Credit Corp Group

ANNUAL REPORT 2012

Working with you.

Highlights

Credit Corp is a leading Australian debt buyer. We specialise in the acquisition and collection of purchased debt ledgers.

26%

26 per cent growth in Net Profit After Tax to $26.6 million

91.5m

Purchased Debt Ledger acquisitions of $91.5 million at target returns

45%

45 per cent increase in dividends for the year to 29 cents per share

Entry into the US debt purchasing market

Commencement of Australian consumer lending business

NOTICE OF ANNUAL GENERAL MEETING

The AGM wil be held on Thursday 8 November 2012 at the Grace Hotel, Level 1, Pinaroo rooms 3 and 4, 77 York Street, Sydney NSW 2000.

The meeting commences at 11:00am, with registration from 10:30am.

1 **Michael Eadie** Chief Financial Officer
2 **Matthew Stokes** Head of Collections
3 **Tegan Pearson** Human Resources Manager
4 **Kristina White** Head of Business Services
5 **Matthew Angell** Chief Operating Officer
6 **Michael Mifsud** Head of Analytics

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.

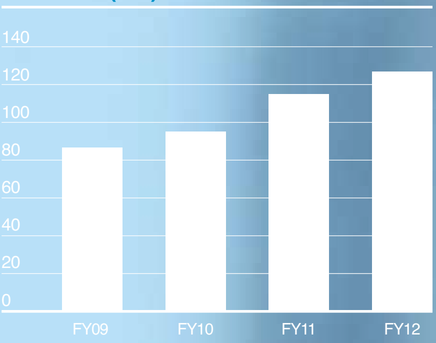
2012

STRATEGIC EXPANSION

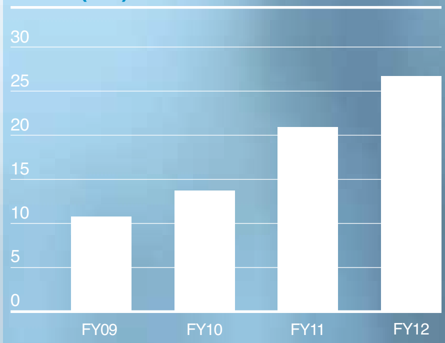
Operational excellence in the core Australian debt purchasing business was applied to expansion through global debt buying and Australian consumer lending.

Financial Highlights

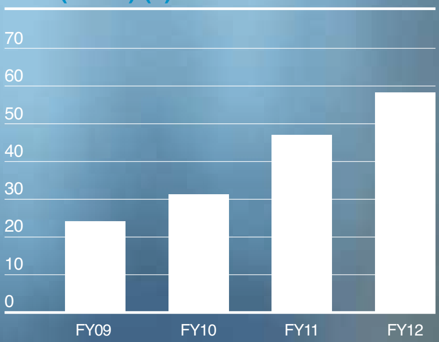
Revenue ($m)



NPAT ($m)



EPS (basic) (c)



Chairman's Report

In the 2012 financial year Credit Corp Group Limited produced strong returns for shareholders and entered the next phase of its development as a listed company.

Consistent performance and growth requires a commitment to both excellence and entrepreneurship. For the last four years the team has focused on achieving excellence in all facets of the existing business. In the 2012 financial year the first significant steps were taken to supplement excellence with entrepreneurship as a pathway to long-term sustainable growth.

It is excellence in our core Australian debt purchasing business which gives the Credit Corp leadership team the right to exercise its entrepreneurship. It is only by continually improving performance that the company can deliver increased profits and cash flows while devoting resources to growth initiatives. Improved performance also develops competencies which can be leveraged to deliver results in new markets and businesses.

As part of its commitment to excellence, the company has successfully deployed initiatives to enhance the effectiveness of its people, processes and knowledge. The Board and management have worked hard to create a positive culture which reflects a commitment to discipline, accountability and transparency at all levels of the organisation. Ongoing effort has been applied to improving processes through the use of technology and systems. Constant analysis of performance has enhanced knowledge as a basis for improved decision-making and results.

In the 2012 financial year, this commitment to excellence delivered record profits and increased returns for shareholders. Net Profit After Tax (NPAT) grew by 26 per cent to $26.6 million. Dividends increased by 45 per cent to 29 cents per share for the year and the company's Return on Equity improved to 23.5 per cent. These impressive results were achieved without any increase in financial risk. Over the course of the year, the company continued to repay bank debt, leaving it in a very strong position for continued growth.

The leadership team also showed its entrepreneurship by commencing the next phase in Credit Corp's development as a listed company.

Credit Corp took the first steps in establishing itself as a global debt buyer with the commencement of operations in the United States of America ('US'). The company has been evaluating this large market as a potential source of future growth for several years. This evaluation culminated in some small purchases with an experienced local debt buyer to learn more about the market and assess whether minimum return criteria could be achieved. After evaluating performance over a period of six months, a small existing US collection agency was acquired in June 2012. A forward flow purchase was secured and collections by Credit Corp staff subsequently commenced in July 2012.

Credit Corp also started an Australian consumer lending business during the year. This business is targeting consumers with impaired credit records, a segment not currently serviced by mainstream credit issuers. In this initiative, the company is leveraging its knowledge of the credit-impaired consumer segment to make sound underwriting decisions and develop a further profitable business.

The Board and management are confident that both the US debt purchasing and domestic consumer lending operations will deliver strong returns and growth in future years. Results to date for both initiatives have been in line with expectations. Notwithstanding this, shareholders can be assured that an appropriate standard of diligence and planning continues to be applied to manage risks associated with such expansion.

The 2013 financial year should see Credit Corp progress further into the next phase of its development. More improvements are planned for the company's core operations and goals have been set for the US debt purchasing and domestic consumer lending businesses. Credit Corp is positioned to enhance shareholder value into the future.

I thank my fellow directors, our CEO Thomas Beregi and his key management team for setting the company's direction and ensuring that expected outcomes are delivered. However, it is our very diverse and geographically spread staff who invest their personal energy and focus to consistently meet and exceed expectations. On behalf of the Board and shareholders, I wish to thank each individual staff member for their contribution.

Donald McLay
Chairman

By focusing on excellence in the core Australian debt purchasing business, the foundations have been laid for growth in other markets and businesses.

Chief Executive Officer's Report

Credit Corp has a simple approach to doing business. By focusing on being an excellent Australian debt buyer and having a strong pipeline of continuous improvement initiatives, stakeholder expectations should always be met and the company will be put in a position to exploit growth opportunities. In the 2012 financial year the merits of this simple approach were demonstrated in Credit Corp's financial results and strategic achievements.

Continued operational improvement has once again produced strong financial results. Revenue increased by 10 per cent over the prior year. This top-line performance translated into 26 per cent growth in Net Profit After Tax ('NPAT') to a record for the company of $26.6 million. This exceeded expectations communicated to stakeholders at the commencement of the year and was supported by continued strength in the company's core operating metrics.

Disciplined Purchasing

The purchasing environment was challenging in the 2012 financial year. Strong levels of competition by Australian debt buyers kept prices at very high levels. Operational improvements enabled Credit Corp to consistently provide clients with competitive prices and maintain Purchased Debt Ledger ('PDL') acquisitions in line with the prior year at $91.5 million. A disciplined approach to PDL acquisitions was maintained, ensuring that all purchases met Credit Corp's return criteria.

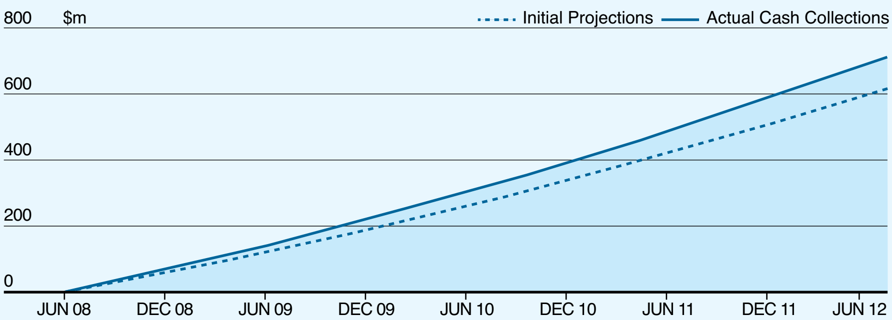
The more challenging purchasing environment tested Credit Corp's analytical capabilities. During the 2012 year, high prices were offered to clients which were set to meet Credit Corp's minimum return criteria, without allowance for contingency or error. On average, all purchases made during the 2012 year are meeting ingoing projections.

The analytics function continued to refine its models and frameworks over the course of the year and developed a number of new tools. The analytics team now plays a vital role in directing and monitoring collection activity with a view to achieving expected returns. This has not only improved operational effectiveness but has laid a pathway for further developments in forecasting accuracy.

FY12 Financials

	Versus prior year	Actual
PDL acquisitions	down 1% to	**$91.5m**
Revenue	up 10% to	**$124.6m**
NPAT	up 26% to	**$26.6m**
EPS (basic)	Up 25% to	**58.4 cents**
ROE	up 1.5pts to	**23.5%**
Dividend per share	up 45% to	**29.0 cents**

Cumulative collections (Initial projections versus actual)



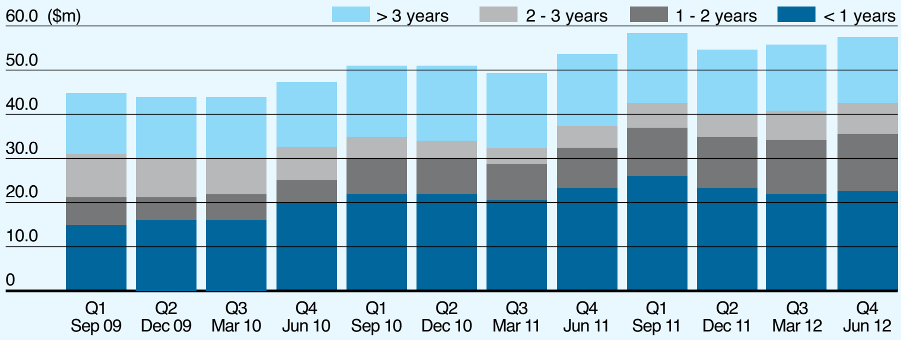
Operational Strength

Credit Corp's results have confirmed the company's leading position as one of the most effective and efficient collection operators of its type and size within the Australian market.

During the 2012 financial year, the company made further progress towards the goal of optimising its collection effectiveness. Credit Corp believes that to achieve this goal, appropriate returns must be produced from PDLs over the entirety of their six-year useful life. This means not only ensuring that early returns meet forecasts but that processes and controls are in place to deliver sufficient collections over later years. Credit Corp maintained strong collections from the older component of its portfolio, with total collections from PDLs acquired more than two years ago increasing over the prior year.

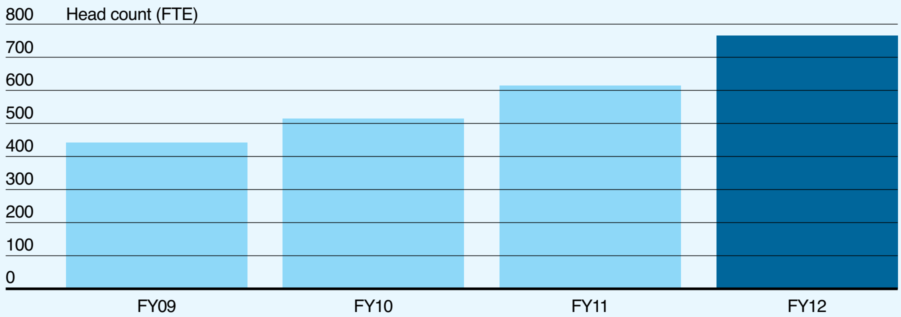
Another key to optimising collection effectiveness is to ensure appropriate focus on creating and maintaining recurring payment arrangements. It is important to locate and enter into a constructive dialogue with as many customers as possible. When we operate effectively a large proportion of the customers we speak to do not have the capacity to make lump sum repayments. In these instances we work with customers to repay the amounts outstanding over time through recurring repayment arrangements. Once established, these arrangements must be actively managed to minimise the impact of delinquency. Over the year, the face value of customer accounts on recurring repayment arrangements grew by 7 per cent to $639 million. This result not only demonstrates improvement in our effectiveness, but will also underwrite returns from Credit Corp's existing PDL portfolio well into the future.

PDL collections



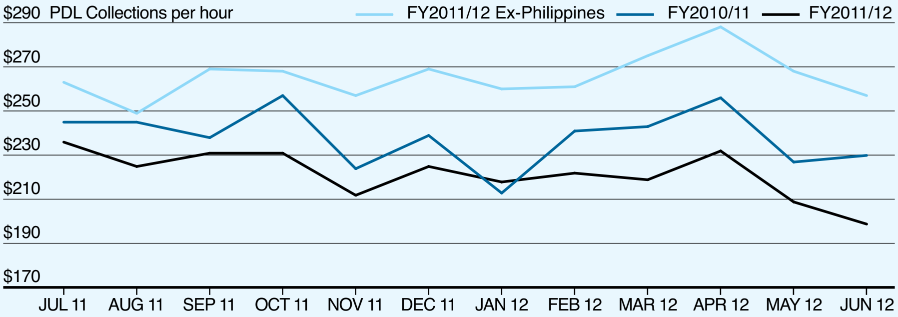
	Jun 2012	Jun 2011	Jun 2010
Total portfolio			
Face value	$3.6bn	$3.6bn	$2.6bn
Number of accounts	598,000	413,000	302,000
Payment arrangements			
Face value	$639m	$598m	$476m
Number of accounts	90,000	77,000	66,000
% of PDL collections	71%	70%	68%

Debt purchase operational capacity



During the year Credit Corp took significant steps to exploit growth opportunities by leveraging operational excellence in the core Australian debt purchasing business.

Debt purchase productivity (direct collection staff only)



In order to more effectively collect the low balance telecommunications receivables purchased by the company during the 2011 and 2012 financial years, collection capacity expanded by 25 per cent to 770 full-time equivalent debt purchase operations staff. The majority of this expansion was delivered by the company's low-cost collections facility located in Manila, the Philippines. In just over 18 months, the Manila site has grown from start-up to 210 full-time equivalent staff. While growth at this location will now moderate, it will make an increasingly important contribution to the company's performance.

Collection efficiency moved in line with expectations. Overall collection productivity fell by 7 per cent to $222 per direct collection staff hour. This fall was due to an increase in the proportion of collection activity taking place in the Philippines on low balance telecommunications accounts. Margins have been maintained as lower productivity has been offset by lower costs associated with the offshore facility. Excluding the Philippines, productivity improved by 7 per cent to $265 per direct collection staff hour.

During the year, Credit Corp took significant steps to exploit growth opportunities by leveraging operational excellence in the core Australian debt purchasing business.

Global Debt Buying

Credit Corp has contemplated expansion into the global debt buying market for many years. Australia is a relatively small market and Credit Corp is the largest operator, limiting the scope for further growth. Other countries, in particular the United States of America, have large and well-developed debt buying markets. Debt buying is an intensely competitive business, so the Board and management of Credit Corp needed to ensure that the core business was strong and had reached a high standard of excellence before embarking on global expansion.

The foundations for expansion have been built over the past five years. A strong culture of discipline, accountability and transparency has been developed across all facets of the company. Appropriate systems and tools have been implemented to support and enhance the positive culture. Investments have been made in analytical tools to optimise decision-making and collection performance. Flexibility has been introduced through a low-cost offshore collection facility in the Philippines. While further improvement will be pursued, the leadership team is satisfied that an appropriate standard of excellence has now been achieved to facilitate success beyond Credit Corp's core market.

The US is the largest and most developed debt buying market in the world, making it an ideal candidate for Credit Corp's global expansion. The volume of debts sold directly from credit issuers in the US is estimated to exceed 20 times the volume sold in Australia. The existence of listed company debt buyers and large financial buyers increases the degree of pricing and return transparency, which minimises the potential for material mis-pricing.

To more properly assess returns and gain some first-hand experience in the market, Credit Corp entered a co-buying relationship with a US private debt buyer in November 2011. Purchases of $2.2 million were made pursuant to this relationship and a Credit Corp operations manager was relocated to the US to monitor the investment and gain a more thorough understanding of the collections environment. Collections on these purchases achieved ingoing expectations and a decision was made to commence stand-alone operations.

US operations subsequently commenced with the acquisition of a small existing collection agency in June 2012. The operation currently comprises 12 staff including the Australian expatriate operations manager. A forward flow purchase has been secured and collections by Credit Corp staff have recently commenced. While the US site will grow over coming months, expansion beyond the level required to properly service current purchasing commitments will be subject to satisfactory performance.

Management is hopeful of creating a successful debt purchasing business in the US capable of delivering substantial earnings growth in the future. In keeping with the company's culture, a disciplined approach will be taken to this expansion to ensure the achievement of sustainable and profitable outcomes.

Chief Executive Officer’s Report

Consumer Lending

Each day, Credit Corp speaks to thousands of Australians who have defaulted on their credit obligations and have impaired credit records. After a constructive dialogue, many of these consumers are able to make repayments on their existing debts. Through these interactions, Credit Corp has developed a sophisticated understanding of the credit-impaired consumer. In 2012 the company leveraged this competency with the commencement of a lending business targeting this segment.

The new business started during the first half of the 2012 financial year. The initial product offerings comprise an instalment loan in amounts of up to $5,000 and a debt consolidation loan. The total loan portfolio currently stands at $6 million. To date, arrears remain within expectation and Credit Corp is confident that the business will generate earnings growth and acceptable returns in future years.

Credit Corp is committed to social responsibility across all its activities, including the lending business. All of the company’s loan products conform to existing and proposed state and commonwealth laws. The company maintains a responsible lending policy and thorough credit underwriting processes to ensure that loans meet consumer needs and repayments are affordable. In fact, Credit Corp’s offerings are among the most competitive available in the credit-impaired consumer segment.

Performance Culture

To simply measure the performance of Credit Corp in terms of specific growth initiatives, operating metrics and financial outcomes would understate the importance of one of the key drivers of the company’s success. The commitment and energy of the entire team has been critical to delivering business improvement and growth. People at Credit Corp operate with the discipline to follow through with actions and diligently adhere to proper procedure. Everyone is accountable for achieving measurable outcomes which contribute to the company’s success and team members regularly assess themselves against these outcomes. We aim to be transparent and open in all our dealings, whether these are with our teams, colleagues, customers or clients. It is the way our people have embraced a culture of discipline, accountability and transparency which has put Credit Corp in a position to grow into the future.

This culture and the talented people it develops are being given opportunities to further their careers with Credit Corp in new ways. The company has a strong commitment to internal promotion and opportunity. People from the core Australian business are now being presented with opportunities in the Philippines, the US and the lending business in addition to leadership and functional roles.

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

The outlook is for another year of earnings growth and strong returns in the 2013 financial year. Competition has intensified in the company’s core debt purchasing market. If this continues, Credit Corp will maintain its disciplined approach and may reduce purchasing in the short-term. The impact of a short-term reduction in purchasing will be offset by the positive contribution from strong purchasing during the 2012 financial year. At the same time, continued focus will be applied to improving the core Australian operation while growing the US debt buying and Australian consumer lending businesses.

Thomas Beregi
Chief Executive Officer

Board of Directors

Donald McLay
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 he is Chairman of Torres Industries Pty Limited, an unlisted public investment group engaged in shipping, aviation, non-bank financial services and infrastructure activities across eight countries.

Don is a member of the Audit and Risk Committee and the Remuneration Committee.

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

Simon Calleia
Non-Executive Director
BCom, AASIA, SA Fin, MAICD

Simon was appointed as a Non-Executive Director of Credit Corp after stepping down from his executive role in April 2005.

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 companyand continues to make a valuable contribution to the company's development.

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

Simon is the Chairman of the Remuneration Committee.

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

Eric Dodd
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.

He 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 of NRMA Insurance Limited and held numerous senior positions within the financial services industry.

Currently Eric is Chairman of SFG Australia Limited, Chairman of First American Title Insurance Australia and a Director of Clean Up Australia. From April 2012 Eric has held the position as Chairman of Firstfolio Limited.

Eric is a member of the Remuneration Committee.

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

Richard Thomas
Non-Executive Director
FAICD

Appointed as a Non-Executive Director in September 2006, Richard brings 40 years of management experience in banking, finance and related 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.

He was Acting Chairman between 11 February and 30 June 2008 and is a member of the Audit and Risk Committee.

Richard is a Fellow of the Australian Institute of Company Directors.

Robert Shaw
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 Remuneration Committee. Former Board roles include Insearch Limited, The Rugby Club Limited, the CityPrint Group of Companies and The Kwik Kopy Owners Association Limited.

He is the Chairman of the Audit and Risk Committee.

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

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

About Credit Corp

Our Business

Credit Corp Group Limited is Australia's largest debt buyer, with in excess of $3.6 billion in outstanding receivables. We purchase unsecured past-due receivables such as credit cards, personal loans and other credit from major banks, regional banks and finance companies. We also purchase past due receivables from telecommunications operators. 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 creditor has attempted to obtain payments to either 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 six months and then consider selling unpaid debts to companies such as Credit Corp to realise an immediate return.

Our Place in the Economy

Debt purchasers, such as Credit Corp, play 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 in society.

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

We pass a significant component of these savings on to creditors in the form of the superior prices we pay, providing creditors with higher and more timely returns on credit arrears. These savings flow through to consumers in the form of lower lending margins and prices, which help to maintain consumer demand and support economic growth.

Debt sale also facilitates the creation of credit by improving the capital adequacy of lenders. Credit arrears significantly impair the pool of capital a lender has available for lending. By selling debts to Credit Corp, lenders are able to relieve their balance sheets of these impaired assets and realise an immediate cash inflow which can be advanced back into the economy.

Credit Corp plays an important role in delivering certainty to its clients. The majority of debt sale is conducted through 'forward flow' contracts, 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 very beneficial to both parties. A 'forward flow' agreement effectively provides the seller with a form of insurance over future credit losses while providing the buyer with guaranteed purchasing volumes. This insurance enables the seller to continue to lend with an enhanced degree of confidence, even in times of considerable economic uncertainty.

Our Place in Society

Credit Corp works constructively with 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 individual customer's financial situation.

Our aim is to structure repayment plans which allow our customers to remain active members of 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 90,000 customers in various forms of hardship making regular payments on a fortnightly or weekly basis with an average projected payment duration in excess of three years. More than two-thirds of the company'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 to resolve their financial difficulty.

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

About Credit Corp

Our record in this area is strong, and we maintain some of the latest technology in call recording and contact logging to monitor adherence. Customer grievances are resolved through our internal dispute resolution function and dissatisfied customers can escalate their complaints to an external dispute resolution scheme. Our management regularly review complaint statistics and use these to drive continuous improvement in our processes.

It is our intention 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 our commitment to continuous improvement. We maintain programs of positive interaction with certain consumer advocacy groups and we are always looking for opportunities to extend this to other groups.

Importance of Our People

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 900 people with appropriate support, technology and tools while recognising personal engagement as the vital element which will ensure consistently high-quality interactions.

We believe that people are most engaged and will perform best when they are given responsibility for achieving measurable outcomes. Our business model involves assigning customer accounts to each of our people and assessing their performance against targets calculated with regard to the accounts assigned, creating a sense of ownership.

This ownership is tempered with accountability. Staff can track their performance 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.

The majority of 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 our induction process and throughout each team member's career. Our approach rapidly builds the personal confidence and attributes which lay the foundation for a continuing career in the services sector.

Expanding on Our Success

We have a simple approach to doing business at Credit Corp. Our focus is on being an excellent Australian debt buyer and always having a strong pipeline of continuous improvement initiatives. This not only enhances our competitive position but also presents us with opportunities to expand into new markets and businesses.

We recently expanded into the large US debt buying market. By exporting our successful Australian approach to debt purchasing and collection, we hope to create a strong global business. At the moment our US operation is small but we are getting a good reception from creditors and consumers, and we are looking forward to building this business as a source of growth for the company.

Credit Corp has developed unique knowledge of working with consumers with impaired credit histories. We have proven that many people in this category can comply with their credit obligations over time. Despite this, such consumers are presently excluded from further credit by mainstream lenders. Credit Corp is now applying its skills and knowledge to fill this gap in the market through a new Australian consumer lending business.

Credit Corp is committed to social responsibility across all its activities, including the new lending business. The company maintains a responsible lending policy and thorough credit underwriting processes to ensure that loans meet consumer needs and repayments are affordable. In fact, Credit Corp's offerings are among the most competitive available in the credit-impaired consumer segment. Our people are excited about the prospect of growing this business and helping customers re-enter the financial mainstream.

COO Matthew Angell speaking to financial counsellors at the Financial Counselling Australia conference in May 2012.

Leadership

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

Financial Report

Contents

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 Credit Corp Group Limited is responsible for the corporate governance of the consolidated group. The Board guides and monitors the business and affairs of Credit Corp Group Limited 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 in the Investor section of 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 the Chief Executive Officer;
- approving the appointment and removal of the Chief Financial Officer or equivalent and the Company Secretary;
- participating in, and approving 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 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 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 is 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 and is based on AASB 1031: Materiality.

The Board regularly reviews the independence of each director and requires directors to promptly advise of any change in circumstances that may affect the independence of a director. Any change in circumstances which materially affects the independence of 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, on 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)	4.5 years	Independent
Mr Simon Calleia	12 years	Not independent
Mr Eric Dodd	3 years	Independent
Mr Robert Shaw	4.5 years	Independent
Mr Richard Thomas	6 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 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 promotional 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 2012. The Board will review these objectives in the 2013 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: — Company workforce 58% female as at 30 June 2012 — Executive management 40% female as at 30 June 2012 — Other management 46% female as at 30 June 2012 — As at 30 June 2012 there were no female members of the Board of the Company. — Over the year a number of employees worked under flexible work arrangements to balance family and other commitments with their role.
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.
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 promotional decisions within the Company are merit based in relation to each role.	— A system of review of promotion decisions by senior management was recently introduced to maximise the objectivity of promotion decision-making. — Documented career pathways for supervisory roles will be implemented to maximise the objectivity of promotion decisions.

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 entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, 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 for inclusion 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
Credit Corp Group Limited 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 and shareholders may subscribe to email alerts from the Company. There is also the facility to lodge questions through the website.
- Formal reporting to shareholders
  Formal communications with shareholders will be conducted through the interim report for the six months ended 31 December and the Annual Report for the year. The Company also releases market updates summarising the Company's performance during each half 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 how 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 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*.

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 Credit Corp Group Limited.

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.

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 2012, 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 8.1

Recommendation 8.1 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.

b) Recommendation 8.2

Directors have in the past participated in the employee option plan and whilst no options have been issued to non-executive directors during the year, the Board remains of the view that issuing options to directors, so that their remuneration is closely linked to the performance of the Company, is an effective method of providing the Board with a long-term incentive to deliver the best possible shareholder returns.

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

Directors' Report

The directors present their report together with the financial report of Credit Corp Group Limited and its controlled entities for the financial year ended 30 June 2012.

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)
— Mr Simon Calleia
— Mr Eric Dodd
— Mr Robert Shaw
— Mr Richard Thomas

Particulars of the qualifications, experiences and independence status of each director are set out on pages 20 and 21 of the financial statements.

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 and Certified Practising Accountant.
Experience and expertise	Mr Eadie joined the Company on 4 May 2009 as Finance Manager and was subsequently appointed as the 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 and Australian Institute of Human Resources.
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.

Principal activities

The principal activities of the consolidated group are debt purchase and collection.

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

Operating results

Consolidated net profit after income tax for the financial year ended 30 June 2012 was $26.58 million (2011: $21.02 million).

Review of operations

The directors of Credit Corp Group Limited are pleased to report strong results for the year to 30 June 2012. Net Profit After Tax (NPAT) increased by 26 per cent to $26.58 million.

The result was supported by a program of ongoing operational improvement to deliver core business growth. Despite increased competition for the acquisition of Purchased Debt Ledgers (PDLs), the level of purchasing by the consolidated group was in line with the prior year. Operational improvements enabled the consolidated group to pay higher prices for PDLs without compromising minimum return criteria. At the same time returns from older PDLs remained on track, facilitated by a 25 per cent increase in collection capacity to 770 full-time equivalent debt purchase operations staff.

The consolidated group generated substantial free cash flow during the year. This was used to increase dividends and repay bank debt. The Company is now in a strong financial position to pursue growth initiatives.

Strategic growth milestones were reached during the year with the commencement of debt purchasing in the United States of America and the establishment of an Australian consumer lending business.

Dividends paid or recommended

The directors have declared a fully franked (at 30 per cent) final dividend of 16.00 cents per share amounting to $7.29 million. The dividend will be payable on 5 October 2012 to shareholders on the register at 5pm AEST on 21 September 2012.

Dividends paid in the year ended 30 June 2012 were as follows:

- A final dividend of 10.00 cents per share amounting to $4.56 million was paid on 7 October 2011 in respect of the 2011 financial year.
- An interim dividend of 13.00 cents per share amounting to $5.92 million was paid on 5 April 2012 in respect of the 2012 financial year.

Changes in state of affairs

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

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 which is likely, in the opinion of the directors of the consolidated group, to significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in the future financial year.

Future developments, prospects and business strategies

In the 2013 financial year Credit Corp Group Limited plans to deliver solid financial results. The operational focus will be on further improving the core debt purchasing operation to achieve global competitiveness while expanding the US debt purchasing and domestic consumer lending businesses.

PDL purchasing conditions remain challenging, with intense competition driving prices higher. While strong levels of purchasing during 2012 should contribute to earnings growth in 2013, the purchasing outlook for 2013 is more subdued.

Environmental regulations

The consolidated group's operations are not significantly affected by environmental regulations.

Information on directors

Mr Donald McLay	**Chairman, Director (Non-Executive) Age 62**
Qualifications	Bachelor of Commerce, Chartered Accountant, Chartered Secretary and a 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 a member of the Remuneration and Audit and Risk Committees.
Interest in shares and options	2,260,135 ordinary shares in Credit Corp Group Limited.
Mr Simon Calleia	**Director (Non-Executive) Age 44**
Qualifications	Bachelor of Commerce, Postgraduate Diploma in Applied Finance and Investment, Associate of the Securities Institute of Australia, a 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	2,212,152 ordinary shares of Credit Corp Group Limited.
Mr Eric Dodd	**Director (Non-Executive) Age 60**
Qualifications	Bachelor of Economics, a 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, 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	10,000 ordinary shares of Credit Corp Group Limited.
Mr Robert Shaw	**Director (Non-Executive) Age 70**
Qualifications	Bachelor of Industrial Engineering, Master of Business Administration, Master of Professional Accounting, Justice of the Peace and a 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	20,000 ordinary shares of Credit Corp Group Limited.

Information on directors

Mr Richard Thomas	**Director (Non-Executive) Age 67**
Qualifications	A member of Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director in 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.

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	13	13	4	4	4	4
Mr Simon Calleia	13	11	—	—	4	4
Mr Eric Dodd	13	11	—	—	4	4
Mr Robert Shaw	13	13	4	4	—	—
Mr Richard Thomas	13	11	4	4	—	—

Indemnifying officers or auditor

The Company has provided indemnities to the current directors of the Company (as named above), the company secretaries (Mr Thomas Beregi, Mr Michael Eadie and Mr Geoffrey Templeton) and all senior executive directors or officers for the consolidated group against all 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 as such an officer or auditor.

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

These 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.

This remuneration report sets out remuneration information for the Company's Non-Executive Directors and key management personnel of the consolidated group.

Remuneration policy

The remuneration policy of Credit Corp Group Limited has been designed to align director and executive objectives with shareholder objectives and promote a high standard of corporate governance. The Board of Credit Corp Group Limited believes that the remuneration policy is effective in attracting and retaining competent directors and executives to manage the consolidated group, while motivating executives to maximise long-term shareholder value.

The Board's policy for determining the nature and amount of remuneration for directors and executives of the consolidated group is detailed below.

Non-Executive Directors

Non-Executive Director fee packages are reviewed annually with reference to market norms. Remuneration levels for comparable companies are assessed and allowance is made for various factors including demands on time, the level of commitment required and any special responsibilities. Independently prepared data may be sought as part of the review process. Fees for Non-Executive Directors are fixed and are not linked to the performance of the consolidated group.

The Remuneration Committee recommends fee packages for Non-Executive Directors and these are approved by the Board. The maximum aggregate fee amount paid to Non-Executive Directors for a financial year is subject to approval by shareholders at the Annual General Meeting.

Chief Executive Officer and key management personnel

The remuneration policy, which sets the framework of terms and conditions for executives, was developed by the Remuneration Committee and approved by the Board. The policy allows for total remuneration packages which can include a base salary, superannuation, fringe benefits, a short-term incentive, a long-term incentive and may include share options. Remuneration packages are established with regard to individual executive responsibilities, qualifications, skills, individual performance and consolidated group performance.

The Remuneration Committee reviews executive remuneration packages annually by reference to individual performance assessments, consolidated group performance and employment market data for relevant industry sectors and comparable listed companies. The performance of executives is assessed each year against a combination of individual objectives set annually, overall job responsibilities, key behaviours and consolidated group results. 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.

Performance-based remuneration

Each executive's remuneration package incorporates a significant performance-based component. This comprises of a short-term incentive, a long-term incentive and may include share options. The objectives of these forms of remuneration are to align the interests of executives with shareholders and maximise shareholder value.

Short-term incentive (STI)

Targeted cash STI amounts are set annually for each executive in accordance with the process described above. The proportion of each executive's targeted STI which is paid is dependent three sets of criteria:

- The achievement of consolidated group budgeted earnings. Specifically, Net Profit After Tax (NPAT) and Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA). [A]
- The achievement of individual objectives, or Key Performance Indicators (KPIs), set for each executive at the commencement of the year.
- Satisfactory discharge of overall job responsibilities.

This structure ensures that executive STIs are only paid when the consolidated group's earnings budget is achieved and individual executives deliver their objectives.

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.

Performance criteria for the STI program are set at the commencement of the year. The budget is approved by the Board. KPIs are prepared by the CEO in consultation with the executive team and are submitted to the Remuneration Committee for review and recommendation to the Board.

KPIs are both operational and strategic. A component of the KPIs set for each executive comprises operational metrics and initiatives, which reflect job responsibilities and effectively measure the contribution of each individual to the achievement of budgeted group earnings in the relevant year as well as the extent to which the individual has contributed to preparing the group for sustained performance in the following year. Other KPIs target the achievement of strategic milestones designed to deliver sustained performance over the long term.

Long-term incentive (LTI)
The LTI program has the objective of delivering long-term shareholder value by rewarding executives for sustained financial performance over a three- to four-year period and retaining high-performing executives through deferred vesting.

The LTI program in place up to the 2012 financial year accumulated an uncapped proportion of the financial performance in excess of the four-year financial forecast adopted by the Board at the commencement of the 2009 financial year. The total amount of LTI accrued each year was calculated as 7 per cent of the excess of actual consolidated group Adjusted EBITDA against the amounts incorporated in the four-year plan. Accrual in any one year was subject to the achievement of a minimum Return on Equity (ROE) of 15 per cent for the consolidated group. The only exclusion was for shareholder litigation costs in excess of $1 million in any year. Accruals were allocated to individuals based on percentages established at the commencement of each year. Individual allocations were further subject to satisfactory individual performance for the year in accordance with each executive's individual performance assessment. Accruals were converted to a combination of deferred vesting shares in the Company and cash. Both share and cash amounts vest in equal amounts over three years. Vesting only occurs if the executive remains employed as part of the executive team of the Company at the relevant vesting dates.

As at the date of this report the LTI program for the three years to 2015 is pending finalisation by the Remuneration Committee and approval by the Board.

Options may be granted to executives in accordance with the Employee Option Plan (EOP). Historically, options have been granted with an exercise price which has approximated the price at which the Company's shares were trading at the time when the options were granted and have vested over time. The last set of options issued under the EOP was granted in March 2008 and all options granted under the EOP have now vested. There are no plans to issue options under the EOP at this time.

Other benefits
Some key management personnel receive a non-cash benefit, being access to car parking, and the group pays fringe benefits tax on the benefit.

Service contracts
Directors and executives receive superannuation contributions in accordance with the consolidated group's statutory obligations as part of fee and remuneration packages. Individuals may elect to make additional contributions by sacrificing other components of their fee and remuneration packages. Directors and executives do not receive any additional retirement benefits other than accrued leave entitlements.

Director and executive employment contracts stipulate termination periods of between one and three months. Employment contracts provide for termination by the Company without cause by providing written notice or making payment in lieu of notice. In instances of serious misconduct, the Company terminates employment contracts without either notice or payment in lieu of notice.

Consequences of performance on shareholder wealth
All performance-based remuneration is payable only for achieving and exceeding forecast earnings levels. STIs are only payable subject to the achievement of annual budgeted earnings as well as achievement of individual objectives. The LTI is payable only upon out-performing a long-term earnings forecast.

The Board of Credit Corp Group Limited believes that performance-based remuneration consisting of the STI and LTI programs has had a positive impact on shareholder wealth as demonstrated by the growth in NPAT, dividends and share price over the last five years as set out below:

	2012	2011	2010	2009	2008
NPAT from continuing operations ($'000)	**26,578**	21,024	13,543	10,862	5,788
Dividends paid and proposed per share (cents)	**29.0**	20.0	8.0	4.0	4.0
Change in share price (dollars)	**1.04**	2.08	1.47	0.43	(11.52)

Remuneration of Non-Executive Directors and key management personnel

All remuneration paid to directors and executives is valued at the cost to the Company and is expensed in the income statement. Shares issued to directors and executives are valued at the difference between the market price of those shares and the amount paid by the directors or executives. Options are valued using the Hull-White pricing methodology.

No key management personnel (KMP) appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

The 2012 STI amount is subject to the individual's annual performance review which will be conducted after the finalisation of the 2012 audited consolidated financial statements.

The remuneration for each director, executive and for key management personnel of the consolidated group during the year was:

		Short-term benefits				Post-employment benefits	Other long-term benefits	Share-based payment			
		Salary & fees $	Short-term incentive A $	Non-monetary benefits $	Total $	Superannuation $	Long-term incentive B $	Options $	Total $	Proportion of remuneration performance related %	Value of options as portion of remuneration %
Directors											
Mr Donald McLay											
Non-Executive Director	**2012**	**170,000**	**–**	**11,898**	**181,898**	**15,300**	**–**	**–**	**197,198**	**–**	**–**
Chairman	2011	120,000	–	–	120,000	10,800	–	–	130,800	–	–
Mr Simon Calleia	**2012**	**95,000**	**–**	**–**	**95,000**	**8,550**	**–**	**–**	**103,550**	**–**	**–**
Non-Executive Director	2011	72,000	–	–	72,000	6,480	–	–	78,480	–	–
Mr Eric Dodd	**2012**	**85,000**	**–**	**–**	**85,000**	**7,650**	**–**	**–**	**92,650**	**–**	**–**
Non-Executive Director	2011	66,000	–	–	66,000	5,940	–	–	71,940	–	–
Mr Robert Shaw	**2012**	**95,000**	**–**	**–**	**95,000**	**8,550**	**–**	**–**	**103,550**	**–**	**–**
Non-Executive Director	2011	72,000	–	–	72,000	6,480	–	–	78,480	–	–
Mr Richard Thomas	**2012**	**85,000**	**–**	**–**	**85,000**	**7,650**	**–**	**–**	**92,650**	**–**	**–**
Non-Executive Director	2011	66,000	–	–	66,000	5,940	–	–	71,940	–	–
Key management personnel											
Mr Thomas Beregi											
Chief Executive Officer	**2012**	**465,500**	**490,500**	**11,898**	**967,898**	**25,000**	**1,325,546**	**–**	**2,318,444**	**78**	**–**
Company Secretary	2011	465,500	490,500	11,840	967,840	25,000	922,641	6,309	1,921,790	74	1
Mr Matthew Angell	**2012**	**250,000**	**272,500**	**11,898**	**534,398**	**22,500**	**736,175**	**–**	**1,293,073**	**78**	**–**
Chief Operating Officer	2011	250,000	272,500	11,840	534,340	22,500	512,310	–	1,069,150	73	–
Mr Michael Eadie											
Chief Financial Officer	**2012**	**200,000**	**100,000**	**–**	**300,000**	**18,000**	**140,469**	**–**	**458,469**	**52**	**–**
Company Secretary	2011	122,740	42,959	–	165,699	11,047	31,555	–	208,301	36	–
Mr Robert Shields											
Head of Collections	**2012**	**29,332**	**–**	**–**	**29,332**	**–**	**–**	**–**	**29,332**	**–**	**–**
(departed 30 September 2011)	2011	175,992	54,863	–	230,855	–	–	–	230,855	24	–
Ms Kristina White	**2012**	**210,000**	**150,000**	**11,898**	**371,898**	**18,900**	**405,460**	**–**	**796,258**	**70**	**–**
Head of Business Services	2011	210,000	150,000	11,840	371,840	18,900	282,098	–	672,838	64	–

A) The short-term incentive is payable for performance during the respective financial year as described above.

B) The long-term incentive represents one-third of the amounts accrued in respect of the 2010 to 2012 financial years which are payable as described above after the conclusion of the 2012 financial year.

Analysis of bonuses included in remuneration

STI

Details of the vesting profile of the short-term cash incentive bonuses awarded as remuneration to each of the four KMP are:

	Included in remuneration [A] $	Vested in year %	Forfeited in year [B] %
Key management personnel			
Mr Thomas Beregi	490,500	100	—
Mr Matthew Angell	272,500	100	—
Mr Michael Eadie	100,000	100	—
Ms Kristina White	150,000	100	—

A) Amounts included in remuneration represent the amount that is payable in respect of the current financial year upon the confirmation of the achievement of specified performance criteria. No amounts vest in future financial years in respect of the short-term incentive scheme for the 2012 financial year.

B) The amounts forfeited are due to the performance criteria not being met in relation to the current financial year.

LTI

Details of the vesting profile of the LTI awarded as remuneration to the four key management personnel are:

	Proportion payable in respect of the 2012 financial year [A]				Proportion deferred to future financial years [B]				Forfeited in year	Current allocation (% of pool) [C]	Minimum total value received	Maximum total value received
	2010	2011	2012	$	2010	2011	2012	$	%	%	$	$
Key management personnel												
Mr Thomas Beregi	1/3	1/3	1/3	1,325,546	1/3	1/3	2/3	1,497,255	—	42.1%	—	1,497,255
Mr Matthew Angell	1/3	1/3	1/3	736,175	1/3	1/3	2/3	831,647	—	23.4%	—	831,647
Mr Michael Eadie	N/A	1/3	1/3	140,469	N/A	1/3	2/3	249,476	—	7.0%	—	249,476
Ms Kristina White	1/3	1/3	1/3	405,460	1/3	1/3	2/3	458,346	—	12.9%	—	458,346

A) Represents one-third of the amounts accrued in respect of the 2010 to 2012 financial years, which are payable to participants following the conclusion of the 2012 financial year upon the confirmation of the achievement of specified performance criteria.

B) Represents each participant's allocated proportion of the maximum pool that may vest at the conclusion of the 2013 and 2014 financial years.

C) Each participant's allocated percentage portion of the deferred pool.

Equity instruments

Options issued as part of remuneration for the year ended 30 June 2012

No options were issued to directors, executives or the five most highly remunerated officers of the Company as part of their remuneration in either the 2012 or 2011 financial years.

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation under the EOP.

There is no amount unpaid on the shares issued as a result of the exercise of the options in the 2012 financial year.

Unissued shares under options

At the date of this report unissued shares of Credit Corp Group under option are:

Grant date	Date of expiry	Exercise price	Number of options
3 September 2007	3 September 2012	$10.37	400,000

All unissued shares are ordinary shares of the Company.

During the year ended 30 June 2012, 960,500 options expired unexercised. These expired options had a fair value of $579,615, which has been reclassified to retained earnings.

No ordinary shares were issued on the exercise of options granted under the EOP (2011: 400,000 options). No share options were converted to shares since balance date and no amounts were unpaid on any of the shares.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

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 Accounts issued by the Accounting Professional & 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 Accounts set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid to the auditor of the Company for non-audit services provided during the year are set out below.

	$
Services other than statutory audit:	
Other services	
— Taxation compliance services	12,430

Proceedings on behalf of Company

No person has applied for leave of 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 2012 has been received and can be found on page 27 of the financial statements.

Rounding off of amounts

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.

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

Donald McLay
Non-Executive Director

Robert Shaw
Non-Executive Director

Date: 7 August 2012

HALLCHADWICK

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 2012 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

David Kenney
Partner

Date: 7 August 2012

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Consolidated Income Statement

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue	2	**124,590**	113,636
Finance costs		**(1,766)**	(5,465)
Employee benefits expense		**(57,165)**	(51,911)
Share-based payments		**(228)**	(6)
Depreciation and amortisation expenses		**(1,652)**	(1,242)
Office facility expenses		**(9,263)**	(8,804)
Collection expenses		**(8,673)**	(10,978)
Other expenses		**(7,811)**	(5,147)
Profit before income tax expense	3	**38,032**	30,083
Income tax expense	4	**(11,454)**	(9,059)
Profit for the year		**26,578**	21,024
Profit attributable to owners of the Company		**26,578**	21,024

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Profit for the year		**26,578**	21,024
Other comprehensive income			
Changes in the fair value of cash flow hedge		**16**	1,325
Net change in fair value of cash flow hedge transferred to profit and loss		**–**	(573)
Income tax on other comprehensive income		**–**	(230)
Other comprehensive income for the year, net of income tax		**16**	522
Total comprehensive income for the year		**26,594**	21,546
Total comprehensive income attributable to owners of the Company		**26,594**	21,546
Earnings per share			
Basic earnings per share (cents per share)	5	**58.4**	46.9
Diluted earnings per share (cents per share)	5	**58.4**	46.9
Dividends per share (cents per share)	6	**29.0**	20.0

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

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	8	**2,831**	1,731
Trade and other receivables	10	**596**	371
Consumer loans receivable		**1,468**	—
Purchased debt ledgers	11	**54,924**	56,826
Other assets	12	**870**	193
Total current assets		**60,689**	59,121
Non-current assets			
Consumer loans receivable		**2,196**	—
Purchased debt ledgers	11	**74,222**	90,124
Property, plant and equipment	13	**1,600**	1,374
Deferred tax assets	14	**7,474**	5,670
Intangible assets	15	**800**	800
Total non-current assets		**86,292**	97,968
Total assets		**146,981**	157,089
Current liabilities			
Trade and other payables	16	**10,363**	14,134
Payables under contract of sale	16	**571**	2,088
Financial liabilities	17	**—**	25,511
Derivatives	18	**—**	17
Current tax liabilities	14	**3,924**	4,597
Provisions	19	**3,068**	1,840
Total current liabilities		**17,926**	48,187
Non-current liabilities			
Deferred tax liabilities	14	**319**	1,434
Provisions	19	**6,754**	3,127
Total non-current liabilities		**7,073**	4,561
Total liabilities		**24,999**	52,748
Net assets		**121,982**	104,341
Equity			
Issued capital	20	**42,735**	41,207
Reserves	22	**402**	1,338
Retained earnings		**78,845**	61,796
Total equity		**121,982**	104,341

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

Consolidated Statement of Changes in Equity

As at 30 June 2012

	Note	Issued capital $'000	Equity compensation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 July 2011		**41,207**	**1,354**	**(16)**	**61,796**	**104,341**
Total comprehensive income for the year						
Profit for the year		**—**	**—**	**—**	**26,578**	**26,578**
Other comprehensive income						
Change in fair value of cash flow hedge, net of tax	4	**—**	**—**	**16**	**—**	**16**
Total comprehensive income for the year		**—**	**—**	**16**	**26,578**	**26,594**
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
— Shares issued	20	**1,300**	**—**	**—**	**—**	**1,300**
— Employee option and share expense	31(B)	**228**	**—**	**—**	**—**	**228**
— Lapsed options		**—**	**(952)**	**—**	**952**	**—**
— Dividends paid or provided for	6	**—**	**—**	**—**	**(10,481)**	**(10,481)**
Total contributions by and distributions to owners of the Company		**1,528**	**(952)**	**—**	**(9,529)**	**(8,953)**
At 30 June 2012		**42,735**	**402**	**—**	**78,845**	**121,982**
As at 1 July 2010		40,099	1,366	(538)	47,500	88,427
Total comprehensive income for the year						
Profit for the year		—	—	—	21,024	21,024
Other comprehensive income						
Change in fair value of cash flow hedge, net of tax	4	—	—	522	—	522
Total comprehensive income for the year		—	—	522	21,024	21,546
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
— Shares issued	20	848	—	—	—	848
— Share options exercised	20	260	—	—	—	260
— Employee option and share expense	31(B)	—	6	—	—	6
— Lapsed options		—	(18)	—	18	—
— Dividends paid or provided for	6	—	—	—	(6,746)	(6,746)
Total contributions by and distributions to owners of the Company		1,108	(12)	—	(6,728)	(5,632)
At 30 June 2011		41,207	1,354	(16)	61,796	104,341

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

Consolidated Statement of Cash Flows

As at 30 June 2012

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**233,245**	206,635
Payments to suppliers and employees		**(79,660)**	(69,212)
Interest received on bank deposits		**196**	108
Interest paid		**(2,306)**	(5,708)
Income tax paid		**(15,049)**	(12,318)
Cash flows from operating activities before changes in operating assets		**136,426**	119,505
Changes in operating assets arising from cash flow movements			
Increase in consumer loans receivable		**(5,664)**	—
Acquisition of purchased debt ledgers		**(92,023)**	(94,565)
Changes in operating assets arising from cash flow movements		**(97,687)**	(94,565)
Net cash inflow from operating activities	9(A)	**38,739**	24,940
Cash flows from investing activities			
Acquisition of plant and equipment		**(1,879)**	(1,298)
Deferred proceeds from sale of business		**—**	200
Net cash (outflow) from investing activities		**(1,879)**	(1,098)
Cash flows from financing activities			
Proceeds from issue of share capital	20	**—**	1,108
Proceeds from borrowings		**16,234**	11,000
Repayment of borrowings		**(41,470)**	(29,232)
Dividends paid	6	**(10,481)**	(6,746)
Net cash (outflow) from financing activities		**(35,717)**	(23,870)
Net increase (decrease) in cash and cash equivalents		**1,143**	(28)
Cash and cash equivalents at 1 July		**1,688**	1,716
Cash and cash equivalents at 30 June	9(B)	**2,831**	1,688

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

Notes to the Consolidated Financial Statements

These financial statements include the consolidated financial statements and notes of Credit Corp Group Limited and controlled entities (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 has operations within Debt Ledger Purchasing which includes Consumer Lending, and Mercantile Collections.

The parent entity of the consolidated group, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of preparation

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs), Australian Accounting Interpretations and other authoritative pronouncements adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

AASBs set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with AASBs ensures that the financial statements and notes also comply with IFRSs as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The consolidated financial statements were authorised for issue by the Board of Directors on 7 August 2012.

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

The 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 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) Critical accounting 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 AASBs and IFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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:

1) Impairment of goodwill

The consolidated group performs an impairment test at least semi-annually in accordance with significant accounting policy B(f)(2). 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.

2) PDLs

PDLs are recognised initially 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) Consumer loans receivable

Consumer loans receivable are recognised initially at fair value, including direct and incremental transaction costs. Subsequent to initial recognition, consumer loans receivable are measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

4) 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. These estimates are updated at each reporting date.

B) 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) Principles of consolidation

A controlled entity is any entity over which Credit Corp Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

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

As at balance date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have left the consolidated group during the year, their operating results have been excluded from the date control ceased.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method.

The acquisition method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identified assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control. Any acquisition-related costs are expensed incurred.

In addition, contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in the income statement.

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

Goodwill is recognised initially at 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 income 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 statement of comprehensive income.

Subsidiaries

Subsidiaries are entities controlled by the consolidated group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commenced until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the consolidated group.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 average monthly exchange rates. 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 income 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 income statement.

e) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

1) Property

Freehold land is currently measured at the lower of cost and net realisable value. For any material holdings, a periodic valuation is prepared by external valuation experts, based on discounted cash flows or capitalisation of net income, as appropriate.

2) 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 income statement during the financial period in which they are incurred.

3) Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is recognised in the income 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 term 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 13 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) 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 such an 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 income statement.

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

f) Intangible assets

1) Goodwill

Goodwill and goodwill on consolidation are initially recorded at 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 on acquisition of subsidiaries is included in intangible assets 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.

2) Impairment of goodwill

Impairment testing is performed semi-annually for goodwill and intangible assets with indefinite lives. The recoverable amount will be 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 income 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 CGU. 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 income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

g) Financial assets and liabilities

1) Non-derivative financial assets

i) 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.

ii) 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, the fair values at the date of initial adoption are treated as the amortised cost amounts.

iii) Consumer loans receivable

Consumer loans receivable are recognised initially at fair value, including direct and incremental transaction costs. Subsequent to initial recognition, consumer loans receivable are measured at amortised cost using the effective interest method and are presented net of provisions for impairment.

iv) Impairment

The consolidated group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 income 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 income 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.

2) 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.

3) Derivative financial instruments

The consolidated group designates certain derivatives as hedges of highly probable forecast transactions that could affect the income 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, 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; attributable transaction costs are recognised in the income 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 income statement.

Amounts accumulated in the hedge reserve in equity are reclassified to the income 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 hedging variable rate borrowings is recognised in the income statement within finance costs.

4) Share capital

i) 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 and cash on hand that are subject to an insignificant risk of changes in their fair value, and are used by the consolidated group in the management of its short-term commitments. Bank overdrafts are shown within financial liabilities in current liabilities on the balance sheet. Bank overdrafts that are repayable on demand and form an integral part of the consolidated group's cash management strategy are included as a component of cash and cash equivalent for the purpose of the statement of cash flows.

i) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred, including borrowing costs attributable to the acquisition of PDLs.

j) Employee benefits

1) Short-term obligations

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

2) Long-term obligations

The liability for long service leave and annual leave, which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured 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 at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3) Equity-settled compensation

The consolidated group provides benefits to employees in the form of share-based payment transactions whereby employees render services in exchange for rights over shares.

The EOP and Deferred Employee Share Plan (DESP) provide benefits to directors, executives and other employees. The fair value of options is recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over a maximum three-year period. The fair value of the options is measured using the Hull-White pricing model, taking into account the terms and conditions upon which the options were granted. Measurement inputs include the share price on grant date, exercise price of the option, expected volatility, expected dividends and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value. The amount recognised as an expense is adjusted to reflect the actual number of share options which satisfy the vesting conditions.

k) Leases

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

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.

m) Revenue

The major components of revenue are recognised as follows:

1) 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.

2) Services revenue

Revenue from services rendered is recognised upon the delivery of the service to the customers.

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

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 income statement using the effective interest method.

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

o) Income tax

Income tax expense comprises current income tax expense and deferred tax expense.

Current income 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 balance date. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

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

Current and deferred income 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.

Deferred tax assets and liabilities are ascertained based 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 will be 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 asset is realised or the liability is 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 asset or liability.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

q) Goods and services tax (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 taxation authority 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 which are recoverable from, or payable, to the taxation authority are presented as operating cash flows.

r) Earnings per shares

The consolidated group presents basic and diluted earnings per share data for its ordinary shares.

1) Basic earnings per share (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.

2) 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) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

t) New accounting standards and interpretations for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The consolidated group's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, either through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The consolidated group does not have any investment property and the standard will not have any impact on the financial statements of the consolidated group.

2) AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (effective from 1 July 2012)

The main change from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future. This standard will only affect the presentation of financial statements and will have no material impact on the consolidated group.

3) AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (effective from 1 January 2013)

AASB 10 replaces the parts of AASB 127: Consolidated and Separate Financial Statements that deal with consolidated financial statements. Interpretation 12: Consolidation – Special Purpose Entities has been withdrawn upon the issuance of AASB 10. Under AASB 10, there is only one basis for consolidation, that is control. In addition, AASB 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in AASB 10 to deal with complex scenarios.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 11 replaces AASB 131: Interest in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Interpretation 113: Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of AASB 11. Under AASB 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under AASB 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under AASB 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under AASB 131 can be accounted for using the equity method of accounting or proportionate consolidation.

AASB 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. In general, the disclosure requirements in AASB 12 are more extensive than those in the current standards.

AASB 2011-7 contains consequential amendments to a range of Australian Accounting Standards and Interpretations in light of the issuance of the five Standards above.

The consolidated group does not have any joint arrangements with other entities and these standards will not have any impact on the financial statements of the consolidated group.

4) AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132) (effective from 1 January 2013)

AASB 13 establishes a single source of guidance of fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of AASB 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other Australian Accounting Standards require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. These standards are not expected to have significant impact on the financial statements of the consolidated group.

5) AASB 19: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & AASB 2011-8 and Interpretation 14] (effective from 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities / assets immediately in other comprehensive income and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities / assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The consolidated group does not have any defined benefit plans and these standards will not have any impact on the financial statements of the consolidated group.

The consolidated group decided not to adopt the above reporting requirements in 2012 and does not expect these requirements to have any material effect on the consolidated group's financial statements.

	2012 $'000	2011 $'000

NOTE 2: REVENUE

	2012 $'000	2011 $'000
Interest revenue from purchased debt ledgers	**122,003**	112,162
Interest revenue from consumer loans receivable	**750**	—
Other interest received	**196**	108
Services revenue	**1,641**	1,366
Total	**124,590**	113,636

Adjustments to the carrying amount of purchased debt ledgers as a result of changes in estimated cash flows were immaterial during the year. These have been included in interest revenue from purchased debt ledgers above.

NOTE 3: PROFIT FOR THE YEAR

Arrived at after deducting expenses including:

	2012 $'000	2011 $'000
Finance costs		
Interest expense	**959**	4,946
Net change in fair value of cash flow hedge transferred to profit and loss	**—**	(573)
Other finance charges	**807**	1,092
Total	**1,766**	5,465
Depreciation and amortisation expenses		
Property, plant and equipment	**1,214**	787
Computer software	**263**	54
Leasehold improvements	**175**	401
Total	**1,652**	1,242
Rental expense on operating leases		
Operating lease rental	**3,039**	3,935

NOTE 4: INCOME TAX EXPENSE

A) Income tax expense

	2012 $'000	2011 $'000
Current period	**11,454**	9,055
Underprovision in respect of prior years	**—**	4
Total	**11,454**	9,059

B) Income tax recognised in other comprehensive income

	Before tax $'000	Tax (expense)/ benefit $'000	Net of tax $'000
Year ended 30 June 2012			
Cash flow hedge	**16**	**—**	**16**
Year ended 30 June 2011			
Cash flow hedge	752	(230)	522

	Note	2012 $'000	2011 $'000
NOTE 4: INCOME TAX EXPENSE (CONTINUED)			
C) Numerical reconciliation between tax expense and pre-tax accounting profit			
Profit for the year		**38,032**	30,083
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)		**11,410**	9,025
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
— Share-based payment expense		**—**	2
— Other non-deductible items		**44**	28
		11,454	9,055
Adjustment for prior years		**—**	4
Income tax expense	9	**11,454**	9,059
The applicable weighted average effective tax rates are:		**30%**	30%

NOTE 5: EARNINGS PER SHARE

A) Basic earnings per share

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders of $26.58 million (2011: $21.02 million) and a weighted average number of ordinary shares outstanding of 45.49 million (2011: 44.88 million), calculated as follows:

	2012 $'000	2011 $'000
a) Profit attributable to ordinary shareholders (basic)		
Profit for the year	**26,578**	21,024
Profit attributable to ordinary shareholders (basic)	**26,578**	21,024

	2012 Number '000	2011 Number '000
b) Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**45,211**	44,529
Effect of shares issued in September 2011	**279**	—
Effect of shares issued in February 2011	**—**	141
Effect of shares issued in October 2010	**—**	205
Weighted average number of ordinary shares at 30 June (basic)	**45,490**	44,875

B) Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2012 was based on profit attributable to ordinary shareholders of $26.58 million (2011: $21.02 million), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential shares of 45.49 million (2011: 44.88 million), calculated as follows:

	2012 $'000	2011 $'000
a) Profit attributable to ordinary shareholders (diluted)		
Profit attributable to ordinary shareholders (basic)	**26,578**	21,024
Profit attributable to ordinary shareholders (diluted)	**26,578**	21,024

	2012 Number '000	2011 Number '000
NOTE 5: EARNINGS PER SHARE (CONTINUED)		
b) Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares (basic)	**45,490**	44,875
Effect of share options on issue	**—**	—
Weighted average number of ordinary shares at 30 June (diluted)	**45,490**	44,875

The average market value of the consolidated group's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. There were 400,000 share options (2011: 1,360,500) remaining unconverted at balance date and they have no effect in the determination of diluted EPS in the 2012 and 2011 financial years.

	Cents per share $	Total amount $'000	Franked/ unfranked	Date of payment
NOTE 6: DIVIDENDS PAID AND PROPOSED				
The following dividends were declared and paid by the consolidated group:				
Year ended 30 June 2012				
Interim 2012 ordinary	13.00	**5,924**	Franked	5 Apr 12
Final 2011 ordinary	10.00	**4,557**	Franked	7 Oct 11
Total		**10,481**		
Year ended 30 June 2011				
Interim 2011 ordinary	10.00	4,520	Franked	1 Apr 11
Final 2010 ordinary	5.00	2,226	Franked	8 Oct 10
Total		6,746		

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

After 30 June 2012 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

Final ordinary	16.00	7,291	Franked	5 Oct 12

	2012 $'000	2011 $'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	**45,963**	36,080
Subsequent to year end, the franking account would be reduced by the proposed dividend	**(3,125)**	(1,937)
Total	**42,838**	34,143

	2012 $'000	2011 $'000
NOTE 7: AUDITOR'S REMUNERATION		
Audit services:		
Audit and review of financial reports	**153,558**	144,375
Services other than statutory audit:		
Other services		
— Taxation compliance services	**12,430**	21,222
— Other services	**—**	1,815
Total	**165,988**	167,412

	Note	2012 $'000	2011 $'000
NOTE 8: CASH AND CASH EQUIVALENTS			
Cash at bank and on hand		**2,831**	1,731

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.

NOTE 9: CASH FLOW INFORMATION

A) Reconciliation of cash flow from operations with profit after income tax

	Note	2012 $'000	2011 $'000
Cash flows from operating activities			
Profit for the year		**26,578**	21,024
Adjustments for:			
Non-cash flows in profit			
— Foreign currency revaluation		**(232)**	(124)
— Depreciation	13	**1,652**	1,242
— Share-based payments expensed		**228**	6
— Net change in fair value of cash flow hedge transferred to profit and loss	3	**—**	(573)
— Derecognition of assets		**—**	1,165
— Income tax expense	4	**11,454**	9,059
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
— Decrease / (increase) in purchased debt ledgers		**17,804**	603
— (Increase) in consumer loans		**(3,664)**	—
— (Increase) / decrease in trade and other receivables		**(225)**	231
— (Increase) / decrease in prepayments		**(677)**	183
— (Decrease) / increase in trade and other payables		**(2,468)**	5,529
— (Decrease) in payables under contract of sale		**(1,517)**	(1,926)
— Increase in provisions		**4,855**	839
		53,788	37,258
Income taxes (paid)		**(15,049)**	(12,318)
Net cash from operating activities		**38,739**	24,940

B) Reconciliation of cash

	Note	2012 $'000	2011 $'000
Cash and cash equivalents	8	**2,831**	1,731
Bank overdraft		**—**	(43)
Total		**2,831**	1,688

C) Credit standby arrangements with banks

	Note	2012 $'000	2011 $'000
Facility limit	16	**60,000**	45,000
Bank guarantees	24	**(933)**	(1,010)
Cash drawn down	16	**—**	(25,468)
Unused loan facilities		**59,067**	18,522

	2012 $'000	2011 $'000

NOTE 10: TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Current		
Trade receivables	**409**	496
Less: Provision for impairment [(A)]	**—**	(192)
	409	304
Other trade receivables	**187**	67
Total	**596**	371

A) Impairment of trade receivables

Current trade and other receivables are non-interest bearing loans and generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivables is impaired. These amounts have been included in other expenses.

Movement in the provision for impairment of receivables is as follows:		
Opening balance	**192**	65
Charge for the year	**—**	150
Provisions used during the year	**—**	(23)
Provisions reversed during the year	**(192)**	—
Closing balance	**—**	192

The following table details the consolidated group's trade and other receivables exposed to credit risk with 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 and other receivables that remain within initial trade terms are considered to be of high credit quality. At balance date, trade and other receivables of $0.05 million (2011: $0.16 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 2012							
Trade and term receivables	**409**	**—**	**—**	**18**	**13**	**14**	**364**
Other receivables	**187**	**—**	**—**	**—**	**—**	**—**	**187**
Total	**596**	**—**	**—**	**18**	**13**	**14**	**551**
Year ended 30 June 2011							
Trade and term receivables	496	192	—	155	8	—	141
Other receivables	67	—	—	—	—	—	67
Total	563	192	—	155	8	—	208

The consolidated group does not hold any financial assets with terms that have been renegotiated by which would otherwise be past due or impaired.

	2012 $'000	2011 $'000
NOTE 11: PURCHASED DEBT LEDGERS		
Current	**54,924**	56,826
Non-current	**74,222**	90,124
Total	**129,146**	146,950

PDLs are classified at amortised cost and measured 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 derived in the period of acquisition of an individual PDL and equates to its Internal Rate of Return (IRR) 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.

	2012 $'000	2011 $'000
NOTE 12: OTHER ASSETS		
Prepayments	**814**	193
Rental inventory	**56**	—
Total	**870**	193

	2012 $'000	2011 $'000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT		
Land		
Freehold land at:		
Directors' valuation	**5**	5
Plant and equipment		
At cost	**5,866**	4,370
Less: Accumulated depreciation	**(4,667)**	(3,453)
	1,199	917
Computer software		
At cost	**1,627**	1,318
Less: Accumulated depreciation	**(1,378)**	(1,115)
	249	203
Leasehold improvements		
At cost	**4,110**	4,037
Less: Accumulated amortisation	**(3,963)**	(3,788)
	147	249
Total	**1,595**	1,369
Total property, plant and equipment	**1,600**	1,374

	Freehold land $'000	Plant & equipment $'000	Computer software $'000	Leasehold improvement $'000	Total $'000
NOTE 13: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)					
A) Cost or deemed cost					
Year ended 30 June 2012					
Opening balance	**5**	**4,370**	**1,318**	**4,037**	**9,730**
Additions	**—**	**1,496**	**309**	**73**	**1,878**
Closing balance	**5**	**5,866**	**1,627**	**4,110**	**11,608**
Year ended 30 June 2011					
Opening balance	5	3,616	1,968	4,008	9,597
Additions	—	1,018	101	179	1,298
Reallocation	—	(36)	48	(12)	—
Derecognition	—	(228)	(799)	(138)	(1,165)
Closing balance	5	4,370	1,318	4,037	9,730
B) Depreciation					
Year ended 30 June 2012					
Opening balance	**—**	**3,453**	**1,115**	**3,788**	**8,356**
Depreciation for the year	**—**	**1,214**	**263**	**175**	**1,652**
Closing balance	**—**	**4,667**	**1,378**	**3,963**	**10,008**
Year ended 30 June 2011					
Opening balance	—	2,666	1,061	3,387	7,114
Depreciation for the year	—	787	54	401	1,242
Closing balance	—	3,453	1,115	3,788	8,356
C) Carrying amounts					
At 1 July 2011	**5**	**917**	**203**	**249**	**1,374**
At 30 June 2012	**5**	**1,199**	**249**	**147**	**1,600**
At 1 July 2010	5	950	907	621	2,483
At 30 June 2011	5	917	203	249	1,374

	2012 $'000	2011 $'000
NOTE 14: TAX ASSETS AND LIABILITIES		
Non-current assets		
Deferred tax assets	**7,474**	5,670
Current liabilities		
Income tax	**3,924**	4,597
Non-current liabilities		
Deferred tax liabilities	**319**	1,434
Total	**4,243**	6,031

NOTE 14: TAX ASSETS AND LIABILITIES (CONTINUED)

A) Unrecognised deferred tax assets and liabilities

a) Unrecognised deferred tax assets

At 30 June 2012 the consolidated group has an unrecognised deferred tax asset of $0.83 million (2011: $0.83 million) for temporary differences of $2.77 million (2011: $2.77 million) related to the capital losses on the sale of Wise McGrath and Pioneer Credit Management Pty Limited in the 2009 financial year. The deferred tax asset was not recognised because the consolidated group does not consider it is probable that a capital gain will be realised in the foreseeable future.

b) Unrecognised deferred tax liabilities

At 30 June 2012 there were no unrecognised deferred tax liabilities (2011: nil).

	Assets		Liabilities		Net	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**	**2012 $'000**	**2011 $'000**
B) Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to:						
Provisions for employee benefits	**2,527**	1,423	**—**	—	**2,527**	1,423
Provision for restructuring	**420**	68	**—**	—	**420**	68
Provision for impairment of other receivables	**—**	58	**—**	—	**—**	58
Other accruals not tax deductible until expense incurred	**4,527**	4,121	**—**	—	**4,527**	4,121
Purchased debt ledgers	**—**	—	**(319)**	(1,434)	**(319)**	(1,434)
Net tax assets / (liabilities)	**7,474**	5,670	**(319)**	(1,434)	**7,155**	4,236

	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 2012				
Provisions for employee benefits	**1,423**	**1,104**	**—**	**2,527**
Provision for restructuring	**68**	**352**	**—**	**420**
Provision for impairment of other receivables	**58**	**(58)**	**—**	**—**
Other accruals not tax deductible until expense incurred	**4,121**	**406**	**—**	**4,527**
Purchased debt ledgers	**(1,434)**	**1,115**	**—**	**(319)**
Total	**4,236**	**2,919**	**—**	**7,155**
Year ended 30 June 2011				
Provisions for employee benefits	1,181	242	—	1,423
Equity raising costs	14	(14)	—	—
Financial instruments	403	(173)	(230)	—
Provision for restructuring	57	11	—	68
Provision for impairment of other receivables	20	38	—	58
Other accruals not tax deductible until expense incurred	1,697	2,424	—	4,121
Purchased debt ledgers	(1,636)	202	—	(1,434)
Total	1,736	2,730	(230)	4,236

	2012 $'000	2011 $'000

NOTE 15: INTANGIBLE ASSETS

Goodwill is allocated to the consolidated group's cash-generating units (CGUs) identified according to operating segment and country of operation.

	2012 $'000	2011 $'000
Cost	**4,242**	4,242
Accumulated impairment losses	**(3,442)**	(3,442)
Net carrying value	**800**	800

A) Cost

	2012 $'000	2011 $'000
Opening balance	**4,242**	4,242
Closing balance	**4,242**	4,242

B) Amortisation and impairment losses

	2012 $'000	2011 $'000
Opening balance	**3,442**	3,442
Closing balance	**3,442**	3,442

C) Carrying amounts

	2012 $'000	2011 $'000
At 1 July	**800**	800
At 30 June	**800**	800

D) Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the consolidated group's operating units, which represent 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 each operating unit is:

	2012 $'000	2011 $'000
Mercantile collections	**800**	800

E) Key assumptions used in discounted cash flow projection

The following assumptions were used in the value-in-use calculations:

	Growth rate	Discount rate
Mercantile collections	nil	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.

NOTE 16: TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Current		
Unsecured liabilities		
Trade payables	**273**	416
Sundry payables and accrued expenses	**10,090**	13,718
	10,363	14,134
Payables under contract of sale	**571**	2,088
Total	**10,934**	16,222

The consolidated group's exposure to liquidity risk related to trade and other payables is disclosed in Note 32 Financial Risk Management.

	2012 $'000	2011 $'000
NOTE 17: FINANCIAL LIABILITIES		
Current		
Secured liabilities		
Bank loan	–	25,468
Bank overdraft	–	43
Total	–	25,511

		2012			2011		
	Expiry	**Facility limit $'000**	**Face value $'000**	**Carrying amount $'000**	**Facility limit $'000**	**Face value $'000**	**Carrying amount $'000**
Secured bank loan	30 Jun 2014	**60,000**	–	–	–	–	–
Secured bank loan	30 Jun 2012	–	–	–	40,000	25,000	25,000
Secured bank loan	30 Jun 2012	–	–	–	5,000	468	468
Unsecured bank overdraft		–	–	–	–	43	43
Total interest-bearing liabilities		**60,000**	–	–	45,000	25,511	25,511

The total facility is secured by a fixed and floating charge over the assets of the consolidated group.

The consolidated group entered into a new bank loan facility on 28 June 2012. The new bank loan facility has a total facility limit of $60 million (2011: $45 million) and expires on 30 June 2014.

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 at the greater of $85 million (2011: $62 million) and 85 per cent (2011: 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 group accounts and 50 per cent of the carrying value of eligible consumer loans (2011: 50 per cent of the carrying value of PDLs).

At all relevant times during the 2012 and 2011 financial years, all undertakings under the bank loan facilities, including the TNW and LVR requirements, were complied with.

	2012 $'000	2011 $'000
NOTE 18: DERIVATIVES		
Current liabilities		
Interest rate swap and option contracts	–	17

Gains and losses arising from changes in the fair value of interest rate swap and option contracts designated as derivatives are recognised in the hedge reserve in the statement of changes in equity to the extent that the hedge is effective and recognised immediately in the income statement to the extent that the hedge is ineffective. The statement of changes in equity includes transfers to and from the hedge reserve.

Refer to Note 32(A)(b)(1) Financial Risk Management for further details of interest rate swap and option transactions.

	2012 $'000	2011 $'000
NOTE 19: PROVISIONS		
Current		
Restructuring costs	**158**	—
Employee benefits	**2,910**	1,840
	3,068	1,840
Non-current		
Restructuring costs	**1,242**	225
Employee benefits	**5,512**	2,902
	6,754	3,127
Total	**9,822**	4,967
A) Aggregate employee benefits liability	**8,422**	4,742
B) Actual number of employees at year end	**870**	718

	Restructuring costs $'000	Employee benefits $'000	Total $'000
Year ended 30 June 2012			
Opening balance	**225**	**4,742**	**4,967**
Additional provisions	**1,175**	**7,874**	**9,049**
Amounts used	**—**	**(4,194)**	**(4,194)**
Closing balance	**1,400**	**8,422**	**9,822**

Nature of provisions

Provisions include costs anticipated to be incurred by the consolidated group upon vacating current leased premises, accrued annual and long service leave as well as LTI.

	Note	2012 $'000	2011 $'000
NOTE 20: ISSUED CAPITAL			
45.57 million (2011: 45.21 million) fully paid ordinary shares	(A)	**42,735**	41,207
Issued capital			
Opening balance		**41,207**	40,099
Shares issued during the year			
— Deferred employee share plan		**228**	—
— Long-term incentive plan		**1,300**	—
— Dividend reinvestment plan		**—**	848
— Employee options exercised		**—**	260
Total		**42,735**	41,207

The Company 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.

	Note	2012 Number '000	2011 Number '000
NOTE 20: ISSUED CAPITAL (CONTINUED)			
A) Fully paid ordinary shares			
On issue at 1 July		**45,211**	44,529
Shares issued during the year			
— Dividend re-investment plan		**—**	282
— Employee option plan	(a)	**—**	400
— Employee share scheme	(b)	**360**	—
On issue at 30 June		**45,571**	45,211

a) Employee option plan

No shares were issued as a result of the exercise of vested options in the 2012 financial year (2011: 400,000).

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

b) Employee share plans

i) Deferred employee share plan (DESP)

In September 2011, 53,705 fully paid ordinary shares were issued to employees who have participated in the scheme and completed two full-time equivalent service years as at 1 September 2011.

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 were 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 for a further 12 months from the grant date before the shares are released to the participants.

ii) Long-term incentive plan (LTI)

A four-year financial plan was approved during the 2009 financial year and a proportion of any cumulative financial performance in excess of planned Adjusted EBITDA was accrued, subject to qualifications, as a long-term incentive.

In September 2011, 306,657 fully paid ordinary shares were issued to the Company's leadership group. 59,352 fully paid ordinary shares were vested immediately. The remaining shares will vest in September 2012 and September 2013.

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 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 17 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 consolidated group's 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 year ended 30 June 2012 and 30 June 2011 are:

	Note	2012 $'000	2011 $'000
Total borrowings	16, 17	**10,934**	41,733
Less cash and cash equivalents	8	**(2,831)**	(1,731)
Net debt		**8,103**	40,002
Total equity		**121,982**	104,341
Total capital		**130,085**	144,343
Gearing ratio		**6%**	28%

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 2012	2011
NOTE 23: CONTROLLED ENTITIES			
Interests in subsidiaries are:			
Subsidiaries of Credit Corp Group Limited			
Alpha Credit Pty Limited	Australia	**100**	100
Alupka Holdings Pty Limited	Australia	**100**	100
Certus Partners Pty Limited	Australia	**100**	100
Credit Corp Australia Pty Limited	Australia	**100**	100
Credit Corp Collections Pty Limited	Australia	**100**	100
Credit Corp Collections US Holdings, Inc	United States	**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**	—
Credit Corp Motor Traders Pty Limited	Australia	**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**	—
Credit Corp Services US Holdings, Inc	United States	**100**	—
Credit Corp Solutions, Inc	United States	**100**	—
Credit Corp US Collections Pty Limited	Australia	**100**	—
Credit Corp Western Australia Pty Limited	Australia	**100**	100
Credit Plan B Pty Limited	Australia	**100**	100
Creditcorp BPC Pty Limited	Australia	**100**	100
Hifel Pty Limited	Australia	**100**	100
Malthiest Pty Limited	Australia	**100**	100
Personal Insolvency Management Pty Limited	Australia	**100**	—
Torbige Pty Limited	Australia	**100**	100

NOTE 24: OPERATING SEGMENTS

A) Identification of reporting segments

The consolidated group has operations within Debt Ledger Purchasing, Consumer Lending and Mercantile Collections. The Consumer Lending and Mercantile Collections operations are not material to the consolidated group.

As a result the consolidated group has one reportable segment, Debt Ledger Purchasing, which is the consolidated group's strategic business unit. For the strategic business unit, the Company's CEO reviews internal management reports on a monthly basis.

The financial information presented in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position is predominantly derived from the Debt Ledger Purchasing business unit.

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 life of the receivables.

B) Geographic segments

The consolidated group materially operates in one geographic segment, Australia.

NOTE 25: CONTINGENT LIABILITIES

	2012 $'000	2011 $'000
The consolidated group had contingent liabilities at 30 June 2012 in respect of:		
Bank guarantees	**933**	1,010
Licensure bonds	**535**	—
Total	**1,468**	1,010

The guarantees and licensure bonds may give rise to a liability in the event the consolidated group does not meet its obligations under the terms of the obligations subject to the guarantees. No material losses are anticipated in respect of the above contingent liabilities.

On 23 December 2008 the consolidated group received a Statement of Claim (Statement) and an Application under Part IVA of the Federal Court of Australia Act (Application) from Clime Capital Limited (Clime).

The consolidated group has settled this matter during the year with Court approval obtained in April 2012. The agreed contribution of the consolidated group to the settlement did not have a material impact on either reported profit or operating cash flow for the 2012 financial year.

NOTE 26: LEASING COMMITMENTS

A) Operating lease commitments

Leases as lessee

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

	2012 $'000	2011 $'000
Payable		
Within one year	**3,683**	3,487
Between one and five years	**5,239**	3,900
Later than five years	**—**	—
Total	**8,922**	7,387

These relate to non-cancellable operating leases in respect of property, plant and equipment.

NOTE 26: LEASING COMMITMENTS (CONTINUED)

a) Property

1) Lease for $58,458 per annum expires December 2012.
2) Lease for $350,000 per annum expires June 2013.
3) Lease for $126,462 per annum expires August 2013. The minimum lease payments are subject to an annual 4 per cent per annum review. There is an option to extend the lease by a further 3 years to August 2016.
4) Lease for $421,120 per annum expires August 2013. The minimum lease payments are subject to an annual 4 per cent per annum review. There is an option to extend the lease by a further 5 years to August 2018.
5) Lease for $34,269 per annum expires February 2014.
6) Lease for $887,480 per annum expires September 2014. The minimum lease payments are subject to an annual 4 per cent per annum review. There is an option to extend the lease by a further 3 years to September 2017.
7) Lease for $1,486,785 per annum expires July 2015. The minimum lease payments are subject to an annual 4 per cent per annum review. There is an option to extend the lease by a further 3 years to July 2018.

b) Plant and equipment

Leases for plant and equipment range from $2,371 to $5,970 per annum and expire May 2015.

	2012 $'000	2011 $'000
NOTE 27: CAPITAL COMMITMENTS		
Within one year	**40,000**	33,700

The consolidated group is committed, through existing arrangements, to acquire PDLs that will become available in coming months. The details of these arrangements are commercially confidential; however, the estimated investment is expected to be $40.0 million (2011: $33.7 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 2012, which 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 DISCLOSURES

A) Key management personnel

The following were key management personnel of the consolidated group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

a) Non-Executive Directors

- Mr Donald McLay (Chairman)
- Mr Simon Calleia
- Mr Eric Dodd
- Mr Robert Shaw
- Mr Richard Thomas

b) Key management personnel

Name	Position	Employer
Mr Thomas Beregi	Chief Executive Officer	Credit Corp Group Limited
Mr Matthew Angell	Chief Operating Officer	Credit Corp Group Limited
Mr Michael Eadie	Chief Financial Officer	Credit Corp Group Limited
Mr Robert Shields (departed 30 September 2011)	Head of Collections	Credit Corp Group Limited
Ms Kristina White	Head of Business Services	Credit Corp Group Limited

	2012 $	2011 $
NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)		
B) Non-Executive Director and key management personnel compensation		
Short-term employee benefits	**2,745,424**	2,666,574
Other long-term benefits	**2,607,650**	1,748,604
Post-employment benefits	**132,100**	113,087
Share-based payments	**—**	6,309
Total	**5,485,173**	4,534,574

a) Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the consolidated group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

C) Options and rights over equity instruments

The movements during the reporting period in the number of options over ordinary shares in Credit Corp Group Limited held directly, indirectly or beneficially by each key management person, including their related parties are:

	Opening balance at 1 July Number	Exercised Number	Cancelled Number	Closing balance at 30 June Number	Vested during the year Number	Vested and exercisable Number
Year ended 30 June 2012						
Key management personnel						
Mr Thomas Beregi	**400,000**	**—**	**—**	**400,000**	**—**	**400,000**
Mr Matthew Angell	**410,000**	**—**	**(410,000)**	**—**	**—**	**—**
Mr Robert Shields (departed 30 September 2011)	**2,000**	**—**	**(2,000)**	**—**	**—**	**—**
Ms Kristina White	**50,000**	**—**	**(50,000)**	**—**	**—**	**—**
Total	**862,000**	**—**	**(462,000)**	**400,000**	**—**	**400,000**
Year ended 30 June 2011						
Key management personnel						
Mr Thomas Beregi	800,000	(400,000)	—	400,000	136,000	400,000
Mr Matthew Angell	410,000	—	—	410,000	—	410,000
Mr Robert Shields	2,000	—	—	2,000	—	2,000
Ms Kristina White	50,000	—	—	50,000	—	50,000
Total	1,262,000	(400,000)	—	862,000	136,000	862,000

No options were granted to key management personnel as compensation during the 2012 or 2011 reporting periods and no options are vested at balance date (2011: nil).

NOTE 29: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

D) Shareholdings

The movements during the reporting period in the number of ordinary shares in Credit Corp Group Limited held directly, indirectly or beneficially by each key management person, including their related parties are:

	Opening balance at 1 July Number	Received on exercise of options Number	Changes during the year [(a)] Number	Closing balance at 30 June Number
Year ended 30 June 2012				
Non-Executive Directors				
Mr Donald McLay (Chairman)	**2,260,135**	**—**	**—**	**2,260,135**
Mr Simon Calleia	**2,212,152**	**—**	**—**	**2,212,152**
Mr Eric Dodd	**10,000**	**—**	**—**	**10,000**
Mr Robert Shaw	**58,789**	**—**	**(38,789)**	**20,000**
Mr Richard Thomas	**9,984**	**—**	**—**	**9,984**
	4,551,060	**—**	**(38,789)**	**4,512,271**
Key management personnel				
Mr Thomas Beregi	**450,000**	**—**	**(400,000)**	**50,000**
Mr Matthew Angell	**51,389**	**—**	**8,687**	**60,076**
Mr Robert Shields (departed 30 September 2011)	**253,727**	**—**	**(115,100)**	**138,627**
Ms Kristina White	**3,227**	**—**	**15,951**	**19,178**
	758,343	**—**	**(490,462)**	**267,881**
Total	**5,309,403**	**—**	**(529,251)**	**4,780,152**
Year ended 30 June 2011				
Non-Executive Directors				
Mr Donald McLay (Chairman)	2,204,015	—	56,120	2,260,135
Mr Simon Calleia	2,182,116	—	30,036	2,212,152
Mr Eric Dodd	10,000	—	—	10,000
Mr Robert Shaw	87,338	—	(28,549)	58,789
Mr Richard Thomas	9,984	—	—	9,984
	4,493,453	—	57,607	4,551,060
Key management personnel				
Mr Thomas Beregi	50,000	400,000	—	450,000
Mr Matthew Angell	50,549	—	840	51,389
Mr Robert Shields	265,645	—	(11,918)	253,727
Mr Todd Vogel (departed 14 September 2010)	13,625	—	(13,625)	—
Ms Kristina White	227	—	3,000	3,227
	380,046	400,000	(21,703)	758,343
Total	4,873,499	400,000	35,904	5,309,403

(a) Other changes include shares purchased, sold or granted via participation in the Dividend Reinvestment Plan, shares granted via participation in the Long Term Incentive Plan and shares purchased or sold directly on the Australian Securities Exchange.

252,127 fully paid ordinary shares were issued to key management personnel in the 2012 financial year. 44,638 fully paid ordinary shares were vested immediately. The remaining shares will vest in September 2012 and September 2013.

NOTE 30: RELATED PARTY TRANSACTIONS

A) Parent entity

The parent entity of the consolidated group is Credit Corp Group Limited.

B) Subsidiaries

Interests in subsidiaries are set out in Note 23.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, were eliminated in the preparation of consolidated financial statements of the consolidated group and are not disclosed in this note.

C) Key management personnel

There were no transactions between the key management personnel and the consolidated group other than as disclosed in Notes 29 and 31 and the Directors' Report.

NOTE 31: SHARE-BASED PAYMENTS

A) Description of share-based payment arrangement

a) Employee option plan (equity-settled)

Shareholders re-approved the employee share option plan at the 2008 Annual General Meeting. Credit Corp Group employees are eligible to participate in the plan.

Options are granted under the plan for nil consideration. Generally, options granted vest over a maximum three-year period and expire five years from the date of grant.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in Credit Corp Group Limited.

The exercise price of options is based on the volume-weighted average price at which the Company's shares are traded on the Australian Securities Exchange during the five trading days immediately before the options are granted.

No options were issued to directors, executives or the five most highly remunerated officers of the Company as part of their remuneration in either 2012 or 2011 financial years.

1) Terms and conditions of employee option plan

All options are to be settled by physical delivery of shares.

Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options
Options grant to key management in 2008 financial year	400,000	3 years' service	5 years

2) Disclosure of employee option plan and replacement awards

Following are the summaries of options granted under the plan:

Grant date	Expiry date	Exercise price $	Share price at grant date $	Expected price volatility of the Company's shares %	Risk-free interest rate %	Balance at start of the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Year ended 30 June 2012										
1 July 2006	1 July 2011	**6.50**	**7.10**	**20**	**5.75**	**60,000**	**–**	**(60,000)**	**–**	**–**
1 July 2006	1 July 2011	**7.01**	**7.10**	**20**	**5.75**	**15,000**	**–**	**(15,000)**	**–**	**–**
3 October 2006	3 October 2011	**8.12**	**8.27**	**20**	**5.49**	**59,000**	**–**	**(59,000)**	**–**	**–**
3 October 2006	3 October 2011	**8.13**	**8.27**	**20**	**5.49**	**30,000**	**–**	**(30,000)**	**–**	**–**
13 November 2006	13 November 2011	**8.13**	**7.89**	**20**	**5.57**	**20,000**	**–**	**(20,000)**	**–**	**–**
14 November 2006	14 November 2011	**7.93**	**7.80**	**20**	**5.60**	**50,000**	**–**	**(50,000)**	**–**	**–**
2 January 2007	2 January 2012	**8.20**	**8.04**	**20**	**5.90**	**470,000**	**–**	**(470,000)**	**–**	**–**
8 January 2007	8 January 2012	**8.00**	**8.05**	**20**	**5.85**	**16,500**	**–**	**(16,500)**	**–**	**–**
6 June 2007	1 January 2012	**10.40**	**11.58**	**25**	**6.11**	**240,000**	**–**	**(240,000)**	**–**	**–**
3 September 2007	3 September 2012	**10.37**	**10.85**	**25**	**6.24**	**400,000**	**–**	**–**	**400,000**	**400,000**
Total						**1,360,500**	**–**	**(960,500)**	**400,000**	**400,000**
Weighted average exercise price						**$9.29**	**–**	**$8.75**	**$10.37**	**$10.37**

NOTE 31: SHARE-BASED PAYMENTS (CONTINUED)

Grant date	Expiry date	Exercise price $	Share price at grant date $	Expected price volatility of the Company's shares %	Risk-free interest rate %	Balance at start of the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Year ended 30 June 2011										
28 February 2006	28 February 2011	5.96	6.14	20	5.29	6,000	—	(6,000)	—	—
3 April 2006	3 April 2011	6.59	6.59	20	5.41	45,000	—	(45,000)	—	—
1 July 2006	1 July 2011	6.50	7.10	20	5.75	60,000	—	—	60,000	60,000
1 July 2006	1 July 2011	7.01	7.10	20	5.75	15,000	—	—	15,000	15,000
3 October 2006	3 October 2011	8.12	8.27	20	5.49	59,000	—	—	59,000	59,000
3 October 2006	3 October 2011	8.13	8.27	20	5.49	30,000	—	—	30,000	30,000
13 November 2006	13 November 2011	8.13	7.89	20	5.57	20,000	—	—	20,000	20,000
14 November 2006	14 November 2011	7.93	7.80	20	5.60	50,000	—	—	50,000	50,000
2 January 2007	2 January 2012	8.20	8.04	20	5.90	470,000	—	—	470,000	470,000
8 January 2007	8 January 2012	8.00	8.05	20	5.85	16,500	—	—	16,500	16,500
6 June 2007	1 January 2012	10.40	11.58	25	6.11	240,000	—	—	240,000	240,000
3 September 2007	3 September 2012	10.37	10.85	25	6.24	400,000	—	—	400,000	400,000
5 March 2008	5 March 2013	0.65	0.61	36	6.16	400,000	(400,000)	—	—	—
Total						1,811,500	(400,000)	(51,000)	1,360,500	1,360,500
Weighted average exercise price						$9.04	$0.65	$6.52	$9.29	$9.29

The options outstanding at 30 June 2012 have an exercise price of $10.37 (2011: $6.50 to $10.40) and a weighted average remaining contractual life of 0.18 years (2011: 0.85 years).

No options were exercised during the 2012 reporting period (2011: 400,000).

b) Employee share plans

1) DESP

The DESP is a non-transferrable benefit provided by the Company to eligible employees of Credit Corp Group Limited or its related companies. Under the 2011 DESP, employees who completed at least two years of full-time equivalent service as at 1 September 2011 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 share-based payment expense in the period the shares are 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 based on performance.

Shares issued under the DESP may not be traded for 12 months and are restricted under the trading policy of Credit Corp Group Limited. In all other respects the shares rank equally with other fully paid ordinary shares on issue.

2) LTI

A four-year financial plan was approved by the Board during the 2009 financial year. A proportion of any cumulative financial performance in excess of planned Adjusted EBITDA was accrued, subject to qualifications, as a long-term incentive.

The LTI has been partly paid in the form of deferred vesting shares.

Details of shares issued under the DESP and LTI during the year ended 30 June 2012 (2011: nil) are as follows:

	Issue date	Fair value $	Number of shares issued
DESP	15 September 2011	4.2406	53,705
LTI	21 September 2011	4.2406	306,657
Total			**360,362**

	2012 $'000	2011 $'000
NOTE 31: SHARE-BASED PAYMENTS (CONTINUED)		
B) Expenses arising from share-based payment transactions		
Employee expenses		
Shares granted in 2012 under the DESP	**228**	—
Share options granted in 2007 under the employee share option plan	**—**	6
Total expense recognised as employee costs	**228**	6
Total fair value of options granted during the year	**—**	—

NOTE 32: FINANCIAL RISK MANAGEMENT

The consolidated group's financial assets and liabilities consist mainly of deposits with banks, accounts receivable and payable, loans to consumers, PDLs and derivatives.

Derivatives are used by the consolidated group for hedging purposes. The Company 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:

	2012 $'000	2011 $'000
Financial assets		
Cash and cash equivalents	**2,831**	1,731
Trade and other receivables	**596**	371
Consumer loans receivable	**3,664**	—
Purchased debt ledgers at amortised cost	**129,146**	146,950
Total	**136,237**	149,052
Financial liabilities		
Trade and other payables	**10,363**	14,134
Payables under contract of sale at amortised cost	**571**	2,088
Bank overdrafts and loans	**—**	25,511
Interest rate swaps and option contract (effective portion)	**—**	17
Total	**10,934**	41,750

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

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, Canadian dollar and the Philippine peso relative to the Australian dollar may impact on the consolidated group's financial results.

As at balance date, had the Australian dollar weakened / 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. The risk is managed by the consolidated group by maintaining an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap contracts.

1) Interest rate swap and option transactions

Interest rate swap and option 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 which 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 or option contracts to fix maximum and minimum interest rates.

The consolidated group had entered into an interest rate option contract which provided an effective hedge of $10 million of its projected floating interest rate exposure up to expiry at 29 June 2012. The option contract was for a notional principal of $10 million and fixed maximum and minimum interest rates of 6.00 per cent per annum and 5.01 per cent per annum respectively, which were settled as required on a quarterly basis up to 29 June 2012.

The settlement dates of the option contract closely aligned with interest payment dates of the borrowings, which were for varying short-term maturities between 30 and 120 days. The net interest receivable or payable on the option contract was brought to account as an adjustment to finance costs in the income statement. As at balance date, no interest rate swap or option transactions are in place due to no borrowings being drawn down under the bank loan facility.

2) Profile

At balance date, the interest rate profile 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	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Financial assets									
Cash and cash equivalents	8	**–**	–	**2,831**	1,731	**–**	–	**2,831**	1,731
Trade and other receivables	10	**–**	–	**–**	–	**596**	371	**596**	371
Consumer loans receivable		**3,664**	–	**–**	–	**–**	–	**3,664**	–
Purchased debt ledgers at amortised cost	11	**–**	–	**–**	–	**129,146**	146,950	**129,146**	146,950
Total		**3,664**	–	**2,831**	1,731	**129,742**	147,321	**136,237**	149,052
Financial liabilities									
Trade and other payables	16	**–**	–	**–**	–	**10,363**	14,134	**10,363**	14,134
Payables under contract of sale at amortised cost	16	**–**	–	**–**	–	**571**	2,088	**571**	2,088
Bank overdrafts and loans	17	**–**	10,000	**–**	15,511	**–**	–	**–**	25,511
Interest rate swaps and option contract (effective portion)	18	**–**	17	**–**	–	**–**	–	**–**	17
Total		**–**	10,017	**–**	15,511	**10,934**	16,222	**10,934**	41,750

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

3) 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.

A change of two percentage points in interest rates would have increased or (decreased) the consolidated group's equity and profit and loss by the amounts shown below. These sensitivities assume all other variables remain constant.

	2012 $'000	2011 $'000
Change in net profit after tax		
— Increase in interest rate by two percentage points	–	69
— Decrease in interest rate by two percentage points	–	1
Change in equity		
— Increase in interest rate by two percentage points	–	69
— Decrease in interest rate by two percentage points	–	1

4) 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.

	2012 $'000	2011 $'000
Change in net profit after tax		
— Increase in interest rate by two percentage points	–	(217)
— Decrease in interest rate by two percentage points	–	217
Change in equity		
— Increase in interest rate by two percentage points	–	(217)
— Decrease in interest rate by two percentage points	–	217

B) Liquidity risk

Liquidity risk arises from the possibility that the consolidated group might encounter difficulty in settling its debts or otherwise meeting its obligations related 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 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.

	Note	Within 1 year 2012 $'000	Within 1 year 2011 $'000	1 to 2 years 2012 $'000	1 to 2 years 2011 $'000	Over 2 years 2012 $'000	Over 2 years 2011 $'000	Total 2012 $'000	Total 2011 $'000
NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)									
Non-derivative financial liabilities									
Trade and other payables	16	**10,363**	14,134	**–**	–	**–**	–	**10,363**	14,134
Payables under contract of sale	16	**571**	2,088	**–**	–	**–**	–	**571**	2,088
Bank overdrafts and loans	17	**–**	25,511	**–**	–	**–**	–	**–**	25,511
Derivative financial liabilities									
Interest rate swaps and option contract (effective portion)	18	**–**	17	**–**	–	**–**	–	**–**	17
Total		**10,934**	41,750	**–**	–	**–**	–	**10,934**	41,750

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.

	Note	Carrying amount 2012 $'000	Carrying amount 2011 $'000	Expected cash flow 2012 $'000	Expected cash flow 2011 $'000	Within 1 year 2012 $'000	Within 1 year 2011 $'000	1 to 2 years 2012 $'000	1 to 2 years 2011 $'000
Derivative financial liabilities									
Interest rate swaps and option contract (effective portion)	18	**–**	17	**–**	–	**–**	17	**–**	(17)
Total		**–**	17	**–**	–	**–**	17	**–**	(17)

C) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, 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	2012 $'000	2011 $'000

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Exposure to credit risk

The carrying amount of the consolidated group's financial assets represents the maximum credit exposure.

	Note	2012 $'000	2011 $'000
Cash and cash equivalents	8	**2,831**	1,731
Trade and other receivables	10	**596**	371
Consumer loans receivable		**3,664**	—
Purchased debt ledgers at amortised cost	11	**129,146**	146,950
Total		**136,237**	149,052

The consolidated group's maximum exposure to credit risk for trade and other receivables at the balance date by geographic region was:

	Note	2012 $'000	2011 $'000
AUD			
Australia	10	**596**	371
AA-rated counterparties		**—**	—
Counterparties not rated		**596**	371
Total		**596**	371

The consolidated group's maximum exposure to credit risk for trade and other receivables at the balance date by type of counterparty was:

	2012 $'000	2011 $'000
Government	**97**	51
Banks	**208**	173
Other	**291**	147
Total	**596**	371

D) Fair value versus carrying amounts

The fair values of the interest rate option contracts are determined using a mark-to-market valuation provided by the option counterparty and verified internally.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Year ended 30 June 2012				
Interest rate swaps and option contract (effective portion)	**—**	**—**	**—**	**—**
Year ended 30 June 2011				
Interest rate swaps and option contract (effective portion)	—	(17)	—	(17)

NOTE 33: CHANGES IN ACCOUNTING POLICY

The consolidated group has reviewed its accounting policy with regard to the classification of the acquisition of PDLs in the statement of cash flow in the first half of the 2012 financial year.

The effect of the change in accounting policy for the year ended 30 June 2012 is as follows:

	Previously stated $'000	Adjustment $'000	Restated $'000
Changes in operating assets arising from cash flow movements			
Acquisition of purchased debt ledgers	—	(94,565)	(94,565)
Changes in operating assets arising from cash flow movements	—	(94,565)	(94,565)
Net cash inflow from operating activities	119,505	(94,565)	24,940
Cash flows from investing activities			
Acquisition of purchased debt ledgers	(94,565)	94,565	—
Net cash (outflow) from investing activities	(95,663)	94,565	—
Cash flow information			
Non-cash flows in profit			
— Foreign currency revaluation	(9)	(115)	(124)
Purchased debt ledgers cash collections not recognised in profit	93,127	(93,127)	—
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries			
— (Increase) in purchased debt ledgers	—	(1,323)	(1,323)
Net cash from operating activities	119,505	(94,565)	24,940

	2012 $'000	2011 $'000
NOTE 34: PARENT ENTITY INFORMATION		
A) Result of parent entity		
Profit for the year	**19,445**	13,352
Other comprehensive income	**16**	522
Total comprehensive income for the year	**19,461**	13,874
B) Financial position of parent entity at year-end		
Assets		
Total current assets	**58,358**	59,413
Total non-current assets	**80,600**	96,891
Total assets	**138,958**	156,304
Liabilities		
Total current liabilities	**17,766**	89,357
Total non-current liabilities	**46,863**	3,126
Total liabilities	**64,629**	92,483
Net assets	**74,329**	63,821
Equity		
Issued capital	**42,735**	41,207
Equity compensation reserve	**402**	1,354
Hedging reserve	**—**	(16)
Retained earnings	**31,192**	21,276
Total equity	**74,329**	63,821

	2012 $'000	2011 $'000
NOTE 34: PARENT ENTITY INFORMATION (CONTINUED)		
C) Contingent liabilities		
Bank guarantees	**933**	1,010

The parent entity has provided financial guarantees to entities within the consolidated group in respect of operating leases over properties and the provision of collection services.

Detailed contingent liabilities are disclosed in Note 25.

D) Deed of cross guarantee

The parent entity has not entered into any cross guarantees in respect of the debts of its subsidiaries during the 2012 reporting period (2011: nil).

E) 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 (2011: nil).

NOTE 35: COMPANY DETAILS

The registered office of the Company is:
Level 11, 10 Barrack Street, Sydney NSW 2000, Australia
Telephone: +61 2 9347 3600
Fax: +61 2 9347 3650

The principal places of business are:
Mezzanine, Levels 1, 6 and 11, 10 Barrack Street, Sydney NSW 2000, Australia
Suites 34-36, 20 Gibbs Street, Miranda NSW 2228, Australia
Unit 7, 18 Gibbs Street, Miranda NSW 2228, Australia
Levels 1 & 4, 31-39 Macquarie Street, Parramatta NSW 2150, Australia
9 & 10/2994 Logan Road, Underwood QLD 4119, Australia
Level 1, 33 Park Road, Milton QLD 4064, Australia
19 First Avenue, Sunshine VIC 3020, Australia
Suite 1-4, 4th Floor MSE Building, 6767 Ayala Avenue, Makati City, Republic of the Philippines
8996 Miramar Road, Suite 220, San Diego, CA 92126, United States of America

Directors' Declaration

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

1) the financial statements and notes, as set out on pages 28 to 66 are in accordance with the *Corporations Act 2001*, and:
   a) give a true and fair view of the financial position as at 30 June 2012 and of its performance for the year ended on that date of the consolidated group, and
   b) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
2) 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; and
3) 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.

Donald McLay
Non-Executive Director

Robert Shaw
Non-Executive Director

Date: 7 August 2012

HALLCHADWICK

Chartered Accountants and Business Advisers

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

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

SYDNEY

Level 29
St Martin's Tower
31 Market Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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PARRAMATTA

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PENRITH

Ph: (612) 4721 8144
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MELBOURNE

Ph: (613) 8678 1600
Fx: (613) 8678 1699

PERTH

Ph: (618) 9489 2560
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BRISBANE

Ph: (617) 3211 1250
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GOLD COAST

Ph: (617) 5538 2322
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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 2012, the consolidated income statement, 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 company's preparation 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 requirements of the Corporations Act 2001.

HALLCHADWICK

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

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

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 2012 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 22 to 25 of the directors' report for the year ended 30 June 2012. 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 2012 complies with Section 300A of the Corporations Act 2001.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

David Kenney
Partner

Date: 7 August 2012

Five-Year Financial Summary

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Income and expenditure					
Purchased debt ledgers collections	**230,442**	205,289	178,806	152,950	141,898
Less: Purchased debt ledgers amortisation	**(108,439)**	(93,127)	(87,609)	(70,181)	(59,634)
Interest revenue from purchased debt ledgers	**122,003**	112,162	91,197	82,769	82,264
Other revenue	**2,587**	1,474	2,216	2,850	1,986
Total revenue	**124,590**	113,636	93,413	85,619	84,250
Profit after tax	**26,578**	21,024	13,543	10,862	5,788
Income tax expense	**11,454**	9,059	6,215	4,825	3,572
Net interest expense	**1,570**	5,357	7,848	10,004	11,858
Depreciation and impairment	**1,652**	1,242	1,989	1,482	4,352
Purchased debt ledgers amortisation	**108,439**	93,127	87,609	70,181	59,634
Adjusted EBITDA[A, B]	**149,693**	129,809	117,204	97,354	85,204
Financial position					
Current assets	**60,689**	59,121	69,718	65,784	71,161
Non-current assets	**85,492**	97,168	86,625	111,874	147,440
Intangible assets	**800**	800	800	1,520	2,090
Total assets	**146,981**	157,089	157,143	179,178	220,691
Current liabilities	**17,926**	48,187	25,805	12,564	23,910
Non-current liabilities	**7,073**	4,561	42,911	92,121	128,687
Total liabilities	**24,999**	52,748	68,716	104,685	152,597
Net assets	**121,982**	104,341	88,427	74,493	68,094
Borrowings	**—**	25,511	43,866	81,882	127,376
Shares on issue 000's	**45,571**	45,211	44,529	44,258	43,768
Cash flows					
From operating activities	**38,739**	24,940	41,088	45,301	1,817
From investing activities	**(1,879)**	(1,098)	(436)	172	(1,975)
From financing activities	**(35,717)**	(23,870)	(39,535)	(47,139)	(2,052)
Net increase / (decrease) in cash	**1,143**	(28)	1,117	(1,666)	(2,210)
Key statistics					
Earnings per share					
— Basic (cents)	**58.4**	46.9	30.5	25.9	12.3
— Diluted (cents)	**58.4**	46.9	30.3	25.8	12.2
Dividends per share (cents)	**29.0**	20.0	8.0	4.0	4.0
NPAT / revenue	**21.33%**	18.50%	14.50%	12.69%	6.87%
Return on equity	**23.49%**	21.81%	16.63%	15.24%	8.72%
NTA backing per share (cents)	**265.92**	229.02	196.79	164.88	150.80

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

Shareholding Information

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

Twenty largest ordinary shareholders at 31 August 2012	Ordinary shares Number	%
National Nominees Limited	6,141,410	13.48
J P Morgan Nominees Australia Limited	5,568,705	12.22
Aust Executor Trustees SA Limited	2,805,816	6.16
HSBC Custody Nominees (Australia) Limited	2,120,451	4.65
Torres Industries Pty Limited	2,120,415	4.65
Slima Pty Limited	2,079,153	4.56
Dixson Trust Pty Limited	1,164,738	2.56
BNP Paribas Noms Pty Limited	1,074,363	2.36
Citicorp Nominees Pty Limited	477,185	1.05
Mr Brook Anthony Adcock	424,075	0.93
Warman Investments Pty Limited	350,000	0.77
Garrett Smythe Limited	320,000	0.70
Darrell James Pty Limited	310,000	0.68
Upton Salvage Trading Pty Limited	282,441	0.62
Berne No. 132 Nominees Pty Limited	278,575	0.61
Comodale Pty Limited	244,378	0.54
Mr Christopher Deane	203,750	0.45
Jinespri Pty Limited	200,000	0.44
Bradleys Polaris Pty Limited	187,535	0.41
Upton Holdings Pty Limited	177,376	0.39
Total	**26,530,366**	**58.23**
Total ordinary shares as at 31 August 2012	**45,571,114**	**100.00**

SUBSTANTIAL SHAREHOLDER

At 31 August 2012 the following shareholder was registered by the Company as a substantial holder, having declared a relevant interest in accordance with the *Corporations Act 2001*, in the voting shares below:

Holder	Date of notice	Ordinary shares	%
Fisher Funds Management Limited	8 March 2011	3,061,334	6.72

DETAILS OF ORDINARY SHAREHOLDINGS

Details of the spread of ordinary shareholdings at 31 August 2012 are:

Category	Number of shareholders	Number of shares	%
1 – 1,000	1,443	723,720	1.59
1,001 – 5,000	1,604	4,095,983	8.99
5,001 – 10,000	443	3,298,787	7.24
10,001 – 100,000	356	9,987,647	21.92
100,001 and over	33	27,464,977	60.26
Total	**3,882**	**45,571,114**	**100.00**

152 shareholders (representing 6,007 fully paid ordinary shares) held less than a marketable parcel.

Shareholding Information

OTHER INFORMATION

Credit Corp Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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 currently on-market buy-back of its shares.

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 the options.

UNQUOTED EQUITY SECURITIES

A total of 400,000 options are on issue under the Credit Corp Group Limited EOP.

ENQUIRIES

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Australia

Telephone +61 2 9290 9600
Fax +61 2 9279 0664

Email enquiries@boardroomlimited.com.au
Website www.boardroomlimited.com.au

Corporate Directory

Credit Corp Group Limited
ABN 33 092 697 151

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.

Directors
Mr Donald McLay
Mr Simon Calleia
Mr Eric Dodd
Mr Robert Shaw
Mr Richard Thomas

Company secretaries
Mr Thomas Beregi
Mr Michael Eadie
Mr Geoffrey Templeton

Head office and registered office
Level 11, 10 Barrack Street
Sydney NSW 2000
Australia

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Australia

Telephone +61 2 9347 3600
Fax +61 2 9347 3650

Email investorinfo@creditcorp.com.au
Website www.creditcorp.com.au

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Email enquiries@boardroomlimited.com.au
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