WORKING WITH YOU

ANNUAL REPORT 2013

Credit Corp Group

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

CREDIT CORP UNDERSTAND ME

Highlights

12%

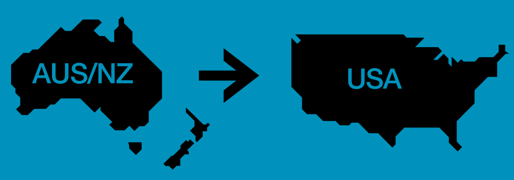
12 per cent growth in underlying Net Profit After Tax (NPAT) to $29.9 million

28%

28 per cent increase in dividends for the year to 37 cents per share

$136.8m

Record Purchased Debt Ledger (PDL) acquisitions of $136.8 million



Creation of a competitive operational platform for growth in the US

$19m

Accelerated growth in the consumer lending book to $19 million

NOTICE OF ANNUAL GENERAL MEETING

The AGM will be held on Thursday 7 November 2013
at The Grace Hotel, Yurra/Marra Room
Level 2, 77 York Street, Sydney NSW 2000.
The meeting commences at 11:00am, with registration from 10:30am.

The 2013 year represents an inflection point in the evolution of Credit Corp as a listed company. While maintaining its record of strong earnings growth and solid returns established over the past five years, the company was transformed from a mono-line Australian debt buyer into a diversified financial services operator with international growth potential. Importantly, this transformation was achieved organically, without the risk associated with expansion through acquisition.

CHAIRMAN'S REPORT

DONALD MCLAY, CHAIRMAN

Credit Corp's performance in 2013 is the culmination of a clearly articulated strategy with a unifying ethical approach to doing business and a positive culture to ensure disciplined execution.

The current Board and management set in place a strategic plan five years ago. The plan identified the potential for significant earnings growth through a program of operational improvement. Key elements of the plan included improved management through the establishment of accountability and measurement systems, a strong focus on technical skill development in our collection operations and improved tools to facilitate the collection process. The plan incorporated an increase in investment in analytics to direct operations more effectively and improve the accuracy of purchasing decisions. The plan also specified the establishment of a low-cost offshore facility to improve our competitiveness in certain segments of the debt buying market. The disciplined pursuit of these elements of our plan has delivered the business results we see today.

In 2013 this program of ongoing improvement produced impressive earnings growth and solid financial returns. Underlying Net Profit After Tax (NPAT) grew by 12 per cent to a record of $29.9 million. Reported NPAT, including a favourable one-off item, grew by 20 per cent to $32.0 million. The company maintained its Return On Equity (ROE) at a level which met the required rate of return. All of this was achieved with minimal bank debt and low financial risk for shareholders.

The strategic plan recognised the need to sustain long-term growth through international expansion and domestic diversification. These initiatives have been pursued organically with proper planning and due diligence to minimise risk and maximise the likelihood of success. Credit Corp has established a high-performing debt buying operation in the United States of America (US). The US debt buying market is 20 times the size of Australia's and now represents a substantial long-term growth opportunity for the company.

Credit Corp has successfully entered Australian consumer lending, with a loan book of $19.0 million. The consumer lending business is focused on consumers with impaired credit records and has significant growth potential because it operates in a market segment that is not serviced by mainstream lenders. Both of these initiatives leverage the excellence we have established in our core debt buying operation.

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

We have very strong client relationships in Australia and New Zealand and our ethical approach will assist us in successfully navigating changes in the US market. In our dealings with clients, the sellers of debts, we always offer the highest prices possible which will enable us to meet our required rate of return. We also invest heavily in compliance initiatives to ensure that our conduct enhances the positive reputations of our blue chip clients. The US debt sale market is experiencing a transition, where regulators are increasingly holding lenders responsible for the actions of debt buyers to whom they have sold debts. This transition represents a challenge for new entrants, such as Credit Corp, as sellers retreat to larger established buyers. We have already formed some strong relationships in the US and we are confident that our ethical approach to collection will assist in expanding our client base.

Credit Corp has a strong reputation for ethical and responsible dealings with its customers. In our collection activity we work with our customers to understand their financial situation and agree flexible repayment solutions. We appreciate the personal stress associated with financial difficulty and are respectful in our conversations. In our lending business we provide responsible and affordable products with interest and fee rates set well below legislated caps. Unlike some operators in the segments in which we operate we are not interested in exploiting consumers, but rather working with them to deliver sustainable solutions.

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

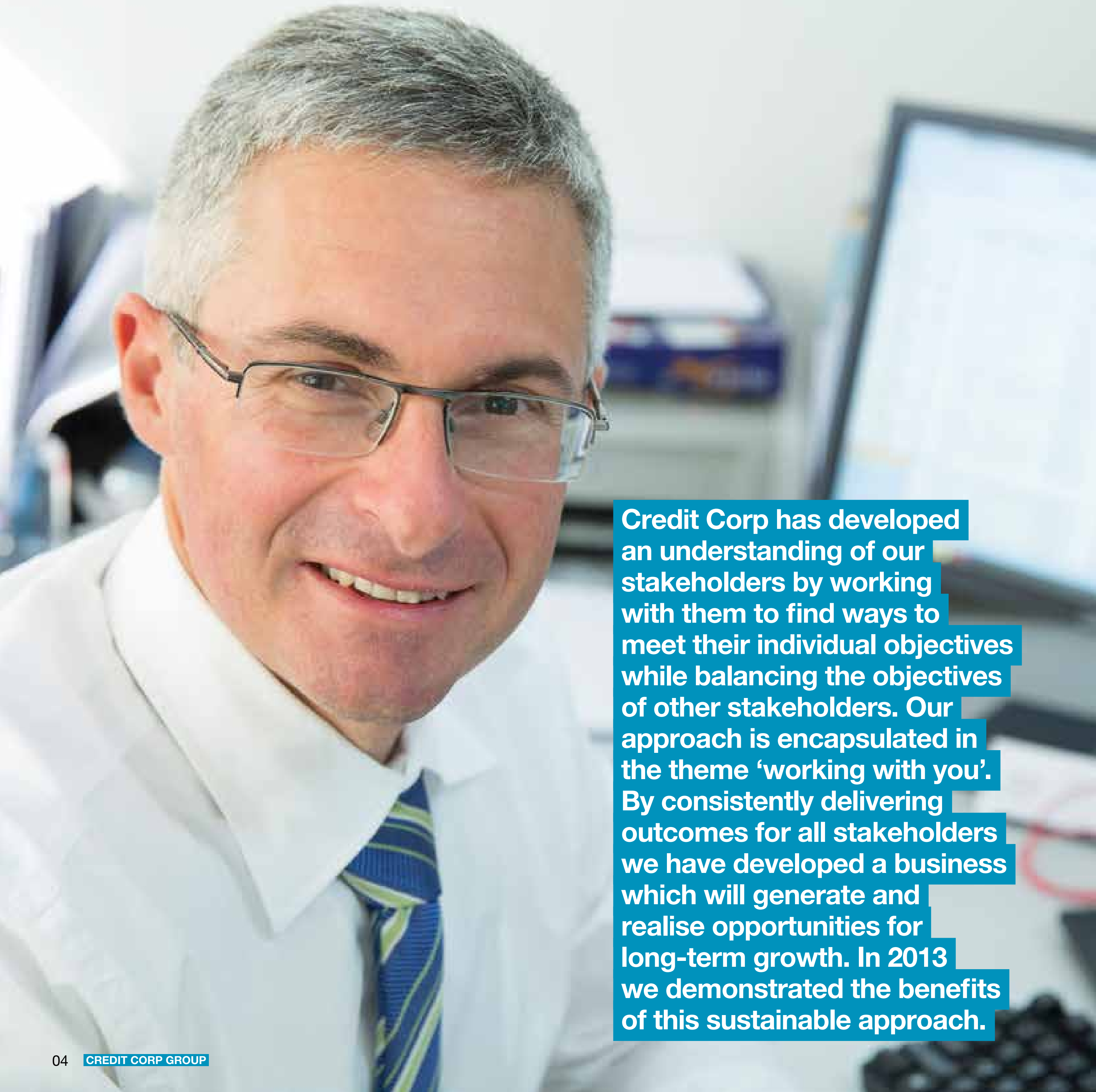
Our positive culture is the vital factor which has enabled us to successfully execute our plans and maintain our ethical approach. Credit Corp's culture reflects a commitment to discipline, accountability and transparency at all levels of the company. We operate with the discipline to follow through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

I thank my fellow directors, our CEO Thomas Beregi and his management team for their disciplined stewardship of the company as it delivers sustained growth in shareholder value. The company's key assets are its increasingly diverse staff who invest their personal energy and consistently exceed expectations. On behalf of the Board and shareholders I wish to thank all our employees for their continued contribution to the success of the company.

Donald McLay
Chairman

CEO'S REPORT

THOMAS BEREGI, CHIEF EXECUTIVE OFFICER



Credit Corp has developed an understanding of our stakeholders by working with them to find ways to meet their individual objectives while balancing the objectives of other stakeholders. Our approach is encapsulated in the theme 'working with you'. By consistently delivering outcomes for all stakeholders we have developed a business which will generate and realise opportunities for long-term growth. In 2013 we demonstrated the benefits of this sustainable approach.

Credit Corp is an organisation committed to delivering strong outcomes for all its stakeholders. The starting point for achieving results is understanding.

SHAREHOLDERS

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

In 2013 Credit Corp performed strongly for its shareholders. Underlying Net Profit After Tax increased by 12 per cent over the prior year to $29.9 million. Reported NPAT grew by 20 per cent to $32.0 million, including the impact of the favourable settlement of a one-off corporate litigation matter. At the same time there was substantial investment in future growth with a record outlay of $136.8 million for Purchased Debt Ledgers (PDLs). Despite this large investment our required rate of return was met for the year.

CLIENTS

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

In 2013 Credit Corp delivered superior outcomes for its clients. The Australian debt buying market is highly competitive, comprising a number of very capable operators. Credit Corp has maintained an effective programme of continuous improvement over the past five years. Improvements over this period have included disciplined measurement systems to promote performance through individual accountability, enhanced technology to improve effectiveness and efficiency, superior analysis to support accurate pricing and improved collection performance together with the successful implementation of a low-cost offshoring initiative to enhance competitiveness in the telecommunications and utilities sectors.

Despite intensified competition Credit Corp was able to leverage these improvements to outbid competitors and secure record purchases in 2013. During the year the company secured purchases from all the major sellers of charged-off receivables in the Australian market.

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

During 2013 we extended our potential client base through international expansion. Improvements over the last five years have made Credit Corp the largest and most competitive debt buyer in Australia. But our core market is relatively small, limiting the potential for further growth. After some exploratory purchasing with partners during 2012, Credit Corp established itself as a stand-alone debt buyer in the United States of America (US) in 2013.

Credit Corp opened an operational site and commenced buying directly from a major US credit issuer at the start of the year. Performance improved over 2013 as Credit Corp systems and practices were adapted to the new market. Recent results from our early purchases are in line with initial projections and suggest that our required rate of return will be achieved.

At the same time as achieving operational targets Credit Corp has established a strong profile with several major US credit issuers.

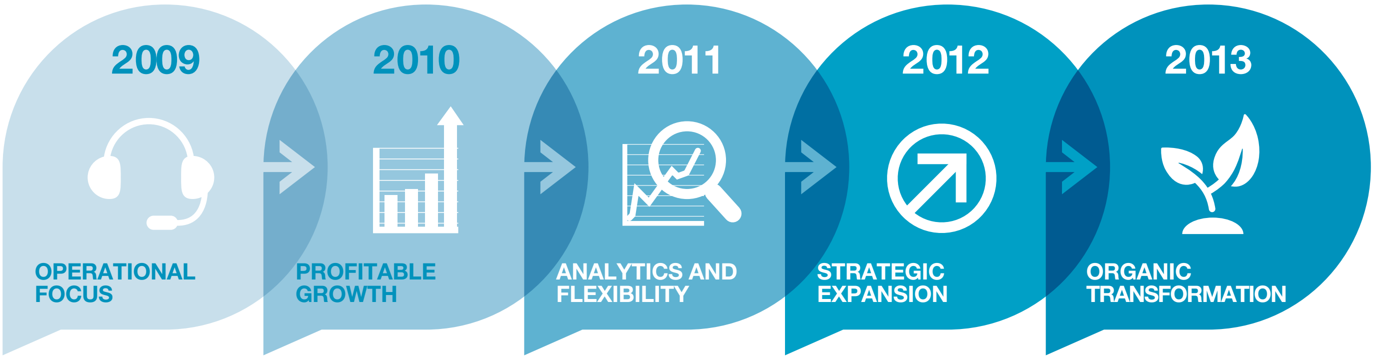
Until recently, the US debt buying market operated somewhat like a commodity exchange where charged-off debts would be bought, on-sold and outsourced to third parties several times. Many credit issuers paid limited attention to the collection practices applied to debts once sold. This led to increased instances of inappropriate collection practices and an approach of bulk consumer litigation, with some major buyers sourcing up to 50 per cent of collections through the use of the court system. This has attracted the attention of federal and state governments. Regulators are now imposing increased accountability on credit issuers for the actions of debt buyers and the US is transitioning to become more like the Australian market.

Credit Corp's sustainable approach to collection activity, designed to enhance the reputation of our clients is well-suited to the transition occurring in the US market. US credit issuers are attracted to our flexible collection approach, our limited use of litigation, our ability to control compliance through in-house collection and our readiness to commit to never reselling customer accounts.

Improved collection performance and positive feedback from credit issuers led to continued US purchasing throughout the year and we filled our first collection facility with 41 full-time equivalent (FTE) staff. A second US site capable of accommodating more than 200 staff was secured late in 2013. Collection activity from this site is now underway.

In the short-term the transition in the US market will make purchasing more challenging and may limit our rate of growth. Increased regulatory scrutiny of debt sale has resulted in a temporary reduction in the supply of charged-off debts while issuers withdraw to establish revised debt sale policies and practices. This has caused prices to increase sharply to levels which will not enable Credit Corp to achieve its required rate of return.

CEO's Report



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.

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

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

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

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

We remain confident in the long-term outlook for our US business. Market participants expect that supply will resume and that industry consolidation will continue, with many smaller operators withdrawing from the industry and others merging. It is anticipated that credit issuers will increasingly favour larger debt buyers with strong compliance practices, well-controlled in-house collection operations and a commitment to refrain from reselling customer accounts. Over time we expect a return to more normal market conditions where our required rate of return can be achieved.

CUSTOMERS

Our customers are the consumers we interact with each day. In our core debt buying business we understand that our customers are looking for a solution to their financial difficulty. By being flexible and understanding we work with our customers to agree suitable repayments. At the end of 2013 Credit Corp had more than 100,000 customers making payments pursuant to mutually-agreed repayment plans.

In 2013 we applied our understanding of customers who have experienced financial difficulty to expand our consumer lending business. We service customers with impaired credit records who are unable to access mainstream credit from banks and major finance companies. Credit Corp's commitment to its lending customers is to provide fair and affordable products delivered responsibly.

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

Credit Corp's approach is gaining traction with consumers. Over the course of the year our lending book grew strongly, reaching $19 million gross of provisions by the end of 2013. Our major product is an instalment loan branded as 'MoneyStart' and is for a maximum of $5,000 with a term of up to three years. Arrears and losses on the MoneyStart product are in line with expectations and performance is on track to meet Credit Corp's required rate of return. Other products are showing strong results in their pilot phase and may be rolled out during 2014.

PEOPLE

Our people are critical to delivering stakeholder outcomes. They appreciate clear expectations, reward for results and career opportunities. In return, Credit Corp people operate with the discipline to follow through with actions and diligently adhere to proper procedure. They embrace accountability and take responsibility for measuring and improving their performance.

Our people are transparent and open in all their dealings, whether these are with colleagues, clients or customers. It is Credit Corp's culture of discipline, accountability and transparency which has put the company in a position to grow into the future.

Growth has delivered opportunity. As part of working with our people we have a strong commitment to internal promotion. People from our core Australian debt buying business have been given opportunities to develop 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

Competition intensified during the latter stages of 2013 and the outlook is for reduced purchasing in the year ahead. Notwithstanding this, strong purchasing in 2013 will produce another year of earnings growth in 2014.

We will continue to grow and improve the US business in order to position the company to participate in that market as it consolidates. The Australian lending business is on track to grow and diversify as additional products transition from their pilot phase during the year.

Thomas Beregi
Chief Executive Officer

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

REVIEW OF OPERATIONS

FINANCIAL RESULTS

Underlying Net Profit After Tax (NPAT) grew by 12 per cent to $29.9 million. This growth in earnings was due to another year of improved performance in the core Australian debt buying business. Reported NPAT of $32.0 million included $2.1 million net of costs and tax for the favourable one-off settlement of a corporate litigation matter.

Total dividends in respect of the year incorporate the 100 per cent distribution of the one-off litigation settlement. The payout of underlying earnings was consistent with previous years, approximating a payout ratio of 50 per cent.

PDL acquisitions	48% ↑	$136.8m
Revenue – underlying [1]	11% ↑	$138.3m
NPAT – underlying [1]	12% ↑	$29.9m
NPAT – reported	20% ↑	$32.0m
EPS (basic) – underlying [1]	12% ↑	65.2 cents
EPS (basic) – reported	20% ↑	69.8 cents
Dividend per share	28% ↑	37.0 cents [2]

1) Excludes one-off litigation settlement with an impact on NPAT of positive $2.1m.
2) Final dividend of 17 cents per share.

CAPITAL AND CASH FLOW

2013 was a strong year of investment for Credit Corp, with almost all operating cash flows deployed in acquiring Purchased Debt Ledgers (PDLs) and originating consumer loans. The company carried modest net bank debt at the end of the 2013 financial year of $4.9 million.

Credit Corp maintains a banking facility of $60 million which provides it with flexibility to fund short-term fluctuations in purchasing volumes. It also allows the company to fund large one-off purchasing opportunities without the need to dilute returns by holding large amounts of cash. The company continues to produce a Return On Equity (ROE) of over 20 per cent, well above its required rate of return. This return was achieved with modest levels of gearing, representing a low level of financial risk for investors.

$ million	FY13	FY12	FY11
Gross operating cash flow	158.2	136.5	119.5
PDL acquisitions, lending and capex	(148.5)	(99.6)	(95.7)
Net operating (free) cash flow	**9.7**	**36.9**	**23.8**
PDL carrying value	147.2	129.1	147.0
Net bank debt	4.9	–	23.8
Net debt / carrying value (%)	**3.3%**	**–**	**16.2%**

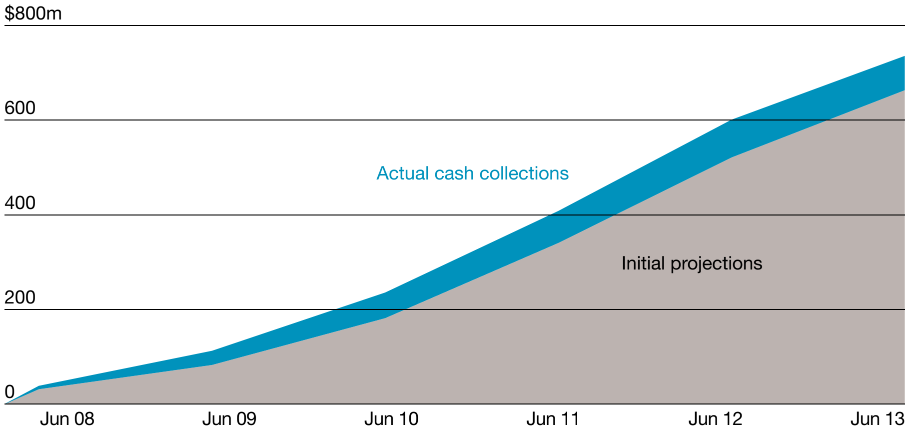
2013 was a strong year for Credit Corp, with almost all operating cash flow deployed in acquiring Purchased Debt Ledgers (PDLs) and originating consumer loans.

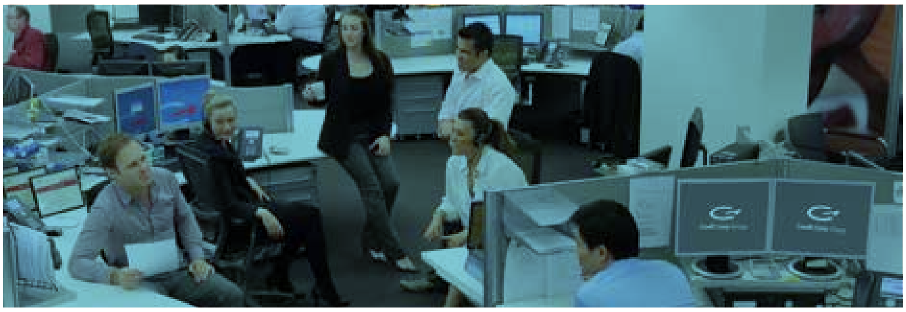
DISCIPLINED PURCHASING

2013 was a record year of purchasing with a total outlay of $136.8 million to acquire PDLs. Continued core business operational improvement, including an increased investment in analytical capability, contributed to this outcome. On average, purchases made in 2013 are meeting ingoing projections and are on track to achieve the company's required rate of return.

Purchasing conditions, however, remain challenging with limited market growth and increased demand from competitors. Credit Corp secured fewer PDL contracts during the second half of 2013 relative to the first half. Credit Corp will continue to maintain its purchasing discipline. The company will offer the highest prices for PDLs that allow it to meet its required rate of return. Based on recent market experience this is likely to result in lower purchasing in 2014.

Cumulative collections (initial projections versus actual)





AUSTRALIAN CONSUMER LENDING

The consumer lending business focused on customers with impaired credit records grew strongly in 2013 with the gross loan book reaching $19.0 million. This loan book is primarily comprised of instalment loans of up to $5,000 branded as MoneyStart. Lending volumes continue to grow and losses remain within expectations.

US EXPANSION

The US PDL book grew to $5 million by the end of 2013 and staffing levels increased to 41 FTE. Operational performance improved over the year as practices and systems were adapted. Recent results suggest that required rates of return will be achieved on initial purchases. A second operational site capable of accommodating more than 200 staff was secured late in the year.

A second operational site capable of accommodating more than 200 staff was secured late in the year.

$742m

The face value of accounts under arrangement increased by 16 per cent to $742 million

CORE BUSINESS PERFORMANCE

The performance of the core business in 2013 was underpinned by the continued effectiveness and efficiency of the collection operation.

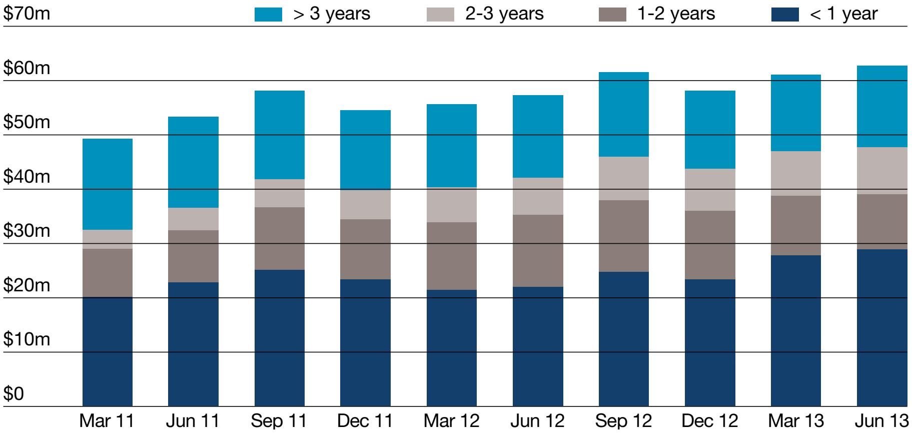
Collection effectiveness is achieved when economic collections are maximised on each PDL. While the majority of collections are derived within the first two years subsequent to acquisition of a PDL, effectiveness is maximised when collections are sustained over the entire assumed six year collection life. In 2013 collections from PDLs held for more than two years increased over the prior year, demonstrating strong collection effectiveness.

Effectiveness is supported by the creation and maintenance of recurring payment arrangements. Many customers are unable to make a lump sum repayment of their outstanding debt. Credit Corp works with customers to agree regular repayments to repay the outstanding debt over time. Once in place, these arrangements require ongoing maintenance to minimise delinquency. The likelihood of complete repayment is significantly increased once an arrangement is in place. The face value of accounts under arrangement increased by 16 per cent in 2013 to $742 million.

To earn an appropriate return Credit Corp must also be efficient. Collection efficiency or productivity is measured in dollars collected per direct collection staff member hour worked. In 2013 productivity was in line with expectations. Australian-based collection staff productivity improved by 3 per cent to $272 per hour, while overall productivity declined by 11 per cent to $198 per hour. The decline in overall productivity reflects the impact of growth in the Philippines site during 2012 rolling into 2013 results. Productivity is lower in the Philippines because it specialises in the collection of low balance telecommunications and utility accounts and is offset by lower costs.

Collection capacity increased during the year from 770 to 831 full-time equivalent (FTE) staff in line with additional purchasing. This enlarged capacity will contribute to increased collections during 2014.

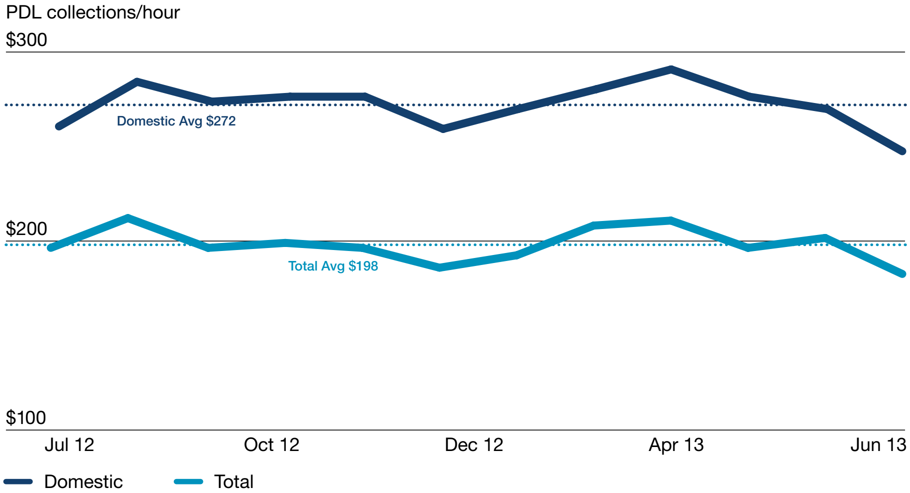
PDL collections by date of purchase



Total portfolio	FY13	FY12	FY11
Face value	$4.0bn	$3.6bn	$3.2bn
Number of accounts	711,000	598,000	413,000

Payment arrangements	FY13	FY12	FY11
Face value	$742m	$639m	$598m
Number of accounts	106,000	90,000	77,000
% of PDL collections	72%	71%	70%

Debt purchase productivity (direct collection staff)



Board of Directors

Donald McLay
Chairman
BCom, CA (NZ), ACIS, Ffin

Appointed as a Non-Executive Director in March 2008 and Chairman and member of the Audit Committee and Remuneration Committee on 30 June 2008.

Don has more than 35 years' experience within financial markets, investment banking and broad business services. He has previously held executive roles at a number of local and overseas investment management and investment banking organisations, working in London, Singapore, Auckland and Sydney.

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

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

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

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

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

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

Simon holds a Bachelor of Commerce degree, a Postgraduate Diploma in Applied Finance and Investment, 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. Eric previously held the position of Managing Director and CEO of MBF Australia Limited for a six year period and was appointed as Managing Director of the combined organisation when MBF merged with BUPA Australia in June 2008.

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

Eric is currently Chairman of First American Title Insurance Australia, Firstfolio Limited and Ambition Group Limited. Eric also serves as a Director of SFG Australia Limited.

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

Richard Thomas
Non-Executive Director
FAICD

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

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

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

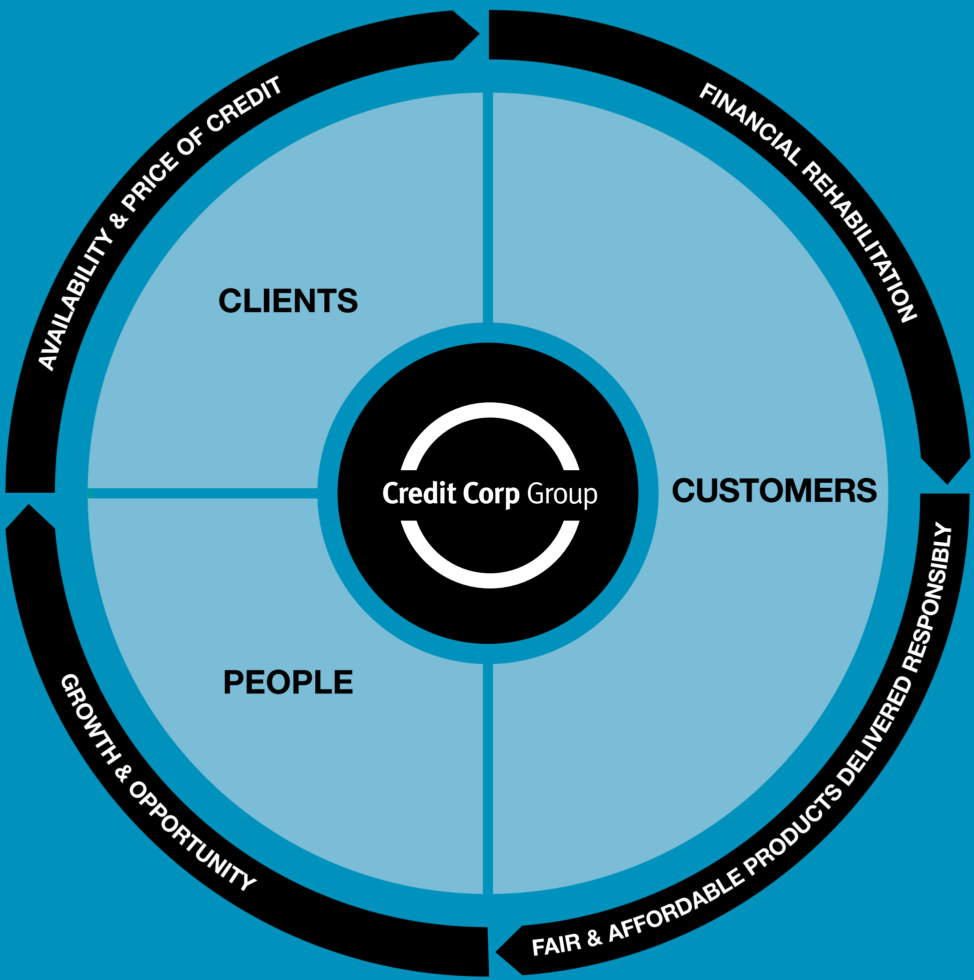
Rob Shaw
Non-Executive Director
BE, MBA, MPA, FAICD, JP

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 Audit Committee. Former Board roles include Insearch Limited and The Rugby Club Limited.

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.

WORKING WITH YOU



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

$4.0bn

Credit Corp has in excess of $4.0 billion in outstanding consumer receivables

71%

71% of PDLs acquired under forward flow contracts during 2013

$137m

$137 million outlaid to acquire charged off debts in 2013

OUR BUSINESS

Our core business is debt buying, where we have in excess of $4.0 billion in outstanding consumer receivables. We purchase unsecured past due receivables including credit cards, personal loans, telecommunications and utility accounts. The debts acquired by Credit Corp are generally at least 180 days in arrears by the time they are purchased. This means that a customer has fallen behind their minimum payment requirement and the lender has attempted to obtain payments to bring the customer back to a current status or repay the balance outstanding without success. Most lenders work through a collection process using both their own resources and those of third party service providers over a period of at least six months and then consider selling the unpaid amounts to a debt buyer to realise an immediate return.

In our consumer lending business we provide affordable finance to people who have previously been in financial difficulty and have an impaired credit record. These consumers are unable to access finance from mainstream lenders. Credit Corp entered this market during 2012 and our market-leading products have grown rapidly to the point where our gross lending book now stands at $19 million.

WORKING WITH OUR CLIENTS TO DRIVE THE ECONOMY

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

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

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

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

Credit Corp has exported its success in Australia to new clients in the United States of America (US). While our business in the US is relatively small we have formed good client relationships. Our approach is delivering competitive results and we are confident that we will build a large and successful business in this market in the years to come.

Kristina White
Head of Business Services

Michael Mifsud
Head of Analytics

Michael Eadie
Chief Financial Officer

106k

106,000 customer accounts on mutually agreed payment arrangements

72%

72% of total collections received pursuant to payment arrangements

9,000

9,000 lending customers in just over 18 months of operation

WORKING WITH OUR CUSTOMERS

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

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

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

Our aim is to structure repayment plans which allow our customers to remain active in the community, while continuing to recognise their credit obligations. Once we establish contact with a new customer, we commit ourselves to working with them to understand their financial situation. Currently, Credit Corp has 100,000 customers in various forms of hardship making regular payments on a fortnightly or weekly basis with an average projected repayment duration of more than three years. More than two thirds of Credit Corp's collections are received pursuant to these long-term payment arrangements.

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

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

By adopting a responsible and sustainable approach to lending Credit Corp is delivering a superior alternative to a market segment where choice is limited. All of Credit Corp's lending products are structured to meet, rather than exceed, Credit Corp's required rate of return. Our products are priced with market-leading fee and interest rates, which are often set at levels significantly lower than any applicable legislated caps which may apply. Our fair and responsible approach is being embraced by consumers and in just over 18 months of operation we have already assisted more than 9,000 customers.

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

Matthew Angell
Chief Operating Officer

Natalie Rowan
Acting Human Resources Manager

Matthew Stokes
Head of Collections

$19m

$19 million consumer loan book at June 2013

218

218 internal promotions during 2013

46

46 transfers to new business units

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

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

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

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

WORKING WITH 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 people with appropriate training, technology and support while recognising personal engagement as the key element which will ensure consistently high-quality interactions.

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

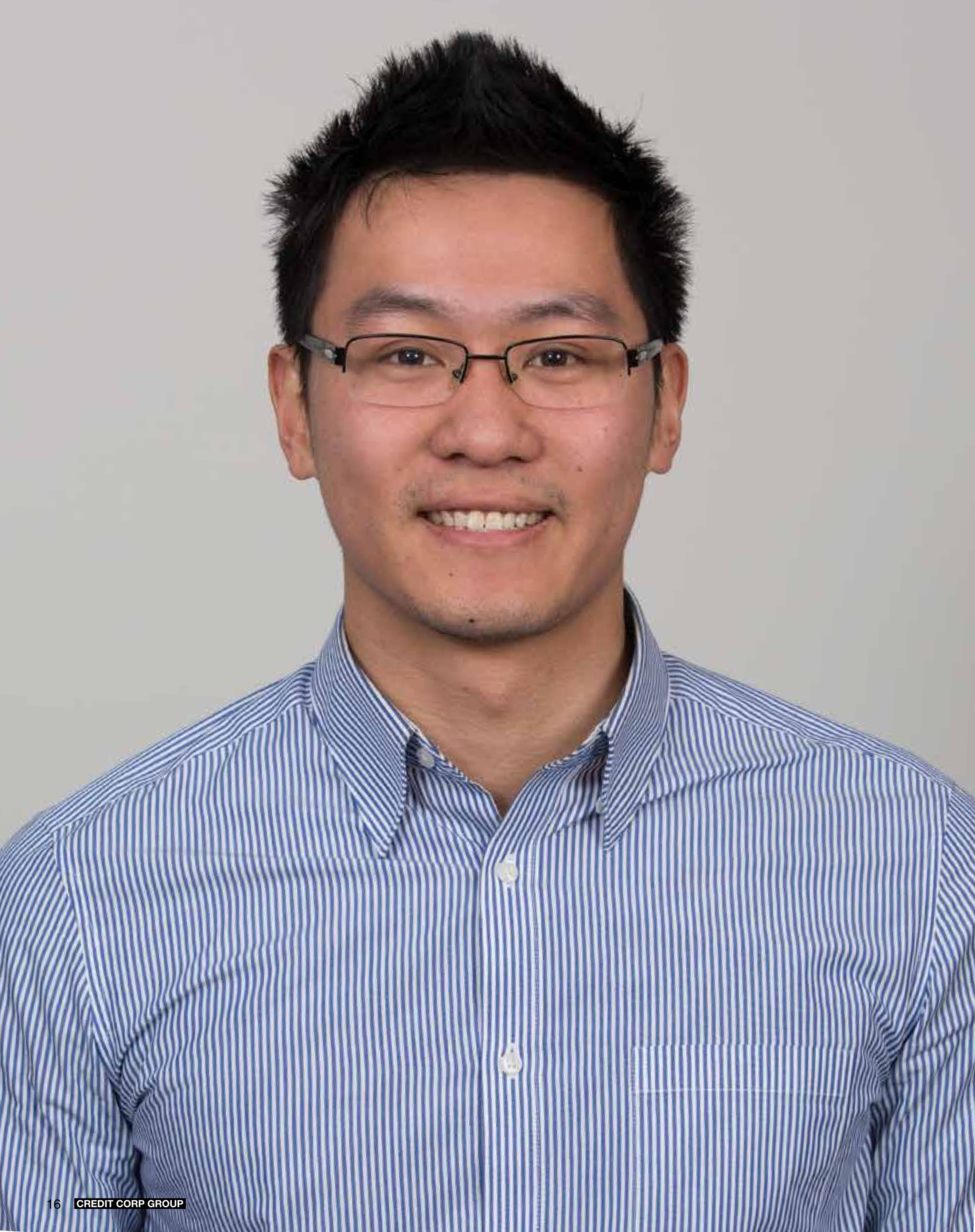
This ownership is tempered with accountability. Staff can track their progress against targets for amounts collected, milestones in the collection process and activity levels on a real-time basis. Our leaders regularly review the performance of their team members and are constantly providing feedback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

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

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

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

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



FINANCIAL REPORT

Corporate governance statement

This statement relates to the year under review.

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

CORPORATE GOVERNANCE OVERVIEW

The Board of Directors of 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 on the Company's website.

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

The following functions are reserved to the Board:

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

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

The following functions are delegated to management:

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

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

Principle two: Structure the board to add value

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

The Company's Materiality Policy sets both quantitative and qualitative thresholds for determining the materiality of a transaction or relationship that may diminish the independence of a director. This policy is published on the Company's website 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 in the independence as a director. Any change in circumstances which materially affects their 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)	5.5 years	Independent
Mr Simon Calleia	13.5 years	Not independent
Mr Eric Dodd	4 years	Independent
Mr Robert Shaw	5.5 years	Independent
Mr Richard Thomas	7 years	Independent

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

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

Principle three: Promote ethical and responsible decision-making

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

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

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

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

Diversity report

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

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

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

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

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

The table below sets out these diversity objectives and the progress made towards achieving them in 2013. The Board will review these objectives in the 2014 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 2013 – Executive management 40% female as at 30 June 2013 – Other management 51% female as at 30 June 2013 As at 30 June 2013 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 employment.
Provide development opportunities for employees regardless of cultural, gender or any other differences.	– The Company provides accredited training to all eligible employees. – Leadership training was provided to all employees newly appointed to supervisory positions during the year. – Documented career pathways for supervisory roles are in the process of being implemented to maximise the objectivity of promotion decisions.
Promote an inclusive culture where all employees are treated with respect and fairness.	– Each year the Company reiterates its zero tolerance policy towards any discrimination, bullying or victimisation of employees with clear escalation channels through which any concerns can be raised. – All staff in supervisory roles are trained in coaching their direct reports for performance.
Ensure internal promotion decisions within the Company are merit based in relation to each role.	– A system of review of promotion decisions by senior management is in place to maximise the objectivity of promotion decision-making.

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

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

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

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

– Mr Robert Shaw
– Mr Richard Thomas
– Mr Donald McLay

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

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

Principle five: Make timely and balanced disclosure
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 as well as the ASX 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 are conducted through the interim report for the six months ended 31 December and the Annual Report for the full year ended 30 June. The Company also releases market updates summarising the Company's performance during each quarter of the financial year.

– Annual General Meetings

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

– Continuous Disclosure Policy

The Company's Continuous Disclosure Policy outlines 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;

– attract high quality personnel to the Company; and

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

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

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

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

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

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

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

Non-conformance

All the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2013, except for the following:

A) Principle two

a) Recommendation 2.4

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

B) Principle eight

a) Recommendation 8.2

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

Website disclosure

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

Directors' report

The directors present their report together with the financial report of the Company and its controlled entities for the financial year ended 30 June 2013.

DIRECTORS

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

Mr Donald McLay	**Chairman, Director (Non-Executive) Age 63**
Qualifications	Bachelor of Commerce, Chartered Accountant, Chartered Secretary and member of Financial Services Institute of Australasia (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008 and has been Chairman since 30 June 2008. Mr McLay has more than 35 years' experience in financial markets, investment banking and broad business services.
Special responsibilities	Mr McLay is Chairman of the Board and is a member of the Remuneration and Audit and Risk Committees.
Interest in shares and options	2,138,550 ordinary shares in Credit Corp Group Limited.

Mr Simon Calleia	**Director (Non-Executive) Age 45**
Qualifications	Bachelor of Commerce, Postgraduate Diploma in Applied Finance and Investment, Associate of the Securities Institute of Australia, member of Australian Institute of Banking and Finance and Australian Institute of Company Directors.
Experience and expertise	Appointed as Managing Director in March 2000 and became a Non-Executive Director after he stepped down from his executive role in April 2005. Mr Calleia has extensive knowledge of the credit management industry. He also held various roles in the banking, finance and insurance sectors.
Special responsibilities	Mr Calleia is Chairman of the Remuneration Committee.
Interest in shares and options	1,112,152 ordinary shares of Credit Corp Group Limited.

Mr Eric Dodd	**Director (Non-Executive) Age 61**
Qualifications	Bachelor of Economics, member of Institute of Chartered Accountants (Fellow) and Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 1 July 2009. Mr Dodd has extensive experience in insurance, finance and banking.
Directorships of listed entities	Healthscope Limited from 15 May 2009 to 11 October 2010, SFG Australia Limited (previously named Snowball Group Limited) since 2 July 2010, Firstfolio Limited since 2 April 2012 and Ambition Group Limited since 18 March 2013.
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 71**
Qualifications	Bachelor of Industrial Engineering, Master of Business Administration, Master of Professional Accounting, Justice of the Peace and member of Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 31 March 2008. Mr Shaw has extensive knowledge in finance and financial analysis, audit committees and corporate governance.
Directorship of listed entity	Magontec Limited (previously named Advanced Magnesium Limited) since 4 March 2011.
Special responsibilities	Mr Shaw is Chairman of the Audit and Risk Committee.
Interest in shares and options	14,000 ordinary shares of Credit Corp Group Limited.

Mr Richard Thomas	Director (Non-Executive) Age 68
Qualifications	A member of Australian Institute of Company Directors (Fellow).
Experience and expertise	Appointed as a Non-Executive Director on 22 September 2006. He was Acting Chairman between 11 February 2008 and 30 June 2008. Mr Thomas has more than 40 years' experience in the banking and finance industry in Australia, New Zealand and the USA.
Special responsibilities	Mr Thomas is a member of the Audit and Risk Committee.
Interest in shares and options	9,984 ordinary shares of Credit Corp Group Limited.

COMPANY SECRETARIES

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

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

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

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.

DIRECTORS' MEETINGS

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

	Directors' meetings		Audit and Risk Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Donald McLay	12	12	4	4	5	5
Mr Simon Calleia	12	10	—	—	5	5
Mr Eric Dodd	12	12	—	—	5	5
Mr Robert Shaw	12	12	4	4	—	—
Mr Richard Thomas	12	9	4	4	—	—

Directors' report

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

Overview

The Consolidated Group recorded Net Profit After Tax (NPAT) of $32.0 million for the year ended 30 June 2013, representing a 20 per cent increase on the prior corresponding period (pcp). The result included a one-off litigation settlement with an impact on NPAT of $2.1 million. Excluding this one-off item, underlying NPAT increased by 12 per cent on the pcp to $29.9 million.

The result was supported by strong core operating metrics. While increasing operational headcount by 9 per cent over the course of the year to 831 full time equivalent (FTE) at June 2013, overall collection efficiency reduced by only 11 per cent. Excluding overseas operations, collection efficiency improved by 3 per cent to $272 per hour. New purchases are on track to meet ingoing projections, reflecting continued purchasing discipline. The focus on older PDLs was maintained with the total amount collected from Purchased Debt Ledgers (PDLs) acquired more than 2 years ago increasing over the prior year.

The Company had a record year of purchasing, outlaying $137 million to secure PDLs.

Review of financial condition

The Company reinvested all its cash flow during the year and increased net borrowings modestly in order to outlay a record amount on PDLs, fund growth in its consumer lending business as well as pay dividends. The Company remains in a strong financial position with significant borrowing headroom.

Changes in state of affairs

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

Dividends paid or recommended

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

Declared and paid during the year 2013	Cents per share	Total amount $'000	Date of payment
Interim 2013 ordinary	20.00	9,188	22 Mar 13
Final 2012 ordinary	16.00	7,297	5 Oct 12
Total		**7,297**	

Declared after end of year

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

Final 2013 ordinary	17.00	7,809	4 Oct 13

The financial effect of these dividends has not been brought to account in the consolidated financial statements for the year ended 30 June 2013 and will be recognised in subsequent financial reports.

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 Company, to significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in the future financial years.

Future developments, prospects and business strategies

In the 2014 financial year the Company plans to deliver solid financial results. The operational focus will be on further improving the core debt purchase and collection operation to ensure maximum price competitiveness, while growing its US debt purchase and Australian consumer lending businesses.

PDL purchasing conditions are very challenging and purchasing in the 2014 financial year is likely to fall below the record levels achieved in the 2013 financial year. Strong purchasing in 2013 financial year should, however, produce solid growth in underlying earnings in the 2014 financial year.

Environmental regulations

The consolidated group's operations are minimally affected by environmental regulations.

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

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

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

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

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

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

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

	$
Services other than statutory audit:	
Other services	
Taxation compliance services	15,365

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

Auditor's independence declaration
The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 34 of the financial statements.

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

This remuneration report sets out remuneration information for key management personnel (KMP), which includes Directors and Senior Executives, for the year ended 30 June 2013 and is prepared in accordance with section 300A of the *Corporations Act 2001*.

A) REMUNERATION POLICY CHANGES

a) Changes to remuneration policy during the 2013 financial year

In September 2012 the Remuneration Committee and Board of the Company approved a new Executive Long-Term Incentive plan (LTI) to align with the 2013-2015 three year Strategic Plan. The design of the new LTI considered stakeholder feedback on the operation of the previous LTI scheme which ran from 2009-2012.

The major changes to the operation of the LTI scheme are summarised below:

- A clawback mechanism was introduced in the new scheme whereby unvested deferred LTI share grants will be partly or fully forfeited for under-performance in either of the second or third years of the 3 year LTI;
- The LTI pool is created from out-performance above a hurdle Net Profit after Tax in each year rather than Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA) under the previous scheme;
- An accumulating cap in the size of the LTI pool equal to $2.5 million per year was introduced whereas the previous scheme was uncapped; and
- The LTI is paid in the form of deferred vesting shares and, unlike the previous scheme, there is no cash component.

The operation of the new LTI is discussed in detail below.

B) SETTING SENIOR EXECUTIVE REMUNERATION

a) KMP

The Company's KMP are:

Directors

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

Senior Executives

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

b) The Board's role in remuneration

The Board is responsible for the structure of Directors' and Senior Executives' remuneration and maximising the effectiveness of remuneration in the creation of long-term shareholder value.

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

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

- Recruitment, retention and termination policies and procedures for Senior Executives;
- Senior Executive remuneration packages;
- Annual incentive and long-term incentive plans; and
- Non-Executive Director remuneration levels and framework.

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

c) Remuneration policy

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

- Senior Executive fixed remuneration levels are moderate when compared to listed company benchmarks;
- No termination benefits are payable under employment contracts;
- A relatively high proportion of remuneration consists of a Short Term Incentive (STI) and an LTI, which are both at risk. For the CEO this represents 75 per cent and for other Senior Executives 67 per cent of maximum total potential remuneration; and
- Deferred vesting of LTI shares for sustained performance.

This means if the Company falls short of earnings and return targets then Senior Executives will receive only their fixed remuneration.

d) Remuneration structure

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

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

i) STI structure

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

The following table outlines the major features of the 2013 STI plan:

Features	Description
Funding of STI pool	– The STI pool is funded if: – The Company achieves its budgeted NPAT after funding the STI; and – The Company complies with its banking covenants.
Minimum criteria required to be achieved before any payments are made	– If the STI pool is funded, the proportion of each individual's targeted STI which is paid depends on; – Satisfactory performance against individual KPIs; and – Satisfactory performance against individual job accountabilities.
Maximum STI that can be earned	– The maximum amount varies and the range is between 50 per cent and 100 per cent of base salary. The amount is set at the start of the year by the Remuneration Committee and is approved by the Board.
KPIs	– Individual KPIs are set annually; and – Subject to funding of the STI pool, the maximum STI is eligible to be paid when satisfactory performance against KPIs is achieved.
Role accountabilities	– Individual performance against role accountabilities is also assessed; and – Subject to funding and achievement of KPIs, the maximum STI is eligible to be paid when satisfactory performance against role accountabilities is achieved.
Performance period	– 1 July 2012 to 30 June 2013
Approval	– Post the completion of the annual financial statement audit and performance review process, the proportion of the targeted STI payable to each executive will be determined by the Remuneration Committee and approved by the Board in September 2013.
Payment timing	– September 2013
Form of payment	– Cash
Terminating executives	– There is no mandatory STI entitlement where an executive's employment terminates prior to the payment date for the STI.

Performance of the Company against the 2013 STI NPAT hurdle is summarised as follows:

	2013 budget (hurdle for STI) $'000	2013 Actual $'000	Change %
NPAT	$28,938	$31,986	11%

The STI hurdle of a budgeted NPAT for 2013 of $28.94 million represented a 9 per cent increase on the prior year. The budget was exceeded by a further 11 per cent for an actual year on year increase of 20 per cent.

As financial performance exceeded budget and banking covenants were complied with during 2013, the STI in respect of the 2013 year is eligible to be funded. The proportion of the maximum amount paid to each executive will be determined by an assessment of individual performance against KPIs and role accountabilities in a performance review process which will be completed by September 2013.

A general summary of the individual CEO KPIs for 2013 is as follows:

KPIs	Weighting
Company NPAT	30%
PDL acquisition targets	15%
Consumer lending business size and profitability metrics	25%
US debt buying operation size and profitability metrics	25%
Progress of other strategic expansion initiatives	5%

The 2012 STI was paid during the 2013 financial year. No 2012 STIs were forfeited.

ii) LTI structure

The LTI has the objective of rewarding executives for achieving growth in earnings that exceed the forecasts in the Company's three-year Strategic Plan. Executives participate in a portion of the additional value created for shareholders as a result of out-performance. The following table outlines the major features of the 2013 to 2015 LTI:

Features	Description
Minimum criteria needs to be achieved before any payments are made	– Financial performance in terms of NPAT needs to exceed the Strategic Plan target in a given year. This is subject to the clawback provisions which may impact the second and / or third years of the plan (2014 and 2015); – A minimum return on equity (ROE) of 15 per cent must be achieved; and – Satisfactory performance by an executive against their job accountabilities as assessed in the annual performance review process described in the STI section above.
Maximum LTI that can be earned	– The maximum LTI pool that can be created is $2.5 million per year on a cumulative basis such that the total cap over the 3 years is $7.5 million.
Calculation of LTI pool	– The first $1 million of any out-performance above the Strategic Plan hurdle expressed as Pre-LTI accrual Net Profit before Tax (PLNPBT) in a given year accrues to the LTI pool. 25 per cent of subsequent out-performance accrues to the LTI pool. This is subject to the clawback provisions described below.
Form of payment	– Once approved by the Remuneration Committee and Board in the September following each year-end the LTI pool is converted into deferred vesting shares.
Dividends	– Dividends are payable on unvested shares subject to continued participation by executives in the LTI.
Allocation of LTI pool	– The proportionate LTI pool allocation to individual executives is determined at the start of each year by the Remuneration Committee and approved by the Board. Allocations reflect the degree of 'line of sight' of the role in the achievement of Company earnings and strategic objectives. – The 2013 pool allocations to the Senior Executives as set by the Remuneration Committee at the start of the year are: – CEO 40 per cent; – COO 22 per cent; – CFO 11 per cent; and – Head of Business Services 11 per cent. The remaining 16 per cent of the pool is allocated to 5 other executives not considered KMP.

Features	Description
Clawback provision	– Under-performance in any year is clawed back on a dollar-for-dollar basis against any unvested LTI pool created in an earlier year or years. In addition, any remaining under-performance against the benchmark PLNPBT in earlier years is carried forward and clawed back against any subsequent out-performance prior to the accrual of any LTI pool.
Vesting of shares	– The LTI pool created in each year vests evenly over a three-year period. For example the 2013 LTI pool will vest with the following timing: – September 2013, 1/3; – September 2014, 1/3; and – September 2015, 1/3. – Unvested shares may not vest due to: – An LTI participant leaving the Company; – An LTI participant ceasing to be an executive; and/or – The operation of the LTI clawback provisions.
Performance period	– Assessed annually in respect of three years: – Year ended 30 June 2013; – Year ended 30 June 2014; and – Year ended 30 June 2015.
Terminating executives	– There is no mandatory LTI entitlement where an executive's employment terminates prior to the vesting date of an LTI benefit.

The PLNPBT benchmark established by the three-year strategic plan in respect of the 2013 financial year was $41.4 million which represented NPAT of $28.9 million. This level of NPAT represented growth in earnings of 9 per cent on the 2012 NPAT of $26.6 million.

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

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

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

1) Constraints on the ability to grow the core Australian debt buying business of the Company.
   - The Company has a significant market share in its core domestic business of buying and collecting past due unsecured consumer receivables. Annual collections from purchased debts are more than double those of the Company's nearest competitor.
   - There is no structural growth in the supply of PDLs demonstrated by CPI growth in unsecured credit levels in Australia and static levels of delinquency over recent years.
   - A concentrated banking system resulting in only a handful of significant sellers of debt, which means that significant market share cannot be entrenched and strong encouragement for competition by sellers.
2) The need to invest in new strategic initiatives to drive growth given the constrained prospects for growth in the core business.
   - The two main strategic growth initiatives the Company has pursued in recent years have been the development of a domestic consumer lending business focused on providing lending products for credit impaired consumers and geographic diversification into a US debt buying and collection business.
   - The earnings targets of the three-year Strategic Plan need to be achieved while the Company continues to invest in these new initiatives. These businesses are being developed organically with minimal capitalised costs.

The Remuneration Committee and Board consider that the 15 per cent ROE hurdle is appropriate. Management is tasked to maximise earnings growth subject to achievement of this rate of return and the conservative risk appetite and financial structure set by the Board.

The Remuneration Committee and Board also considers that the cumulative LTI pool cap of $2.5 million per annum under the 2013 to 2015 LTI is appropriate. This means that even at a level of performance which implies a growth rate in earnings of at least 20 per cent per annum:

- The maximum LTI to be earned by the CEO would be 25 per cent lower than in 2012; and
- The overall LTI pool would be 15 per cent lower than in 2012.

As a proportion of net profit before tax, the total LTI pool would decrease from 8 per cent in 2012 to 5.5 per cent in 2013 even at the level of performance that would produce the maximum LTI pool of $2.5 million.

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

– The accrued cost disclosed in the Remuneration Report is aligned with the eventual economic cost to shareholders post vesting. Leveraged instruments are more likely to have a relatively low expense at issuance compared to the ultimate dilution and economic cost to shareholders; and
– The focus of the LTI is growth in earnings which should be the main driver of potential share price movements rather than on the share price itself which can be the focus of leveraged instruments.

The calculation of the LTI pool eligible to be funded in respect of the 2013 year is summarised below:

	2013 benchmark (3 year strategic plan) $'000	2013 Actual $'000	2013 Variance $'000	LTI pool created $'000
NPAT	28,938	31,986		
PLNPBT	41,370	48,181	6,811	
First $1 million of out-performance accrues to the LTI pool				1,000
Out-performance over $1 million accrues 25% to the LTI pool				
[25% x ($6.81 million – $1 million)]				1,453
				2,453

The LTI pool of $2.45 million will be converted into deferred vesting shares in September 2013. These shares will vest one-third in each of the 2014, 2015 and 2016 financial years subject to ongoing tenure as a Credit Corp executive, continued performance and potential clawback.

There was an LTI program in place in respect of the 2009 to 2012 financial years, the details of which were previously disclosed. There are unvested payments under this program in the form of cash and shares which have vested in 2013 and are expected to vest in 2014 and 2015.

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

LTI accrual in the 2011 and 2012 financial years

	Proportion vesting during 2014 financial year A			Proportion vesting during 2015 financial year B		Current allocation (% of pool) C	Minimum value	Maximum value
Year accrued	2011	2012	$	2012	$	%	$	$
Senior Executives								
Mr Thomas Beregi	1/3	1/3	1,005,829	1/3	578,181	43.7%	—	1,584,010
Mr Matthew Angell	1/3	1/3	558,633	1/3	321,211	24.3%	—	879,844
Mr Michael Eadie	1/3	1/3	111,330	1/3	79,869	6.0%	—	191,199
Ms Kristina White	1/3	1/3	308,027	1/3	176,834	13.4%	—	484,861

A) Represents one-third of the amounts accrued in respect of the 2011 and 2012 financial years, which are yet to vest.
B) Represents each participant's allocated proportion of the maximum pool that may vest in the 2015 financial year.
C) Each participant's allocated percentage portion of the deferred pool.

LTI accrual in the 2013 financial year

	Proportion vesting during 2014 financial year A		Proportion vesting in future financial years A		Current allocation (% of pool) B	Minimum value	Maximum value
Year accrued	2013	$	2013	$	%	$	$
Senior Executives							
Mr Thomas Beregi	1/3	327,899	2/3	655,797	40.1%	—	983,696
Mr Matthew Angell	1/3	182,166	2/3	364,332	22.3%	—	546,498
Mr Michael Eadie	1/3	86,905	2/3	173,810	10.6%	—	260,715
Ms Kristina White	1/3	86,905	2/3	173,810	10.6%	—	260,715

A) The deferred vesting shares will vest equally in each of 2014, 2015 and 2016 financial years, subject to ongoing participation and the LTI clawback provisions.
B) Each participant's allocated percentage portion of the pool. The allocations are fixed and were determined by the Remuneration Committee as part of the approval of the LTI plan.

C) REMUNERATION OUTCOMES

a) Company performance

The Board believes the Company's remuneration structure in particular the STI and LTI have been successful in increasing shareholder wealth in the past five years.

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

	2013	2012	2011	2010	2009
Earnings					
Total revenue ($m)	**142,577**	124,590	113,636	93,413	85,619
Adjusted EBITDA ($m)	**166,885**	149,693	129,809	117,204	97,354
NPAT ($m)	**31,986**	26,578	21,024	13,543	10,862
Change in NPAT (%)	**20%**	26%	55%	25%	88%
4 year NPAT CAGR	**24%**				
Shareholder value					
Share price at the end of the year ($)	**9.40**	5.79	4.75	2.67	1.20
Change in share price ($)	**3.61**	1.04	2.08	1.47	0.43
Total dividends paid / declared per share (cents)	**37**	29	20	8	4
Return on Equity	**24.44%**	23.49%	21.81%	16.63%	15.24%

b) Senior Executive contract details

All contracts with Senior Executives may be terminated by either party with an agreed termination periods. Remuneration and other terms of employment are formalised in the employment contract. Details of these contracts are:

Name	Title	Term of agreement	Details
Thomas Beregi	Chief Executive Officer	Ongoing, 3 months notice period	Annual base salary, inclusive of superannuation, of $490,500 to be reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Matthew Angell	Chief Operating Officer	Ongoing, 1 month notice period	Annual base salary, inclusive of superannuation, of $272,500 to be reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Michael Eadie	Chief Financial Officer	Ongoing, 1 month notice period	Annual base salary, inclusive of superannuation, of $228,900 to be reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.
Kristina White	Head of Business Services	Ongoing, 1 month notice period	Annual base salary, inclusive of superannuation, of $228,900 to be reviewed annually by the Remuneration Committee. There is no termination benefit provided for under the contract of employment.

D) NON-EXECUTIVE DIRECTOR REMUNERATION

a) Remuneration policy

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

Remuneration levels of comparable companies are reviewed annually for benchmarking purposes and allowance is made for various factors including demands on time, the level of commitment required and any special responsibilities. An annual aggregate cap of $0.9 million was approved by the shareholders at the 2012 Annual General Meeting. The current fee pool allows the Board to recruit an additional Non-Executive Director in the future.

b) Description of Non-Executive Director remuneration

Non-Executive Director fees for the 2013 financial year were the same as the prior reporting period.

None of the Non-Executive Directors are entitled to retirement benefits but are entitled to payment of statutory superannuation entitlements in addition to Directors' fees. Employment contracts provide for termination by the Company without cause by providing written notice or making payment in lieu of notice.

The remuneration structure is set out below:

	2013 $'000	2012 $'000
Chairman	**170,000**	170,000
Director and Committee Chairman	**95,000**	95,000
Director and Committee member	**85,000**	85,000

The above remuneration does not include the 9 per cent statutory superannuation entitlement.

E) REMUNERATION TABLES AND DATA

The remuneration for each KMP of the consolidated group during the year was:

		Short-term benefits				Post-employment benefits	Other long-term benefits	Share-based payment			
		Salary and fees	Short-term incentive [A]	Non-monetary benefits	Total	Super-annuation	Long-term incentive [B]	Options	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	$	%	%
Directors											
Mr Donald McLay	**2013**	**170,000**	**—**	**12,464**	**182,464**	**15,300**	**—**	**—**	**197,764**	**—**	**—**
Non-Executive Director Chairman	2012	170,000	—	11,898	181,898	15,300	—	—	197,198	—	—
Mr Simon Calleia	**2013**	**95,000**	**—**	**—**	**95,000**	**8,550**	**—**	**—**	**103,550**	**—**	**—**
Non-Executive Director	2012	95,000	—	—	95,000	8,550	—	—	103,550	—	—
Mr Eric Dodd	**2013**	**85,000**	**—**	**—**	**85,000**	**7,650**	**—**	**—**	**92,650**	**—**	**—**
Non-Executive Director	2012	85,000	—	—	85,000	7,650	—	—	92,650	—	—
Mr Robert Shaw	**2013**	**95,000**	**—**	**—**	**95,000**	**8,550**	**—**	**—**	**103,550**	**—**	**—**
Non-Executive Director	2012	95,000	—	—	95,000	8,550	—	—	103,550	—	—
Mr Richard Thomas	**2013**	**85,000**	**—**	**—**	**85,000**	**7,650**	**—**	**—**	**92,650**	**—**	**—**
Non-Executive Director	2012	85,000	—	—	85,000	7,650	—	—	92,650	—	—
Senior Executives											
Mr Thomas Beregi	**2013**	**465,500**	**490,500**	**12,464**	**968,464**	**25,000**	**983,696**	**—**	**1,977,160**	**75**	**—**
Chief Executive Officer Company Secretary	2012	465,500	490,500	11,898	967,898	25,000	1,325,546	—	2,318,444	78	—
Mr Matthew Angell	**2013**	**250,000**	**272,500**	**12,464**	**534,964**	**22,500**	**546,498**	**—**	**1,103,962**	**74**	**—**
Chief Operating Officer	2012	250,000	272,500	11,898	534,398	22,500	736,175	—	1,293,073	78	—
Mr Michael Eadie	**2013**	**207,500**	**100,000**	**8,425**	**315,925**	**18,675**	**260,715**	**—**	**595,315**	**61**	**—**
Chief Financial Officer Company Secretary	2012	200,000	100,000	—	300,000	18,000	140,469	—	458,469	52	—
Ms Kristina White	**2013**	**210,000**	**150,000**	**12,464**	**372,464**	**18,900**	**260,715**	**—**	**652,079**	**63**	**—**
Head of Business Services	2012	210,000	150,000	11,898	371,898	18,900	405,460	—	796,258	70	—
Total remuneration	**2013**	**1,663,000**	**1,013,000**	**58,283**	**2,734,283**	**132,775**	**2,051,624**	**—**	**4,918,682**	**62**	**—**
	2012	1,655,500	1,013,000	47,592	2,716,092	132,100	2,607,650	—	5,455,841	66	—

A) The STI is prepared on an accrual basis and has been accrued at 100 per cent of the maximum potential payment. The individual performance review will be conducted after the finalisation of the 2013 audited consolidated financial statements.

B) The LTI is prepared on an accrual basis. It is payable in the form of deferred vesting shares which may vest over a 3-year period if the Company achieves or exceeds the Board determined strategic plan targets.

a) Share based payment as at 30 June 2013

In the 2008 financial year and some prior years, options have been granted to executives in accordance with the Employee Option Plan (EOP). The exercise price of the options was the market price of the Company's shares traded at the stock exchange at the grant date. No options carry dividend or voting rights. No options have been granted to Directors and Senior Executives as part of their remuneration since the 2008 financial year.

The final set of options issued under the EOP was granted in the 2008 financial year and expired during the 2013 financial year. The table below shows the number of options which expired during the year:

	Grant date	Expiry date	Exercise price	Number of options
			$	
Senior Executive				
Thomas Beregi	3 Sep 2007	3 Sep 2012	10.37	400,000

These expired options had a fair value of $0.4 million which has been reclassified as retained earnings.

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

Donald McLay
Chairman

Robert Shaw
Director

Date: 6 August 2013

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 2013 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: 6 August 2013

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Consolidated income statement

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue	2	**142,577**	124,590
Finance costs	3	**(754)**	(1,766)
Employee benefits expense		**(62,010)**	(57,393)
Depreciation and amortisation expenses	3	**(1,155)**	(1,652)
Office facility expenses		**(11,294)**	(9,263)
Collection expenses		**(9,676)**	(8,673)
Other expenses		**(11,960)**	(7,811)
Profit before income tax expense		**45,728**	38,032
Income tax expense	4	**(13,742)**	(11,454)
Profit for the year		**31,986**	26,578
Profit attributable to owners of the Company		**31,986**	26,578
Earnings per share			
Basic earnings per share (cents per share)		**69.8**	58.4
Diluted earnings per share (cents per share)		**69.8**	58.4

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

Consolidated statement of comprehensive income

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Profit for the year		**31,986**	26,578
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedge	4	**(24)**	16
Income tax effect		**—**	—
Other comprehensive income for the year, net of income tax	4	**(24)**	16
Total comprehensive income for the year		**31,962**	26,594
Total comprehensive income attributable to owners of the Company		**31,962**	26,594

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

Consolidated statement of financial position

As at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	8	**4,630**	2,831
Trade and other receivables	9	**8,056**	2,064
Purchased debt ledgers	10	**50,678**	54,924
Other assets	11	**696**	870
Total current assets		**64,060**	60,689
Non-current assets			
Other receivables	9	**7,696**	2,196
Purchased debt ledgers	10	**96,531**	74,222
Property, plant and equipment	12	**1,171**	1,600
Deferred tax assets	13	**10,770**	7,474
Intangible assets	14	**800**	800
Total non-current assets		**116,968**	86,292
Total assets		**181,028**	146,981
Current liabilities			
Trade and other payables	15	**10,700**	10,363
Payables under contract of sale	15	**3,574**	571
Derivative	16	**24**	—
Current tax liabilities	13	**5,874**	3,924
Provisions	17	**5,057**	3,068
Total current liabilities		**25,229**	17,926
Non-current liabilities			
Financial liabilities	18	**9,537**	—
Deferred tax liabilities	13	**—**	319
Provisions	17	**6,470**	6,754
Total non-current liabilities		**16,007**	7,073
Total liabilities		**41,236**	24,999
Net assets		**139,792**	121,982
Equity			
Issued capital	20	**45,068**	42,735
Reserves		**(24)**	402
Retained earnings		**94,748**	78,845
Total equity		**139,792**	121,982

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

Consolidated statement of changes in equity

For the year ended 30 June 2013

	Note	Issued capital $'000	Equity Compensation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2012		**42,735**	**402**	**—**	**78,845**	**121,982**
Total comprehensive income for the year						
Profit for the year		**—**	**—**	**—**	**31,986**	**31,986**
Other comprehensive income						
Change in fair value of cash flow hedge, net of tax	4	**—**	**—**	**(24)**	**—**	**(24)**
Total comprehensive income for the year		**—**	**—**	**(24)**	**31,986**	**31,962**
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
— Shares issued	20, 31(B)	**2,333**	**—**	**—**	**—**	**2,333**
— Lapsed options		**—**	**(402)**	**—**	**402**	**—**
— Dividends paid or provided for	6	**—**	**—**	**—**	**(16,485)**	**(16,485)**
Total contributions by and distributions to owners of the Company		**2,333**	**(402)**	**—**	**(16,083)**	**(14,152)**
Balance at 30 June 2013		**45,068**	**—**	**(24)**	**94,748**	**139,792**
Balance 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, 31(B)	1,528	—	—	—	1,528
— 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)
Balance at 30 June 2012		42,735	402	—	78,845	121,982

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

Consolidated statement of cash flows

For the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers and debtors		**260,452**	233,245
Payments to suppliers and employees		**(86,337)**	(79,660)
Interest received on bank deposits		**203**	196
Interest paid		**(754)**	(2,306)
Income tax paid		**(15,407)**	(15,049)
Cash flows from operating activities before changes in operating assets		**158,157**	136,426
Changes in operating assets arising from cash flow movements			
Net funding of other receivables		**(13,951)**	(5,664)
Acquisition of purchased debt ledgers		**(133,786)**	(92,023)
Changes in operating assets arising from cash flow movements		**(147,737)**	(97,687)
Net cash inflow from operating activities	19	**10,420**	38,739
Cash flows from investing activities			
Acquisition of plant and equipment		**(726)**	(1,879)
Net cash (outflow) from investing activities		**(726)**	(1,879)
Cash flows from financing activities			
Proceeds from borrowings		**17,565**	16,234
Repayment of borrowings		**(8,975)**	(41,470)
Dividends paid	6	**(16,485)**	(10,481)
Net cash (outflow) from financing activities		**(7,895)**	(35,717)
Net increase in cash and cash equivalents		**1,799**	1,143
Cash and cash equivalents at 1 July		**2,831**	1,688
Cash and cash equivalents at 30 June	8	**4,630**	2,831

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

Notes to the consolidated financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

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

Credit Corp Group Limited is incorporated in Australia. The address of its registered office and principal places of business are disclosed in Note 34: Company details.

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

The parent entity, Credit Corp Group Limited, has not prepared separate financial statements in this financial report as permitted by the *Corporations Act 2001*. The financial information for the parent entity is disclosed in Note 33 of the financial statements.

B) 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) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 6 August 2013.

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Rounding of amounts

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

e) Use of estimates and judgements

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

Key estimates

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

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

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

i) Impairment of goodwill

The Consolidated Group performs an impairment test at least semi-annually in accordance with significant accounting policy C(g)(ii). These calculations involve an estimation of the recoverable amount of the cash-generating units to which goodwill is allocated, incorporating a number of key estimates.

ii) PDLs

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

iii) Provisions

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

C) Significant accounting policies

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

a) Basis of consolidation

A controlled entity is any entity over which the Consolidated Group 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 an acquirer obtains control over one or more businesses which results in consolidation of its assets and liabilities.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Goodwill is recognised initially 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 remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured 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 income statement.

c) 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.

d) 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.

e) Foreign currency transactions and balances

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

Exchange differences arising on the translation of monetary items are recognised in the 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.

f) 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.

i) 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.

ii) Plant and equipment

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

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

iii) Depreciation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

iv) Impairment

At each balance date, the Consolidated Group reviews the carrying values of its property, plant and equipment to determine whether there is any indication that those assets have been impaired. If 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.

g) Intangible assets

i) 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 is measured at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii) Impairment of goodwill

Impairment testing is performed semi-annually for goodwill and intangible assets with indefinite lives. The recoverable amount will be remeasured 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.

h) Financial assets and liabilities

i) Non-derivative financial assets

Trade and other receivables

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

1) PDLs

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

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

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

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

2) Other receivables

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

3) Impairment

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

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

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

– the loss can be estimated reliably.

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.

ii) Non-derivative financial liabilities

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

iii) 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, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to hedged risk, and whether the actual results of each hedge are within a range of 80 to 125 per cent.

Derivatives are recognised initially at fair value and any attributable transaction costs are recognised in the 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.

1) 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.

iv) Share capital

1) 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.

i) 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.

j) 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.

k) Employee benefits

i) 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.

ii) 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.

iii) 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 Employee Option Plan (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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Leases

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

m) 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.

n) Revenue

The major components of revenue are recognised as follows:

i) Interest revenue

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

ii) 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 (GST).

o) 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.

p) Tax

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

i) Current Tax

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

ii) Deferred Tax

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

Deferred tax is on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax 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 and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

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

r) 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Earnings per shares (EPS)

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

i) Basic EPS

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

ii) Diluted EPS

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

t) Comparative figures

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

u) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Consolidated Group's assessment of-the impact of these new standards and interpretations is-set-out below.

i) AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Consolidated Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees.

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Consolidated Group is currently assessing the disclosure requirements for interests in subsidiaries in comparison with existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests.

These standards are effective for the year ending 30 June 2014.

ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Consolidated Group is currently reviewing methodologies in determining fair values. AASB 13 is effective for the Consolidated Group's financial statements for the year ending 30 June 2014.

iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. The Consolidated Group may need to assess the impact of the change in relation to the Employee Benefits Provision. Whilst AASB 119 (2011) is effective for year ending 30 June 2014 it is not expected to have a material impact on the financial statements.

The Consolidated Group decided not to adopt the above reporting requirements in 2013 and does not expect these requirements to have any material effect on the financial statements.

	2013 $'000	2012 $'000
NOTE 2: REVENUE		
Interest revenue	**135,872**	122,753
Other interest received	**203**	196
Other revenue	**6,502**	1,641
Total	**142,577**	124,590

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 above.

	2013 $'000	2012 $'000
NOTE 3: PROFIT FOR THE YEAR		
Arrived at after deducting expenses including:		
Finance costs		
Interest expense	**209**	959
Other finance charges	**545**	807
Total	**754**	1,766
Depreciation and amortisation expenses		
Property, plant and equipment	**956**	1,214
Computer software	**102**	263
Leasehold improvements	**97**	175
Total	**1,155**	1,652
Rental expense on operating leases		
Operating lease rental	**4,332**	3,039

NOTE 4: INCOME TAX EXPENSE

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

The major components of income tax expense in the consolidated income statement at the end of the year are:

	2013 $'000	2012 $'000
A) Income tax expense		
Current income tax expense	**13,749**	11,454
Overprovision in respect of prior years	**(7)**	—
Total	**13,742**	11,454

	Before tax $'000	Tax (expense) / benefit $'000	Net of tax $'000
B) Income tax recognised in other comprehensive income			
Year ended 30 June 2013			
Cash flow hedge	**(24)**	**—**	**(24)**
Year ended 30 June 2012			
Cash flow hedge	16	—	16

	2013 $'000	2012 $'000
C) Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	**45,728**	38,032
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)	**13,718**	11,410
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Other non-deductible items	**31**	44
	13,749	11,454
Overprovision in respect of prior years	**(7)**	—
Income tax expense	**13,742**	11,454
The applicable weighted average effective tax rates are:	**30%**	30%

NOTE 5: EARNINGS PER SHARE

A) Basic EPS

The calculation of basic EPS at 30 June 2013 was based on the profit attributable to ordinary shareholders of $31.99 million (2012: $26.58 million) and a weighted average number of ordinary shares outstanding of 45.85 million (2012: 45.49 million), calculated as follows:

	2013 $'000	2012 $'000
a) Profit attributable to ordinary shareholders (basic)		
Profit for the year	**31,986**	26,578

	2013 Number '000	2012 Number '000
b) Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**45,571**	45,211
Effect of shares issued in September 2012	**278**	—
Effect of shares issued in September 2011	**—**	279
Weighted average number of ordinary shares at 30 June (basic)	**45,849**	45,490

B) Diluted EPS

The calculation of diluted EPS at 30 June 2013 was based on profit attributable to ordinary shareholders of $31.99 million (2012: $26.58 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential shares of 45.85 million (2012: 45.49 million).

There were no share options (2012: 400,000) at balance date, hence the basic and diluted EPS are equal.

NOTE 6: DIVIDENDS PAID AND PROPOSED

The following dividends were declared and paid by the Company:

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

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

After 30 June 2013 the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

Final 2013 ordinary	17.00	7,809	Franked	4 Oct 13

	2013 $'000	2012 $'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	**56,259**	45,963
Subsequent to year end, the franking account would be reduced by the proposed dividend	**(3,347)**	(3,125)
Total	**52,912**	42,838

	2013 $	2012 $
NOTE 7: AUDITORS' REMUNERATION		
Audit services:		
Audit and review of financial reports	**170,920**	153,558
Services other than statutory audit:		
Other services		
Taxation compliance services	**15,365**	12,430
Total	**186,285**	165,988

	2013 $'000	2012 $'000
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	**4,630**	2,831

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.

	2013 $'000	2012 $'000
NOTE 9: TRADE AND OTHER RECEIVABLES		
Current		
Trade receivables	**923**	409
Less: Provision for impairment [A]	**(78)**	—
	845	409
Other receivables	**9,588**	2,299
Less: Provision for loan losses [B]	**(2,377)**	(644)
Total	**8,056**	2,064
Non-current		
Other receivables	**10,261**	3,134
Less: Provision for loan losses [B]	**(2,565)**	(938)
Total	**7,696**	2,196

A) Impairment of trade receivables

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

Movement in the provision for impairment of receivables is as follows:

	2013 $'000	2012 $'000
Opening balance	**—**	192
Charge for the year	**78**	—
Provisions reversed during the year	**—**	(192)
Closing balance	**78**	—

NOTE 9: TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Trade receivables that remain within initial trade terms are considered to be of high credit quality. At balance date, trade receivables of $0.18 million (2012: $0.05 million) were outside initial trade terms but not impaired. It is expected these past due amounts will be received.

	Gross amount	Past due & 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 2013							
Trade receivables	**923**	**78**	**49**	**127**	**–**	**–**	**669**
Year ended 30 June 2012							
Trade receivables	409	–	–	18	13	14	364

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

B) Provision for loan losses

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

	2013 $'000	2012 $'000
NOTE 10: PURCHASED DEBT LEDGERS		
Current	**50,678**	54,924
Non-current	**96,531**	74,222
Total	**147,209**	129,146

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

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

- In respect of PDLs acquired up to 30 June 2010, the opening PDL values under amortised cost are equal to the fair value of the PDLs as at the date of initial adoption, being 30 June 2010. The fair values at initial adoption were determined using a discounted cash flow valuation technique. When collection forecasts for these PDLs are modified, the effective interest rate or IRR is recalculated.
- In respect of PDLs acquired after 30 June 2010, the effective interest rate determined at the time of acquisition remains unchanged. Modification in collection forecasts for these PDLs results in a gain or charge recorded in the income statement.

NOTE 11: OTHER ASSETS

	2013 $'000	2012 $'000
Prepayments	**542**	814
Inventory	**154**	56
Total	**696**	870

	2013 $'000	2012 $'000
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Land		
Freehold land at:		
Directors' valuation	**5**	5
Plant and equipment		
At cost	**1,243**	1,775
Less: Accumulated depreciation	**(296)**	(576)
	947	1,199
Computer software		
At cost	**375**	450
Less: Accumulated amortisation	**(220)**	(201)
	155	249
Leasehold improvements		
At cost	**158**	632
Less: Accumulated amortisation	**(94)**	(485)
	64	147
Total	**1,166**	1,595
Total property, plant and equipment	**1,171**	1,600

	Freehold land $'000	Plant & equipment $'000	Computer software $'000	Leasehold improvement $'000	Total $'000
A) Cost or deemed cost					
Year ended 30 June 2013					
Opening balance	**5**	**1,775**	**450**	**632**	**2,862**
Additions	**—**	**702**	**10**	**14**	**726**
Derecognition	**—**	**(1,234)**	**(85)**	**(488)**	**(1,807)**
Closing balance	**5**	**1,243**	**375**	**158**	**1,781**
Year ended 30 June 2012					
Opening balance	5	2,633	403	1,658	4,699
Additions	—	1,496	309	73	1,878
Derecognition	—	(2,354)	(262)	(1,099)	(3,715)
Closing balance	5	1,775	450	632	2,862
B) Depreciation					
Year ended 30 June 2013					
Opening balance	**—**	**576**	**201**	**485**	**1,262**
Depreciation for the year	**—**	**954**	**104**	**97**	**1,155**
Derecognition	**—**	**(1,234)**	**(85)**	**(488)**	**(1,807)**
Closing balance	**—**	**296**	**220**	**94**	**610**
Year ended 30 June 2012					
Opening balance	—	1,716	200	1,409	3,325
Depreciation for the year	—	1,214	263	175	1,652
Derecognition	—	(2,354)	(262)	(1,099)	(3,715)
Closing balance	—	576	201	485	1,262
C) Carrying amounts					
At 1 July 2012	**5**	**1,199**	**249**	**147**	**1,600**
At 30 June 2013	**5**	**947**	**155**	**64**	**1,171**
At 1 July 2011	5	917	203	249	1,374
At 30 June 2012	5	1,199	249	147	1,600

	2013 $'000	2012 $'000
NOTE 13: TAX ASSETS AND LIABILITIES		
Non-current assets		
Deferred tax assets	**10,770**	7,474
Current liabilities		
Income tax	**5,874**	3,924
Non-current liabilities		
Deferred tax liabilities	**—**	319
Total	**5,874**	4,243

A) Unrecognised deferred tax assets and liabilities

a) Unrecognised deferred tax assets

At 30 June 2013 the Consolidated Group has an unrecognised deferred tax asset of $0.83 million (2012: $0.83 million) for temporary differences of $2.77 million (2012: $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 2013 there were no unrecognised deferred tax liabilities (2012: nil).

	Assets		Liabilities		Net	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
B) Recognised deferred tax assets and liabilities						
Deferred tax assets and liabilities are attributable to:						
Provisions for employee benefits	**2,348**	2,527	**—**	—	**2,348**	2,527
Provision for restructuring	**1,080**	420	**—**	—	**1,080**	420
Provision for impairment of trade receivables	**1,506**	475	**—**	—	**1,506**	475
Other accruals not tax deductible until expense incurred	**5,836**	4,052	**—**	—	**5,836**	4,052
Purchased debt ledgers	**—**	—	**—**	(319)	**—**	(319)
Net tax assets / (liabilities)	**10,770**	7,474	**—**	(319)	**10,770**	7,155

	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 2013				
Provisions for employee benefits	**2,527**	**(179)**	**—**	**2,348**
Provision for restructuring	**420**	**660**	**—**	**1,080**
Provision for impairment of trade receivables	**475**	**1,031**	**—**	**1,506**
Other accruals not tax deductible until expense incurred	**4,052**	**1,784**	**—**	**5,836**
Purchased debt ledgers	**(319)**	**319**	**—**	**—**
Total	**7,155**	**3,615**	**—**	**10,770**
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 trade receivables	58	417	—	475
Other accruals not tax deductible until expense incurred	4,121	(69)	—	4,052
Purchased debt ledgers	(1,434)	1,115	—	(319)
Total	4,236	2,919	—	7,155

	2013 $'000	2012 $'000

NOTE 14: INTANGIBLE ASSETS

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

	2013 $'000	2012 $'000
Cost	**1,456**	1,456
Accumulated impairment losses	**(656)**	(656)
Net carrying value	**800**	800

A) Cost

	2013 $'000	2012 $'000
Opening balance	**1,456**	1,456
Closing balance	**1,456**	1,456

B) Amortisation and impairment losses

	2013 $'000	2012 $'000
Opening balance	**656**	656
Closing balance	**656**	656

C) Carrying amounts

	2013 $'000	2012 $'000
Opening balance	**800**	800
Closing balance	**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:

	2013 $'000	2012 $'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 15: TRADE AND OTHER PAYABLES

Current

	2013 $'000	2012 $'000
Unsecured liabilities		
Trade payables	**395**	273
Sundry payables and accrued expenses	**10,305**	10,090
	10,700	10,363
Payables under contract of sale	**3,574**	571
Total	**14,274**	10,934

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

NOTE 16: DERIVATIVE

Current liabilities

	2013 $'000	2012 $'000
Interest rate swap contract	**24**	—

Gains and losses arising from changes in the fair value of the interest rate swap contract designated as a derivative 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)(i) Financial Risk Management for further details of the interest rate swap contract.

	2013 $'000	2012 $'000
NOTE 17: PROVISIONS		
Current		
Restructuring costs	**1,056**	158
Fixed lease rental increases	**101**	—
Employee benefits	**3,900**	2,910
	5,057	3,068
Non-current		
Restructuring costs	**2,544**	1,242
Employee benefits	**3,926**	5,512
	6,470	6,754
Total	**11,527**	9,822
Aggregate employee benefits liability	**7,826**	8,422
Actual number of employees at year end	**1,016**	870

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.

Fixed lease rental increases

The Consolidated Group is party to a number of leases that include fixed rental increases during their term. In accordance with AASB 117 the total rentals over the term of these leases are being expensed on a straight-line basis. The above provision reflects the difference between the future committed payments under these leases and the total future expense.

	Restructuring costs $'000	Fixed lease rental increases $'000	Employee benefits $'000	Total $'000
Year ended 30 June 2013				
Opening balance	**1,400**	**—**	**8,422**	**9,822**
Additional provisions	**2,200**	**101**	**3,009**	**5,310**
Amounts used	**—**	**—**	**(3,605)**	**(3,605)**
Closing balance	**3,600**	**101**	**7,826**	**11,527**

	2013 $'000	2012 $'000
NOTE 18: FINANCIAL LIABILITIES		
Non-current		
Secured liabilities		
Bank loan	**9,537**	—

		2013			2012		
	Expiry	Facility limit $'000	Fair value $'000	Carrying amount $'000	Facility limit $'000	Fair value $'000	Carrying amount $'000
Secured bank loan	1 July 2014	**60,000**	**9,537**	**9,537**	60,000	—	—

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

The Consolidated Group entered into a bank loan facility on 28 June 2012. The bank loan facility has a total facility limit of $60 million and expires on 1 July 2014.

The 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 and 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.

At all relevant times during the 2013 and 2012 financial years all undertakings under the bank loan facilities, including the TNW and LVR requirements were complied with.

	Note	2013 $'000	2012 $'000
NOTE 19: CASH FLOW INFORMATION			
A) Reconciliation of cash flow from operations with profit after income tax			
Cash flows from operating activities			
Profit for the year		**31,986**	26,578
– Foreign currency revaluation		**154**	(229)
– Depreciation	12	**1,155**	1,652
– Income tax expense	4	**13,742**	11,454
– (Increase) / decrease in purchased debt ledgers		**(17,270)**	17,804
– (Increase) in trade and other receivables		**(11,492)**	(3,889)
– Decrease / (increase) in prepayments		**174**	(677)
– Increase / (decrease) in trade and other payables		**337**	(3,771)
– Increase / (decrease) in payables under contract of sale		**3,003**	(1,517)
– (Decrease) / increase in provisions		**1,705**	4,855
– Equity-settled share-based payment		**2,333**	1,528
		25,827	53,788
Income taxes (paid)		**(15,407)**	(15,049)
Net cash from operating activities		**10,420**	38,739
B) Reconciliation of cash			
Cash and cash equivalents	8	**4,630**	2,831
C) Credit standby arrangements with banks			
Facility limit	18	**60,000**	60,000
Bank guarantees		**(1,308)**	(933)
Cash drawn down	18	**(9,537)**	—
Unused loan facilities		**49,155**	59,067
NOTE 20: ISSUED CAPITAL			
45.93 million (2012: 45.57 million) fully paid ordinary shares		**45,068**	42,735
Issued capital			
Opening balance		**42,735**	41,207
Shares issued during the year			
– DESP		**280**	228
– LTI		**2,053**	1,300
Total		**45,068**	42,735

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

	2013 Number '000	2012 Number '000
Fully paid ordinary shares		
On issue at 1 July	**45,571**	45,211
Shares issued during the year		
– Employee share scheme [A]	**362**	360
On issue at 30 June	**45,933**	45,571

The Consolidated Group issued 361,785 ordinary shares to the DESP trust in respect of the DESP and LTI Plan in September 2012. The objectives of this form of remuneration are to encourage the retention of employees and executives and ensure their interests are aligned with those of the shareholders in the creation of long-term shareholder value.

NOTE 20: ISSUED CAPITAL (CONTINUED)

A) Employee share scheme

a) DESP

In September 2012, 41,590 fully paid ordinary shares were issued to the DESP Trust on behalf of employees who participated in the scheme and had completed two full-time equivalent service years as at 1 September 2012.

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

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

b) LTI

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

In September 2012, 320,195 fully paid ordinary shares were issued to the DESP Trust on behalf of the Consolidated Group's leadership group. 20,263 fully paid ordinary shares were vested immediately. The remaining shares are expected to vest in September 2013 and September 2014.

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

NOTE 21: CAPITAL MANAGEMENT

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

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

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

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

There has been no change in the strategy adopted by management to control the capital of the Consolidated Group since the prior year. The gearing ratios for the years ended 30 June 2013 and 30 June 2012 are:

	Note	2013 $'000	2012 $'000
Trade and other payables	15	**14,274**	10,934
Financial liabilities	18	**9,537**	—
Less: Cash and cash equivalents	8	**(4,630)**	(2,831)
Net bank debt		**19,181**	8,103
Total equity		**139,792**	121,982
Total capital		**158,973**	130,085
Gearing ratio		**12%**	6%

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.

NOTE 23: CONTROLLED ENTITIES

Interests in subsidiaries are:

	Country of incorporation	Percentage owned 2013	Percentage owned 2012
Subsidiaries of Credit Corp Group Limited			
Alpha Credit Pty Limited	Australia	**100**	100
Alupka Holdings Pty Limited	Australia	**100**	100
Car Start Pty Limited [A]	Australia	**100**	100
Certus Partners Pty Limited	Australia	**100**	100
Creditcorp BPC Pty Limited	Australia	**100**	100
Credit Corp Australia Pty Limited	Australia	**100**	100
Credit Corp Collections Pty Limited	Australia	**100**	100
Credit Corp Collections Agency Inc. [B]	United States	**100**	—
Credit Corp Collections Agency US Holdings Inc. [B]	United States	**100**	—
Credit Corp Collections US Holdings Inc.	United States	**100**	100
Credit Corp Employee Share Administration Pty Limited	Australia	**100**	100
Credit Corp Facilities Pty Limited	Australia	**100**	100
Credit Corp Financial Services Pty Limited	Australia	**100**	100
Credit Corp Group US Collections GP	United States	**100**	100
Credit Corp New Zealand Pty Limited [C]	Australia	**100**	100
Credit Corp Queensland Pty Limited	Australia	**100**	100
Credit Corp Receivables Pty Limited	Australia	**100**	100
Credit Corp Recoveries Pty Limited	Australia	**100**	100
Credit Corp Services (NH) Pty Limited	Australia	**100**	100
Credit Corp Services Pty Limited	Australia	**100**	100
Credit Corp Services US Collections Inc.	United States	**100**	100
Credit Corp Services US Holdings Inc.	United States	**100**	100
Credit Corp Solutions Inc.	United States	**100**	100
Credit Corp US Collections Pty Limited	Australia	**100**	100
Credit Corp Western Australia Pty Limited	Australia	**100**	100
Credit Plan B Pty Limited	Australia	**100**	100
Malthiest Pty Limited	Australia	**100**	100
Personal Insolvency Management Pty Limited	Australia	**100**	100
Torbige Pty Limited	Australia	**100**	100

A) Previously named Credit Corp Motor Traders Pty Limited. Name changed in May 2013.
B) Incorporated in August 2012.
C) Previously named Hifiel Pty Limited. Name changed in April 2013.

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 Company's strategic business unit. For the strategic business unit, the Consolidated Group'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.

NOTE 24: OPERATING SEGMENTS (CONTINUED)

Debt ledger purchasing

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

B) Geographic segments

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

	2013 $'000	2012 $'000

NOTE 25: CONTINGENT LIABILITIES

	2013 $'000	2012 $'000
The Company had contingent liabilities at 30 June 2013 in respect of:		
Bank guarantees	**1,308**	933
Licensure bonds	**1,545**	535
Total	**2,853**	1,468

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 losses are anticipated in respect of the above contingent liabilities.

NOTE 26: LEASING COMMITMENTS

Operating lease commitments

Leases as lessee

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

	2013 $'000	2012 $'000
Payable		
Within one year	**4,872**	3,683
Between one and five years	**7,264**	5,239
Later than five years	**—**	—
Total	**12,136**	8,922

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

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

NOTE 27: CAPITAL COMMITMENTS

	2013 $'000	2012 $'000
Within one year	**47,000**	40,000

The Consolidated Group is committed, through existing arrangements, to acquire PDLs that will become available in the coming months. The details of these arrangements are commercially confidential, however, the estimated investment is expected to be $47.0 million (2012: $40.0 million). These purchases will be funded by existing cash flows and bank facilities currently in place and will not require further capital raising.

NOTE 28: SUBSEQUENT EVENTS

No matters or circumstances have arisen since 30 June 2013, 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) Senior Executives

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
Ms Kristina White	Head of Business Services	Credit Corp Group Limited

	2013 $	2012 $
B) Non-Executive Director and senior executives compensation		
Short-term employee benefits	**2,734,283**	2,716,092
Other long-term benefits	**2,051,624**	2,607,650
Post-employment benefits	**132,775**	132,100
Total	**4,918,682**	5,455,841

Directors' and senior 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	Exercised	Cancelled	Closing balance at 30 June	Vested during the year	Vested and exercisable
	Number	Number	Number	Number	Number	Number
Year ended 30 June 2013						
Senior Executives						
Mr Thomas Beregi	**400,000**	**–**	**(400,000)**	**–**	**–**	**–**
Total	**400,000**	**–**	**(400,000)**	**–**	**–**	**–**
Year ended 30 June 2012						
Senior Executives						
Mr Thomas Beregi	400,000	–	–	400,000	–	400,000
Mr Matthew Angell	410,000	–	(410,000)	–	–	–
Ms Kristina White	50,000	–	(50,000)	–	–	–
Total	860,000	–	(460,000)	400,000	–	400,000

No options were granted to key management personnel as compensation during the 2013 or 2012 reporting periods and the final set of options issued in 2008 financial year were forfeited during the 2013 financial year.

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	Received on exercise of options	Changes during the year[a]	Closing balance at 30 June
	Number	Number	Number	Number
Year ended 30 June 2013				
Non-Executive Directors				
Mr Donald McLay (Chairman)	**2,260,135**	**–**	**(121,585)**	**2,138,550**
Mr Simon Calleia	**2,212,152**	**–**	**(1,100,000)**	**1,112,152**
Mr Eric Dodd	**10,000**	**–**	**–**	**10,000**
Mr Robert Shaw	**20,000**	**–**	**(6,000)**	**14,000**
Mr Richard Thomas	**9,984**	**–**	**–**	**9,984**
	4,512,271	**–**	**(1,227,585)**	**3,284,686**
Senior Executives				
Mr Thomas Beregi	**50,000**	**–**	**51,921**	**101,921**
Mr Matthew Angell	**60,076**	**–**	**(60,076)**	**–**
Mr Michael Eadie	**–**	**–**	**7,654**	**7,654**
Ms Kristina White	**19,178**	**–**	**5,036**	**24,214**
	129,254	**–**	**4,535**	**133,789**
Total	**4,641,525**	**–**	**(1,223,050)**	**3,418,475**
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
Senior Executives				
Mr Thomas Beregi	450,000	–	(400,000)	50,000
Mr Matthew Angell	51,389	–	8,687	60,076
Ms Kristina White	3,227	–	15,951	19,178
	504,616	–	(375,362)	129,254
Total	5,055,676	–	(414,151)	4,641,525

a) Other changes include shares granted via participations in the DESP and LTI plan and shares purchased or sold directly on the Australian Securities Exchange.

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 arrangements

a) EOP (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 or any employees of the Company as part of their remuneration in either the 2013 or 2012 financial years. No options have been issued since 2008 financial year.

i) Disclosure of EOP

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 2013										
3 Sep 2007	3 Sep 2012	**10.37**	**10.85**	**25**	**6.24**	**400,000**	**–**	**(400,000)**	**–**	**–**
Total						**400,000**	**–**	**(400,000)**	**–**	**–**
Weighted average exercise price						**$10.37**	**–**	**$10.37**	**$0.00**	**$0.00**
Year ended 30 June 2012										
1 Jul 2006	1 Jul 2011	6.50	7.10	20	5.75	60,000	–	(60,000)	–	–
1 Jul 2006	1 Jul 2011	7.01	7.10	20	5.75	15,000	–	(15,000)	–	–
3 Oct 2006	3 Oct 2011	8.12	8.27	20	5.49	59,000	–	(59,000)	–	–
3 Oct 2006	3 Oct 2011	8.13	8.27	20	5.49	30,000	–	(30,000)	–	–
13 Nov 2006	13 Nov 2011	8.13	7.89	20	5.57	20,000	–	(20,000)	–	–
14 Nov 2006	14 Nov 2011	7.93	7.80	20	5.60	50,000	–	(50,000)	–	–
2 Jan 2007	2 Jan 2012	8.20	8.04	20	5.90	470,000	–	(470,000)	–	–
8 Jan 2007	8 Jan 2012	8.00	8.05	20	5.85	16,500	–	(16,500)	–	–
6 Jun 2007	1 Jan 2012	10.40	11.58	25	6.11	240,000	–	(240,000)	–	–
3 Sep 2007	3 Sep 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

There are no options outstanding at 30 June 2013 (2012: 400,000).

No options were exercised during the 2013 reporting period (2012: nil).

NOTE 31: SHARE-BASED PAYMENTS (CONTINUED)

b) Employee share plan

i) DESP

The DESP is a non-transferable benefit provided by the Company to eligible employees of Credit Corp Group Limited or its related companies. Under the 2012 DESP, employees who completed at least two years of full-time equivalent service as at 1 September 2012 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 were granted.

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

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

ii) LTI

Please refer to the Remuneration Report for further details on the Company's LTI plan.

Details of shares issued under the DESP and LTI during the year ended 30 June 2013 (2012: 360,362) are as follows:

	Issue date	Fair value $	Number of shares issued
DESP	14 Sep 2012	6.7287	41,590
LTI	24 Sep 2012	6.4088	320,195
Total			**361,785**

	2013 $'000	2012 $'000
B) Share-based payment transactions		
Shares granted during the year		
DESP	**280**	228
LTI	**2,053**	1,300
Total	**2,333**	1,528
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 PDLs, deposits with banks, trade and other receivables, payables and borrowings.

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

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

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

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

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

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Consolidated Group holds the following financial instruments:

		2013 $'000	2012 $'000
Financial assets			
Cash and cash equivalents	8	**4,630**	2,831
Trade and other receivables	9	**15,752**	4,260
Purchased debt ledgers at amortised cost	10	**147,209**	129,146
Total		**167,591**	136,237
Financial liabilities			
Trade and other payables	15	**10,700**	10,363
Payables under contract of sale at amortised cost	15	**3,574**	571
Interest rate swap contract (effective portion)	16	**24**	—
Bank overdrafts and loans	18	**9,537**	—
Total		**23,835**	10,934

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.

i) Interest rate swap transactions

Interest rate swap transactions are entered into by the Consolidated Group to protect it from the risk of rising interest rates on its long-term borrowings and as a requirement of the loan facility agreement. The Consolidated Group's borrowing facility mandates a minimum hedging requirement 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.

The swap contract provides an effective hedge of $4 million of the Consolidated Group's projected floating interest rate exposure up to 30 June 2014. The swap contract is for a notional principal of $4 million and fixed interest rate of 3.23 per cent per annum.

The settlement dates of the interest rate swap contract closely aligns with the interest payment dates of the borrowings, which are drawn down for varying short-term maturities between 30 and 120 days. The net interest receivable or payable on the swap contract was brought to account as an adjustment to finance costs in the income statement.

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

ii) 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	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Financial assets									
Cash and cash equivalents	8	**—**	—	**4,630**	2,831	**—**	—	**4,630**	2,831
Trade and other receivables	9	**13,829**	3,664	**—**	—	**1,923**	596	**15,752**	4,260
Purchased debt ledgers at amortised cost	10	**—**	—	**—**	—	**147,209**	129,146	**147,209**	129,146
Total		**13,829**	3,664	**4,630**	2,831	**149,132**	129,742	**167,591**	136,237
Financial liabilities									
Trade and other payables	15	**—**	—	**—**	—	**10,700**	10,363	**10,700**	10,363
Payables under contract of sale at amortised cost	15	**—**	—	**—**	—	**3,574**	571	**3,574**	571
Interest rate swap contract (effective portion)	16	**24**	—	**—**	—	**—**	—	**24**	—
Bank overdrafts and loans	18	**4,000**	—	**5,537**	—	**—**	—	**9,537**	—
Total		**4,024**	—	**5,537**	—	**14,274**	10,934	**23,835**	10,934

iii) Fair value sensitivity analysis for fixed rate instruments

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

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

	2013 $'000	2012 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**46**	—
Decrease in interest rates by two percentage points	**—**	—
Change in equity		
Increase in interest rates by two percentage points	**46**	—
Decrease in interest rates by two percentage points	**—**	—

iv) Sensitivity analysis for variable rate instruments

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

	2013 $'000	2012 $'000
Change in net profit after tax		
Increase in interest rates by two percentage points	**(78)**	—
Decrease in interest rates by two percentage points	**78**	—
Change in equity		
Increase in interest rates by two percentage points	**(78)**	—
Decrease in interest rates by two percentage points	**78**	—

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

B) Liquidity risk

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

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

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

		Within 1 year		1 to 2 years		Over 2 years		Total	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Non-derivative financial liabilities									
Trade and other payables	15	**10,700**	10,363	**—**	—	**—**	—	**10,700**	10,363
Payables under contract of sale	15	**3,574**	571	**—**	—	**—**	—	**3,574**	571
Bank overdrafts and loans	18	**—**	—	**9,537**	—	**—**	—	**9,537**	—
Derivative financial liabilities									
Interest rate swap contract (effective portion)	16	**24**	—	**—**	—	**—**	—	**24**	—
Total		**14,298**	10,934	**9,537**	—	**—**	—	**23,835**	10,934

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

		Carrying amount		Expected cash flow		Within 1 year		1 to 2 years	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Derivative financial liabilities									
Interest rate swap contract (effective portion)	16	**24**	—	**—**	—	**24**	—	**(24)**	—
Total		**24**	—	**—**	—	**24**	—	**(24)**	—

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 impairment or losses, as disclosed in the Statement of Financial Position and notes to the financial statements.

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

	Note	2013 $'000	2012 $'000
a) Exposure to credit risk			
The carrying amount of the Company's financial assets represents the maximum credit exposure.			
Cash and cash equivalents	8	**4,630**	2,831
Trade and other receivables	9	**15,752**	4,260
Purchased debt ledgers at amortised cost	10	**147,209**	129,146
Total		**167,591**	136,237

NOTE 32: FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Note	2013 $'000	2012 $'000
AUD			
Australia	9	**15,752**	4,260
AA-rated counterparties		**—**	—
Counterparties not rated		**15,752**	4,260
Total		**15,752**	4,260

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

	2013 $'000	2012 $'000
Government	**72**	97
Banks	**469**	208
Other	**15,211**	3,956
Total	**15,752**	4,260

D) Fair value versus carrying amounts

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

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

Fair value hierarchy

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Year ended 30 June 2013				
Interest rate swaps and option contract (effective portion)	**—**	**(24)**	**—**	**(24)**
Year ended 30 June 2012				
Interest rate swaps and option contract (effective portion)	—	—	—	—

	2013 $'000	2012 $'000
NOTE 33: PARENT ENTITY INFORMATION		
A) Result of parent entity		
Profit for the year	**23,320**	19,445
Other comprehensive income	**(24)**	16
Total comprehensive income for the year	**23,296**	19,461

	2013 $'000	2012 $'000
NOTE 33: PARENT ENTITY INFORMATION (CONTINUED)		
B) Financial position of parent entity at year end		
Assets		
Total current assets	**73,146**	58,358
Total non-current assets	**97,721**	80,600
Total assets	**170,867**	138,958
Liabilities		
Total current liabilities	**23,989**	17,766
Total non-current liabilities	**63,405**	46,863
Total liabilities	**87,394**	64,629
Net assets	**83,473**	74,329
Equity		
Issued capital	**45,068**	42,735
Equity compensation reserve	**(24)**	402
Retained earnings	**38,429**	31,192
Total equity	**83,473**	74,329

C) Deed of cross guarantee

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

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

The subsidiaries subject to the Deed are:

– Alpha Credit Pty Limited
– Alupka Holdings Pty Limited
– Car Start Pty Limited
– Credit Corp Australia Pty Limited
– Credit Corp Collections Pty Limited
– Credit Corp Employee Share Administration Pty Limited
– Credit Corp Facilities Pty Limited
– Credit Corp Services Pty Limited
– Credit Corp Services (NH) Pty Limited
– Credit Corp US Collections Pty Limited
– Malthiest Pty Limited
– Torbige Pty Limited

Set out below are the consolidated income statement and the consolidated statement of financial position comprising the Company and the controlled entities that are parties to the Deed, after eliminating all transactions between these parties, at balance date.

	2013 $'000
a) Income statement	
Profit for the year	**23,771**
Other comprehensive income	**(24)**
Total comprehensive income for the year	**23,747**
b) Movements in retained earnings	
Opening balance	**34,476**
Lapsed options	**402**
Dividends recognised during the year	**(16,485)**
Net profit attributable to parties of the Closed Group	**23,747**
Closing balance	**42,140**

NOTE 33: PARENT ENTITY INFORMATION (CONTINUED)

c) Financial position

	2013 $'000
Current assets	
Cash and cash equivalents	3,451
Trade and other receivables	22,808
Purchased debt ledgers	49,922
Other assets	156
Total current assets	76,337
Non-current assets	
Other receivables	606
Purchased debt ledgers	87,352
Property, plant and equipment	710
Deferred tax assets	9,662
Intangible assets	800
Total non-current assets	99,130
Total assets	175,467
Current liabilities	
Trade and other payables	11,079
Payables under contract of sale	3,574
Derivatives	24
Current tax liabilities	5,873
Provisions	4,328
Total current liabilities	24,878
Non-current liabilities	
Financial liabilities	9,537
Provisions	53,868
Total non-current liabilities	63,405
Total liabilities	88,283
Net assets	87,184
Equity	
Issued capital	45,068
Equity compensation reserve	(24)
Retained earnings	42,140
Total equity	87,184

D) 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 (2012: nil).

NOTE 34: COMPANY DETAILS

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

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

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

Directors' declaration

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

A) the financial statements and notes, as set out on page 35 to 67 are in accordance with the *Corporations Act 2001*, and:

   a) give a true and fair view of the consolidated group's financial position as at 30 June 2013 and of its performance for the year ended on that date, and

   b) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS).

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

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

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

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

Donald McLay
Chairman

Robert Shaw
Director

Date: 6 August 2013

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

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 2013, 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.

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HALLCHADWICK

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

Auditor's Opinion

In our opinion:

a. the financial report of Credit Corp Group Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 26 to 33 of the directors' report for the year ended 30 June 2013. 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 2013 complies with Section 300A of the Corporations Act 2001.

Hall Chadwick
Level 29, 31 Market Street
Sydney NSW 2000

David Kenney
Partner

Date: 6 August 2013

Five-year financial summary

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Income and expenditure					
Purchased debt ledgers collections	**250,369**	230,442	205,289	178,806	152,950
Less: Purchased debt ledgers amortisation	**(119,451)**	(108,439)	(93,127)	(87,609)	(70,181)
Interest revenue from purchased debt ledgers	**130,918**	122,003	112,162	91,197	82,769
Other revenue	**11,659**	2,587	1,474	2,216	2,850
Total revenue	**142,577**	124,590	113,636	93,413	85,619
Profit after tax	**31,986**	26,578	21,024	13,543	10,862
Income tax expense	**13,742**	11,454	9,059	6,215	4,825
Net interest expense	**551**	1,570	5,357	7,848	10,004
Depreciation and impairment	**1,155**	1,652	1,242	1,989	1,482
Purchased debt ledgers amortisation	**119,451**	108,439	93,127	87,609	70,181
Adjusted EBITDA [A, B]	**166,885**	149,693	129,809	117,204	97,354
Financial position					
Current assets	**64,060**	60,689	59,121	69,718	65,784
Non-current assets	**116,168**	85,492	97,168	86,625	111,874
Intangible assets	**800**	800	800	800	1,520
Total assets	**181,028**	146,981	157,089	157,143	179,178
Current liabilities	**25,229**	17,926	48,187	25,805	12,564
Non-current liabilities	**16,007**	7,073	4,561	42,911	92,121
Total liabilities	**41,236**	24,999	52,748	68,716	104,685
Net assets	**139,792**	121,982	104,341	88,427	74,493
Borrowings	**9,537**	—	25,511	43,866	81,882
Shares on issue 000's	**45,933**	45,571	45,211	44,529	44,258
Cash flows					
From operating activities	**10,420**	38,739	24,940	41,088	45,301
From investing activities	**(726)**	(1,879)	(1,098)	(436)	172
From financing activities	**(7,895)**	(35,717)	(23,870)	(39,535)	(47,139)
Net increase / (decrease) in cash	**1,799**	1,143	(28)	1,117	(1,666)
Key statistics					
Earnings per share					
– Basic (cents)	**69.8**	58.4	46.9	30.5	25.9
– Diluted (cents)	**69.8**	58.4	46.9	30.3	25.8
Dividends per share (cents)	**37.0**	29.0	20.0	8.0	4.0
NPAT / revenue	**22.43%**	21.33%	18.50%	14.50%	12.69%
Return on equity	**24.44%**	23.49%	21.81%	16.63%	15.24%
NTA backing per share (cents)	**302.60**	265.92	229.02	196.79	164.88

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.

Shareholder information

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

Twenty largest shareholders as at 31 August 2013	Ordinary shares Number	%
J P Morgan Nominees Australia Limited	8,055,227	17.54
National Nominees Limited	7,895,558	17.19
HSBC Custody Nominees (Australia) Limited	4,332,865	9.43
Aust Executor Trustees SA Limited	1,883,087	4.10
Torres Industries Pty Limited	1,757,622	3.83
Slima Pty Limited	979,153	2.13
Dixson Trust Pty Limited	917,000	2.00
Citicorp Nominees Pty Limited	792,205	1.72
BNP Paribas Noms Pty Limited <DRP>	535,441	1.17
Credit Corp Employee Share Administration Pty Limited	472,427	1.03
UBS Wealth Management Australia Nominees Pty Limited	452,566	0.99
Brispot Nominees Pty Limited	350,114	0.76
Darrell James Pty Limited	300,000	0.65
BNP Paribas Nominees Pty Limited ACF Pengana <DRP A/C>	299,642	0.65
Garrett Smythe Limited	282,930	0.62
Upton Salvage Trading Pty Limited	282,441	0.61
UBS Nominees Pty Limited	252,125	0.55
Upton Holdings Pty Limited	167,376	0.36
Bond Street Custodians Limited	162,844	0.35
Berne No 132 Nominees Pty Limited	151,500	0.33
Total	**30,322,123**	**66.01**
Total ordinary shares as at 31 August 2013	**45,932,899**	**100.00**

Substantial shareholder

At 31 August 2013 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	Ordinary shares	%	Date of notice
Denver Investments	5,984,674	13.03	20 Jun 2013
Vinva Investment Management	2,985,731	6.50	15 Mar 2013
Georgia Division of Investment Services	2,351,062	5.12	17 May 2013

Details of ordinary shareholdings

Details of the spread of ordinary shareholdings at 31 August 2013 are:

Category	Number of shareholders	Number of shares	%
1 - 1,000	1,850	926,629	2.02
1,001 - 5,000	1,700	4,257,055	9.27
5,001 - 10,000	372	2,764,802	6.02
10,001 - 100,000	285	7,831,014	17.05
100,001 and over	24	30,153,399	65.64
Total	**4,231**	**45,932,899**	**100.00**

101 shareholders (representing 1,571 fully paid ordinary shares) held less than a marketable parcel.

Corporate directory

Other information

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

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

Dividend Reinvestment Plan (DRP)

The dividend reinvestment plan is currently suspended.

Voting rights

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

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

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

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

Options

There are no voting rights attached to the options.

Unquoted equity securities

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

Enquiries

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

Credit Corp Group Limited

ABN 33 092 697 151

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

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

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

Auditor

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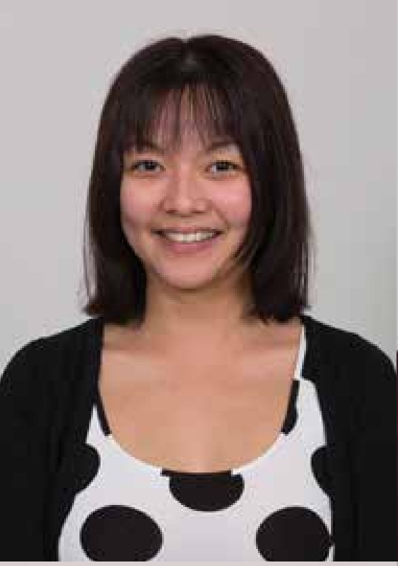







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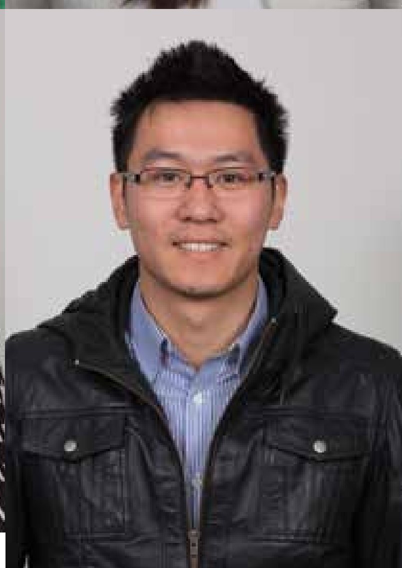

Credit Corp Group