	**–**	(78)
Provisions reversed during the year	**36**	–
Closing balance	**(42)**	(78)

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

The following table details the Consolidated Group's trade receivables exposed to credit risk with an ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Consolidated Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtor and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Consolidated Group.

Trade receivables that remain within initial trade terms are considered to be of high credit quality. At balance date trade receivables of $0.30 million (2013: $0.18 million) were outside initial trade terms but not impaired. It is expected these past due amounts will be received.

	Gross amount	Past due and impaired	Past due but not impaired				Within initial trade terms
			< 30	31-60	61-90	> 90	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2014							
Trade receivables	**1,044**	**42**	**259**	**37**	**–**	**–**	**706**
Year ended 30 June 2013							
Trade receivables	923	78	49	127	–	–	669

The Consolidated Group does not hold any financial assets with terms that have been renegotiated that would otherwise have been past due or impaired.

B. Provision for expected loan losses

Provision for expected loan losses are recognised based on life of loan loss rates derived from static pool analysis of the performance of loan products. These estimates are updated at each reporting date.

	2014 $'000	2013 $'000
NOTE 10: PURCHASED DEBT LEDGERS		
Current	**51,063**	50,678
Non-current	**106,169**	96,531
Total	**157,232**	147,209

PDLs are measured at amortised cost using the effective interest method in accordance with AASB 9: Financial Instruments.

The effective interest rate is the implicit interest rate based on forecast collections determined in the period of acquisition of an individual PDL and equates to the Internal Rate of Return (IRR) of the forecast cash flows without any consideration of collection costs.

In respect of PDLs acquired up to 30 June 2010, the opening PDL values under amortised cost are equal to the fair value of the PDLs as at the date of initial adoption, being 30 June 2010. The fair values at initial adoption were determined using a discounted cash flow valuation technique. When collection forecasts for these PDLs are modified, the effective interest rate or IRR is recalculated.

In respect of PDLs acquired after 30 June 2010, the effective interest rate determined at the time of acquisition remains unchanged. Modification in collection forecasts for these PDLs results in a gain or charge recorded in the income statement.

NOTE 11: OTHER ASSETS

Pre-payments	**856**	542
Inventory	**619**	154
Total	**1,475**	696

	2014 $'000	2013 $'000
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Freehold land		
Cost	**5**	5
Plant and equipment		
Cost	**2,542**	1,243
Less: Accumulated depreciation	**(876)**	(296)
	1,666	947
Computer software		
Cost	**587**	375
Less: Accumulated amortisation	**(343)**	(220)
	244	155
Leasehold improvements		
Cost	**203**	158
Less: Accumulated amortisation	**(121)**	(94)
	82	64
Total	**1,992**	1,166
Total property, plant and equipment	**1,997**	1,171

	Freehold land $'000	Plant and equipment $'000	Computer software $'000	Leasehold improvement $'000	Total $'000
A. Cost or valuation					
Year ended 30 June 2014					
Opening balance	**5**	**1,243**	**375**	**158**	**1,781**
Additions	**–**	**1,299**	**212**	**45**	**1,556**
Closing balance	**5**	**2,542**	**587**	**203**	**3,337**
Year ended 30 June 2013					
Opening balance	5	1,775	450	632	2,862
Additions	–	702	10	14	726
Derecognition	–	(1,234)	(85)	(488)	(1,807)
Closing balance	5	1,243	375	158	1,781
B. Accumulated depreciation or amortisation					
Year ended 30 June 2014					
Opening balance	**–**	**(296)**	**(220)**	**(94)**	**(610)**
Depreciation / amortisation for the year	**–**	**(580)**	**(123)**	**(27)**	**(730)**
Closing balance	**–**	**(876)**	**(343)**	**(121)**	**(1,340)**
Year ended 30 June 2013					
Opening balance	–	(576)	(201)	(485)	(1,262)
Depreciation / amortisation for the year	–	(954)	(104)	(97)	(1,155)
Derecognition	–	1,234	85	488	1,807
Closing balance	–	(296)	(220)	(94)	(610)
C. Carrying amounts					
At 1 July 2013	**5**	**947**	**155**	**64**	**1,171**
At 30 June 2014	**5**	**1,666**	**244**	**82**	**1,997**
At 1 July 2012	5	1,199	249	147	1,600
At 30 June 2013	5	947	155	64	1,171

	2014 $'000	2013 $'000
NOTE 13: TAX ASSETS AND LIABILITIES		
Non-current assets		
Deferred tax assets	**14,297**	10,770
Current liabilities		
Tax liabilities	**8,211**	5,874

	Assets		Liabilities		Net	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax assets and liabilities are attributable to:						
Provision for employee benefits	**1,722**	2,348	**–**	–	**1,722**	2,348
Provision for restructuring	**404**	1,080	**–**	–	**404**	1,080
Provision for onerous contract	**314**	–	**–**	–	**314**	–
Provision for impairment of trade receivables	**13**	23	**–**	–	**13**	23
Provision for expected loan losses	**5,006**	1,483	**–**	–	**5,006**	1,483
Accruals on wages and bonuses	**1,389**	1,554	**–**	–	**1,389**	1,554
Accrual on employee share plan	**884**	827	**–**	–	**884**	827
Difference between accounting and tax depreciations	**562**	695	**–**	–	**562**	695
Other accruals not tax deductible until expense incurred	**4,003**	2,760	**–**	–	**4,003**	2,760
Net tax assets	**14,297**	10,770	**–**	–	**14,297**	10,770

	Opening balance $'000	Recognised in profit or loss $'000	Recognised in other comprehensive income $'000	Closing balance $'000
Movement in temporary differences during the year				
Year ended 30 June 2014				
Provision for employee benefits	**2,348**	**(626)**	**–**	**1,722**
Provision for restructuring	**1,080**	**(676)**	**–**	**404**
Provision for onerous contract	**–**	**314**	**–**	**314**
Provision for impairment of trade receivables	**23**	**(10)**	**–**	**13**
Provision for expected loan losses	**1,483**	**3,523**	**–**	**5,006**
Accruals on wages and bonuses	**1,554**	**(165)**	**–**	**1,389**
Accrual on employee share plan	**827**	**57**	**–**	**884**
Difference between accounting and tax depreciations	**695**	**(133)**	**–**	**562**
Other accruals not tax deductible until expense incurred	**2,760**	**1,243**	**–**	**4,003**
Total	**10,770**	**3,527**	**–**	**14,297**
Year ended 30 June 2013				
Provision for employee benefits	2,527	(179)	–	2,348
Provision for restructuring	420	660	–	1,080
Provision for impairment of trade receivables	–	23	–	23
Provision for expected loan losses	475	1,008	–	1,483
Accruals on wages and bonuses	1,374	180	–	1,554
Accrual on employee share plan	383	444	–	827
Difference between accounting and tax depreciations	630	65	–	695
Other accruals not tax deductible until expense incurred	4,052	(1,292)	–	2,760
Purchased debt ledgers	(319)	319	–	–
Total	9,542	1,228	–	10,770

	2014 $'000	2013 $'000
NOTE 14: INTANGIBLE ASSETS		
Goodwill is allocated to the Consolidated Group's cash-generating unit (CGU) identified according to operating segment.		
Cost	**1,456**	1,456
Accumulated impairment losses	**(656)**	(656)
Net carrying value	**800**	800
A.Cost		
Opening balance	**1,456**	1,456
Closing balance	**1,456**	1,456
B.Impairment losses		
Opening balance	**(656)**	(656)
Closing balance	**(656)**	(656)
C.Carrying amounts		
Opening balance	**800**	800
Closing balance	**800**	800

D. Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Consolidated Group's operating unit, which represents the lowest level within the Consolidated Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amount of goodwill allocated to the operating unit is:

Mercantile Collections	**800**	800

	2014 %	2013 %
E. KEY ASSUMPTIONS USED IN DISCOUNTED CASH FLOW PROJECTION		
The following assumptions were used in the value-in-use calculations:		
Growth rate	**nil**	nil
Discount rate	**10**	15

Management has based the value-in-use calculations on a five-year projection for the operating unit. The discount rate is pre-tax and is adjusted to incorporate risks associated with the particular operating unit.

	2014 $'000	2013 $'000
NOTE 15: TRADE AND OTHER PAYABLES		
Current		
Unsecured liabilities		
Trade payables	**1,011**	395
Sundry payables and accrued expenses	**8,942**	10,305
	9,953	10,700
Payables under contract of sale	**2,168**	3,574
Total	**12,121**	14,274

The Consolidated Group's exposure to liquidity risk related to trade and other payables is disclosed in Note 32: Financial risk management.

	2014 $'000	2013 $'000
NOTE 16: DERIVATIVES		
Current		
Interest rate swap contract	–	24

The 2012 interest rate swap contract expired on 29 June 2014 and the Company has not entered into any swap contracts in 2014.

Refer to Note 32(A)(b)(i) Financial risk management for further details of the interest rate swap.

	2014 $'000	2013 $'000
NOTE 17: PROVISIONS		
Current		
Restructuring costs	–	1,056
Fixed lease rental increases	–	101
Employee benefits	**2,745**	3,900
Onerous contract	**262**	–
	3,007	5,057
Non-current		
Restructuring costs	**1,346**	2,544
Employee benefits	**2,995**	3,926
Onerous contract	**786**	–
	5,127	6,470
Total	**8,134**	11,527

	Restructuring costs $'000	Fixed lease rental increases $'000	Employee benefits $'000	Onerous contract $'000	Total $'000
Year ended 30 June 2014					
Opening balance	**3,600**	**101**	**7,826**	**–**	**11,527**
Additional provisions	**–**	**–**	**2,749**	**1,048**	**3,797**
Amounts used	**(1,481)**	**–**	**(4,835)**	**–**	**(6,316)**
Unused amounts reversed during the year	**(773)**	**(101)**	**–**	**–**	**(874)**
Closing balance	**1,346**	**–**	**5,740**	**1,048**	**8,134**

Nature of provisions

Provisions include costs anticipated to be incurred by the Consolidated Group upon vacating current leased premises, lease rental increases, accrued annual and long service leave as well as LTI.

	2014 $'000	2013 $'000
NOTE 18: FINANCIAL LIABILITIES		
Non-current		
Secured liabilities		
Bank loan	**38,497**	9,537

		2014			2013		
	Expiry	Facility limit $'000	Fair value $'000	Carrying amount $'000	Facility limit $'000	Fair value $'000	Carrying amount $'000
Secured bank loan	1 July 2014	**–**	**–**	**–**	60,000	9,537	9,537
Secured bank loan	1 July 2017	**75,000**	**38,497**	**38,497**	–	–	–

The total facility is secured by a fixed and floating charge over the assets of a number of entities in the Consolidated Group.

The Consolidated Group entered into a new bank loan facility on 26 June 2014 and it has a total facility limit of $75 million (2013: $60 million) and expires on 1 July 2017.

The amended facility requires compliance with various undertakings. These include compliance with minimum Tangible Net Worth (TNW) and maximum Loan to Valuation Ratio (LVR) requirements. The minimum TNW undertaking is set as the greater of $138.8 million (2013: $85 million) and 85 per cent (2013: 85 per cent) of the TNW at the end of the preceding financial year. The maximum LVR is 60 per cent of the carrying value of PDLs in the consolidated accounts and 60 per cent of the carrying value of eligible consumer loans (2013: 50 per cent).

At all relevant times during the 2014 and 2013 financial years, all undertakings under the bank loan facilities, including the TNW and LVR requirements, were complied with.

	Note	2014 $'000	2013 $'000
NOTE 19: CASH FLOW INFORMATION			
A. Reconciliation of cash flow from operations with profit after income tax			
Cash flows from operating activities			
Profit for the year		**34,765**	31,986
– Foreign currency revaluation		**82**	154
– Depreciation	3	**730**	1,155
– Income tax expense	4	**14,974**	13,742
– Equity-settled share-based payment		**2,041**	2,333
– (Increase) in purchased debt ledgers		**(9,333)**	(17,270)
– (Increase) in trade and other receivables		**(32,183)**	(11,492)
– (Increase) / decrease in other assets		**(779)**	174
– (Decrease) / increase in trade and other payables		**(747)**	337
– (Decrease) / increase in payables under contract of sale		**(1,406)**	3,003
– (Decrease) / increase in provisions		**(3,393)**	1,705
		4,751	25,827
Income taxes (paid)		**(16,164)**	(15,407)
Net cash from operating activities		**(11,413)**	10,420

	Note	2014 $'000	2013 $'000
NOTE 19: CASH FLOW INFORMATION (CONTINUED)			
B. Reconciliation of cash			
Cash and cash equivalents	8	**2,782**	4,630
C. Credit standby arrangements with bank			
Facility limit	18	**75,000**	60,000
Bank guarantees	25	**(1,140)**	(1,308)
Cash drawn down	18	**(38,497)**	(9,537)
Unused loan facilities		**35,363**	49,155
NOTE 20: ISSUED CAPITAL			
46.13 million (2013: 45.93 million) fully paid ordinary shares		**47,109**	45,068
Issued capital			
Opening balance		**45,068**	42,735
Shares issued during the year			
– DESP	31	**302**	280
– LTI	31	**1,739**	2,053
Total		**47,109**	45,068

The Consolidated Group does not have a fixed authorised capital or par value for its issued shares. All issued shares are fully paid. Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares on issue.

		2014 '000	2013 '000
Fully paid ordinary shares			
On issue at 1 July		**45,933**	45,571
Shares issued during the year			
– Employee share scheme	31	**199**	362
On issue at 30 June		**46,132**	45,933

The Consolidated Group issued 198,983 ordinary shares to the DESP trust in respect of the DESP and LTI plan in September 2013. The objectives of this form of remuneration are to encourage the retention of employees and executives and ensure their interests are aligned with those of the shareholders in the creation of long-term shareholder value.

Employee share scheme

A. DESP

In September 2013, 29,460 fully paid ordinary shares were issued to the DESP trust on behalf of employees who participated in the scheme and had completed two full-time equivalent service years as at 1 September 2013.

Under the plan, eligible employees were granted up to $1,000 worth of fully paid ordinary shares in Credit Corp Group Limited for no cash consideration. The market value of shares issued under the plan is measured as the weighted average market price during the five-day trading period prior to the grant date.

The participants must remain employed by Credit Corp Group Limited or its related companies for a further 12 months from the grant date before the shares vest.

B. LTI

A three-year financial plan in respect of the 2013 to 2015 years was approved during the 2012 financial year and a proportion of any cumulative financial performance in excess of planned NPAT was accrued, subject to qualifications, as a long-term incentive.

In September 2013, 169,523 fully paid ordinary shares were issued to the DESP trust on behalf of the Consolidated Group's leadership group. Of these, 10,094 fully paid ordinary shares were vested immediately. The remaining shares are expected to vest in September 2014 and September 2015.

Refer to Note 31: Share-based payments for details of shares issued under the scheme.

NOTE 21: CAPITAL MANAGEMENT

Management controls the capital of the Consolidated Group within parameters set by the Board in order to maintain an appropriate debt-to-equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Group can fund its operations and continue as a going concern.

The Consolidated Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The Consolidated Group's bank loan facility requires compliance with various undertakings. These are described in Note 18: Financial liabilities, and are taken into consideration in the ongoing capital management of the Consolidated Group.

Management effectively manages the Consolidated Group's capital by assessing the financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There has been no change in the strategy adopted by management to control the capital of the Consolidated Group since the prior year. The gearing ratios for the years ended 30 June 2014 and 30 June 2013 are:

	Note	2014 $'000	2013 $'000
Trade and other payables	15	**12,121**	14,274
Financial liabilities	18	**38,497**	9,537
Less: Cash and cash equivalents	8	**(2,782)**	(4,630)
Net bank debt		**47,836**	19,181
Total equity		**159,555**	139,792
Total capital		**207,391**	158,973
Gearing ratio		**23%**	12%

NOTE 22: RESERVES

A. Equity compensation reserve

The equity compensation reserve records items recognised as expenses on valuation of employee share options.

B. Hedging reserve

The hedging reserve records the effective portion of the cumulative net change in the fair value of interest rate swaps designated as cash flow hedging instruments.

	Country of incorporation	Percentage owned 2014	2013

NOTE 23: SUBSIDIARIES

Interests in subsidiaries are:

Subsidiaries of Credit Corp Group Limited			
Alpha Credit Pty Limited	Australia	**100**	100
Alupka Holdings Pty Limited	Australia	**100**	100
Car Start Pty Limited	Australia	**100**	100
Certus Partners Pty Limited	Australia	**100**	100
Creditcorp BPC Pty Limited	Australia	**100**	100
Credit Corp Australia Pty Limited	Australia	**100**	100
Credit Corp Collections Pty Limited	Australia	**100**	100
Credit Corp Collections Agency Inc.	United States	**100**	100
Credit Corp Collections Agency US Holdings Inc.	United States	**100**	100
Credit Corp Collections US Holdings Inc.	United States	**100**	100
Credit Corp Employee Share Administration Pty Limited	Australia	**100**	100
Credit Corp Facilities Pty Limited	Australia	**100**	100
Credit Corp Financial Services Pty Limited	Australia	**100**	100
Credit Corp Group US Collections GP	United States	**100**	100
Credit Corp New Zealand Pty Limited	Australia	**100**	100
Credit Corp Queensland Pty Limited	Australia	**100**	100
Credit Corp Receivables Pty Limited	Australia	**100**	100
Credit Corp Recoveries Pty Limited	Australia	**100**	100
Credit Corp Services (NH) Pty Limited	Australia	**100**	100
Credit Corp Services Pty Limited	Australia	**100**	100
Credit Corp Services US Collections Inc.	United States	**100**	100
Credit Corp Services US Holdings Inc.	United States	**100**	100
Credit Corp Solutions Inc.	United States	**100**	100
Credit Corp US Collections Pty Limited	Australia	**100**	100
Credit Corp Western Australia Pty Limited	Australia	**100**	100
Credit Plan B Pty Limited	Australia	**100**	100
Malthiest Pty Limited	Australia	**100**	100
Personal Insolvency Management Pty Limited	Australia	**100**	100
Torbige Pty Limited	Australia	**100**	100

There are no significant restrictions over the Company's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Consolidated Group.

NOTE 24: OPERATING SEGMENTS

A. Identification of reporting segments

The Consolidated Group has two main operations being Debt Ledger Purchasing and Consumer Lending. All operating segments and results are reviewed regularly by the chief operating decision maker, the CEO of the Consolidated Group, who makes decisions about resources to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

The reportable segments are as follows:

a) Debt Ledger Purchasing

The business purchases consumer debts at a discount to their face value from credit providers with the objective of recovering amounts in excess of the purchase price over the collection life cycle of the receivables.

b) Consumer Lending

The business offers various financial products to credit-impaired consumers.

Following is the information provided to the CEO:

	Debt Ledger Purchasing $'000	Consumer Lending $'000	Total for continuing operations $'000
NOTE 24: OPERATING SEGMENTS (CONTINUED)			
Year ended 30 June 2014			
Segment revenue			
External revenue	**154,645**	**19,353**	**173,998**
Segment result			
Segment profit	**55,539**	**(3,522)**	**52,017**
Finance costs			**(1,548)**
Depreciation and amortisation			**(730)**
Profit before income tax expense			**49,739**
Income tax expense			**(14,974)**
Profit after income tax expense			**34,765**
Other information			
Acquisition of capital assets	**1,403**	**151**	**1,554**
Segment assets	**164,888**	**47,333**	**212,221**
Unallocated assets			**14,297**
Total assets			**226,518**
Segment liabilities	**20,255**	**–**	**20,255**
Unallocated liabilities			**46,708**
Total liabilities			**66,963**
Year ended 30 June 2013			
Segment revenue			
External revenue	137,613	4,964	142,577
Segment result			
Segment profit	51,228	(3,591)	47,637
Finance costs			(754)
Depreciation and amortisation			(1,155)
Profit before income tax expense			45,728
Income tax expense			(13,742)
Profit after income tax expense			31,986
Other information			
Acquisition of capital assets	694	32	726
Segment assets	156,048	14,210	170,258
Unallocated assets			10,770
Total assets			181,028
Segment liabilities	25,825	–	25,825
Unallocated liabilities			15,411
Total liabilities			41,236

B. Geographical information

The Consolidated Group materially operates in one geographic segment, Australia.

	2014 $'000	2013 $'000

NOTE 25: CONTINGENT LIABILITIES

The Company had contingent liabilities in respect of:

	2014 $'000	2013 $'000
Bank guarantees	**1,140**	1,308
Licensure bonds	**1,490**	1,545
Total	**2,630**	2,853

The guarantees and licensure bonds may give rise to a liability in the event that the Consolidated Group does not meet its obligations under the terms in the Deed of Cross Guarantee. No losses are anticipated in respect of the above contingent liabilities.

NOTE 26: LEASING COMMITMENTS

Operating lease commitments

Leases as leasee

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable	2014 $'000	2013 $'000
Within one year	**4,197**	4,872
Between one and five years	**4,188**	7,264
Later than five years	**–**	–
Total	**8,385**	12,136

Operating leases are entered into to meet the business needs of entities of the Consolidated Group. Leases are primarily in respect of commercial premises and plant and equipment.

Lease rentals are determined in accordance with market conditions when leases are entered into and variations occur as a result of CPI or fixed increases as reflected in the lease contracts.

NOTE 27: CAPITAL COMMITMENTS

	2014 $'000	2013 $'000
Within one year	**36,000**	47,000

The Consolidated Group is committed, through existing arrangements, to acquire PDLs that will become available in the coming months. The details of these arrangements are commercially confidential, however, the estimated investment is expected to be $36.0 million (2013: $47.0 million). These purchases will be funded by existing cash flows and bank facilities currently in place and will not require further capital raising.

NOTE 28: SUBSEQUENT EVENTS

No matters or circumstances have arisen since 30 June 2014 that significantly affected or may significantly affect in future years:

- the operations of the Consolidated Group;
- the results of those operations; or
- the state of affairs of the Consolidated Group.

NOTE 29: KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to directors and other members of KMP of the Consolidated Group is set out below:

	2014 $	2013 $
Short-term employee benefits	**2,836,333**	2,734,283
Post-employment benefits	**142,027**	132,775
Other long-term benefits	**2,080,160**	2,051,624
Total	**5,058,520**	4,918,682

NOTE 30: RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party respectively of the Consolidated Group is Credit Corp Group Limited.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, are immaterial and have been eliminated on consolidation.

There were no transactions between the KMP and the Consolidated Group other than as disclosed in Note 29: Key management personnel compensation and the Director's report.

NOTE 31: SHARE-BASED PAYMENTS

A. Employee share plans

a) DESP

The DESP is a non-transferable benefit provided by the Company to eligible employees of Credit Corp Group Limited and its related companies. Under the 2013 DESP, employees who completed at least two years of full-time equivalent service as at 1 September and were Australian residents for tax purposes were invited to join the share plan. Employees could elect not to participate in the plan.

Under the plan, eligible employees were granted up to $1,000 worth of fully paid ordinary shares in Credit Corp Group Limited for no cash consideration. The market value of shares issued under the plan was measured as the weighted average market price during the five-day trading period prior to the grant date. This amount was recognised in the statement of financial position as share capital and as a share-based payment expense in the period the shares were granted.

Offers under the plan are at the discretion of the Company and the decision to provide shares in the DESP in future periods will be made by the Board.

Shares issued under the DESP do not vest until the completion of a further 12 months of service by the participating employee and are subsequently subject to the trading policy of Credit Corp Group Limited while the shareholder remains an employee. In all other respects, the shares rank equally with other fully paid ordinary shares on issue.

b) LTI

Please refer to the remuneration report for further details on the Company's LTI plan.

Details of shares issued under the DESP and LTI during the year ended 30 June 2014 (2013: 361,785) are as follows:

	Issue date	Fair value $	Number of shares issued
DESP	20 Sep 2013	10.256	**29,460**
LTI	20 Sep 2013	10.256	**169,523**
Total			**198,983**

	2014 $'000	2013 $'000
B. Share-based payment transactions		
Shares granted during the year		
DESP	**302**	280
LTI	**1,739**	2,053
Total	**2,041**	2,333

NOTE 32: FINANCIAL RISK MANAGEMENT

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

Derivatives are used by the Consolidated Group for hedging purposes. The Consolidated Group does not engage in the trading of derivative instruments.

The main risks the Consolidated Group is exposed to through its financial instruments are market risk (including foreign currency risk and interest rate risk), liquidity risk and credit risk. The Consolidated Group does not have exposure to any price risk at balance date.

The Consolidated Group uses derivative financial instruments such as cash flow hedges and non-derivative financial instruments such as loans to hedge certain risk exposures. Both derivatives and non-derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Consolidated Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange, and ageing analysis for credit risk.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

There has been no change to the Consolidated Group's exposures to the above risks or the manner in which these risks are managed and measured.

The Consolidated Group holds the following financial instruments:

	Note	2014 $'000	2013 $'000
NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)			
Financial assets			
Cash and cash equivalents	8	**2,782**	4,630
Trade and other receivables	9	**47,935**	15,752
Purchased debt ledgers	10	**157,232**	147,209
Total		**207,949**	167,591
Financial liabilities			
Trade and other payables	15	**9,953**	10,700
Payables under contract of sale	15	**2,168**	3,574
Derivatives	16	**–**	24
Borrowings	18	**38,497**	9,537
Total		**50,618**	23,835

A. Market risk

a) Currency risk

Exposure to foreign exchange risk may result in the fair value of financial assets or liabilities fluctuating due to movements in foreign exchange rates of currencies in which the Consolidated Group holds financial assets and liabilities, which are denominated in currencies other than the Australian dollar functional currency of the Consolidated Group.

Fluctuations in the United States dollar, New Zealand dollar and the Philippines peso relative to the Australian dollar may impact the Consolidated Group's financial results.

As at balance date, had the Australian dollar weakened or strengthened by 5 per cent against any or all of the above currencies, the impact on both profit for the year and equity would have been immaterial. This assumes all other variables remain constant.

b) Interest rate risk

The Consolidated Group is exposed to interest rate risk as it borrows funds at floating interest rates. Given the interest rate is relatively low in Australia, risk is minimal.

i) Interest rate swap transactions

Interest rate swap transactions are entered into by the Consolidated Group to protect it from the risk of rising interest rates on its long-term borrowings and as a requirement of the loan facility agreement. The Consolidated Group's borrowing facility mandates a minimum hedging requirement that varies in accordance with changes in the LVR. The Consolidated Group has had variable interest rate debt and has entered into swap contracts to receive interest at variable rates and to pay interest at fixed rates.

The 2012 interest rate swap contract expired on 29 June 2014 and the Company has not entered into any swap contracts in 2014.

ii) Profile

At balance date the interest rate profiles of the Consolidated Group's interest-bearing and non-interest-bearing financial instruments were:

		Fixed interest rate		Floating interest rate		Non-interest bearing		Total	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Financial assets									
Cash and cash equivalents	8	**–**	–	**2,782**	4,630	**–**	–	**2,782**	4,630
Trade and other receivables	9	**46,481**	13,829	**–**	–	**1,454**	1,923	**47,935**	15,752
Purchased debt ledgers	10	**–**	–	**–**	–	**157,232**	147,209	**157,232**	147,209
Total		**46,481**	13,829	**2,782**	4,630	**158,686**	149,132	**207,949**	167,591
Financial liabilities									
Trade and other payables	15	**–**	–	**–**	–	**9,953**	10,700	**9,953**	10,700
Payables under contract of sale	15	**–**	–	**–**	–	**2,168**	3,574	**2,168**	3,574
Derivatives	16	**–**	24	**–**	–	**–**	–	**–**	24
Borrowings	18	**–**	4,000	**38,497**	5,537	**–**	–	**38,497**	9,537
Total		**–**	4,024	**38,497**	5,537	**12,121**	14,274	**50,618**	23,835

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

iii) Fair value sensitivity analysis for fixed rate instruments

The Consolidated Group accounts for the ineffective component of its derivative financial liabilities at fair value through profit and loss. The effective component is accounted for as a cash flow hedge.

An increase of two percentage points in interest rates would have increased the Consolidated Group's equity and profit or loss by the amounts shown below. A decrease of two percentage points in interest rates would have had no impact on the Consolidated Group's equity and profit and loss. These sensitivities assume all other variables remain constant.

	2014 $'000	2013 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**–**	46
Decrease in interest rates by two percentage points	**–**	–
Change in equity		
Increase in interest rates by two percentage points	**–**	46
Decrease in interest rates by two percentage points	**–**	–

iv) Sensitivity analysis for variable rate instruments

A change of two percentage points in interest rates at balance date would have increased or decreased the Consolidated Group's equity and profit or loss by the amounts shown below. These sensitivities assume all other variables remain constant.

	2014 $'000	2013 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**(539)**	(78)
Decrease in interest rates by two percentage points	**539**	78
Change in equity		
Increase in interest rates by two percentage points	**(539)**	(78)
Decrease in interest rates by two percentage points	**539**	78

B. Liquidity risk

Liquidity risk arises from the possibility that the Consolidated Group might encounter difficulties in settling its debts or otherwise meeting its obligations relating to financial liabilities. The Consolidated Group manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining a reputable credit profile;
- Managing credit risk related to its financial assets;
- Investing surplus cash only with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The following tables reflect an undiscounted contractual maturity analysis for financial liabilities. The timing of cash flows represented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectation that banking facilities will be rolled forward.

		< 1 year		1-2 years		> 2 years		Total	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-derivative financial liabilities									
Trade and other payables	15	**9,953**	10,700	**–**	–	**–**	–	**9,953**	10,700
Payables under contract of sale	15	**2,168**	3,574	**–**	–	**–**	–	**2,168**	3,574
Borrowings	18	**–**	–	**38,497**	9,537	**–**	–	**38,497**	9,537
Derivative financial liabilities									
Interest rate swap contract	16	**–**	24	**–**	–	**–**	–	**–**	24
Total		**12,121**	14,298	**38,497**	9,537	**–**	–	**50,618**	23,835

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and the impact on profit or loss.

		Carrying amount		Expected cash flow		< 1 year		1-2 years	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Derivative financial liabilities									
Interest rate swap contract	16	**–**	24	**–**	–	**–**	24	**–**	(24)

C. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date, for recognised financial assets is the net of any provisions for impairment or losses, as disclosed in the statement of financial position and notes to the financial statements.

The Consolidated Group does not have any material credit risk exposure to any single debtor or group of debtors. Management has a Credit Policy in place and the exposure to credit risk is monitored on an ongoing basis.

	Note	2014 $'000	2013 $'000
Exposure to credit risk			
The carrying amount of the Company's financial assets represents the maximum credit exposure.			
Cash and cash equivalents	8	**2,782**	4,630
Trade and other receivables	9	**47,935**	15,752
Purchased debt ledgers	10	**157,232**	147,209
Total		**207,949**	167,591
The Consolidated Group's maximum exposure to credit risk for trade and other receivables at the balance date by geographic region was:			
Australia	9	**47,736**	15,392
US	9	**199**	360
Total		**47,935**	15,752
AA-rated counterparties		**–**	–
Counterparties not rated		**47,935**	15,752
Total		**47,935**	15,752
The Consolidated Group's maximum exposure to credit risk for trade and other receivables at the balance date by type of counterparty was:			
Government		**78**	72
Banks		**1,699**	469
Other		**46,158**	15,211
Total		**47,935**	15,752

D. Fair value versus carrying amounts

The fair value of the interest rate swap contract is determined using a mark-to-market valuation provided by the issuer of the swap, which is verified internally.

For all other assets and liabilities, the fair value approximates the carrying value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)					
Year ended 30 June 2014					
Cash and cash equivalents	8	**2,782**	**–**	**–**	**2,782**
Trade and other receivables	9	**1,455**	**–**	**46,480**	**47,935**
Purchased debt ledgers	10	**–**	**–**	**157,232**	**157,232**
Trade and other payables	15	**9,953**	**–**	**–**	**9,953**
Payables under contract of sale	15	**2,168**	**–**	**–**	**2,168**
Borrowings	18	**38,497**	**–**	**–**	**38,497**
Year ended 30 June 2013					
Cash and cash equivalents	8	4,630	–	–	4,630
Trade and other receivables	9	1,923	–	13,829	15,752
Purchased debt ledgers	10	–	–	147,209	147,209
Trade and other payables	15	10,700	–	–	10,700
Payables under contract of sale	15	3,574	–	–	3,574
Borrowings	18	9,537	–	–	9,537
Derivatives	16	–	24	–	24

NOTE 33: CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Statements and Directors' report.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*.

The subsidiaries subject to the Deed are:

- Alpha Credit Pty Limited
- Alupka Holdings Pty Limited
- Car Start Pty Limited
- Credit Corp Australia Pty Limited
- Credit Corp Collections Pty Limited
- Credit Corp Employee Share Administration Pty Limited
- Credit Corp Facilities Pty Limited
- Credit Corp Queensland Pty Limited (entered during the 2014 financial year)
- Credit Corp Services Pty Limited
- Credit Corp Services (NH) Pty Limited
- Credit Corp US Collections Pty Limited
- Malthiest Pty Limited
- Torbige Pty Limited

Set out below is the statement of profit or loss and the statement of financial position comprising the Company and its subsidiaries that are parties to the Deed, after eliminating all transactions between these parties, at balance date.

	2014 $'000	2013 $'000
A. Statement of profit or loss		
Revenue	**147,590**	104,128
Finance costs	**(1,544)**	(545)
Employee benefits expense	**(56,924)**	(47,968)
Depreciation and amortisation expenses	**(469)**	(981)
Office facility expenses	**(11,247)**	(9,992)
Collection expenses	**(6,631)**	(6,651)
Other expenses	**(12,427)**	(3,998)
Profit before income tax expense	**58,348**	33,993
Income tax expense	**(17,636)**	(10,222)
Profit for the year	**40,712**	23,771

	2014 $'000	2013 $'000
NOTE 33: CROSS GUARANTEE (CONTINUED)		
B. Other comprehensive income		
Profit for the year	**40,712**	25,771
Items that will be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedge	**24**	(24)
Income tax effect	**–**	–
Other comprehensive income for the year, net of income tax	**24**	(24)
Total comprehensive income for the year	**40,736**	23,747
C. Movements in retained earnings		
Opening balance	**42,164**	34,476
Lapsed options	**–**	402
Dividends recognised during the year	**(17,067)**	(16,485)
Net profit attributable to parties in the Deed of Cross Guarantee	**40,712**	23,771
Closing balance	**65,809**	42,164
D. Statement of financial position		
Current assets		
Cash and cash equivalents	**1,699**	3,451
Trade and other receivables	**36,262**	22,808
Purchased debt ledgers	**51,063**	49,922
Other assets	**772**	156
Total current assets	**89,796**	76,337
Non-current assets		
Other receivables	**–**	606
Purchased debt ledgers	**101,641**	87,352
Property, plant and equipment	**1,325**	710
Deferred tax assets	**14,298**	9,662
Intangible assets	**800**	800
Total non-current assets	**118,064**	99,130
Total assets	**207,860**	175,467
Current liabilities		
Trade and other payables	**38,154**	11,079
Payables under contract of sale	**2,168**	3,574
Derivatives	**–**	24
Current tax liabilities	**8,211**	5,873
Provisions	**2,785**	4,328
Total current liabilities	**51,318**	24,878
Non-current liabilities		
Borrowings	**38,497**	9,537
Provisions	**5,127**	53,844
Total non-current liabilities	**43,624**	63,381
Total liabilities	**94,942**	88,259
Net assets	**112,918**	87,208
Equity		
Issued capital	**47,109**	45,068
Reserves	**–**	(24)
Retained earnings	**65,809**	42,164
Total equity	**112,918**	87,208

	2014 $'000	2013 $'000
NOTE 34: PARENT ENTITY INFORMATION		
A. Statement of comprehensive income		
Profit for the year	**26,160**	23,320
Other comprehensive income	**24**	(24)
Total comprehensive income for the year	**26,184**	23,296
B. Statement of financial position		
Assets		
Current assets	**44,150**	73,146
Non-current assets	**116,553**	97,721
Total assets	**160,703**	170,867
Liabilities		
Current liabilities	**22,448**	23,989
Non-current liabilities	**43,624**	63,405
Total liabilities	**66,072**	87,394
Net assets	**94,631**	83,473
Equity		
Issued capital	**47,109**	45,068
Reserves	**–**	(24)
Retained earnings	**47,522**	38,429
Total equity	**94,631**	83,473

C. Contractual commitments

At balance date the parent entity has not entered into any material contractual agreements for the acquisition of property, plant or equipment other than as separately noted in the financial statements (2013: nil).

NOTE 35: COMPANY DETAILS

The registered office and principal place of business of the Consolidated Group is:

Level 11, 10 Barrack Street, Sydney NSW 2000, Australia

Telephone: +61 2 9347 3600
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www.creditcorp.com.au

Directors' declaration

In accordance with a resolution of the directors of Credit Corp Group Limited, the directors of the Company declare that:

A. the financial statements and notes, as set out on pages 35 to 66 are in accordance with the *Corporations Act 2001*, and:

   a) give a true and fair view of the Consolidated Group's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

   b) comply with Australian Accounting Standards, which, as stated in Accounting Policy Note 1 to the financial statements, constitute explicit and unreserved compliance with International Financial Reporting Standards.

B. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

C. the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the Deed of Cross Guarantee is such that each company party to the Deed guarantees to each creditor payment in full of any debt in accordance with the Deed of Cross Guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in Note 33 to the financial statements, will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee.

Donald McLay	**Robert Shaw**
Chairman	Director

Date: 5 August 2014

HALL CHADWICK
Chartered Accountants and Business Advisers

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CREDIT CORP GROUP LIMITED
ABN 33 092 697 151
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CREDIT CORP GROUP LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Credit Corp Group Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that 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 (IFRS).

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 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 requirement of the *Corporations Act 2001*.

HALL CHADWICK
Chartered Accountants and Business Advisers

CREDIT CORP GROUP LIMITED
ABN 33 092 697 151
AND CONTROLLED ENTITIES

Auditor's Opinion

In our opinion:

a. the financial report of Credit Corp Group Limited is in accordance with the Corporations Act 2001 including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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 in pages 26 to 33 of the directors' report for the year ended 30 June 2014. 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.

Auditor's Opinion

In our opinion the remuneration report of Credit Corp Group Limited for the year ended 30 June 2014 complies with Section 300A of the *Corporations Act 2001*.

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

David Kenney
Partner

Date: 5 August 2014

Five-year financial summary

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Income and expenditure					
Purchased debt ledgers collections	**288,106**	250,369	230,442	205,289	178,806
Less: Purchased debt ledgers amortisation	**(136,242)**	(119,451)	(108,439)	(93,127)	(87,609)
Interest revenue from purchased debt ledgers	**151,864**	130,918	122,003	112,162	91,197
Other revenue	**22,134**	11,659	2,587	1,474	2,216
Total revenue	**173,998**	142,577	124,590	113,636	93,413
Profit after tax	**34,765**	31,986	26,578	21,024	13,543
Income tax expense	**14,974**	13,742	11,454	9,059	6,215
Net interest expense	**1,467**	551	1,570	5,357	7,848
Depreciation and impairment	**730**	1,155	1,652	1,242	1,989
Purchased debt ledgers amortisation	**136,242**	119,451	108,439	93,127	87,609
Adjusted EBITDA [A, B]	**188,178**	166,885	149,693	129,809	117,204
Financial position					
Current assets	**76,881**	64,060	60,689	59,121	69,718
Non-current assets	**148,837**	116,168	85,492	97,168	86,625
Intangible assets	**800**	800	800	800	800
Total assets	**226,518**	181,028	146,981	157,089	157,143
Current liabilities	**23,339**	25,229	17,926	48,187	25,805
Non-current liabilities	**43,624**	16,007	7,073	4,561	42,911
Total liabilities	**66,963**	41,236	24,999	52,748	68,716
Net assets	**159,555**	139,792	121,982	104,341	88,427
Borrowings	**38,497**	9,537	–	25,511	43,866
Shares on issue 000's	**46,132**	45,933	45,571	45,211	44,529
Cash flows					
From operating activities	**(11,413)**	10,420	38,739	24,940	41,088
From investing activities	**(1,556)**	(726)	(1,879)	(1,098)	(436)
From financing activities	**11,121**	(7,895)	(35,717)	(23,870)	(39,535)
Net (decrease) / increase in cash	**(1,848)**	1,799	1,143	(28)	1,117
Key statistics					
Earnings per share					
– Basic (cents)	**75.4**	69.8	58.4	46.9	30.5
– Diluted (cents)	**75.4**	69.8	58.4	46.9	30.3
Dividends per share (cents)	**40.0**	37.0	29.0	20.0	8.0
NPAT / revenue	**19.98%**	22.43%	21.33%	18.50%	14.50%
Return on equity	**23.23%**	24.44%	23.49%	21.81%	16.63%
NTA backing per share (cents)	**344.13**	302.60	265.92	229.02	196.79

A. Adjusted EBITDA allows for the add-back of PDL amortisation netted against collections to determine revenue in accordance with accounting standard AASB 9: Financial Instruments.
B. Adjusted EBITDA from continuing operations.

Shareholder information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

	Ordinary shares	
Twenty largest shareholders as at 31 August 2014	Number	%
J P Morgan Nominees Australia Limited	6,959,727	15.09
HSBC Custody Nominees (Australia) Limited	5,935,862	12.87
National Nominees Limited	5,686,209	12.33
Citicorp Nominees Pty Limited	2,340,719	5.07
Torres Industries Pty Limited	1,882,400	4.08
BNP Paribas Nominees Pty Limited	1,867,185	4.05
RBC Investor Services Australia Nominees Pty Limited	931,742	2.02
Dixson Trust Pty Limited	917,000	1.99
UBS Nominees Pty Limited	561,236	1.22
Slima Pty Limited	479,153	1.04
Credit Corp Employee Share Administration Pty Limited	305,856	0.66
Uptons Salvage Trading Pty Limited	282,441	0.61
Garrett Smythe Limited	272,829	0.59
Darrell James Pty Limited	255,000	0.55
UBS Wealth Management Australia Nominees Pty Limited	239,450	0.52
Australian Executor Trustees Limited	223,215	0.48
Brispot Nominees Pty Ltd	217,751	0.47
Mr Frederick Benjamin	133,688	0.29
Mr Frederic Bernd Rappaport	133,000	0.29
Gladart Pty Limited	125,000	0.27
Total	**29,749,463**	**64.49**
Total ordinary shares as at 31 August 2014	**46,131,882**	**100.00**

Substantial shareholders

At 31 August 2014 the following shareholders were registered by the Company as a substantial holders, having declared a relevant interest in accordance with the *Corporations Act 2001*, in the voting shares below:

Holder	Ordinary shares	%	Date of notice
Denver Investments	5,520,833	11.97	21 Mar 2014
Vinva Investment Management	2,394,539	5.19	12 Aug 2014
Georgia Division of Investment Services	2,351,062	5.10	17 May 2013

Details of ordinary shareholdings

Details of the spread of ordinary shareholdings at 31 August 2014 are:

Category	Number of shareholders	Number of shares	%
1 – 1,000	2,225	1,075,623	2.33
1,001 – 5,000	1,996	4,838,458	10.49
5,001 – 10,000	366	2,733,306	5.92
10,001 – 100,000	292	7,496,257	16.25
100,001 and over	23	29,988,238	65.01
Total	**4,902**	**46,131,882**	**100.00**

148 shareholders (representing 1,540 fully paid ordinary shares) held less than a marketable parcel.

Shareholder information

Other information

The shares of the Credit Corp Group Limited are listed on the Australian Securities Exchange under the trade symbol CCP, with Sydney being the home exchange.

The Company does not have a current on-market buy-back program.

Dividend reinvestment plan (DRP)

The dividend reinvestment plan is currently suspended.

Voting rights

Each person who is a voting equity security holder and who is present at a general meeting or by proxy, attorney or official representative is entitled:

– on a show of hands – to one vote; and
– on a poll – to one vote for each share held or represented.

If an equity security holder is entitled to cast two or more votes at the general meeting, the equity security holder may appoint not more than two proxies to attend and vote on the equity security holder's behalf.

If an equity security holder appoints two proxies, each proxy should be appointed to represent a specified proportion or number of the equity security holder's votes.

Options

There are no voting rights attached to options.

Unquoted equity securities

There are no options issued under the Credit Corp Group Limited EOP.

Enquiries

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Corporate directory

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ABN 33 092 697 151

The shares of Credit Corp Group Limited are listed on the Australian Securities Exchange under the trade symbol CCP, with Sydney being the home exchange.

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Mr Simon Calleia
Mr Eric Dodd
Ms Leslie Martin
Mr Robert Shaw
Mr Richard Thomas

Company secretaries
Mr Thomas Beregi
Mr Michael Eadie
Mr Geoffrey Templeton

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